To: House Committee on General, Housing and Military Affairs
From: Laura Soares, Former President of VEHI
Re: H.63 and H.81
Date: January 21, 2021

Thank you, Chairperson Stevens, for the opportunity to testify today. My name is Laura Soares, and for nearly a decade I was President of the Vermont Education Health Initiative, VEHI, the non-profit member organization that provides health and dental benefits for Vermont school districts and their employees. I retired December 31st, but during my tenure, along with my colleague Mark Hage of Vermont- NEA, I was responsible for developing the health plans that are currently offered to public school employees. I was asked by the VSBA to provide an overview of the current health plans, how the current employee cost-share arrangement, that began on January 1st as a result of the arbitrator's decision, impacts VEHI's premiums and how VEHI's health plans and the current HRAs together work to cover costs incurred by school employees.

Since 2018, VEHI has offered employees a choice of four health plans, all of which have the same expansive BCBSVT international network of hospitals and providers, and all of which cover the same comprehensive medical and pharmacy benefits and services the prior plans did, with the additional advantage of the current plans covering preventive care covered at 100%.

VEHI sets premium rates as low as responsibly possible, to ensure no more funds than needed are tied up in health or dental plans. Rates are developed by actuaries and the VEHI Board determines any adjustments necessary to draw down or build up the program's reserve funds. VEHI is regulated by the Department of Financial Regulation.

Beginning in 2015, VEHI developed the current health plans with lower premiums and higher out of pocket costs for three main reasons: 1) avoid the federal "cadillac" tax that was a part of the 2010 Affordable Care Act (this excise tax was eventually repealed in 2019); 2) unlock some of the taxpayer dollars tied up in the high premiums of the 95% actuarial value (AV) plans offered in 2017; and 3) save the system money, <u>reducing overall health care spending</u> by engaging school employees, who would have a greater share of the cost of their Rx and medical care, in selecting lower cost generic prescription options and working with their providers to make healthcare decisions that considered cost of medical care when appropriate to do so, thereby reducing the use of low value care and saving the educational system money. Small changes made across the 34,000 individuals VEHI covers in these plans could have added up to millions of dollars of savings without compromising care. If half of the covered lives, 17,000 people, each saved just $200 in a year through these types of actions, that would equate to 3.4 million dollars per year, or about 1.5% off a future premium increase. These savings would have slowed premium increases, thereby saving money for both taxpayers who fund school budgets, and school employees who share in the cost of the premium. Unfortunately, this last goal has not been achieved to date.

The HRA benefits now in place as a result of the arbitrator's decision increase the AV of the Gold CDHP (the health plan the vast majority of public school employees are in and therefore the plan I am referencing in this presentation) from 84.4% to 97.5% for licensed staff and 98.1% for unlicensed staff. **VEHI premium's double digit increase the last four years has been driven to a significant degree by the need to raise the premium to reflect the underpricing that has continued through the current year because the anticipated potential savings to the system overall has not materialized to any significant degree.** These savings have not materialized because the HRA is paying for 100% of prescription medications for virtually all employees and their families and the HRA is also covering such a large percentage of the annual out of pocket maximum of $2,500 for a single person or $5,000 for plans with more than one person enrolled, that there is no incentive for the subscribers to consider the cost of prescriptions or medical care or lower cost alternatives.

I have a few slides that will outline the current health benefits that started on January 1 and will be in place through the end of 2022. **(Please see appended document)**

In summary, with the current HRA benefit limiting employees' obligation to $300/$400/$600 or $800 (depending on licensure status and single, two-person or family plan selection) in conjunction with the employee dollar obligation only being realized after thousands of dollars of medical or prescription services have been utilized, we have been unable to achieve one of the primary goals of the health plans introduced in 2018, which was saving the educational system money without negatively impacting the healthcare of school employees and their families and have slowing premium increases instead of increasing them. I use the word 'we' because this impacts all Vermonters - those of us who work in the schools and share in the cost of the premium, all of us who care about high quality education to our students, especially in this unprecedented time, and the ability to provide a fair total compensation package to all school employees who have done and are doing an amazing job adapting to the pandemic, and the taxpayers of Vemront who are already strained in their ability to pay.

Thank you again for this opportunity.