To: Senate Education Committee
From: Laura Soares, Former President of VEHI, Member of the Commission
Re: H.81
Date: March 9, 2021

Thank you, Chairperson Campion and Members of the Committee, 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 and BCBSVT, I was responsible for developing the current health plans that came online in 2018 and for developing the annual health premium rates. I have recently been appointed by VSBA as a member of the Commission on Public School Employee Health Benefits and was asked to speak to four items raised when H.81 was introduced to the Committee.

First, as a group, employees are currently paying less for healthcare now than they were in 2017. The cost increases during this time have been borne by the employer and therefore property taxpayers. In addition, until the recent Commission outcome, school employees in all positions were treated the same when it came to out-of-pocket costs, just like state employees still are today.

Second, Actuarial Value allows for the comparison of various health plans and it should be available to fulfill the Act 11 requirement that the arbitrator or arbitrators compare the proposed health benefits for school employees to the health benefits of other employees in the public and private sectors in Vermont when making a determination on which offer to select. AV is a critical benchmark, and it should not be a burden for the Commission to determine incremental change. I will speak to this further in a moment.

Third, decisions of the Commission on the value of the HRA benefit have a direct impact on future VEHI premium increases. The more generous the HRA, the higher the premium of the health plan.

Finally, I will clarify, and correct for the record, the FY 22 VEHI health rate increases.

Please allow me to briefly expand on each of these.

1. Current Affordability of the Health Plans

(Please note, the vast majority of school employees are enrolled in the Gold CDHP, therefore this is the plan I am speaking to.)

A **single employee** paying 20% of the Gold CDHP premium in 2021 **is paying $250 less in premium** than they would be paying if they stayed in the 2017 VEHI VHP health plan at 17% premium share when adjusted for 2021. This grows to **$620 in savings if they were paying a 20%**

premium share of the VHP. This assumes the VHP premium increased a modest 6.3% per year, instead of the double digit increases we have been seeing. If VHP premiums saw greater increases, the savings would increase as well.

This is also true for the family plan. An employee enrolled in a family plan paying 20% of the Gold CDHP in 2021 is paying **$420 less** than 17% of the VHP premium or **$1,390 less** than 20% of the VHP premium under the same assumptions.

In addition, in the VHP the employee would have <u>**no employer HRA**</u> but would pay all copays for prescriptions and office visits themselves with <u>no cap</u> on medical expenses, a cap of <u>$650</u> on prescriptions, and preventive care and wellness medications subject to out-of-pocket cost as well.

All employees now have access to an HRA to assist with out-of-pocket costs. Because the employer HRA pays first, and the HRA must be fully used up before the employee has any out-of-pocket responsibility, an unlicensed employee in a single plan in 2021 will need to receive, in addition to preventive care and wellness medications at no cost, $3,800 of prescriptions and/or medical care **before they have any out-of-pocket cost exposure**. They would then share in <u>20% of cost</u> if they need additional medical care (the HRA having paid 100% of their RX maximum limit already) so that **the employee pays no more than $300 for $5,300 in services.** VEHI would then pay 100% of any future costs for the calendar year. <u>Please see the accompanying slides with my testimony for a visual representation.</u>

Even after taking a 20% premium share into account (the most any unlicensed employee could pay in 2021, and many pay less than 20% right now) and the increase in premium that will occur on July 1st, **an unlicensed employee in a single plan who has significant healthcare needs can spend no more than $2,128 for premium and out-of-pocket combined for the entirety of 2021.** In the VHP they would have paid $2,448 in premium plus all of their out-of-pocket costs.

For a family plan, an unlicensed employee can pay no more than $5,662 in premium and out-of-pocket combined in 2021, and that would require they utilize $10,600 in medical and Rx. In the VHP this same employee would have paid $6,451 plus all of their out-of-pocket costs.

In both premium share and out-of-pocket exposure, employees are better off in 2021 than they were in 2017. This demonstrates that the cost of healthcare over the past several years has shifted away from employees and onto the employers, increasing the pressure on school budgets and the burden on taxpayers.

A reminder, that prior to 2018 **all school employees, licensed and unlicensed, had the same copays, deductible and coinsurance obligations, without help from employers with HRAs** (with very few exceptions). In addition, it is my understanding from school districts with regards to local bargaining, that from 2018-2020 most employers provided the same value HRAs to all employees regardless of position. **The concept that lower paid school employees have**

historically had more favorable out-of-pocket assistance than higher paid employees does not stand up.

2. Actuarial Value

Actuarial Value, or AV, is a term many of us heard for the first time when Vermont Health Connect (VHC) came online in 2014. **AV allows us to compare health plans quickly** to determine which plan has higher out-of-pocket (OOP) cost with a lower premium, and which one will have a higher premium with lower OOP costs. The Platinum plans on VHC has the highest premiums and AVs of 90%. The majority of individuals enrolled in VHC plans are in the Silver or Bronze plans. VEHI's VHP, which I just referenced, had an AV of 95% when it closed in 2017.

Adding an HRA raises the AV of the health plan because it shifts out-of-pocket costs away from employees and on to employers. The more dollars the employer puts in an HRA, the higher the premium needs to be to compensate. This is a dynamic is considered by actuaries when setting health plan premiums.

Once the current HRA value is taken into account the AV of the Gold CDHP is 98.1% for unlicensed employees and 97.5% for licensed employees. I am aware of no other plan available to Vermonters with a higher AV.

As I mentioned, VEHI must take the HRA into account when setting premium rates, otherwise VEHI would not collect enough premium to cover claims, causing a loss to VEHI and spikes in future premiums to both collect sufficient premium dollars the next year and to rebuild VEHI reserves as required by the Department of Financial Regulation. **This is what has been happening the last four years with VEHI's double digit premium increases, as VEHI premiums are trying to catch up with the increasing value of the HRA.**

The AV of the VEHI health plans including the current HRA amounts for licensed and unlicensed employees <u>are already calculated</u> for VEHI by the BCBSVT actuaries. The language suggested by VSBA, school boards and the employer Commissioners to incorporate into H.81 would only necessitate the Commission determine the **<u>incremental change of the AV already calculated to take into account any new HRA amount either side is proposing</u>.** The employer Commissioners have asked VEHI/BCBSVT to provide the formula they use now, giving the Commission the ability to enter the new HRA value and see the impact without needing to do a full AV analysis. **We do not see this as a significant burden, but a critical benchmark needed to comply with the language of Act 11 which requires that the arbitrator or arbitrators to consider comparable health benefits available to other Vermonters when selecting one of two the last best offers. Actuarial Value provides the ability to make this comparison.**

3. **Commission Decisions on HRAs Impact on Future Premium Increases.**

In introducing the bill, Representative Walz indicated that neither school district employers nor school employees have control over premium level or increases in premium. This is a common misconception but having been intricately involved in premium rate setting for a decade, I can assure you that **both the decisions of individuals and the bargaining of the Commission can help VEHI slow premium increases, or conversely, can result in higher premium increases.**

Of course, the largest driver of health premiums is the rising costs of prescription drugs, especially specialty medications, and the increasing costs of a fee-for-service model. These areas **are** beyond the control of individuals. Rather, the state, GMCB, legislature, OneCare Vermont, BCBSVT and VEHI are all working in this area.

But just as important as these longer-term policy efforts, i**s making sure every claims dollar paid by VEHI, the employer HRA or by employees themselves is providing value for school employees and their families. The engagement of those who use healthcare and prescription medication in working with VEHI and their providers to reduce low value care can make a significant impact.** Low value care includes duplicative care such as getting an x-ray twice for the same injury rather than having the image available to multiple providers. It includes not using every prior-approved physical therapy appointment, only those that are still improving the condition. Most importantly, because **prescription drugs are very price-sensitive to consumer decisions**, it is about asking for the generic or preferred brand drug when one is available.

While these small decisions may not seem like a lot, because VEHI covers 34,000 lives they can really add up. If just over half of these individuals were able to avoid $100 a year, that would be 2 million dollars of avoided costs. With one percent of premium approaching 2.7 million dollars, engaged consumers of healthcare and prescription drugs could shave a percent off the next premium increase. This is why VEHI just developed a flyer on Rx costs for school employees on how they can help VEHI save three-quarters of a million dollars a year just by shifting to generic drugs. **There are many such decisions that can save costs while making sure employees and their families still get the healthcare and prescription drugs they need.**

One important **incentive for individuals** to think about cost when it makes sense to do so (and it does not make sense in a medical emergency or with certain health conditions like a cancer diagnosis or a premature birth), is for **the individual to be aware of the cost and see the benefit to themselves directly**. This is where the final Commission determination on how much of the employee out-of-pocket costs will be covered by the employer with an HRA comes into play.

When VEHI set rates for the new health plans the premiums were significantly lower than the 2017 plans because actuaries expect that people will take cost into consideration when accessing healthcare and prescription medication when they have higher out-of-pocket costs. **The new health plans should have raised awareness of prices, engaged school employees as partners,**

and resulted in a reduction in overall claims expense, saving money for both employers and employees, and helping to keep VEHI premiums reasonable.

However, the HRAs provided by school districts, and now the Commission, have been far more generous than VEHI and the actuaries anticipated, and the double-digit premium increases, averaging just under 11% for the past for years, directly reflects this. Forty-three percent of the increase the last four years has been because of the underpricing of the plans. That is tens of millions of dollars that could have been avoided but weren't.

4. **Clarify the VEHI FY 22 Rate Increases**

Representative Walz indicated that VEHI's rate increase for FY 22 averages 11.58% and that the most popular plan is increasing over 18%. While VEHI's rate increases over the past four years has averaged just under 11%, in FY 21 the average increase is **9.8%** and for the most popular plan, in which 85% of school employees enrolled, that increase will be **9.6%.**