

Vermont Employer Healthcare Commissioners

"The cost of healthcare benefits must be affordable for everyone."



TO: House Committee on Health Care

Employer Commissioners

FROM: Mark Koenig, Chair of the Employer Commissioners, Commission on Public School Employee Health Benefits

*Mark Koenig
Chair*

RE: Response to Committee Discussion on January 9, 2024 (reviewing testimony from House Education Committee on public school employee health benefits)

Susan Prescott

Patrick Healy

DATE: January 11, 2024

Kim Farnham

Adrienne Raymond

We are writing in response to the House Health Care 1-09-2024 – 2:30 pm video, found here: [House Health Care 1-09-2024 - 2:30PM \(youtube.com\)](https://www.youtube.com/watch?v=House Health Care 1-09-2024 - 2:30PM), specifically the portion beginning around 33:15 that reviews the testimony from the House Education meeting reviewing the increases to health care for the public schools. While we listened to the recap, we noticed some misunderstandings and some unanswered questions that we hoped to clarify.

Employer Commissioners Alternates

Representative Bobby Farlice-Rubio did a great job summarizing what he heard in the days of testimony, but there were a couple of things that he misunderstood from the testimony. First, the Actuarial Values of the plans both now, and prior to the plan changes in 2018 are in the platinum plus range of the mid-to high 90s.

Akua Smith

Michael Moser

When the new plans were filed for 2018 the memo references the actuarial values* of the plans as 74.4% - 88.4%, as the plans have increased in value (because they have not been updated since) they are now reflected at 83.6% - 93.1% - this does not include any funding. The initial memo also models HRA funding of 50% or 75%, however, HRA funding is now 76-80% for licensed employees and 88% for non-licensed employees. This funding along with the plan design is now at an AV value of 91.7% - 98% for public school employees. Which means, on average, school employees are responsible for 2% - 8.3% of their claim costs. This would be considered well above the minimum platinum level of 90% (healthcare.gov).

Staff & Partners

*Joe McNeil
Chief Negotiator*

As noted above, because the plan designs have not been updated since 2018, the actuarial value inherently increases each year as prices go up and member exposure remains the same. In the FY 25 filing, **1.7% of the 13.8%** increase is specifically due to this actuarial adjustment.

*Sue Ceglowski
Executive Director
Vermont School
Boards Association*

Blue Cross Vermont's administrative fees are approximately **4.2%** of the VEHI spending allocation (according to the VEHI testimony's pie chart), including (but are not limited to) actuarial/underwriting services, medical staff for prior approvals, case management and Better Beginnings, as well as customer service for VEHI's 36,000~ members, a wellness partnership, and processing an average of 25 million dollars' worth of claims each month.

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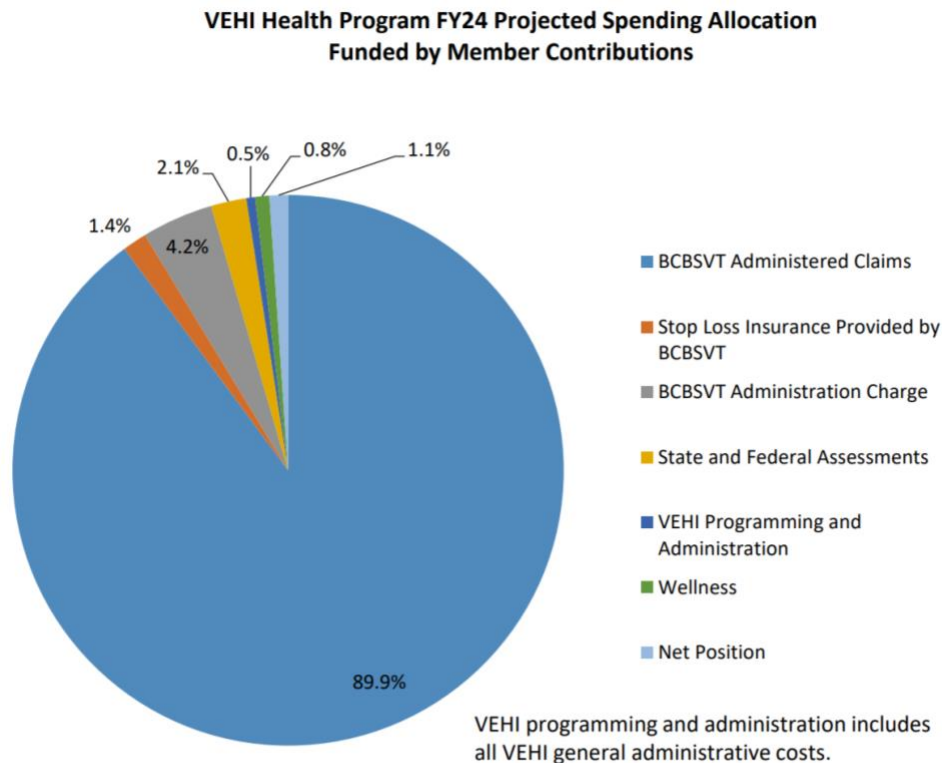
The VEHI administrative cost is **0.5%** according to the VEHI testimony's pie chart (inserted below). It was asserted in the meeting that VEHI's costs were 5%, which is not correct. The PATH wellness program is a separate 0.8%.

The per account charge for the HRA/HSA funding through a TPA is not included in the rates, and ranges from \$1.75 - \$6.00 per account per month (according to VEHI.org) which would equate to \$21 - \$60 per account per year. The amount paid out of the HRA to cover claims is also not included in the premiums or pie chart and is an additional significant cost to the employer district. This represents anywhere from \$1,900 - \$4,400 per employee (depending on their employee segment and their policy type single vs family). This is not included in the premiums facing the 16.4% increase but is an additional cost to cover public school employees under the current bargaining agreement.

Finally, the one aspect of testimony provided to the House Education Committee that seemed to really catch its member's attention was the skyrocketing cost of insurance premiums. The total annual premium cost of the Family Gold CDHP in FY18 was \$17,394. In the following years, premiums have increased at an average annual rate of 11.2%. In FY25, the premiums for this same healthcare plan will cost \$36,548. At the current level of growth, the Family Gold CDHP in FY30 will rise to \$62,142 – a 257% increase in just 12 years. FY31's premium will be just shy of \$70,000. Please note that these numbers do not include HRAs, HSAs, or out-of-pocket payments for healthcare service.

Thank you for allowing us to provide you with these clarifications and additional information.

****Actuarial value - Under the ACA, individual and small group health plans must fit into one of four categories, which are determined based on each plan's actuarial value. A plan with an AV of roughly 60% will be a bronze plan, while a plan with an AV of roughly 90% will be a platinum plan. (Norris, 2023). Retrieved at <https://www.verywellhealth.com/actuarial-value-and-your-health-insurance-4147819#:~:text=Under%20the%20ACA%2C%20individual%20and,will%20be%20a%20platinum%20plan.>***



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