

Dear House Committee on Health Care,

After a careful reading of House Bill 585 “An act relating to health insurance reforms,” I write to express my deep concern as a constituent, nonprofit consultant, 501(c)3 board advisor, and member of several governing and advisory boards in this sector. Specifically, I am concerned about the governance precedent set in § 4513a. *Board of Directors*, beginning on page two (2) of the [draft bill](#) as of Wednesday, February 25, 2026.

For context, I have worked in, built, and advised nonprofits since 2007, beginning at a small nonprofit in the Northeast Kingdom to my current work as a nonprofit strategy consultant for 501(c)3 nonprofits, 501(c)4 nonprofits, and foundations across the country. I have recruited and advised executives at the Board of Directors and senior director levels throughout this time in California, Connecticut, Maine, Massachusetts, Michigan, New Jersey, New Mexico, New York, Oregon, Pennsylvania, Rhode Island, Washington D.C., and Washington state. Recently, I advised on the merger of a Vermont-based nonprofit and a New Hampshire-based nonprofit, including organizational and governance redesigns, and co-designed many new governance, financial, and operational controls at the Pride Center of Vermont. I have also served on several 501(c)3 boards of directors, quasi-governmental boards, and municipal policy/advisory bodies. As such, I have deep fluency in nonprofit governance, fiduciary responsibilities, executive compensation, and organizational design practice and theory.

My concern related to the aforementioned section of H.585 surrounds § 4513a as written and § 4513a.(c)(3) relating to director termination. Specifically:

- ❖ I see significant precedent and legal risks in having any type of gubernatorial or legislative appointee on a 501(c)3 nonprofit corporation board of directors with voting rights.
- ❖ I also see potential fiduciary, legal liability, and political interference risk in having removal of said appointee rest solely in the authority of the appointing body.

As I understand it from reading the proposed legislation and reviewing previously-provided testimony to the House Committee on Health Care, the intent of H.585 is to increase public accountability and representation; implement tighter oversight of executive compensation practices; and ensure improved regulation in a complicated sector where the Department of Financial Regulation may not have direct purview or limited departmental staff capacity.

I have less concern around the intention for public accountability and compensation transparency of health insurers and more about the governance precedent set by an executive or legislative branch appointment to an independent nonprofit board. Under current nonprofit corporation law, governance boards exist to provide independent oversight of and responsibility to *that organization*. By inserting executive or legislative appointees on the boards of nonprofit health insurers as they are currently structured under entity formation law, this bill assuredly sets the precedent for future legislatures and/or governors to insert similar board appointees at nonprofits that those legislative and governing bodies/officials deem to be affecting public welfare. This is a slippery slope. Given the political winds or topics of concern of the day, those bodies/officials may choose to leverage this precedent and add appointees to education nonprofits, community development nonprofits, hospital systems, food nonprofits, affordable housing nonprofits, or indeed any other nonprofit corporation. This also has wider implications. This precedent lays the legislative

and legal framework for, say, the Maine legislature to require legislative appointments to the board of the Maine Association of Realtors or the legislature of Florida to require gubernatorial appointees to the board of a local Planned Parenthood nonprofit. A 501(c)3 health insurer in Vermont is no different, governance-wise, than any other 501(c)3 corporation. If the intent is to have more public accountability and oversight for only two specific and unique Vermont entities, it is my professional opinion that the status of these organizations as nonprofits be reexamined, rather than setting a precedent that places at risk the governance integrity of every other nonprofit.

After a review of other state insurance systems, I have found no precedent for this type of governance structure augmentation by a state executive branch or legislature. If I am mistaken and missed this, please accept my apologies and direct me to the correct information. While anecdotal, I would also like to say that from my work over the last 19 years recruiting and advising members of nonprofit and foundation boards of directors and my service on such boards, I have never seen this level of government insertion into a governance structure specifically designed to be independent.

I have also found the language in the bill related to the removal of said board appointees to be troublesome. If an elected body or person has the authority to appoint members of a nonprofit's board of directors and over their persistence of service, while all other members are bound by the terms laid out in the organization's bylaws, this raises fiduciary concerns around who has management of a director's service in the event of an ethics, code of conduct, or conflict of interest violation. An appointed director may commit such violations with no capacity for the rest of the board to hold them accountable via removal. This potentially opens the door to legal and financial liability based merely on the whims of a political entity. Thus, this represents political risk, legal risk, optics risk, and introduces the potential for partisanship for any 501(c)3 nonprofit corporation.

If the intention is to have increased oversight, tighter regulatory control, pay transparency, and/or public scrutiny over health insurer executive compensation, I can respect that. As written, however, H.585 attempts this with massive risk to the organization itself, in direct opposition to a board's fiduciary responsibilities. It also introduces this precedent risk to any and all other nonprofit boards in Vermont and everywhere else in the United States. The bill would insert political appointees into a governance structure that is meant to be independent. The precedent risk is real and represents the potential for governance creep in a nonprofit sector that is already regulated by both the IRS and the Secretary of State's Office.

A cleaner option would be to simply remove the requirement for any gubernatorial (or legislative) appointment to an independent nonprofit board and maintain (or even more tightly define) the parameters for consumer representation on these boards with clear eligibility standards as written. This, in my professional opinion, is reasonable. Legislatures have the full authority to regulate corporate governance structures, although I also have general governance efficacy and fiduciary concerns for this model.

Given the goals of H.585, the Committee may also consider changing the legal corporate structure of health insurers from a nonprofit corporation to something more akin to a public utility. This is my strongest recommendation.

As written, the bill opens the door for political appointees to any and all nonprofit boards in the state and indeed the rest of the country. This has the potential to be in direct violation of the fiduciary responsibility of a board of directors (or trustees, advisors, regents, &c.) and set the precedent for political interference.

Sincerely,

A handwritten signature in black ink, appearing to read "Connor D. Daley". The signature is stylized and fluid, with a long, sweeping underline that extends to the right.

Connor D. Daley
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