

Overview of VEHI Testimony to Senate Finance Committee

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Exploratory Discussion: *The Vermont Education Health Initiative (VEHI) desires legislative authorization to function as an Inter-municipal Insurance Association off exchange to continue serving Vermont school districts, local unions and the Vermont State Teachers Retirement System.*

- a. Our goal is to have redesigned benefit plans available by July 1, 2017 (FY 18), which will be competitive with those marketed by Vermont Health Connect. This means they will be ACA-compliant in benefits, significantly lower in premiums, non-grandfathered, and compatible with medical savings accounts (HRAs and HSAs).
- b. Participation by schools and VSTRS under this arrangement would be voluntary.
- c. VEHI would maintain its 20-plus year collaboration with BCBSVT and wellness programs.

This proposal offers several advantages and opportunities:

1. A preliminary cost analysis shows potential savings to school districts of between \$18 and \$35 million. (See *"Modeling of Potential Cost Savings if VEHI Offers Non-Grandfathered, ACA-Compliant, Lower AV Plans Off Exchange."*).
2. The Trust will continue helping VSTRS control medical and Rx costs. VSTRS is our largest member and has saved millions of dollars by being part of VEHI's risk pool. In 2014 alone, CMS estimates the retirement system will save \$3.4 million in pharmaceutical costs because it partnered with VEHI to implement a new drug benefit program (EGWP) for Medicare retirees.
3. As an Inter-municipal Insurance Association, VEHI is exempt from the federal health insurer tax, which will save taxpayers an estimated \$7.9 million in 2015. This fee is scheduled to increase annually.
4. Over the last decade, VEHI's rates rose on average only a modest 4.9%, saving school districts, employees and taxpayers millions of dollars. Our relatively low rate increases is due, in part, to our 25-year investment in wellness initiatives.
5. New plans with lower actuarial values (thus, lower premiums) will push out the date of impact of the ACA's excise tax, far enough in the future, we hope, to see the repeal of this provision.
6. VEHI is a non-profit, member-owned health pool, which means every dollar collected is invested in member school districts and VSTRS. Funds not allocated to pay claims or program costs are utilized to lower future rate increases.
7. VEHI sets rates on a fiscal-year basis, which ensures that school budgets include actual rates for the upcoming year, which prevents cost speculation and over-budgeting for health insurance.

8. VEHI, as it's done for more than 20 years, will continue working with school management and local unions to provide timely, accurate and trusted information on the utilization of health benefits and the cost implications of decisions consumers make when seeking care.

If VEHI secures legislative authorization to function as an Inter-municipal Insurance Association off exchange before the current session ends, it would enable us to assist with or expedite the following steps:

1. Providing school districts and local unions with assurances that a stable transition from grandfathered health plans to ACA-compliant plans off exchange can be facilitated, if they remain VEHI members, through VEHI's labor-management structure rather than through VHC or, if the latter is closed in the near future, through the federal health exchange portal.
2. Allotting time for VEHI and BCBSVT to develop alternative plan designs available for enrollment by FY 18.
3. Seeking input from school districts and local unions on the future of VEHI's plan designs.
4. Giving school districts and local unions detailed guidance on the future market options for employer-sponsored health benefits in Vermont, on or off exchange, in time for their next cycle of collective bargaining.
5. Informing school budget deliberations, especially in light of current worries about the 2018 excise tax and legislative proposals being debated now on how to curtail education spending.
6. Educating school employees on the differences between high and low actuarial value plans and the purposes of medical savings accounts.
7. Providing the Vermont Department of Financial Regulation with maximum time to review and approve changes to VEHI's Financial and Operational Plans, and to incorporate knowledge of new plan designs into the next renewal process.
8. Informing the general public/taxpayers of the actions taken by VEHI and the legislature to control health care costs for school employee post-ACA and to avoid two reform fees, the excise tax and Health Insurer Fee.