



VEHI Update: The Future

April 27, 2015

This memo will update our members, their employees and local unions on recent actions by the VEHI Board of Directors to find a way for VEHI to continue providing high-value health plans and other products and services to school districts and VSTRS in Vermont's evolving health insurance market.

Given the uncertainty around health care reform over the past five years, including the advent of Vermont Health Connect and the potential for Green Mountain Care, **the vast majority of VEHI members accepted the limitations of grandfathered status until more was known regarding the alternatives.** At this point, it's clear that VHC is a viable competitive option and GMC is not on the near horizon. We also know that the ACA's strict conditions on grandfathered status make the likelihood of retaining grandfathered status highly improbable and untenable for many parties.

As critically, in addition to local budgetary issues, VEHI members must adapt to the changes in the health insurance landscape, including the federal excise tax and new market norms regarding actuarial values and out-of-pocket costs. Flexibility in health plan design will be required of VEHI if it is to continue to provide value to members and compete in this new health insurance marketplace. The ACA's limitations on grandfathered plans do not provide this flexibility.

VEHI Designs New Health Plans

The VEHI Board, therefore, is committed to the goal of offering non-grandfathered, ACA-compliant, lower-cost benefit plans off-exchange. These plans will be comprehensive in coverage, affordable, provide appropriate access to state and national medical networks, reflect the design dynamics of the post-ACA health insurance market, and allow districts to put more distance between their benefit plans and the federal excise tax.

To this end, the VEHI Board took two steps at its April 27th meeting. First, the Board unanimously authorized the development of new health plans for active employees. The Board's target date for making these plans available to eligible school districts is **July 1, 2017 (FY18).** These new plans will replace VEHI's current health plans.

Further, it authorized its Trust Administrators to expand discussions with the legislature and administration on securing legislation for VEHI to operate off-exchange in the future.

VEHI is pursuing legislative authorization to function off-exchange

The Trust is advocating to secure legislative authorization that would permit VEHI to serve VSTRS and school districts of all sizes off-exchange with an array of new non-grandfathered benefit plans. Such authorization, we expect, will be granted or denied no later than the close of the 2016 legislative session.

If authorization is denied, VEHI's new plans will only be available to school districts with more than 100 full-time employees. These schools are not required nor permitted at present under state law to purchase on Vermont Health Connect.

Additionally, the number of schools that are potentially eligible to take advantage of new VEHI plans may increase dramatically over the next few years, depending on the outcome of legislation on school district restructuring and voluntary merger discussions within the state. VEHI, in other words, may be well positioned to serve most Vermont schools, even if the requested authorization it is seeking from the legislature does not come to pass.

Developing new, non-grandfathered health plans for VEHI

Our new health benefit plans will be developed with input from all stakeholders in conjunction with BCBSVT and VEHI's Board of Directors. Look for opportunities to provide input in the fall of 2015. In order to offer new plans beginning July 1, 2017, we are looking to complete our design work sometime in the spring of 2016, subject to final rate approval by the Vermont Department of Financial Regulation.

Moreover, VEHI plans provided to retirees through the Vermont State Teacher's Retirement System will be studied and modifications explored in conjunction with the appropriate parties, taking into account this body's unique demographics and financial conditions, as well as the long-term sustainability of the VEHI health program. The Board authorized its Trust Administrators to work with the State Treasurer and the Vermont State Teacher's Retirement System to explore future options, including new health plan designs, for retirees.

To summarize, VEHI expects by the end of the 2016 legislative session to know what its future will be. There are two paths we are exploring vigorously (see a & b below), one of which requires legislative authorization. There is a third option (c), too, which is being discussed by the legislature and others.

- a. **Without any action by the legislature**, VEHI anticipates being able to continue to serve "large" school districts (those with more than 100 full-time employees) off-exchange and make available to these districts new non-grandfathered health plans. These large districts may also elect to purchase health plans directly from insurance carriers or, at some point, may be able to purchase on VHC.
- b. **If the Legislature allows VEHI** to function off-exchange for all school districts, small and large, then all current members can elect to remain with VEHI in our new plans.

Districts with fewer than 100 full-time employees would also retain the option of purchasing from Vermont Health Connect.

- c. **The legislature may pursue other avenues** in health insurance that may preclude VEHI from continuing to offer a health program at some point in the near future. This includes the creation of a health insurance risk pool for all active and retired public sector workers – educational, state and municipal. VEHI will be a party to any formal discussions in this area, bringing to the conversation our two decades of success operating a health benefits pool. If a public health pool is formed, VEHI is committed to assisting members, employees and the state in the transition to it.

Transitioning to the New VEHI Health Plans

Our conversations with legislative committees and leaders to date have been cordial and productive. The same is true of our interactions with the Shumlin administration.

What is clear, though, in our dialogue with public policy makers, is that if off-exchange authorization is granted, it will be predicated on the assumption that VEHI's new status and plans will produce substantial savings for all parties, help lower and stabilize property taxes, retain access to affordable, high-quality medical care for employees and their families, and keep the excise tax at bay.

To achieve these goals, therefore, our new plans must replace our current offerings for eligible members in a reasonably expedited fashion, consistent with local collective bargaining cycles or special transitional language the parties have already negotiated. This is why we are working hard to have our new plans approved by the spring of 2016 and available by July 1, 2017, in anticipation of the legislature clearing the way for us to operate off-exchange. We want school districts and local unions to have the opportunity to get started on the transition as soon as feasible, without putting an undue burden on either.

Bear in mind, too, there is a great deal of outreach and education work that must happen between now and then, covering benefits, plan choices, medical networks and the integration of our new plans with medical savings accounts. VEHI has already begun preparing for this work.

VEHI will keep its members, their employees and local unions informed about progress in its discussions with policy makers between now and the end of the legislative session in 2016, and it will continue to monitor developments at the national level that may impact decisions in Vermont.

And we will assist members with whatever transition is coming over the next several years.

If you have questions or concerns, please contact any of VEHI's Board Members or VEHI Trust Administrators Laura Soares, Mark Hage and Joe Zimmerman using the following [link](#).