

# VEHI Financial Plan

Effective January 1, 2018

**1. The insurance coverages to be offered by the intermunicipal insurance agreement and applicable deductible levels.**

In 2018 the VEHI Health Insurance Program will offer the following Blue Cross Blue Shield (BCBSVT) benefit plan options to VSTRS:

1. JY and Carveout
2. Comprehensive \$300 deductible and Carveout
3. Vermont Health Partnership
4. Medicomp C Blue 65

Beginning on January 1, 2018 the VEHI Health Program will offer the following benefit plan options for active employees:

1. VEHI Platinum
2. VEHI Gold
3. VEHI Gold CDHP
4. VEHI Silver CDHP

All four plans must be made available for eligible employees to enroll in. These plans, and all subsequent plans offered by the VEHI Health Program, will comply with all relevant consumer protection and benefit requirements in Vermont law and regulations and applicable federal laws and regulations. VEHI will continue to provide funding for the Vermont Blueprint for Health.

The VEHI Health Program limits its financial liability by purchasing stop loss insurance. The individual stop loss limit is \$750,000 per claim. VEHI does not carry aggregate stop loss under the ASO arrangement.

In FY 18 the VEHI Dental Program will offer the following Northeast Delta Dental (NEDD) benefit plan options:

Plan	Preventative	Deductible	Basic	Major	Annual Maximum
1	100	0	90	60	1,500
2	100	0	80	50	1,500
3	100	25	80	50	1,000
4	100	50	100	50	1,000
5	100	0	100	NA	750

The VEHI Dental Program will pay all claims up to the Annual maximum as contained in the coverage document.

- 2. A composite list of the estimated annual gross contributions to be paid by each organizing Member of the Association, including individual and total contributions for all members of the Association.**

VEHI Health Insurance Program:

VEHI will estimate its annual contribution level using the experience of the last 20+ years setting rates with BCBSVT. The Program's contributions will be estimated by the actuarial staff of the insurance carrier under contract with in conjunction with the VEHI management team, subject to the final approval as required by law.

Currently, all eligible Vermont public schools participate in this VEHI Program. The FY 18 estimated annual contribution amount is \$260,000,000. On the VEHI website is a composite list which estimates the annual contribution, effective July 1, 2013, by supervisory union and individual member whichever is appropriate. The list also contains an estimated combined member total.

VEHI Dental Insurance Program

VEHI will estimate its annual contribution level using the experience of the last 13+ years setting rates with NEDD. The Program's contributions will be estimated by the

actuarial staff of the insurance carrier under contract with in conjunction with the VEHI management team, and a consulting actuary.

Currently, 195 Vermont public schools participate in this VEHI Program. The FY 18 estimated annual contribution amount is \$6,900,000. On the VEHI website is a composite list which estimates the July 1, 2013 annual contribution by supervisory union and individual member whichever is appropriate. The list also contains an estimated combined member total.

**3. The aggregate amount of reserves to be set aside for the payment of claims.**

VEHI maintains separate reserves in the form of program fund balance for its health and dental programs. The 6/30/17 fund balance for VEHI's Health Program is \$46,653,074. The 6/30/17 fund balance for VEHI's Dental Program is \$7,987,892.

**4. The amount of specific excess insurance to be purchased and maintained by the Association and the amount of aggregate excess insurance to be purchased and maintained by the Association.**

VEHI Health Program:

VEHI will purchase specific stop loss reinsurance. VEHI currently purchases specific stop loss from BCBSVT. The specific has an attachment point of \$750,000 . The specific attachment point is reviewed annually and adjusted as necessary.

VEHI Dental Program

Given the predictable nature of dental insurance, with its associated benefit maximums, VEHI does not maintain reinsurance. Instead, VEHI uses its Program's fund balance to offset any situation where claims exceed contributions. Currently, VEHI's fund balance is the equivalent of projected claims for one year. VEHI maintains this level of security, by adding a risk charge, as necessary, to program contributions.

**5. Pro-forma financial projections for the first 5 years of operation to include income statements, balance sheets and projected cash flow statements.**

VEHI's Health and Dental Programs currently exist. Historical financial statements are available for review. The Department has on file copies of FY 19 BCBSVT/VEHI health rate filing, and the FY 19 dental rating. These documents will serve as background data for use

on future Program renewals. Future renewals will use the same methods to determine annual contribution levels; the health rates are subject to review by the DFR in accordance with law.

## **6. The identification and description of reserves for the self-insurance coverages provided to Members.**

It is VEHI's goal to maintain a fund balance/net position equal to one year's claims for its Dental Program. Based on a 2017 independent actuarial analysis, VEHI's goal for the Health Program is to maintain a fund balance/net position equal to 15% of annual total expenditures. VEHI has fund balance for both of VEHI's Programs to adequately fund existing Programs.

## **7. Financial Management**

Below is a summary of the major components of VEHI's cash management strategy for the Health and Dental Programs:

- VEHI has an established account at the Peoples United Bank.
  - Program investment strategy for operating funds is included in the operational plan.
  - Investment earnings are allocated to the Health and Dental Programs on a pro-rated basis.
- Based on loss information, partner actuaries/underwriters recommend contribution levels. The Health Program contribution rates are completed on a community rated basis, while members of the Dental Program are individually rated.
- The contracted insurance carriers bills member schools and VEHI follows up for timely payment.
- Members send contributions to VEHI.
- VEHI records contributions received by members. Contributions are mailed by members to a lock box maintained by VEHI's banking institution.
- Losses are adjudicated and paid by the respective contracted carrier.
- VEHI reimburses the carrier on a weekly and monthly basis respectively.
- The carrier records losses by member.
- The carriers provide periodic reports summarizing losses.
- VEHI reimburses VSBIT and the VT-NEA for the administrative expenses they incur in the overall operation of VEHI. VEHI reimburses VSBIT and the VT-NEA on a prorated basis (Health/Dental).
- VEHI maintains proper financial controls and procedures.
- VEHI has annual financial audit performed by a CPA.