

Vermont Education Health Initiative (VEHI)

Board of Director's Meeting Minutes

August 31, 2016

Present: Tracy Wrend, Martha Gagner, Elizabeth Fitzgerald, Joel Cook, Mark Hage and Laura Soares.

Members of the Public: Emily Simmons, VSBA

The meeting was called to order at 1:05 p.m., by Chair Tracy Wrend.

**Public Comment** – None

**Approve Minutes of June 15, 2016**

Martha Gagner made a motion, seconded by Elizabeth Fitzgerald, to approve the minutes with one edit. The motion passed.

**Annual Meeting Preparation**

- a. The report of the Nominating Committee was included in the materials and discussed. Joel Cook made a motion, seconded by Martha Gagner, to accept the report of the committee.

Laura Soares reported that a petition, signed by 118 members, was formally submitted to bring a vote to the membership at the 2016 Annual Meeting to modify the Bylaws, changing the composition of the Board. Specifically, to change the open Group B Director seat from a representative of the VT-NEA to a representative of the VSBA. Mark and Laura discussed the process for responding to the petition with attorney Rob Halpert. VEHI currently has 469 members and the 10% threshold in the Bylaws has been exceeded. There is no action required on the part of the Board. The item will be placed on the agenda of the 2016 Annual Meeting. Annual Meeting materials will be mailed to members on September 9<sup>th</sup>.

Rob Halpert noted that while the Bylaws require 10% of the membership to bring forth a vote, non-profit law, which supersedes, requires a 5% threshold. Joel Cook initiated a discussion on the issue of having Bylaws language that are superseded by statute. Martha Gagner made a motion, seconded by Elizabeth Fitzgerald, to modify the Bylaws and

Operational Plan to align with statute. The motion passed with Joel Cook abstaining.

- b. Discuss Annual Report – The Chair’s letter and the Trust Administrator updates were provided as an FYI and reviewed.

### **FY 18 Health Program Rating**

- a. Review Preliminary Analytics – The analytics, compiled by BCBSVT, was provided in the Board materials and discussed. A full analytical review will take place in late September and Board Members interested in attending should let Laura know. Elizabeth is planning to attend.
- b. Review unaudited FY 16 Financials – Chris Roberts provided a memo on the FY 16 unaudited financials. The on-site audit is complete and the audit report will be final in September. The health program added 7.4 million to its fund balance in FY 16. This was in part due to the improved pharmacy contract BCBSVT/VEHI finalized with ESI. Remedy Analytics assisted in the more favorable contract language. The dental program had a modest gain of \$195 thousand. The fund balance for this program is strong and the rates have been set to stop the growth of reserves. A motion was made by Joel Cook, seconded by Martha Gagner, to accept the financials. The motion passed.

FY 17 Updated Projections for the health program – Laura reviewed with the Board the updated projections provided by BCBSVT for FY 17, the year that began on July 1, 2016. When the FY 17 rates were set at 7.9% in August of 2015, they were intended to neither add to nor draw down the program’s reserves. Given the new pharmacy contract, which extends through FY 18, and updated trend projections, BCBSVT estimates VEHI will again add to its fund balance at the end of FY 17.

- c. Approve FY 18 Health Program Rate Filing for DFR – Laura Soares and Mark Hage presented a joint recommendation on the FY 18 health program rate filing to DFR. Given the transition to the new health plans, there are two sets of rates to consider.

Trust Administrators recommend **no rate increase** for the current health plans. These plans will end on 12/31/2017 for all active employees. The VSTRS retirees will continue on these plans until further notice. For the retiree population under age 65, the rates will remain unchanged for the entire year, through June 30, 2018. In addition, Mark and Laura recommend a 2% decrease for the VSTRS age 65 and older population who are on Medicare and therefore in carve-out plans. This modest decrease is to begin to address

the subsidization of this population of the non-Medicare eligible retirees. VEHI has given this groups a lower rate increase in the past as well for the same reasons.

Laura and Mark then distributed the recommended rates for the **new health plans** to go into effect January 1, 2018 for active employees. Each plan and tier is priced without any subsidization. These rates are very close to the illustrative rates VEHI provided when we announced the new plans in January of 2016. If the board decides to increase or decrease the current health plan rates for FY 18, that decision will increase or decrease the new health plans rates as well by the same percent.

An extensive discussion took place to understand the variables in play and the increased volatility in the rate setting process as VEHI transitions to the new health plans.

A motion was made by Joel Cook that VEHI, in light of (1) general interest in not spending more taxpayer and employee money than necessary, (2) the unique transition in plans that will occur as of January, 2018, and (3) general resulting uncertainty within the ranks of school boards and their employees, adopt as premium rates for its plans in FY 2018 that are 1% below what this rates are for FY 2017. There was no second.

A motion was made by Elizabeth Fitzgerald to accept the rate proposal by the Trust Administrators with a modification- that the Medicare-eligible retirees also receive no rate increase, rather than the proposed 2% decrease. There was no second.

A motion was made by Martha Gagner, seconded by Joel Cook, to accept the Trust Administrators recommendation as presented, including the rates for the new health plans for active employees. The motion passed.

The Trust Administrators are working with BCBSVT, the State Treasure, and the VSTRS Board to consider potential plan changes for VSTRS, subsidization issues, and the future rate setting considerations.

**Act on Change to Operational Plan to include waiting period on rejoin health or dental program.** The memo from the Trust Administrators was reviewed.

Martha Gagner made a motion, seconded by Joel Cook, to modify the Operational Plan to include a 24 month waiting period to re-join either the health or dental program. Once this waiting period has been met, a member may re-join on January 1 or July 1 of any year. The motion passed. This plan change will be filed with DFR and once approved will be communicated to Members.

**Extend until end of 2016 the authorization of VSBIT to secure services to provide a management perspective as needed in developing VEHI communications regarding the transition to new plans**

Elizabeth Fitzgerald made a motion, seconded by Martha Gagner, to extend until end of 2016 the authorization of VSBIT to secure services to provide a management perspective as needed in developing VEHI communications regarding the transition to new plans. Discussion took place.

Joel Cook made a motion to amend to specify that if any VEHI funds are expended in securing these services the funds are distributed equally to VSBIT and the VT-NEA. There was no second.

The original motion passed.

**Review Investment Policy and Performance**

Deferred to the next meeting.

**Update on Pharmacy Program**

Mark provided a brief update on the data and expertise provided by Remedy Analytics. Elizabeth Fitzgerald attended the meeting and provided her perspective. 4.8 million dollars was saved in FY 16 due to the improved contract with ESI. This was accomplished in partnership with BCBSVT. As part of our contract with them, Remedy will conduct an audit of the FY 16 year contract adherence. In addition, VEHI and Remedy will be working with BCBSVT on strategies to reduce pharmacy costs going forward without negatively impacting member pharmacy needs.

**The Board agreed to meet again in early November to set the FY 18 dental rates to file with DFR and to meet with the Auditor.**

**Adjournment**

There being no further business, the meeting adjourned at 3:17 p.m.

Respectfully submitted by: Laura Soares

Next Meeting: Annual Meeting, October 21, 2016 at 8:00 a.m., at Lake Morey Inn,  
Fairlee, VT