

Vermont Education Health Initiative (VEHI)

Board of Director's Meeting Minutes

August 30, 2017

Present: Tracy Wrend, Martha Gagner, Jeff Fannon, Nicole Mace, Elizabeth Fitzgerald, Laura Soares and Mark Hage.

Members of the Public: None

The meeting was called to order at 11:05 a.m., by Chair Tracy Wrend.

Public Comment – None

At the request of Laura Soares, a motion was made by Nicole Mace, seconded by Martha Gagner, to add a General Update Agenda item. The motion passed.

Approve Minutes of July 17, 2017 Meeting

Martha Gagner made a motion, seconded by Elizabeth Fitzgerald, to approve the meeting minutes as presented. Motion passed.

General Updates

Laura Soares updated the Board on the following issues:

1. DFR has begun its five year examination of VEHI. They have interviewed Laura Soares, Chris Roberts, Tracy Wrend and Jeff Fannon. They are scheduled to speak with Martha Gagner next week.
2. Sullivan and Powers completed the work on the FY 17 audit with no adjustments. The audit report will be available by the end of September.
3. VSBIT came in under budget in its FY 17 Service Agreement by \$18,984.79. This amount will be returned by VSBIT to VEHI in September.
4. The first meeting of the VEHB Commission will meet on September 6th at 3:30 at the DFR offices. Mark and Laura were asked to introduce VEHI to the Commission.
5. DFR reviewed the draft Member Assessment Policy provided by VEHI last spring. After discussions, they would like the Board to broaden the scope of the policy to include how net position will be monitored by the organization. Laura will redraft and bring to the Board at a future meeting.

FY 17 Annual Report Update

The Annual Meeting materials will be mailed to members next week. The Annual Report will be available in early October. Enclosed were copies of the Letter from the Chair and the Letter/Update from the Trust Administrators as an FYI to the Board.

FY 19 Health Program Rating

a. Review Preliminary Analytics

The initial FY 17 analytic review did not show any unexpected trends to take into account in the FY 19 rating. The full analytical review, with the complete year of claims data, will be presented by BCBSVT on September 28th at 3:30. Members of the Board are welcome to join the Trust Administrators and Wellness staff at the meeting. Please let Laura know so appropriate space can be arranged and a Board meeting can be scheduled if a majority is in attendance.

b. Review unaudited FY 17 Financials and FY 18 Updated Projections

Chris Roberts provided an update on the FY 17 Financials for the health and dental programs. Both programs ended the year with additions to net position. The health program as 46.6 million in net position and is above the 15% of expenses target set by the actuarial review at 16.4%.

Laura provided an updated projection for the FY 18 health program. Based on current estimates that the majority of employee will enroll in the Gold CDHP on 1/1/2018, the average employer contributions toward HRA/HSAs of the known settlements to date is an estimated 88%, and information from BCBSVT that the expected savings from changes in utilization patterns were too aggressive at the time of the FY 18 rate filing, VEHI expects to use 3.4 million of reserves (net position) in FY 18 to cover claims and expenses due to underpricing of the new plans for the period of 1/1/2018 – 6/30/2018.

Approve FY 19 Health Program Rate Filing for DFR

The Trust Administrators reviewed the analysis from BCBSVT on the FY 19 rating for VSTRS and the new health plans for active employees. VEHI engaged Alan Abrams of Willis Towers Watson to provide an independent review and analysis to inform the FY 19 rate setting. His expertise has been invaluable.

There will be no changes to out of pocket costs in the health plans in FY 19, other than the change already announced to increase the Rx OOP maximum to \$1,350/\$2,700 on the Gold and Silver CDHP to meet the federal minimum for compatibility with Health Savings Accounts. Even in these two plans, however, the total out of pocket does not increase in FY 19, as the Rx OOP is embedded in the total OOP maximums of \$2,500/\$5,000 and \$4,000/\$8,000.

DFR requires VEHI to submit separate rate increases for each of the four plans – unless the indicated rates are within the actuarial margin of error. Since that is not the case, VEHI will file a separate rate of increase for each plan.

Given the factors driving up the rates and the strength of the VEHI reserves, the Trust Administrators recommend utilizing a portion of the reserves to smooth the rate increases for both VSTRS and active health plans.

Martha Gagner made a motion, seconded by Jeff Fannon, to utilize 2 million of the reserves to reduce the VSTRS subsidization of the active plans by half in FY 19, with a commitment to eliminate the subsidization as soon as feasible, and use up to 4 million of the reserves to smooth the FY 19 rates for the new plans for active employees. The motion passed.

The Trust Administrators will work with BCBSVT to get rates filed with DFR in early September. Once the actual rates are available, an announcement will be provided to all stakeholders.

Review Code of Ethics/Conflict of Interest Policy Draft(s)

There was a discussion of the draft provided by the attorneys asked to review versions produced by Tracy and Jeff. There was agreement that this version focused on conflict of interest and not the code of ethics. Nicole Mace agreed to bring another version to the Board at a future meeting for consideration.

Review Investment Policy and Performance

The Board reviewed the investment performance report from Chris Roberts. We are earning less than CPI-U due to the nature of investment vehicles. Given the extended life of the health program and the reduced need for liquid assets, Chris and Laura recommend the Board review the Policy to allow for investment in equities. This is allowed in a limited fashion under I-90-1 and would require approval of DFR. VSBIT's Investment Policy has this ability and the approach has provided VSBIT a better rate of return. Chris and Laura provided a draft policy, with track-changes, that would align VEHI's Investment Policy with VSBIT's. It was agreed that Chris Roberts would be invited to a future meeting to provide an overview of the issue and answer questions of the Board. In addition, a revised draft of the Investment Policy will be on the next agenda as a potential action item for adoption.

Review Updated Draft Whistleblower Policy

The Board reviewed the revised draft provided by the attorneys and had no suggested changes. It will be on the next agenda as an action item for adoption.

Future VSTRS Presentation – Input Requested

Board members provided Laura with input so a presentation can be prepared for the December meeting.

Discuss 2018 Transition Schedule, including consideration of extending the closure date for VEHI's current plans (Item added at the request of Jeff Fannon)

Jeff Fannon requested the Board consider running **both** the current and new health plans for some period of time beginning 1/1/2018 to allow parties time to complete collective bargaining and avoid needing a default plan option.

There was a full discussion of this issue by all Board members and the Trust Administrators.

VEHI would need to file updated Financial and Operational Plans with DFR for approval. DFR has 45 days to approve these documents, and DFR can extend that timeframe at their discretion. Without these final approvals, **VEHI does not have the authority to continue the current plans beyond 12/31/17 nor remain in a Cost Plus contract with BCBSVT.** If the updated Financial and Operational Plans were filed by VEHI in early September, VEHI might expect to have a response from DFR by mid-October.

To inform the discussion, Trust Administrators requested BCBSVT provide VEHI with the logistical and operational implications of this approach. BCBSVT provided an extensive analysis. Of note –

- The current plans are Cost Plus and the new plans are ASO. BCBSVT cannot run both arrangements simultaneously.
- Under whichever arrangement was selected, VEHI and BCBSVT would need to revise its contract and performance agreement.
- BCBSVT could not guarantee the level of service and accuracy committed to in the current performance agreement, although they would strive to meet those expectations. The condensed timeframe to keep the current plans in operation, however, is likely to lead to an increased error rate and delay in service response time.
- There are increased costs to VEHI to operate under Cost Plus.
- Under Cost Plus small VEHI districts (100 or less) could not offer the new non-grandfathered 2018 health plans.
- The move to ASO requires more extensive updates to the current plan documents and materials for compliance.
- The current plans have three tiers and the new plans have four tiers (with the addition of a parent/child tier). This requires two different systems in BCBSVT to run the plans concurrently.
- BCBSVT has developed and tested systems to support the new plans on 1/1/2018. They would need to institute new systems to accommodate the continuation of the current plans. This would include new group numbers (since the current group numbers are migrating to the new plans) and the enrollment would need to be manual as there is not enough time to automate enrollment as they have for the new plans.
- If a district has some employees who have settled and others who have not, employees and their dependents would need to be manually identified by the district, sorted into the appropriate group (current plans or new plans), with a list sent to BCBSVT to manually enroll in the appropriate plan for 1/1/2018. This is because currently all employees in a district are typically in the same group and section number regardless of union status.

- There are no approved member materials or rates for the current plans past 12/31/2017. These would need to be updated and filed with DFR. BCBSVT requires 60-90 days to accomplish, and would do their best to file within 60 days (end of October if the Board makes a decision in the next week). DFR has historically taken 90-120 days to approve VEHI rates and forms once filed. VEHI would therefore not likely have final approval to continue the current plans until after 1/1/2018.

Jeff Fannon asked that Trust Administrators be asked to contact DFR to further explore this issue.

Martha Gagner expressed concern on the capacity of VEHI/BCBSVT to take on the additional work needed. She also indicated her worry that this approach could cause more confusion and delay in the field.

Mark Hage provided the Unions’ perspective on the history of the decision to close the current health plans on 12/31/2017. Tracy Wrend shared her recollection and documents from her files on the issue. The Board made the decision to close the current health plans on 12/31/2017 at the September 21, 2015 Board Meeting. It was announced to the field in a memo in September 2015.

Nicole Mace and Elizabeth Fitzgerald both expressed concern that VEHI should not take actions that influence the collective bargaining process. Tracy heard from over 20 school board members, school business officials, labor attorneys and superintendents, all of which asked the Board to continue with the current transition plan which closes the current plans on 12/31/2017. Nicole Mace indicated that collective bargaining issues, including the lack of a settled contract, is the purview of local board and unions, not VEHI. VSBA invited the VT-NEA to work collaboratively to support their members in completing the local CBA process in a timely manner.

The Board took no action to modify the current transition plan.

Future Board Meeting Schedule and Agendas

The Board reviewed the upcoming schedule and discussed agenda items for future meetings. Approval of FY 19 Dental Program rates for filing will need to be completed by early November.

Adjournment

There being no further business, the meeting adjourned at 2:55 p.m.

Respectfully submitted by: Laura Soares

Next Meetings:	September 25 th	Noon – 3:00
	October 20 th	8:30 – 9:30 – Annual Meeting at Lake Morey
	November 27 th	1:00 – 4:00
	December 11 th	1:00 – 4:00