

Vermont Education Health Initiative (VEHI)

Board of Director's Meeting Minutes

August 30, 2018

Present: Martha Gagner, Elizabeth Fitzgerald, Tracy Wrend, Jeff Fannon, Nicole Mace (until 3 pm), Mark Hage, Laura Soares, Bobby-Jo Salls.

Members of the Public: Don Tinney, President VT-NEA

The meeting was called to order at 1:03 p.m., by Chair Tracy Wrend. Tracy welcomed Mr. Tinney to his new role as President of VT-NEA. Laura Soares introduced Bobby-Jo Salls who accepted the VSBIT position of VEHI Trust Administrator. Laura will remain in the role of VEHI President.

Public Comment: None

Adjustments to the Agenda: Tracy asked for a motion to add an agenda item at the end of the meeting to discuss the 9/10 final meeting of this VEHI Board, and to discuss after the approval of the minutes, the inquiry made at the last meeting regarding the Code of Conduct. Elizabeth Fitzgerald made a motion, seconded by Nicole Mace, to adjust the agenda as requested. The motion passed.

Approve Minutes of June 11, 2018 Meeting

Martha Gagner made a motion, seconded by Nicole Mace to approve the meeting minutes as presented. The motion passed.

Follow up on Code of Conduct Query from the Prior Meeting

At the prior meeting there was an inquiry as to whether the Code of Conduct for Service Providers should also apply to BCBSVT, NEDD and other entities that VEHI contract with. Attorney Rob Halpert (email of 6/15/18 attached) provided an opinion that since VEHI has no employees and engages VSBIT and VT-NEA to perform duties normally performed by employees, the Code of Conduct for these organizations was appropriate. In contrast, and by way of just one example, VEHI's contract with BCBS for administrative services obligates BCBSVT to perform services that are customary and proprietary to BCBSVT, and therefore the Code of Conduct is not applicable.

Discuss and Approve FY 20 Health Program Rating to File with DFR

Laura Soares reviewed the FY 18 year-end financials and the updated projections on the FY 19 financials. As of 6-30-18 VEHI's health program fund balance is at target, with \$39.8 million in reserves. This is after a drawdown of \$6.9 million in FY 18 as the new plan premiums (set in the fall of 2016) did not cover the full cost of claims and other expenses. In 2016 enrollment, collective

bargaining cost-share, and utilization assumptions were all early estimates. Projections for FY 19 year-end improved, primarily due to the lower price of vaccines in FY 19.

BCBSVT actuaries provided FY 20 Pro Forma rates for each of the active and VSTRS health plans. The President and Trust Administrators recommend that Board approve an estimated \$1.25 million of reserves to reduce the rate increase on the VSTRS population, targeted to those who are enrolled in Medicare as primary coverage. Given the reserves are projected to fall below target by the end of FY 19, however, the President and Trust Administrators do not recommend any use of reserves to lower the indicated increase on the active plans.

At the suggestion of Laura Soares, before taking any action on the use of reserves in the FY 20 rate filing, the Board discussed the draft Health Program Net Position Policy. This discussion gave the Board some context as to what discretion it had to keep net position below the 15% target. See below for details on this discussion.

Jeff Fannon made a motion, seconded by Martha Gagner, to approve the projected use of \$1.25 million of reserves to subsidize the VSTRS FY 20 rate increases and to file the active rates as indicated without any reserves subsidy. The motion passed.

Discussion and Potential Action on Amendment of Documents to Comply with Act 11

Given time constraints, all Board members agreed to table this item until the September 10th meeting.

Annual Report Update/Preparation Annual Meeting

The Annual Meeting materials will be mailed to members next week. The Annual Report will be available in early October, copies of the Chair and the Trust Administrator letters which will be a part of the report were enclosed.

At the request of the VSBA, a motion was made by Nicole Mace, seconded by Martha Gagner, to change the time of the VEHI Annual Meeting from 8:30 am to 8:15 am on Friday, October 19, 2018. The motion passed.

Jeff Fannon informed the Board that the VT-NEA appointed Joel Cook, Fran Brock and Peggy Maxfield to the VEHI Board effective October 1st. Nicole Mace informed the Board that the VSBA appointed Tracy Wrend, Elizabeth Fitzgerald and Martha Gagner to the VEHI Board effective October 1st for continuity. This information will be provided to members in the Annual Meeting materials and the six Board members will be invited to the 9/10 meeting and the 10/19 Annual member meeting.

Draft Health Program Net Position Policy for Discussion

This discussion was held earlier in the meeting, as a part of the rate setting discussion.

DFR recommended as part of its five-year examination, that VEHI adopt a Net Position Policy in 2018. President Laura Soares and Manger of Finance Chris Roberts worked with John Stiefel, the actuary who assisted VEHI in setting the health program net position target, to develop a draft policy for the Board to consider. Mr. Stiefel recommended the Board base its policy framework on the Risk Based Capital (RBC) model, used nationally and in Vermont to regulate and oversee insurance carriers. Using the RBC model as a starting point, an initial policy was drafted where the RBC framework is applied to the VEHI 15% of expenses target – identifying at what levels of target action is required, and what type of action is expected at each level. This approach indicates at 9% of expenses formal action is required of VEHI. Until that level, the net position balance is within the Board’s discretion.

Board members requested a second draft be placed on the September 10th agenda, including language for the net position being over target and potential actions. Mark Hage offered to contact other health pools run by or with unions to see how they address this issue.

Discussion and Potential Action on Contract with Remedy Analytics

Mark Hage reviewed the enclosed memo recommending VEHI engage Remedy Analytics for another three-year contract. After discussion, Martha Ganger made a motion, seconded by Jeff Fannon, to approve the three-year contract with Remedy Analytics for \$525,000 per year for three years. The motion passed.

Update FPA and DPAS Transition/Vendor Options

Mark Hage and Bobby-Jo Salls updated the Board on the ongoing challenges DataPath (DPAS) is having taking over administration of HRAs and FSA from Future Planning. It is now apparent that an unknown but significant number of claims were never entered into the FPA system and therefore DPAS was not aware of these claims an unable to make payments. In addition, the number and kind of errors FPA made in the claims it did process has lead to duplicative payments from both FPA and DPAS which need to be addressed. DPAS has decided to re-run all claims from 1-1-18 through 7-31-18 to bring resolution to these issues. DPAS very much wants to keep business in 2019, and will re-institute auto pay provider if requested, although for an additional fee.

There are two other vendors, CS One and Health Dollars, who are prepared to take on some Vermont schools as clients. Health Equity continues to be an option for those who wish to select from their limited options. VEHI provided a comparison grid and contact information for these four vendors.

The Board would like to see VEHI revisits its future role in vendor vetting, endorsement, and potentially even a direct contract between VEHI and a vendor. The Health Benefits Commission's work will impact this discussion.

Agenda for September 10th Meeting

- The Board will take up item 5 which was tabled, related to Act 11.
- There will be a second review of the Net Position Policy
- There was agreement that the Investment Policy and Performance update should wait until the new Board convenes.
- There was discussion whether the joint meeting with VSBIT to discuss the selection of the FY 19 audit firm should be postponed until the new Board is seated. Laura Soares will provide the background memo to Board members who will then share with Tracy their perspective on keeping this item on the 9/10 agenda.

Adjournment

There being no further business, the meeting adjourned at 3:15 p.m.

Respectfully submitted by: Laura Soares

Laura Soares

From: Rob Halpert <rhalpert@zclpc.com>
Sent: Friday, June 15, 2018 4:45 PM
To: Laura Soares
Subject: VEHI Code of Conduct for Service Providers

Laura,

You have asked whether it would be advantageous to VEHI to extend the provisions of the VEHI Code of Conduct for Service Providers to contracts/agreements in addition to the service agreements with Vermont-NEA and VSBIT.

The service agreements with Vermont-NEA and VSBIT share common elements that are distinct from VEHI's contracts/service agreements with other parties. Both the Vermont-NEA and VSBIT contracts set forth obligations would be typically performed by staff/employees of VEHI (if VEHI employed such staff). Section II of the latest version of the Vermont-NEA contract summarizes the unique nature of these agreements: "to work collaboratively with VSBIT to meet the VEHI Mission by **providing VEHI services** to all school employees..." Both VSBIT and Vermont-NEA serve primarily as extensions of VEHI, and as the direct agents and representatives of VEHI in performing the unique services under these contracts. As such, it makes sense to extend the fiduciary, communication and mission-specific obligations of the Code of Conduct to these two contacting parties.

In contrast, and by way of just one example, VEHI's contract with BCBS for administrative services obligates BCBS to perform services that are customary and proprietary to BCBS, rather than to VEHI. BCBS is not a direct representative of VEHI when performing its contractual obligations and administrative functions. In short, BCBS, in fulfilling its contractual obligations, is performing BCBS services, not VEHI services. There are already fiduciary responsibilities implied in the BCBS contract, and which require good faith by BCBS in fulfilling its contractual obligations. Incorporating the more specific, "personal service" obligations of VEHI's Code of Conduct is not necessary for "general service" agreements like our BCBS administrative services agreement.

If there are additional questions/concerns related to specific contracts other than those referenced above, please let me know.

Regards.

Rob

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