

September 9, 2024

Owen Foster Chairperson
Green Mountain Care Board
144 State Street Montpelier, Vermont 05602

Dear Chairperson Foster and Members of the Green Mountain Care Board:

This commentary is submitted by the Commission on Public School Employee Health Benefits to help inform the Board's decision-making during its FY25 hospital budget deliberations.

Hospital services account for most costs incurred by the Vermont Education Health Initiative (VEHI), the self-insured risk pool that provides health benefit plans to public schools.¹ In the immediate period, prices for these services must be sharply mitigated; longer term, they must be lowered and reforms enacted to ensure Vermonters can get most of their health care in less expensive community settings.

Vermont Act 11 (2018) created the Commission, which is comprised of five school board representatives and five school union representatives. Its primary task is to "determine the amounts of premiums and out-of-pocket expenses for employee health benefits that shall be borne by school employers and by participating employees." We have reached two agreements since our inception via binding arbitration; both are concerned chiefly with cost-sharing splits for premiums and out-of-pocket costs and their internal administration.

Before commencing a third round of negotiations in 2025, the Commission determined that the affordability crisis in health care requires more direct intervention by its representatives on behalf of public schools and their employees. So, rather than just debating (again) which side should pay what portion of health insurance rates and for how long, the Commissioners unanimously agreed to extend the terms of the 2021 negotiation cycle for two more years. This gives us time to work together, shoulder to shoulder, to find constructive, practical, and sustainable ways to lower the cost of health care for school boards and school employees without eroding insurance coverage and, hopefully, to lower costs for everyone.

Most Vermonters, if asked, would tell you the cost of health care is out of control. We agree. The double-digit rate increases approved recently for Blue Cross of Vermont's and MVP's insurance plans offered on the state exchange were shocking. They drive home the point that where health care costs are concerned, we are all on the same sinking ship and can't bale fast enough.

The affordability crisis is longstanding and systemic, and it merits the urgent, reform-minded attention of regulators, legislators, and the governor; private- and public-sector employers, employees, and unions; health care providers and experts; and any person or organization committed to improving health care and the financial security of Vermonters.

¹ Hospital claims now account for approximately 55 percent of VEHI's total spend; the lion's share of these claims is attributable to UVMHC. We were stunned by Blue Cross of Vermont's [allegations](#) in late August of overcharges by UVMHC in FY22 and FY23.

Closer to home for us, here is what VEHI experienced in rate hikes since 2018.²

2018-19: 10.1%
2019-20: 11.8%
2020-21: 12.9%
2021-22: 9.6%
2022-23: 5.2%
2023-24: 12.7%
2024-25: 16.4%

To put a finer point on this, the premium expenses in FY18 for family coverage in the Gold CDHP was \$17,394. By FY25, the cost for that tier of coverage had more than doubled to \$36,547. These amounts, to be clear, do not include out-of-pocket expenses.

A few years back, health care benefits consumed less than 10 percent of school district budgets. Now, that figure is nearing 15%. If current trends continue, the share of total education spending earmarked for health benefits will exceed 20% by 2030.

The affordability crisis cannot be surmounted at the bargaining table, no matter how earnestly we negotiate or compromise – nor should it be allowed to continue. Other employers and unions across Vermont will tell you the same thing.

If major reforms do not come, school boards and local communities will be compelled each year to ask and act on questions fundamental to successful educational programs and student wellbeing:

- What educational and extracurricular offerings will be eliminated or pared back?
- What essential repairs of school facilities will be deferred?
- How many painful layoffs of needed staff will be sanctioned?
- What teaching and support personnel positions will go unfilled?
- How much more will property taxes rise and what will be the effect on budget votes?³

The answers to these questions, if enacted, will be as unwelcome as the questions themselves, and their consequences will erode the quality and scope of public education in our state.

Everyone needs comprehensive health insurance *and* a great public education, yet the punishing cost of the former is hamstringing the ability of school boards and school employees to provide the latter.

What should be done now?

We offer these policy recommendations with respect for your regulatory mission and its complexity, and with due recognition of the central role hospitals play in our health care system.

² These premium increases are for the VEHI high-deductible plan chosen by most school employees (i.e., the Gold CDHP).

³ This spring, one-third of Vermont's 120 school districts voted down proposed FY25 education budgets. Most years, on average, less than four districts reject spending proposals.

1. We urge you to approve hospital budgets that do not exceed your recommended budgetary guidance. This is especially critical with respect to the University of Vermont Health Network.
2. We support a serious and sustained analysis by GMCB on the benefits of implementing reference-based pricing benchmarked to Medicare rates (RBP) for inpatient and outpatient hospital services.
3. We trust you will act accordingly on reform recommendations from Oliver Wyman to be released soon in a report mandated by Act 167. We anticipate that its final recommendations will be hard-hitting and make clear we need to move smartly and consistently in the same direction to reform our healthcare system. And that we must get started immediately.

The Commission will stay engaged in the state reform conversation, with a particular interest in RBP and future regulatory actions to lower the prices of high-cost medications.

At the same time, we will work diligently to investigate new health insurance options that might be available to public schools or VEHI and have the capacity to constrain prices, maintain comprehensive coverage, and improve access to high-quality care. They include (and this list is not exhaustive):

- Alternative benefit plan designs and education programs
- New chronic care management, Rx adherence, and wellness programs
- Forming a different risk-pool entity in tandem with other public-sector employers and unions
- Partnerships with different PBMs and Third-Party Administrators

Thank you for the opportunity to share our thoughts on these matters. We look forward to contributing to the health care reform debate in the months and years to come.

Sincerely,

Mike Campbell

Chair, Employee Commissioners

Mark Koenig

Chair, Employer Commissioners