



Callaghan Consulting

Health Plan Bidding/Procurement/Design Federal and State Health Plan Legislation

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April 28, 2021

To: Senate Committee on Economic Development, Housing and General Affairs
From: Kathy Callaghan, Callaghan Consulting
Re: H.159 - State Employees Health Plan/Northern Borders Regional Commission. Sec. 5

Thank you for the opportunity to testify on this bill. For the record, I am Kathy Callaghan, representing the VSEA. For 19 years I served as the Employee Benefits Director in the Department of Human Resources (1993 – 2012). Among other duties, I was responsible for managing the State Employees Health Plan (the SEHP). For the past 9 years (2012 – 2021), I have been a consultant to the Vermont State Employees Association (VSEA) regarding State employee health plan matters. As a result, I have participated in the labor/management **Benefits Advisory Committee (BAC)** for 28 years, on behalf of both the State and the VSEA.

On April 21, 2021 the VSEA became aware that Section 5 of H.159 would add the employees of the Northern Borders Regional Commission (NBRC) to the SEHP. VSEA opposes the inclusion of the NBRC in the State Employees Health plan at this time, for reasons outlined below.

The BAC: The BAC is a long-standing labor/management committee comprised of State and VSEA representatives who meet regularly to discuss and resolve important matters pertaining to the SEHP. The Committee is responsible for reviewing such matters as the plan’s annual premium increases, the plan’s financial liabilities and the like. Most recently, the BAC worked very closely with the Administration for more than a year to evaluate the Plan’s participation in the OneCare ACO.

Background: On April 23, 2021 we spoke with DHR Commissioner Fastiggi on the NBRC issue. She indicated that she testified to your Committee on April 8. She indicated that she was called on very short notice to testify on the NBRC issue, and may not have mentioned the BAC process. She did indicate that adding NBRC to the SEHP would not raise legal issues, such as ERISA. However, there are other important considerations.

Precedent Setting: Over the years, many outside groups have asked to be included in the SEHP. In my 19 years as DHR Benefits Director, several groups were declined, for different reasons. It is important to adhere to standards or criteria in the matter of adding “Special Groups”, as these are called.



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History: The original “Special Groups” had a close nexus to State employees. (1) The Vermont State Employees Credit Union (VSECU) was originally formed only for State employees. (2) The Vermont State Employees Association (VSEA) is comprised of 6,000 State employees. Subsequently, a few smaller Vermont entities such as the Vermont Arts Council have been added, through the BAC process.

State Employees’ Stake in the SEHP: State employees and retirees pay 20% of the cost of their health plan. In 2021, their collective payments will equal \$40 million. Although we understand that the NBRC would pay its full premium, State employees can be impacted by the addition of outside groups. Any individual can incur a large claim. We are self-insured for large claims up to \$750,000 per claim. Several years ago, due to many large claims in one year, the plan ran through its reserves and saw an 18% premium increase. It is unlikely that this situation would reoccur as the plan now carries a healthy balance. However, we offer this information for perspective.

The BAC should have an opportunity to fully review this matter, as it does for other health plan matters. As we just learned of this on April 21, there has not been time to respond.

Therefore, we respectfully request that the Committee delete Section 5 of H.159 - to allow the BAC to learn more about the NBRC and properly review this important issue.

Thank you.



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