

VLCT and Health Insurance Benefits: A Long-Term Commitment to Help Members Manage a Complex and Expensive Employee Benefit

Vermont cities and towns have provided health insurance benefits to their employees for many, many years. Shortly after its founding in 1967, VLCT began to help its members purchase high quality and low-cost (relatively speaking) health insurance. In conjunction with our 50th anniversary year, we wanted to follow a separate timeline of VLCT's involvement in health insurance plans.

Employer-provided health insurance plans began during World War II. Wage and price controls made employment at various companies unappealing, so employers started offering health insurance coverage as an inducement to attract employees. At that time, health insurance was a very affordable benefit to offer, much like life and disability insurance are today. By the 1970s, however, health insurance premiums began to go up rapidly.

The VLCT Health Trust, Inc., was established as a Vermont non-profit corporation on March 3, 1982. Before then, VLCT had a sponsored municipal health insurance program with Blue Cross Blue Shield. There was no formal relationship or governance structure, but Blue Cross experience-rated municipalities as a separate group (that is, they based premiums on the claim experience of *that* group, as opposed to a broader group).

In 1971, Blue Cross Blue Shield offered special health insurance monthly premiums for VLCT members: \$10.95 for one person, \$23.35 for two persons, and \$27.63 for family coverage.

At their October 1, 1981, meeting, the VLCT Board discussed developments in the Blue Cross Blue Shield program. The board, including then-Mayor of Burlington Bernard Sanders, adopted a resolution opposing “any further Blue Cross-Blue Shield rate increases until Blue Cross-Blue Shield demonstrates its commitment to a broad, comprehensive and effective program to reduce costs throughout the entire medical system.” The first “whereas” clause of the resolution read “Whereas, the Vermont League of Cities and Towns believes that affordable quality medical care is the right of every American and every Vermonter.” This resolution was in response to a 19.3 percent increase in health insurance rates.

In 1982, VLCT founded the VLCT Health Trust, Inc., and asked Blue Cross to propose a self-insured program for the Trust. Because Blue Cross refused to do so, the Health Trust solicited bids to provide a self-insured trust program. Blue Cross did not submit a bid.

The Health Trust began offering self-insured health insurance plans to member municipalities on July 1, 1982. At that time, the Trust offered three benefit packages: Gold, Silver, and Bronze.

In 2012, more than 30 years after the VLCT Board adopted this position, Vermont adopted health reform legislation that included language stating that health care is a human right. The

health plans offered today through the federal Affordable Care Act insurance exchanges include Gold, Silver, and Bronze plans. Clearly, VLCT was well ahead of its time.

After a difficult three-year start-up period with Connecticut General (CIGNA), the Health Trust moved the health insurance program to Blue Cross Blue Shield. This change was originally from the trust arrangement that existed with CIGNA to a fully insured arrangement, an arrangement that continued until a trust agreement could be negotiated with Blue Cross. That arrangement occurred in 1986.

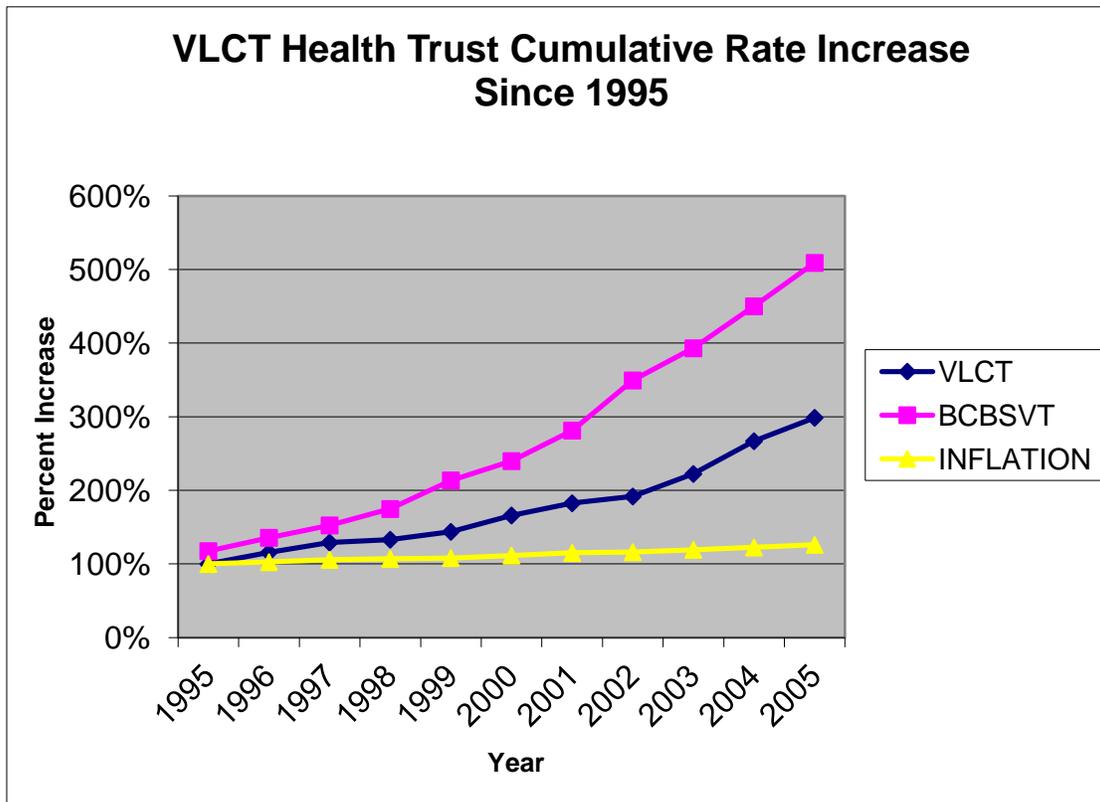
In February of 1987, the Health Trust Board discussed a proposed 30 percent rate increase from Blue Cross. The increase was due to medical trends that were “quite high.” Commented one Board member “...town budgets would be strained to the limit.” This would not be the last time this grievance was heard.

Insurance rates continued their inexorable rise. In 1988, the VLCT Health Trust’s Blue Cross Blue Shield J-Y Family Health Insurance Plan monthly rate was \$262.31, almost ten times the 1971 rate. In 2005, the VLCT Health Trust’s monthly health insurance rates for VLCT members for the J-Plan were \$513.09 for one person, \$1,059.53 for two persons, and \$1,321.03 for the family plan, a five-fold increase from 1988.

As medical costs in general have increased substantially over the years, so have Health Trust rates, though the latter increases did not occur in a straight-line manner. They were as high as 46.5 percent, while in other years the rates actually decreased. From 1995 through 2005, the average annual Health Trust rate increase was 10.09 percent. While this is certainly a high number, it is much lower than Blue Cross’s statewide medical inflation trend, which averaged 16.0 percent per year over the same time period. The chart on page 3 shows that the cumulative rate increase for the Health Trust from 1995 to 2005 was 298.73 percent, substantially less than the cumulative increase in the Blue Cross Blue Shield medical inflation trend of 509.16 percent. For comparison’s sake, the cumulative increase in general inflation during this same period was 126.2 percent (as noted in the Consumer Price Index).

In 2006, the Health Trust issued a request for proposals for its health insurance program. After much deliberation, the board voted to move the program from Blue Cross Blue Shield to CIGNA effective January 1, 2007. This change prompted some members to leave the Health Trust due to collective bargaining or other issues.

Because of impending federal and state health system reforms plus an aging demographic of municipal employees, the VLCT Health Trust discontinued its group health insurance program in 2012 and began offering members Carrier Choice – which allowed them to access different health insurance carriers for services and products. Working with Hickok Boardman Group Benefits, a health and employee benefits insurance broker, the Health Trust helped VLCT members secure their health insurance in the commercial market.



In 2014, Vermont Health Connect began operations as a federal Affordable Care Act health insurance exchange. Unlike exchanges in other states, Vermont Health Connect was the only source of health insurance for individuals and small groups of fewer than 50 employees. This included the vast majority of Vermont municipalities. VLCT and the Health Trust worked hard to help members with the transition. By 2016, most remaining municipalities – with up to 100 employees – were required to provide their group health plans through Vermont Health Connect.

In 2015, meanwhile, the VLCT Health Trust merged with the VLCT Unemployment Insurance Trust to form the VLCT Employment Resource and Benefits Trust (VERB). VERB continues to help members navigate the new health insurance system and manage their health insurance benefits through advisory services contracts.

From 1971 to 2016, the cost of a top-quality family health insurance plan has increased **6,678 percent!** Clearly, much remains to be accomplished to make health insurance affordable in Vermont. Discussion of possible approaches and solutions to this challenge would require much more space than is available in a single issue of the *VLCT News*.

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