



# VEHI Operational Plan

Effective December, 2016

**1. The Supervisory Board shall be the Board of Directors of the Vermont Education Health Initiative (VEHI), Inc.**

The number of directors of the Corporation shall be five (5). Three (3) directors (hereafter, the “Group A directors”) shall be either school board members, superintendents or, with the authorized approval of the applicable governing board, a school district or supervisory union business manager. One (1) director (hereafter, the “Group B directors”) shall be either staff or a director of the Vermont National Education Association and one (1) director shall be either staff or a director of the Vermont School Boards Association. Each director shall serve a term of office of three (3) years according to the Bylaws change enacted at the 2016 Annual Meeting of the Membership. Directors shall be elected or appointed as provided for in the Corporation's Articles of Incorporation and Bylaws.

The VEHI Board shall constitute a Nominating Committee to solicit nominations for VEHI Board of Directors. The Committee shall recommend a slate of Directors to the Membership at the Annual Meeting.

Members interested in serving as a Director not appearing on the slate prepared by the Nominating Committee may bring forth a petition to have their name included on the ballot at the Annual Meeting. Such petition shall be on a written form provided by the corporation, with valid signatures of not less than 5% of the authorized representatives of current membership. In order to confirm the validity of the signatures, such petition shall be submitted to the corporation no later than fifteen (15) days prior to the Annual Meeting.

**2. Criteria for admitting new members and allowing existing members to leave.**

Membership in the corporation shall be limited solely to those school districts, supervisory unions, and education-related organizations organized and existing under the laws of the State of Vermont which are eligible to participate in intermunicipal agreements pursuant to 24 V.S.A. § 4941(2) and 4947 and which, as of the date of the

Corporation's annual meeting, have in force a valid and binding agreement for the provision of services from the Corporation.

VEHI shall have a health program and a dental program and separate Member Agreements shall be required for each program.

Members which leave the program shall be eligible to rejoin on either January 1 or July 1 of any year after a minimum of 24-months outside the program.

The provisions and criteria setting forth the respective rights and obligations of VEHI and participating members upon members election to terminate participation in a program are set forth in the Member Participation Agreements at Sections I (I) and X of the Medical Benefits Agreement and Sections I (I) and IX of the Dental Benefits Agreement.

**3. The responsibility of the Board for fixing contributions to the Association, maintaining reserves, levying and collecting assessments for deficiencies, disposing of surpluses, and administering the Association in the event of termination or insolvency.**

**a. Fix contributions:**

For the purpose of funding a Program, the Members shall make contributions to VEHI in the manner prescribed in the Member Participation Agreement.

Specifically, VEHI will calculate its members' contribution rates with the assistance of contracted insurance carriers acting as third party administrators, using their industry accepted underwriting and actuarial methods. Health Program rates will be finalized as stipulated by law.

**b. Maintain Fund Balance:**

VEHI shall calculate and maintain a separate fund balance for each VEHI program.

It is VEHI's goal to maintain a fund balance equal to one year's claims for its Dental Program. Based on a 2011 independent actuarial analysis, VEHI's goal for the Health Program is to maintain a fund balance equal to 15% of annual contributions.

**c. Levy and collect assessments for deficiencies:**

The Board of Directors of VEHI, in accordance with its program-specific Member Participation Agreement, may levy upon its members an additional assessment whenever needed to supplement the Program's fund balance to assure payment of its obligations. A member may be assessed for any Fund Year during which the member participated in the Program. Such assessment may be made up to 36 months after the end of the Program's Fund Year even if the member has discontinued membership in the Program. Any assessments shall be payable to VEHI in accordance with the payment schedule for such assessments established by the Board of Directors in conjunction with the Department of Financial Regulation.

**d. Distribution of surplus funds:**

Any fund balance at the end of a plan year, as determined from the annual audited financial statement, in excess of the amounts required by the Commissioner of the Department of Financial Regulation shall be retained and employed by the Board of Directors to benefit of the members of the program that produced the fund balance. This benefit may take the form of enhanced member benefits, investments in wellness and health promotion activities, or reduction in contributions in subsequent years. All such reductions in contributions are subject to the rate review process outlined in law.

**e. Administration in the event of insolvency or termination:**

The VEHI Board of Directors retains the obligation to administer the Program in the event of the Program's insolvency or termination. The Board shall continue to administer the Program until all claims have been settled or paid or losses have been commuted to an insurer acceptable to the Commissioner.

In the event of termination of a VEHI program, the Board of Directors shall, after paying or making provision for the payment of all liabilities and expenses of the Program, dispose of the remaining Program fund balance according to a plan developed by the Board in alignment with the following principles, subject to the approval of the Commissioner of the Department of Financial Regulation [DFR].

Principles for disposition of assets:

1. There may be continued operations which require some retention of a portion of the funds. Such determination would reflect the input of the membership.

2. Assets may be distributed to eligible members based on a formula established by the Board, subject to approval of the DFR. Such formula is to take into account premium contribution amounts and years in the Program.
3. All members during the final year of the Program are eligible for such distributions.

**4. The methodology for establishing the annual contribution rates of its Members.**

VEHI will calculate its members' contribution rates using BCBSVT and NEDD underwriting and actuarial staff's industry accepted methods. Final rate determination for each Program is to be made as stipulated by law.

**5. A description of underwriting practices (summarized).**

Members and prospective members of VEHI's Health or Dental Programs must meet the following underwriting guidelines for participation in the Program.

- a. Must be a Vermont school district (K-12), supervisory union, an Approved and recognized Independent School in Vermont or education-related organization, as defined in Chapter 121 of Title 24 of the Vermont Statutes Annotated.
- b. The Board reserves the right in its sole discretion to reject any and all applications for membership in any VEHI Program.

**6. A description of trade, marketing and claims practices, including a statement that claims handling practices will adhere to the requirements of 8 V.S.A. Section 4723 and Section 4724 and regulations promulgated thereunder and biographies describing the experience and qualifications of persons who shall market the Plan. Persons who market the Plan are subject to approval by the Commissioner.**

**a. Trade, Marketing and Claim Practices**

**Trade:** VEHI operates in a narrow market of potential members consisting of public and eligible private schools in the State of Vermont. VEHI offers its members health, dental and wellness programs. VEHI is a non-profit, tax-exempt organization. At the present time, all but one public school participates in VEHI's health and wellness program and an estimated two thirds participate in its dental program. VEHI offers cost effective programs which are designed to benefit its members. If a particular VEHI program was no longer effective, it would stop offering that program.

**Marketing:** VEHI is jointly governed and managed by the Vermont School Boards Insurance Trust and the Vermont-NEA and as such, has the ability to market its programs in a very efficient way with limited effort. At present, Laura Soares and Mark Hage market all VEHI programs to existing and potential member schools. The individuals mentioned above provide day to day support to members on an as needed basis. Biographies are on file with DFR. Mage Hage is the current Director of Benefits at the Vermont – NEA Laura Soares is the President of VSBIT and VEHI. These individuals have substantial knowledge of Vermont schools, the industry and experience managing the overall VEHI operation.

**Claims Practices:** VEHI uses third parties to administer claims. Below is a description of their claims practices:

**Health Program:**

Effective January 1, 2018 VEHI will move to an Administrative Services Only (ASO) arrangement to provide health benefits to members. Prior to this date, VEHI contracted on a cost-plus arrangement with BCBSVT. The move from cost-plus to ASO moves VEHI from a self-funded arrangement to a self-insured arrangement. Under both arrangements VEHI and its members assume the financial risk for the cost of health services provided under its health program. However, the move to an ASO contract will allow all entities eligible for membership, as outlined in Section 2 of this Plan, to elect to remain members of VEHI’s health program effective January 1, 2018 when the plans offered are no longer grandfathered under federal law.

VEHI will initially contract with BCBSVT to provide administrative services to achieve a seamless transition experience for members. BCBSVT has moved multiple entities from a fully-insured funding arrangement to an ASO arrangement and will support VEHI in the transition. An overarching goal of the transition to ASO will be to ensure the member experience is as similar as possible to that which is currently in place.

VEHI will contract with BCBSVT on an annual basis and will regularly evaluate how to best administer the health program on behalf of VEHI members.

**BCBSVT Claims Practices**

BCBSVT receives 86% of claims electronically and the remainder on paper from both providers and members. All paper claims are imaged and date stamped and an image is also created for each electronic claim. Claim images are indexed and stored

electronically making them available for processing as well as retrieval for research and audit purposes. Electronic claim records are loaded into the claim processing system and paper claims are manually data entered into the same system.

Claims are processed in batch mode on a daily basis. They are put through a number of edit types to ensure accuracy, application of benefits and payment amounts. These include:

- Data integrity
- Member eligibility
- Provider eligibility
- Benefit verification and application of cost shares and benefit limits
- Claim Check coding edits
- Duplicate claim checks
- Calculation of allowed amounts
- Checking for COB and subrogation

After editing, claims will either be ready to pay or deny or they may be pended for further manual review and adjudication. Currently, 88% of claims are auto-adjudicated. Pended claims edits are worked by the adjudication staff and claims are manually set to pay or deny based on their review. In some cases, claims may require additional information from the provider or review by clinical staff for final payment determination. All fully adjudicated claims are paid daily to subscribers and weekly to providers. Checks for providers are batch processed.

### **Dental Program:**

VEHI contracts on an annual basis with Northeast Delta Dental under an Administrative Services Only (ASO) Agreement to provide dental benefits to members. Under the ASO agreement, VEHI assumes the risk for the cost of dental services provided under its self-funded dental program. VEHI pays Northeast Delta Dental a monthly per employee per month administrative fee, and in exchange, Northeast Delta Dental provides claims processing and payment, preparation of plan documentation and reports, customer service, and monthly premium invoicing to member schools, districts, and supervisory

unions. In addition, Delta Dental provides the largest network access and network discounts available.

### **Northeast Delta Dental Claims Practices**

Northeast Delta Dental process claims and makes payment directly to participating providers, and then invoices VEHI for claims paid on behalf of its members. Claim payments and determinations for subscribers are made based on the subscriber's assigned benefits including plan maximums, deductibles, and co-insurance levels. Northeast Delta Dental uses a fully-integrated claim and customer service system specifically built for dental claim processing. The vast majority of claims are automatically adjudicated through this system. Claims that do not drop to pay are suspended for review and resolution by specific departments. Claims with certain parameters are routed to the Dental Consultants in the Professional Review area. The Dental Consultants review claims concerning surgical and periodontal services. In addition, all requests from dentists for individual consideration and unusual or difficult cases requiring clinical expertise are referred to the Consultants. Claims resulting in benefit payments are paid directly to participating providers. When a subscriber visits a non-participating provider, reimbursement is made to the patient.

Claim payments to providers are based on the lesser of the dentist's submitted fee or Delta Dental's approved amount. All Delta Dental participating providers have agreed to accept Delta Dental's approved amount as payment in full, and agree not to charge the patients for any balances above Delta Dental's approved amount. Participating network providers also agree to submit the claim for the patient and not to charge the patient at the time of service for any covered portion of the service. The VEHI dental plan uses both the broad Delta Dental Premier network and the more deeply discounted Delta Dental PPO network. Patients receiving services from providers in either network receive the network advantages noted above. Patients that visit Delta Dental PPO providers receive even more out-of-pocket savings.

This intermunicipal insurance program shall be subject to and operate under the provisions of 8 V.S.A. Chapter 129 and the regulations promulgated thereunder governing unfair trade, market and claim practices.

#### **b. Claims Management**

VEHI has contracted with BCBSVT or NEDD for all claims services. These partnerships will be reviewed periodically, however VEHI will continue to contract with a licensed carrier.

**c. Claims Handling Specifications:**

**i. Staffing Requirements**

**Client Account Manager** – VEHI requires that an overall account manager be assigned. This person will be VEHI’s primary contact with respect to member service.

**Experience** – VEHI requires that only experienced, qualified staff be assigned to handle claims.

**Visits** – VEHI account managers will visit member schools in Vermont to become familiar with their operations and attend member informational meetings as requested.

**Claims** – All claims will be adjusted electronically. Individual case management or other cost-reduction methods will be used when appropriate.

**ii. Service Requirements**

**Claim Acknowledgement** – An acknowledgement (Explanation of Benefits or EOB) shall be sent by mail by the third party administrator within 30 days of event.

**Statutory Reporting** – The third party administrator will be responsible for all state-specific statutory reporting requirements.

**Claim Audit** – VEHI or its representative may audit the third party administrator for compliance with the agreed to service specifications and general adjusting practices.

**Subrogation.** If subrogation is involved, the third party administrator will provide notice to VEHI in regular reporting format.

**Payments.** It is VEHI’s policy that all obligations are paid promptly and accurately in accordance with the individual certificate of coverage.

**iii. Special Reports**

The third party administrator will provide regular reports for VEHI’s use. The reports should include complete industry standard data with respect to all types of claims, including but not limited to inpatient, outpatient, professional and prescription drug.

**iv. Settlement Authority/Consultation**

All proposed settlements will be approved by VEHI prior to the initiation of settlement discussions with the claimant or the claimant's attorney. The settlement proposal shall be in written form, and shall provide specific information relative to the basis for the proposal settlement, which must include, but may not necessarily be limited to, the following:

- A. Fact scenario, including a detailed description of the claim
- B. Reasons to consider settlement
- C. Documented claims cost and payments
- D. Statutory requirements relative to the settlement, including any applicable case law, and
- E. Calculations on which the settlement recommendations are based.

**v. Litigation Management**

- A. Selection – Defense counsel will be the responsibility of the third party administrator.
- B. Counsel will develop a strategy for the management of the claim in the most efficient and economical way.

**7. A description of the loss prevention and safety engineering programs.**

**Health Promotion Services:**

Third party administrators shall provide programs that promote the benefits of a healthy lifestyle. VEHI may develop additional health promotion programs and engage in additional health promotion activities to serve the needs of members as determined by the VEHI Board.

**8. The procedure for handling the termination of individual Members, including the provisions for refunding Member Contributions.**

The provisions and criteria setting forth the respective rights and obligations of VEHI and participating members' upon election to terminate participation in a Program are set forth in the Member Participation Agreement at Sections I (I) and X of the Medical Benefits Agreement and Sections I (I) and IX of the Dental Benefits Agreement.

Any returns of contributions will be based upon the individual claims experience of participating members, and refund decisions shall be within the sole discretion and authority of the Board.

Any and all decisions relating to contribution refunds shall be subject to Section 11 of the Rules Governing Intermunicipal Insurance Agreements as promulgated by the DFR.

**9. The procedure for dissolution of the entire intermunicipal insurance agreement and the procedure for distribution of surplus funds in the event of dissolution.**

VEHI understands and acknowledges that dissolution of a program must be accomplished in such a manner so as to preserve and protect, to the greatest extent possible, the members' rights and interests.

VEHI shall comply with the provisions set forth in Section 14 of the Rules Governing Intermunicipal Insurance Agreements, and understands that any voluntary dissolution of a Program would require the filing of a plan of dissolution with the Department of Financial Regulation, and such plan would require approval by the Department of Financial Regulation.

**10. The investment program and guidelines to be employed in making investments.**

VEHI's current investment policy is on file.

**11. The procedure for handling a deficit position of the intermunicipal insurance agreement.**

The Board of Directors of VEHI, in accordance with its Member Participation Agreement, may levy upon its members an additional assessment whenever needed to supplement the Program's fund balance to assure payment of its obligations. A member may be assessed for any Fund Year during which the member participated in the Program. Such assessment may be made up to 36 months after the end of the Program's Fund Year even if the member has discontinued membership in the Program. Any assessments shall be payable to VEHI in accordance with the payment schedule for such assessments established by the Board of Directors with approval of the Department of Financial Regulation.