VEA Testimony to the Joint Subcommittee on a Statewide Health Insurance Experience Pool
SJR 372
Senate Room A
General Assembly Building
September 5, 2007
9:30 A.M.

On behalf of VEA, I thank you for this opportunity to offer the association's perspective to this subcommittee as you delve into this examination of one means of containing rising health insurance costs.

We thank Senator Norment, who introduced and ably supported SJR 372, at our request; and we deeply appreciate the support of the General Assembly for this study. And we thank each of you for your willingness to serve the commonwealth.

The ever increasing costs of health insurance are nothing new to Virginia's school employees. About twenty years ago, VEA initiated legislation which led to the creation of the Local Choice Health Benefits Program, which we had hoped would bring the economy of scale to all of Virginia's school divisions and reduce the costs of health insurance. The system continues to offer health insurance;

however, the latest information provided to me indicates that only twenty-six of Virginia's 132 school divisions participate.

The rising costs of health insurance have a dreadful impact on Virginia educators. The average total cost of health insurance increased about 60% between 2001-02 and 2006-07. The out of pocket cost to a teacher for family coverage is as high as $12,372. Some VEA members receive small pay increases only to see their take-home pay decline as a result of increased health insurance premiums. We have support personnel who work only for health insurance for their families. Nothing is left when the check is delivered.

The costs of health insurance are taking money away from education priorities on the local level and driving up the costs of SOQ rebenchmarking at the state level.

We believe examining ways of saving dollars for all parties involved - employees, local governments, and the Commonwealth - to be an element of the fiduciary responsibility of the General Assembly

I suggest the following questions for consideration as you begin your study.

If we continue the present course, how much will health care cost Virginia's school divisions in the years ahead?

Is the current voluntary pool approach (Local Choice Health Benefits Program) working? Why aren't more localities participating?

Studies in Minnesota, Michigan, Pennsylvania, Ohio and Montana have all concluded that pooling saves substantial amounts of money. No studies have concluded the opposite. How much would we save in Virginia?

What additional information do we need in Virginia to reach an informed decision?

Does our Constitution allow mandatory participation in the pool? If not, what incentives would lead to wide-spread participation?

What steps need to be taken to engender support for this approach?

What governance structure should oversee a statewide program?

Can a plan be designed that will save money for tax-payers, maintain benefits for employees and provide more money for shared spending priorities?

Hopefully, this body can address these and other questions and seek an opportunity to reduce costs for all involved.

The VEA has been fortunate to have Ms. Beth Phares, Senior Consultant with Hilb, Rogal and Hobbs, and Carol Forrester, Vice President of Hilb, Rogal and Hobbs, working with us on this issue. I am very pleased that they can be with us today to present to the subcommittee.