

## MEMORANDUM

**From:** Emma Paradis, Manager of Policy & Strategic Initiatives, Common Good Vermont

**To:** Green Mountain Care Board

**Re.:** FY25 Small Business Health Insurance Rate Increases Public Comments

**Date:** June 21, 2024

Common Good Vermont is a trusted resource and nonpartisan advocate for the State's more than 6,300 nonprofit organizations, supporting the success of Vermont's nonprofits through education, advocacy and relationship building.

**Common Good Vermont, on behalf of Vermont's nonprofit sector, calls on the Green Mountain Care Board to ensure health insurance costs are affordable for small nonprofits and their employees.** Year over year double digit (or nearly double digit) increases, such as the 19.1% and 9.3% small group plan increases proposed by BCBS and MVP respectively, are simply not sustainable. While health insurance benefits have become more common and robust throughout the nonprofit sector in recent years, this trend is threatened if costs continue to rise, especially at the current rate.

More than 6,300 Vermont nonprofits provide services, good jobs, and civic engagement that make our communities stronger. Nonprofits:

- employ 1 in 7 Vermont workers
- contribute over \$5.7 billion per year to the economy through wages, retail and wholesale purchases, and professional service contracts
- are the second largest industry in Vermont after State government

These nonprofits address basic human needs such as food, shelter, childcare, health services, and education. They also provide vibrancy to our villages, towns, and cities through investment in the arts, historic preservation, conservation and environmental concerns, and economic development.

**Despite the vital role nonprofits play in serving our communities, the already resource constrained sector has been acutely impacted by economic, workforce, and community challenges felt across Vermont and beyond.** The confluence of rising costs, low unemployment, and increased demand for services, without commensurate funding increases, puts our organizations, and communities, in a precarious position.

**Health insurance is a significant cost for nonprofit employers.** 2022 Vermont Nonprofit Wages & Benefits Report data show that for participating nonprofits that offer health insurance:

- The average "fringe" rate, or benefits as a percentage of wages, is 20%, compared to 6% for those not offering health insurance.

- The average cost of benefits as a percentage of an organization's budget is 11%, compared to 4% for those not offering health insurance benefits (suggesting that health insurance is a driving cost factor).
- 35% increased their deductible.
- 18% increased co-pays.
- 36% increased employer contributions and 13 percent increased employee contributions.

Despite rising costs, the current labor market does not put nonprofits in a position to reduce benefits. Nonprofits need to compete with for-profit corporations for skilled employees to carry out their programs and services our communities depend on. **Wages and benefits competition are the top factors identified by nonprofits affecting their ability to recruit and retain staff.**

- The 2022 Report on Nonprofit Wages & Benefits found that the top factors impacting recruitment and retention for participating nonprofits were wage/salary competition (cited by 56% of respondents) and benefits package competition (cited by 31% of respondents).
- Similarly, a 2023 Nonprofit Workforce Shortage Survey conducted in partnership with the National Council of Nonprofits found that salary competition (cited by 73.1% of respondents) and budget constraints/insufficient funds (cited by 69.2% of respondents) were the top two factors impacting recruitment and retention.

In fact, nonprofits are more likely to offer health insurance and other benefits today than they were in recent years, according to the 2022 Report on Nonprofit Wages & Benefits. For survey participants:

- In 2018, only 69% of organizations offered group health insurance, increasing to 70% in 2020, and 76% in 2022.
- 36% reported enriching benefits packages as a recruitment strategy.

For this trend to continue, the cost of health insurance cannot continue to increase at the current rate. As one childcare provider puts it:

*“We will not be able to absorb any of this increase. This will result in employees taking on the direct burden. This will also make us a less desirable employer and may increase employee turnover and therefore organizational costs not just related to healthcare. This is significantly harmful to small organizations and the community. Our organization can not provide quality services without dedicated staff.”*

As a state, we need to take care of our most valuable resource, our people. Nonprofits, often on behalf of the government, employ 1 in 7 Vermont workers. **We need to keep health insurance costs affordable so that this vital workforce can meet the needs of our communities and their own health.**