



**To:** Local School Districts and Union Leaders

**From:** Vermont Education Health Initiative

**RE:** *VEHI Health Program Contribution Renewal Increase for FY 17: 7.9%*

**Date:** January 2016

In FY 17, the member contribution for VEHI's health insurance plans will rise by 7.9%. The Department of Financial Regulation (DFR) approved this rate in December and, therefore, it is final. The new rate was set initially by the VEHI Board of Directors, in consultation with Blue Cross Blue Shield of Vermont.

**Why is the FY 17 rate increase higher than the FY 16 (4.5%) contribution renewal?**

Below is a summary of the major factors at play that were referenced in our correspondence to you last fall:

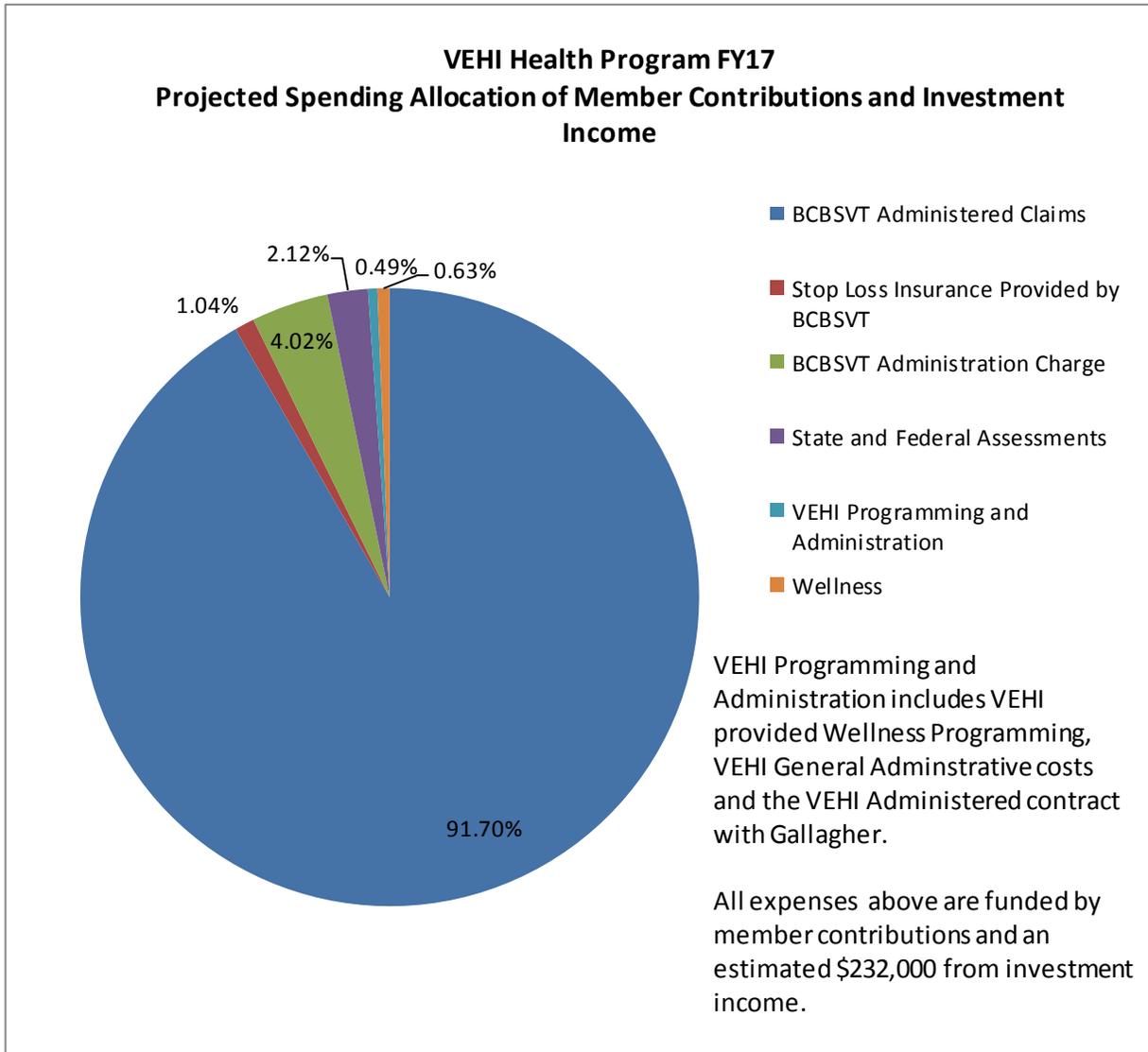
1. The largest drivers of VEHI's rate increase are rising costs **in pharmaceuticals and medical inflation**. In the pharmacy arena, for example, over a twelve-month measuring period between 2014 and 2015, our pool's number of drug prescriptions **dropped** by 6.2% and our generic fill rate **rose** modestly from 81.8% to 82.4% -- both good signs and cost savers. However, our spending on **specialty drugs** for the same period increased dramatically, by **22%**, and accounted for **34.2%** of our spending on drugs per member per month. Of the top 25 drugs used by our subscribers, 12 are specialty medications, and that number will increase in the coming years. BCBSVT is doing an admirable job working with the provider community to assess the efficacy of these drugs and how they are prescribed.
2. Our medical claims costs continue to rise. The increase in claims is driven mainly by **increased cost for services**, as our utilization of services and number of high-cost cases remain relatively constant. VEHI subscribers use a significant amount of health care services, and we are spending more per member per month compared to Blue Cross Blue Shield of Vermont's total book of business. But our use of preventive care is higher than BCBSVT's book of business. Appropriate preventive care, combined with wellness initiatives, can keep people healthier and reduce claims costs over the longer term.
3. VEHI is subject to **state and federal assessments**. We are projecting a per member per month (PMPM) cost increase in FY 17 of 8% (\$43). Of that, 2.3% (\$12.53) is attributable to five assessments. The largest two are the Health Care Claims Tax (\$5.07 PMPM) and the Vermont Blueprint Program (\$3.66 PMPM). The Blueprint increase caught us by surprise this June when it was approved by the Green Mountain Care Board, and it will cost the trust about \$500,000 more in FY 16. Because we could not build that into the FY 16 rates, though, it must be absorbed in FY 17's rates.

**What role did VEHI's reserves have on the FY 17 rate renewal?**

To meet its fiduciary and regulatory obligations, VEHI was unable to draw down on reserves to substantially lower the FY 17 rate. Further, our approved rates for FY 17 have been set with the intention of simply

maintaining, NOT increasing, reserves. Every dollar we collect is dedicated to funding benefit programs, wellness initiatives, and ACA compliance services.

**Below is a pie chart and other information that explain how monies collected by VEHI are allocated on behalf of its members:**



### **VEHI & ACA Compliance**

Since 2010, VEHI has been serving as an unofficial “navigator” for schools in the arena of ACA compliance. In FY 17, we will continue to honor this commitment, which requires financial, technical and legal resources, in collaboration with Gallagher Benefit Services, Inc., a nationally recognized leader in healthcare analytics.

### **Questions & Concerns**

We know these continue to be challenging times in respect to health benefits and health care reform. Please contact your VEHI trust administrators, Laura Soares ([laura@vsbit.org](mailto:laura@vsbit.org)) or Mark Hage ([mhage@vtnea.org](mailto:mhage@vtnea.org)), with questions or concerns about this memorandum or any of our programs.