



## VEHI Proposed Health Rates for FY26

On Tuesday, October 22, the VEHI Board of Directors authorized the management team to file **FY26 rates for our health benefits program** with the Vermont Department of Financial Regulation (DFR). The proposed average premium increase for active employees and their dependents is **11.9 percent**. The Board also voted to hold the **FY26 dental rates at FY25 levels**, even though an increase was recommended by our actuary. This is to provide modest financial relief to school boards and school employees in the face of rising health insurance premiums.

Decisions on the rate filings are expected from DFR in January.

This Campaign Monitor will discuss in more detail the cost pressures that VEHI is confronting, and the initiatives VEHI will be undertaking or exploring to address these pressures.

### **The FY26 Rate-Setting Process**

First, as a general reminder, to accommodate school budgeting schedules, VEHI sets premium rates many months in advance of when they go into effect. We utilize the best data sources available on prices, including hospital budgets, and utilization trends, and we project their impact on revenue and costs into the future. Developments may arise in any given year that could not have been anticipated, or, if known prior to filing rates, were not settled matters. If the latter impacts rate projections going forward, positively or negatively, we adjust our thinking and planning accordingly.

For example, on the positive side this year, VEHI's rate-setting process benefitted from lower hospital budget orders by the Green Mountain Care Board, the substitution (at last!) of a lower cost bio-similar/generic drug for Humira, a very expensive medication, and more than a million dollars in savings from a pharmacy contract audit.

When setting rates for the active population in FY26, the VEHI Board of Directors set out to balance its commitment to keep premium increases as low as possible for our 34,000-plus covered members and their school districts, while also securing VEHI's long-term fiscal

health. The proposed, average premium increase of 11.9 percent was the outcome of a thoughtful and complicated deliberation by the Board and management team.

VEHI is also required to maintain **financial reserves**. Over the past few years, we've experienced a decrease in reserves, and in 2024, VEHI we had to withdraw from our reserve fund to pay weekly claims. This fund, therefore, had to be replenished in the FY26 rating cycle to protect the financial solvency of the pool.

### How are your premium dollars spent?

Every premium dollar VEHI collects pays a bill. VEHI is not in the business – and never has been – of seeking or making a profit. Nearly **90% of every premium dollar** is dedicated to paying **medical and Rx claims**. In FY25, VEHI projects to pay out, on average, \$6.4 million a week in claims. The remaining **10% of revenue**, roughly, is allocated to vital services (like claims processing, Gallagher, and Remedy Analytics) and programs (like PATH), standard administrative expenses (for BCBSVT and VEHI), and mandatory state and federal fees.

### What drives premium increases?

There are several factors, but simply put, the primary ones are (a) the price of medical care and prescriptions and (b) the utilization of services. In this post-COVID period, some VEHI subscribers have needed more services – and these services are more expensive. This dynamic is playing out across the state, regionally, and nationally. VEHI is not unique in this respect.

The biggest problem, though, for VEHI and everyone else, is still the medical prices we are charged. As in past years, the inflationary impact of rising hospital budgets and prices, combined with sharp spikes in the cost of prescription medications, notably specialty drugs, is the leading cause of the proposed FY26 premium increase.

- Hospital care – inpatient and outpatient services – accounts for **55 percent** of VEHI's total spending. Large hospital budgets have increased at significant rates over the past few years.

- Prescription medications account for about **20 percent** of total spending. The exorbitant prices and inflationary trends of prescriptions, as you'll see below, present enormous challenges, most of which surpass a risk pool's ability to manage or constrain these costs.

As noted, post-COVID utilization is on the rise, but it is still the case that our spending is highly concentrated among a relatively small number of subscribers. We asked BCBSVT to stratify claimants in 2023 who fell in one of three categories of cost. This amounted to nearly 19,000 patients (roughly 56 percent of our covered lives):

- **The top 1 percent** of claimants (**345 people**) accounted for **25 percent** of our total spend, at an **average cost of \$255,757** per member per year.

- **The top 5 percent** of claimants, including the top 1 percent (**1,727 people**) accounted for over **50 percent** of our total spend, at an **average cost of \$104,854** per member per year.

- **The bottom 50%** of claimants (**17,268**) accounted for just **4 percent** of total cost, at an **average of \$927** per member per year.

- **“High-cost” VEHI patients**, those with claims that exceeded **\$100,000**, numbered just **474** in 2023. But they incurred total costs of **\$98,345,776**. This tiny group represented **30 percent** of total spending.

### **Let’s talk about prescription costs.**

In 2023, our gross cost for prescription medications, per member per month, increased percentage wise as follows:

- Specialty Medications: 21.7%
- Non-Specialty Medications: 27.8%
- Overall Medication Trend: 24.4%

The cheapest medications are **generics**, and, in 2023, **85 percent** of VEHI prescriptions, excluding vaccines, were for these drugs. That’s the good news.

However, **specialty drugs**, the most expensive – and taken by only **3.1 percent** of VEHI patients – tallied to **55.3 percent** of VEHI Rx spending, or **\$42.2 million**. The number of patients prescribed these medications was just **914**, at an average gross cost per patient of **\$46,130**.

VEHI has promoted and sustained a high generic fill rate for many years, but the savings from this success are rendered negligible by specialty medications and other drugs prescribed to a small number of patients and priced at exorbitant levels. Again, in 2023: **914 patients** on specialty meds = **\$42.2 million** in gross cost.

### **What initiatives will VEHI research, undertake, and support to lower costs and improve access to essential care?**

VEHI is focused on reducing costs in two ways. We have implemented - and will keep doing so - projects and initiatives within our span of control and in collaboration with our business partners. In addition, VEHI, as it has done in the past, will back efforts by others to address increasing hospital and prescription costs and to improve access to care in non-hospital settings, with an emphasis on prevention and wellness, especially for those afflicted with chronic diseases.

### **Lowering prescription medication prices:**

- In 2024, the VEHI Board endorsed legislation to create a state-based **Prescription Drug Affordability Board**, following the advocacy of Vermont-NEA. The legislature created a new division at the Green Mountain Care Board and charged it with designing a framework and

methodology to lower Rx prices for the most expensive medications. We anticipate this new regulatory division will bring more rationality, transparency, and lower costs to prescription medications in Vermont.

- VEHI continues to work closely with **Remedy Analytics**, our independent Rx consultant. Remedy's aggressive contract auditing services, in partnership with the Rx team at BCBSVT, have recouped substantial financial credits on three occasions from our pharmacy benefit manager (PBM) because of unwarranted deviations from our contract terms. This year's audit returned more than a million dollars to our coffers.

- We will also work with Remedy in the next few months to explore the viability of VEHI contracting with one of the "Next Generation" PBMs that are making a name for themselves nationally by delivering high-quality services with lower profit margins than the big four PBMs that control 80 percent of the U.S. market.

### **Lowering hospital budgets and prices:**

- Mark Hage, the Benefits Director at VT-NEA and a member of the VEHI management team, introduced the VEHI Board to reference-based pricing (RBP) benchmarked to Medicare rates for setting hospital charges and arranged in 2023 for a presentation on the matter by a national expert. Vermont-NEA and the Vermont State Employees Association subsequently received funding in 2024 to conduct an RBP analysis of the hospital claims of both VEHI and the State of Vermont. We are looking forward to the results of this analysis, because the track record for RBP to date – especially in Montana (for 31,000 state employees) and Oregon (for nearly 300,000 school, state and municipal employees) – shows impressive savings for public-sector employees and employers.

- We took note that the Act 167 Report, released on September 18, recommended that the Green Mountain Care Board begin moving to a reference-based pricing model for certain hospital budgets next year. We will follow this development closely and add our voice to the conversation on behalf of public-school districts and school employees.

### **Benefit Design Research:**

- Over the course of the next year, VEHI will re-examine its current plan designs and look for new opportunities to provide comprehensive coverage at more affordable prices. In this process, we will solicit input from members of the Vermont Commission on Public School Employee Health Benefits.

- We will also take up the question of how many plans we should offer in the future and look for ways to reduce administrative complexity for subscribers and central offices.

- We will review, promote, and potentially expand telehealth options to provide more convenient and affordable options to avoid costly and unnecessary Urgent Care and Emergency Room visits.

- We will collaborate with Blue Cross of VT and other experts to identify opportunities to help those with chronic diseases remain adherent to medications and to manage their health challenges effectively and avoid unnecessary hospitalizations and complications. (Most health care costs are driven by treatments and medications for chronic diseases.)

- We will research existing and potentially new contracting arrangements with medical facilities that are deemed “Centers of Excellence,” in and outside of Vermont. These centers have proven successful historically in lowering costs and delivering better care, including reduced hospital re-admission rates.

There is a lot of hard, important work ahead for VEHI, for the legislature and GMCB, and for everyone who wants health insurance to be more affordable and for high-quality care to be more accessible. We will keep you informed.

*The VEHI management team and Board deeply appreciate everything you do for Vermont’s children and communities, and for the trust you have placed in us.*

[Click here for the Proposed FY26 Rate and Allocation Charts.](#)

As always, please contact VEHI Trust Administrators Mark Hage or Bobby-Jo Salls if you have questions or concerns at [MHage@VTNEA.org](mailto:MHage@VTNEA.org) or [BobbyJo@VSBIT.org](mailto:BobbyJo@VSBIT.org).

This notification has been sent to School Business Officials, Superintendents, School Board Chairs, Human Resources Professionals, Local Union Officials, and other Health Plan Employer contacts.

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52 Pike Drive  
Berlin, VT 05602  
(802) 223-5040