



VEHI Files FY 19 Health Plan Rates

Final Rates will be announced in early January 2018

VEHI has filed its FY 19 contribution rates for its new health plans with the Department of Financial Regulation (DFR), which has the authority to review and modify or approve VEHI's health plan rates annually.

This year, for the first time, DFR is requiring VEHI to file separate rate increases for each health plan. This will be required in future years as well.

The grid below lists the proposed monthly contribution amounts for each new plan that VEHI has submitted to DFR and the percent increase over FY18's amounts that they represent.

	Single	Self + Spouse	Parent + Child(ren)	Family	Percent Increase Over FY 18
Proposed Platinum FY 19	\$699.34	\$1,398.69	\$1,169.40	\$1,978.43	6.4%
Actual Platinum FY 18	\$657.55	\$1,315.10	\$1,099.51	\$1,860.19	
Proposed Gold FY 19	\$671.34	\$1,342.68	\$1,123.53	\$1,900.39	7.8%
Actual Gold FY 18	\$622.94	\$1,245.88	\$1,042.53	\$1,763.38	
Proposed Gold CDHP FY 19	\$576.11	\$1,081.95	\$890.68	\$1,595.82	10.1%
Actual Gold CDHP FY 18	\$523.29	\$982.75	\$809.02	\$1,449.51	
Proposed Silver CDHP FY 19	\$534.65	\$1,069.31	\$901.28	\$1,521.45	17.2%
Actual Silver CDHP FY 18	\$456.34	\$912.69	\$769.27	\$1,298.60	

Why does each health plan have a different rate of increase?

Each plan must be priced in FY 19 to collect sufficient premiums for VEHI to pay all claims and expenses anticipated under that specific plan. If VEHI applied one rate of increase to all four plans, some of the plans would be overpriced and others underpriced, creating cross-subsidization of plans, which DFR will not allow.

What is driving the double-digit increases in the Gold CDHP and the Silver CDHP?

When VEHI, in conjunction with BCBSVT, set the rates for these plans last year, it was based on a series of assumptions: (a) enrollment, (b) out-of-pocket (OOP) cost sharing determined in collective bargaining, and (c) a significant reduction in claims expenses overall with the new plans, which is anticipated to result from increased subscriber awareness and sensitivity to the costs of medical and pharmacy services.

At this time, we have updated information in all three areas, **and this is impacting our rate renewal process for FY 19.** To be more specific:

1. We expect the majority of subscribers to enroll in the **Gold CDHP**;
2. The collective bargaining agreements settled as of this announcement show school districts covering a greater share of OOP costs than anticipated (it was anticipated that employers would, on average, cover 75% of out of pocket costs and settlements to date indicate a higher trend);
3. When setting the FY 18 rates last year, the actuarial assumptions projected a reduced utilization of medical care and a lower overall claims expense. These assumptions were based on copay, deductible and co-insurance amounts in the new plans and the use and design features of Health Reimbursement Arrangements (HRAs) or Health Savings Accounts (HSAs), along with their funding levels. Actuarial modeling projects that HRAs with rollover provisions act more like HSAs (which are employee-owned accounts) and are treated in the actuarial analysis as a potential incentive to save rather than spend funds.

In light of recent settlements, which show that most districts will be using HRAs that do not have rollover provisions, but have a range of approaches on who pays first (employer or employee), and, as noted above, will have funding levels higher generally than previously predicted, the assumptions about future utilization reductions in the new plans have been reassessed. Current projections indicate a higher FY 18 claims cost than originally anticipated.

In other words, the **FY 18** rates for the Gold CDHP and Silver CDHP are underpriced given the new information now known about the plans. BCBSVT's latest assumptions were reviewed by Willis Tower Watson (WTW), an independent actuary contracted by VEHI. Consequently, based on guidance from BCBSVT and WTW, VEHI has concluded that the rates for these two plans must bring these plans closer to their indicated pricing for FY 19.

Fortunately, VEHI's reserves are strong, and, thus, will be used to cover any claims expense in FY 18 that is greater than the premium VEHI collects, estimated at \$3.5 million.

In addition, the VEHI Board authorized another \$6 million from the reserves be put toward the FY 19 claims expense, to prevent even higher rate increases in the Gold CDHP and Silver CDHP for FY 19. The Platinum and Gold Plan FY 19 rates predominately reflect medical trend, and these rates are not being lowered by VEHI reserves.

What about the impact of increasing medical and pharmacy costs?

These costs are built into the rates VEHI is filing for FY 19. Pharmacy costs are growing at a faster rate than medical expenses, with specialty drugs rising at a greater rate than all other medical and drug costs. VEHI continues to work with Remedy Analytics and BCBSVT to obtain prescription drugs at the lowest possible price and to take advantage of other cost saving opportunities in the pharmacy area.

Is there any change to the Out-of-Pocket Costs in FY 19?

No. Medical, pharmacy and total out-of-pocket cost limits will not increase. Keep in mind, however, that VEHI announced in August of 2017 that the pharmacy limit in the Gold CDHP and Silver CDHP will be set at \$1,350/\$2,700 on 1/1/2018 to meet the federal rules for compatibility with Health Savings Accounts. This is higher than originally announced (\$1,300/\$2,600) because the federal rules changed in the late spring of 2017, effective January 1, 2018. **The total OOP limit for these two plans did not change**, however, since the pharmacy limit is included in the medical limit (\$2,500/\$5,000 for the Gold CDHP and \$4,000/\$8,000 for the Silver CDHP). Please see VEHI's Benefit Guide updated in August of 2017.

Please note that these rates are not final. They must go through the regulatory review process at DFR. We will let you know when that process is completed, and will announce the finalized rates at the latest in early January.