



## VEHI Files FY 20 Health Plan Rates for Active School Employees

### Final Rates will be announced in early January 2019

VEHI has filed its FY 20 contribution rates for its **active school employee** 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. VEHI is required to file separate rate increases for each health plan.

The grid below lists the **proposed** monthly contribution amounts for each new plan VEHI has submitted to DFR and the percent increase over FY19 amounts that they represent.

<b>VEHI Filed Monthly Health Plan Rates FY 20</b>					
Final Rates will be Announced in Early January 2019					
	<b>Single</b>	<b>Self + Spouse</b>	<b>Parent + Child(ren)</b>	<b>Family</b>	<b>Percent Increase Over FY 19</b>
<b>Proposed Platinum</b>	<b>\$722.14</b>	<b>\$1,444.29</b>	<b>\$1,207.53</b>	<b>\$2,042.93</b>	<b>3.3%</b>
<b>Proposed Gold</b>	<b>\$692.86</b>	<b>\$1,385.72</b>	<b>\$1,159.54</b>	<b>\$1,961.30</b>	<b>3.2%</b>
<b>Proposed Gold CDHP</b>	<b>\$643.86</b>	<b>\$1,209.20</b>	<b>\$995.43</b>	<b>\$1,783.50</b>	<b>11.8%</b>
<b>Proposed Silver CDHP</b>	<b>\$555.07</b>	<b>\$1,110.15</b>	<b>\$935.70</b>	<b>\$1,579.56</b>	<b>3.8%</b>
<b>Overall Increase</b>					<b>10.9%</b>

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

DFR does not permit VEHI to apply one rate of increase to all four plans, because this would lead some to plans being overpriced and others underpriced, creating an unacceptable cross-subsidization of plans. *Thus, each plan must be priced to collect sufficient premiums to pay claims and expenses anticipated under that specific plan.*

#### **What is driving the 11.8% increase in the Gold CDHP?**

90 percent of VEHI subscribers and their families are enrolled in this plan. The needed rate increase for FY19 (the current year) was 16.8 percent; however, VEHI lowered this increase to 10.1 percent by using an **estimated \$8 million** from reserve funds to do so. Unfortunately, VEHI's reserves are not robust enough now, nor are they expected to be at the end of FY 19, to permit us to subsidize the FY 20 rates for the Gold CDHP (see below) at any level.

This means the FY 20 rates must be increased at the proposed rate to raise sufficient revenues to cover the overall cost of medical and pharmacy services for this plan (and the other three) without reliance on VEHI's reserves.

Roughly one-half of the Gold CDHP's 11.8 percent increase is attributable to the removal of VEHI's subsidization of the FY 19 rates; another estimated 4 percent is to cover price increases for medical and pharmaceutical services; the remaining increase is the result of a variety of other factors.

**Why isn't VEHI using reserves again to lower the increase of the Gold CDHP?**

As previously noted, VEHI deployed reserves to lower the FY 19 rates from 16.8 percent to 10.1 percent, knowing this would likely decrease the reserve fund at the end of FY 19 below our target level. At the end of FY 18, our reserves were at their target level; but they are expected to drop below that level by the end of FY 19. To reduce the chances of them dropping even lower at the end of the next fiscal year, VEHI cannot allocate reserve funds to mitigate the proposed FY 20 rate increase.

Additionally, if VEHI were to artificially lower the increase again, it would likely put us back in the position next year of needing another large increase for the Gold CDHP to pay future claims and expenses incurred by this particular health plan.

**Is there any change to the Out-of-Pocket Costs for any VEHI Plans in FY 20?**

No. Medical, pharmacy and total out-of-pocket cost limits will not increase.

**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 complete, and announce the finalized rates at the latest in early January.