



## Health Plan Rates Filed with DFR

**FY 22 - July 1, 2021 - June 30, 2022**

To: Vermont School Officials, Local Unions and School Employees  
From: Laura Soares, Bobby-Jo Salls & Mark Hage, VEHI Management Team  
Date: November 2, 2020  
RE: VEHI Premium Rate Filing for Active Employees: FY 22 (July 1, 2021 – June 30, 2022)

The Vermont Education Health Initiative (VEHI) has filed its proposed **FY 22 premium rates** for both active school employees and retirees in VSTRS with the Vermont Department of Financial Regulation (DFR). Rates were developed in coordination with BCBSVT actuaries. Rates are not final until approved by the DFR, with a decision expected in early 2021. This memo will focus exclusively on proposed rates for **active employees and their dependents**.

*The proposed overall rate increase for active employees in FY 22 is **9.8 percent**. That said, FY 22 rate increases range from **8.3 percent to 18.5 percent**, depending on the VEHI health plan. (See the filed rates below.)*

**The FY 22 rate increase is driven primarily by costs in these areas:**

**(1) Normal factors:** Medical Inflation, Rx Inflation, Utilization Trend, plus routine Operational Expenses (**6.4 percent**).

The vast majority of the FY 22 increase is accounted for in this category, broken down as follows.

The estimated cost of medical and pharmacy claims is projected to be higher by about 6.7 percent. While this figure incorporates several items, such as projected modest changes in utilization and higher prices for health care services generally, this year the increase is being driven by hospital budgets approved by the Green Mountain Care Board, which are higher than the recent average. Prescription drug spending is also projected to rise sharply again. 1.2 percent is attributable to the fact that out-of-pocket costs remain at the levels they were set in 2018, meaning co-pays, deductibles, and co-insurance will cover slightly less of overall costs. 0.6 percent is due to VEHI administrative expenses, state and federal assessments, and stop-loss coverage.

These increases in the aggregate are offset by a more competitive pharmacy contract BCBSVT will institute on July 1, 2021. This **lowers** the normal factors 2.1%, giving us the 6.4 percent increase indicated.

**(2) Rebuilding VEHI’s Reserves:** Meeting obligations under our Net Position Policy **(2.2 percent)**

VEHI is adding 2.2 percent to its FY 22 rates to **rebuild reserves** to a level consistent with its Net Position Policy on file with DFR. Our reserves (“net position”), measured in dollar terms and as a percentage of total expenses, have been decreasing since FY 17 and they are now expected to decrease again in FY 21, even though we set the rates in FY 21 expecting to add to our reserve balance. This is because FY 19 ended with over \$7 million more in claims costs than expected, and we were on track to incur at least \$4 million more in claims costs than expected in FY 20. Then the pandemic dramatically altered things.

The COVID-19 emergency shut down most non-urgent medical services in the last quarter of FY 20, resulting in a substantial reduction in the volume and costs of VEHI claims. In fact, the sharp decline in claims costs amounted to millions of dollars in savings for VEHI, which allowed the trust to make-up recent losses from FY 19 and still gain \$2 million by the end of FY20.

The first quarter of FY 21 shows claims are returning to normal levels, as people are again receiving services, including those deferred between March and June. We are projecting an increase in FY 21 claims of about 3 percent due to delayed services and COVID-related claims. Our current estimate is a loss in FY 21 of \$5 million, despite setting the rates last year to rebuild by about \$5 million at the end of FY 21. We must, therefore, increase rates to rebuild our reserves to a stronger position in FY 22.

**(3) Pricing Alignment:** Revenue to resolve underfunding **(1.2 percent)**

The FY 22 rates need to be increased by approximately 1.2 percent to take into account an actuarial estimate on the potential utilization impact of new cost-sharing arrangements determined by an arbitration decision that closed negotiations in 2019 by the State Commission on Public School Employee Health Benefits. The new cost-sharing terms go into effect on January 1, 2021.

<b>VEHI Monthly Health Plan Rates FY 22, effective July 1, 2021 - June 30, 2022, as filed</b>					
	<b>Single</b>	<b>Self + Spouse</b>	<b>Parent + Child(ren)</b>	<b>Family</b>	<b>Percent Increase Over FY 21</b>
<b>Platinum</b>	<b>\$889.59</b>	<b>\$1,779.18</b>	<b>\$1,487.53</b>	<b>\$2,516.63</b>	<b>8.3%</b>
<b>Gold</b>	<b>\$868.05</b>	<b>\$1,736.09</b>	<b>\$1,452.73</b>	<b>\$2,457.21</b>	<b>9.9%</b>
<b>Gold CDHP</b>	<b>\$796.32</b>	<b>\$1,495.54</b>	<b>\$1,231.15</b>	<b>\$2,205.83</b>	<b>9.6%</b>
<b>Silver CDHP</b>	<b>\$754.38</b>	<b>\$1,508.77</b>	<b>\$1,271.68</b>	<b>\$2,146.73</b>	<b>18.5%</b>

Questions on the rates can be sent to [Bobby-Jo Salls](#), [Laura Soares](#) or [Mark Hage](#). (Click a name to open an email.)

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