



FY27 VEHI Rate Filing for its Health Program

On Tuesday, October 21, the VEHI Board of Directors authorized the management team to file FY27 premium rates for our health benefits program with the Vermont Department of Financial Regulation (DFR).

The proposed average premium increase in FY27 for **active** employees and their dependents is **7.3 percent**. The rates will be filed with DFR by October 31, and a formal decision on this filing is expected from DFR in January.

This proposed, single-digit filing, the first since FY23, is largely the result of a combination of price- and cost-control actions by the Vermont Legislature, state regulators at the Green Mountain Care Board, and VEHI. Three major developments were decisive:

1. **Act 55 (2025):** The legislature wisely capped the price of hospital-administered medications at 120 percent of the Average Sales Price, which is determined by the federal government. This landmark legislation, which becomes effective January 1, 2026, for eight hospitals, will save VEHI approximately **\$14.6 million** in FY27. (Because the legislation begins January 1, and because some hospitals are implementing the price caps even sooner, VEHI will see savings from Act 55 in **FY26** as well.) VEHI strongly endorsed Act 55.
2. **FY26 Hospital Budget Orders:** Regulators at the Green Mountain Care Board, committed to achieving both greater affordability for Vermonters and financial sustainability for hospitals, approved modest hospital budget increases at or near the Board's budgetary guidance threshold of 3 percent. In the case of the University of Vermont Medical Center, the Board reduced its budget by **\$88 million**. These actions in total were tremendously beneficial to VEHI and to the commercial insurance market generally. 55% of VEHI's costs are for hospital services. These budgetary orders by GMCB, combined with its enforcement actions in response to prior-year overages, will save VEHI roughly **\$9.6 million**, and, critically, they usher in an era of expanded regulatory action and oversight in the public interest.
3. **Weight-Loss Benefit Exclusion for GLP-1 Medications:** In September, VEHI notified school districts and school employees that the trust could not afford at this time to

cover GLP-1 medications for **weight loss exclusively** because of the outrageous prices charged for them and the increase in the number of people taking them. This was a very difficult decision for the management team and the VEHI Board. We are monitoring developments in the marketplace and healthcare system to determine when and under what conditions we might be able to renew coverage of these medications for weight loss. The removal of these medications as a covered benefit for weight loss reduces costs in FY27 by nearly **\$16 million**.

All told, these three initiatives reduced VEHI's FY27 premiums by **\$40 million**, or **ten percentage points** on premium rates. Without the bold intervention of the legislature and GMCB to reduce the costs of hospital services and hospital-administered medications, VEHI's proposed rate increase in FY27 would have landed between **15 and 20 percent**.

Looking forward

VEHI is looking ahead to internal cost-cutting initiatives. Most promisingly, in partnership with our Rx consultant Remedy Analytics, we are exploring independently contracting with an **alternative pharmacy benefit manager**. This change, if it comes to fruition, may offer significant cost savings and improve cost transparency. We will keep you apprised of what we learn in this process.

We are also following with interest the work of GMCB's prescription drug-pricing division, which we trust will lower Rx costs in coming years. VEHI endorsed the creation of this division in 2024. Additionally, state regulators are moving forward with the development of a reference-based pricing methodology benchmarked to Medicare rates for hospitals beginning in FY27. This, too, holds great promise in lowering hospital costs.

Finally, in the course of 2026, VEHI will undertake a new benefit-design project, which will investigate opportunities to innovate and reduce costs while strengthening access to comprehensive, high-quality care.

Improving VEHI's Financial Stability

When setting rates for school districts and our 33,000+ active school employees in FY27, as in the past, the VEHI Board of Directors set out to balance its commitment to keep premium increases as low as possible while securing VEHI's long-term fiscal health.

The proposed, average premium increase of 7.3 percent, while much lower than expected, still has the added benefit of allowing VEHI to restore its financial reserves, which are required by DFR and had dropped to an historic low in FY25. Exorbitant hospital and Rx prices in recent years, along with an increase in medical utilization, took a heavy toll on these

reserves. The FY27 proposed rate increase will allow us to replenish our reserves consistent with VEHI policy, and, thus, to protect the financial solvency of the pool.

Questions

Please contact Bobby-Jo Salls and Mark Hage, VEHI Trust Administrators, if you have questions about this proposed rate filing.

VEHI Monthly Health Plan Rates FY 27 in effect July 1, 2026 - June 30, 2027 - Unapproved					
	Single	Self + Spouse	Parent + Child(ren)	Family	Percent Increase over FY26
Platinum	\$1,435.18	\$2,870.38	\$2,399.84	\$4,060.11	7.2%
Gold	\$1,407.39	\$2,814.79	\$2,355.35	\$3,983.95	7.2%
Gold CDHP	\$1,321.31	\$2,481.48	\$2,042.79	\$3,660.04	7.4%
Silver CDHP	\$1,209.57	\$2,419.17	\$2,039.02	\$3,442.08	6.6%

How are premium dollars spent?

Typically, the VEHI claims-to-administration and fees ratio is about 90/10%, with nearly 90% of every premium dollar dedicated to paying medical and Rx claims. The remaining 10% of revenue, roughly, is allocated to programs and services of Blue Cross Vermont, VEHI and the PATH wellness program, and mandatory state and federal fees. However, as explained above, to replenish our reserves after three years of losses, this year a larger percentage is reflected in the “Net Position” portion.

See chart on page 4 for illustration.

**VEHI Health Program FY27 Projected Spending Allocation
Funded by Member Contributions**

