
State of Vermont
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101

For consumer assistance:
[Banking] 888-568-4547
[Insurance] 800-964-1784
[Securities] 877-550-3907
www.dfr.vermont.gov

RFI Overview

New Hampshire and Vermont received seven responses to the Twin State Voluntary Family and Medical Leave Insurance Plan (Twin State Plan) request for information (RFI). Of the seven RFI responses were received, six of the responses were from insurance carriers. One response was from a third-party administrator. The RFI responses will be made publicly available on the appropriate procurement websites in New Hampshire and Vermont.

New Hampshire and Vermont have preliminarily reviewed the RFI responses and plan to meet individually with the respondents over the next week to discuss a uniform set of questions.

The following are the initial high-level takeaways from the RFI responses:

- **Interest:** First and foremost, the RFI responses demonstrate considerable interest from insurance carriers to work with New Hampshire and Vermont to implement the Twin State Plan.
- **Experience:** The size, quality, and experience of the interested carriers is also encouraging. All carriers have extensive experience administering employment-based insurance benefits, and a number have specific experience administering paid family leave insurance in connection with state programs in New York, New Jersey, and California.
- **Strength:** The six carriers combined provide insurance and other financial services to over 160 million individuals world-wide, hold over \$2.2 trillion in assets, and on average have been in business for over 140 years. In addition, each of the carriers receives strong credit ratings from AM Best, S&P, Moody's and Fitch.
- **Timeliness.** Because the carriers are in the business of insurance, they are already adequately capitalized to provide the coverage; their RFI responses reflected an ability to begin administering the program shortly after premium began being paid.
- **Cost:** The RFI responses that contained pricing specifications confirmed initial conversations regarding the cost of the program. For example:
 - Anthem provided a low range estimate of \$207 and a high range estimate of \$250 premium per State employee per year – with the average of those two figures equaling \$229 per employee per year.



- MetLife provided an estimate consistent with Anthem but has asked for trade secret protection to apply to the specific dollar figure.

These estimates were based on the roughly 18,500 employee pool in the combined New Hampshire and Vermont State workforces. It is important to know that under the current proposal, the states would pay for the employee group. Employers in New Hampshire and Vermont that are not part of the state employee pool would either pay the cost for their staff or make other arrangements between the employer and employee to pay the cost of the insurance.

- **Progressive Premiums:** A number of carriers indicated that premiums could be priced as a percentage of covered wages so that employees would pay premiums commensurate with their wages.
- **Progressive Benefit:** Two carriers provided guidance on designing a program that contemplates higher wage replacement percentages for lower wage workers. Further conversations will be had with each respondent to better understand the feasibility of this approach.
- **Administration of Individuals and Small Groups:** The carriers administer a wide variety of group sizes between 2 and 200,000 employees. Some carriers stated that fees would need to be negotiated beyond their normal structure if they were required to administer individual participants, while others suggested the use of third-party vendors or pooling mechanisms to reduce administrative costs of individual or small group participants. These options will be further discussed with carriers.
- **Adverse Selection:** Adverse selection occurs when the individuals most likely to make a claim under a particular type of coverage are most likely to purchase it. A number of carriers noted that there is a concern about adverse selection in two circumstances: first, when a sponsoring employer has a low employee participation rate, and second, when individual employees are able to secure coverage directly and not through a sponsoring employer. The carriers suggested options such as requiring employers to have 100% participation among their workforce or at least a certain minimum participation rate. New Hampshire and Vermont worked on solutions for this concern in the months before issuing the RFI and have considered additional mitigation strategies for employees who secure coverage directly, such as:
 - limiting individual enrollment to an open enrollment period
 - creating a state administered pooling mechanism to reduce a carrier's administrative costs for this group
 - the possibility of waiting periods before a claim can be submitted, but this period would be no longer than 30 days
 - the possibility of elimination periods that would delay payment for some period after a claim is filed, but this period would be no longer than 30 days

- a work tenure requirement that would require a potential policyholder to have a certain duration with their current employer before they can sign up for coverage,
- providing additional rating flexibility
- a solution identified by the Vermont Legislature that would require individuals to participate for a minimum of three years. or
- Intermittent leave limitations that could be used to reduce administrative costs. This would prevent an employee from taking less than a provided amount of time. New Hampshire and Vermont are considering one day as the minimum time that leave could be used.

New Hampshire and Vermont's plan is to work with the carriers interested in the program to find the right combination of proposed factors that will reduce the risk and achieve the program goals.

New Hampshire and Vermont are encouraged by the responses and will engage with the respondents over the next two weeks to further understand and distill the information received. This process will help refine the Twin State Plan in advance of drafting a Request for Proposals, all with the aim of providing the strongest and most cost-efficient program possible.