Senator Campion, Senator Perchlik, and other members of the Senate Education Committee,

Today during testimony on the H.81 Fiscal Note, Senator Perchlik asked if footnote 4 had the correct link to provide support for the link between health care utilization and the exposure of plan subscribers to the cost of their health care services.

The link is correct. Page 2 of the FY 19 Rate Renewal Announcement contains the following description of why the premiums for the Gold CDHP and Silver CDHP increased at double-digit rates. I added underlined italics for emphasis.

“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 FY18 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 form BDBSVT and WTW, VEHI has concluded that the rates for these two plans must bring these plans closer to their indicated pricing for FY 19.”

If that description is not clear, please let me know.

Thank you,

Joyce Manchester

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