

Memorandum

To: Chairperson Ann Cummings and Members of the Senate Finance Committee

From: Mark Hage and Bobby-Jo Salls, VEHI Trust Administrators

RE: Background information on the **Vermont Education Health Initiative (VEHI)**
VEHI Health Care Plans & Premium Rates
Main Factors Driving Rate Increases

Date: February 6, 2026

On behalf of VEHI, thank you for the invitation to speak with you today. Bobby-Jo and I would be happy to take questions during our presentation or at the end at the committee's pleasure.

We want to stress at the outset that VEHI is not alone in facing rising prices and costs, especially for hospital and pharmaceutical services. This is a critical problem across the state, regionally, and nationally. Vermonters are spending **19.6% of their income on healthcare**, compared to the national average of just **7.9%**.¹ All self-insured risk pools and insurance carriers are confronting the same problems and cost drivers, and this includes an increase in the utilization of care.

We'll begin with some basic background on VEHI.

What is VEHI?

1. The Vermont Education Health Initiative, established in the 1990s, is a non-profit, self-insured, intermunicipal insurance association. We are regulated by the Vermont Department of Financial Regulation (DFR) and we contract with Blue Cross and Blue Shield of Vermont (BCBSVT) for actuarial and administrative services, including claims processing and customer support.
2. We provide health insurance benefit plans to every public school in Vermont, to several private educational institutions, to non-Medicare eligible retirees in the Vermont State Teachers' Retirement System (VSTRS), and, since 2022, to Medicare retirees who are not yet eligible under CMS rules for VSTRS's Medicare Advantage plans.

¹Source: Based on data from the U.S. Census Bureau and Kaiser Family Foundation published in a July 2025 WalletHub report.

3. Currently, **33,144** active school employees and their dependents are enrolled in health insurance coverage through VEHI. Additionally, in partnership with VSTRS, there are **792** non-Medicare retirees and their dependents and **1,220** Medicare retirees and their dependents.
4. Our [Board of Directors](#) consists of six members, three appointed by the Vermont-National Education Association and three appointed by the Vermont School Boards Association.
5. The management team responsible for day-to-day operations consists of four individuals: three employed by the [Vermont School Boards Insurance Trust](#) (VSBIT) (Bobby-Jo Salls, Jon Steiner, and Chris Roberts) and one by [Vermont-NEA](#) (Mark Hage). Most interactions with central office staff and local union leaders and school employees are facilitated by Ms. Salls and Mr. Hage. VSBIT and Vermont-NEA were the founding organizations of VEHI, dating back to the mid-1990s.
6. Additionally, VEHI offers school districts competitive [dental and LTD](#) benefit plan programs in tandem with Delta Dental and National Insurance Services, respectively.
7. Our PATH [Wellness Program](#), which is administered and managed by VSBIT staff, is long established and popular statewide.

VEHI Benefit Plans

1. VEHI offers [4 health insurance plans](#) to school districts, public and private. They provide access to the same medical and Rx benefits and medical networks. (Please see the attached document for more details.)
2. Additionally, VEHI offers [three benefit plans](#) to non-Medicare enrollees in VSTRS, and one Medicare supplement plan (VSTRS-65) to Medicare enrollees not eligible for Medicare Advantage, as explained above.
3. VEHI sets the premiums for its benefit plans for [active employees](#) annually, on a [fiscal-year basis](#), in collaboration with BCBSVT's actuarial team. Our premium rates for retirees are set on a [calendar-year basis](#).
4. Our premium rates for both subscriber populations, active and retired, are subject to review and approval by DFR. To accommodate [school budget-setting timelines](#), VEHI's active premiums are filed with DFR well in advance of their effective date. For example, we set the FY25 rates in the fall of 2024, utilizing claims incurred between July 2023 and June 2024.

5. Cost-sharing between public school boards and school employees is set by the terms of statewide health care bargaining. This includes **premiums** and **out-of-pocket expenses** (deductibles, copayments and co-insurance). Per the terms of statewide bargaining, school districts provide funding to health spending accounts (HRAs/HSAs) to assist employees with out-of-pocket expenses.

FY 26 Approved Health Rates

VEHI Monthly Health Plan Rates FY26 in effect July 1, 2025 - June 30, 2026 - Approved					
	Single	Self + Spouse	Parent + Child(ren)	Family	Percent Increase Over FY 25
Platinum	\$1,339.21	\$2,678.44	\$2,239.37	\$3,788.62	11.3%
Gold	\$1,312.77	\$2,625.55	\$2,197.00	\$3,716.11	11.5%
Gold CDHP	\$1,230.72	\$2,311.36	\$1,902.74	\$3,409.12	11.9%
Silver CDHP	\$1,134.21	\$2,268.44	\$1,911.97	\$3,227.61	11.9%

VEHI Monthly Health Plan Rates FY 27 in effect July 1, 2026 - June 30, 2027 - Approved					
	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%

FY27 Allocation of Premium Dollars:

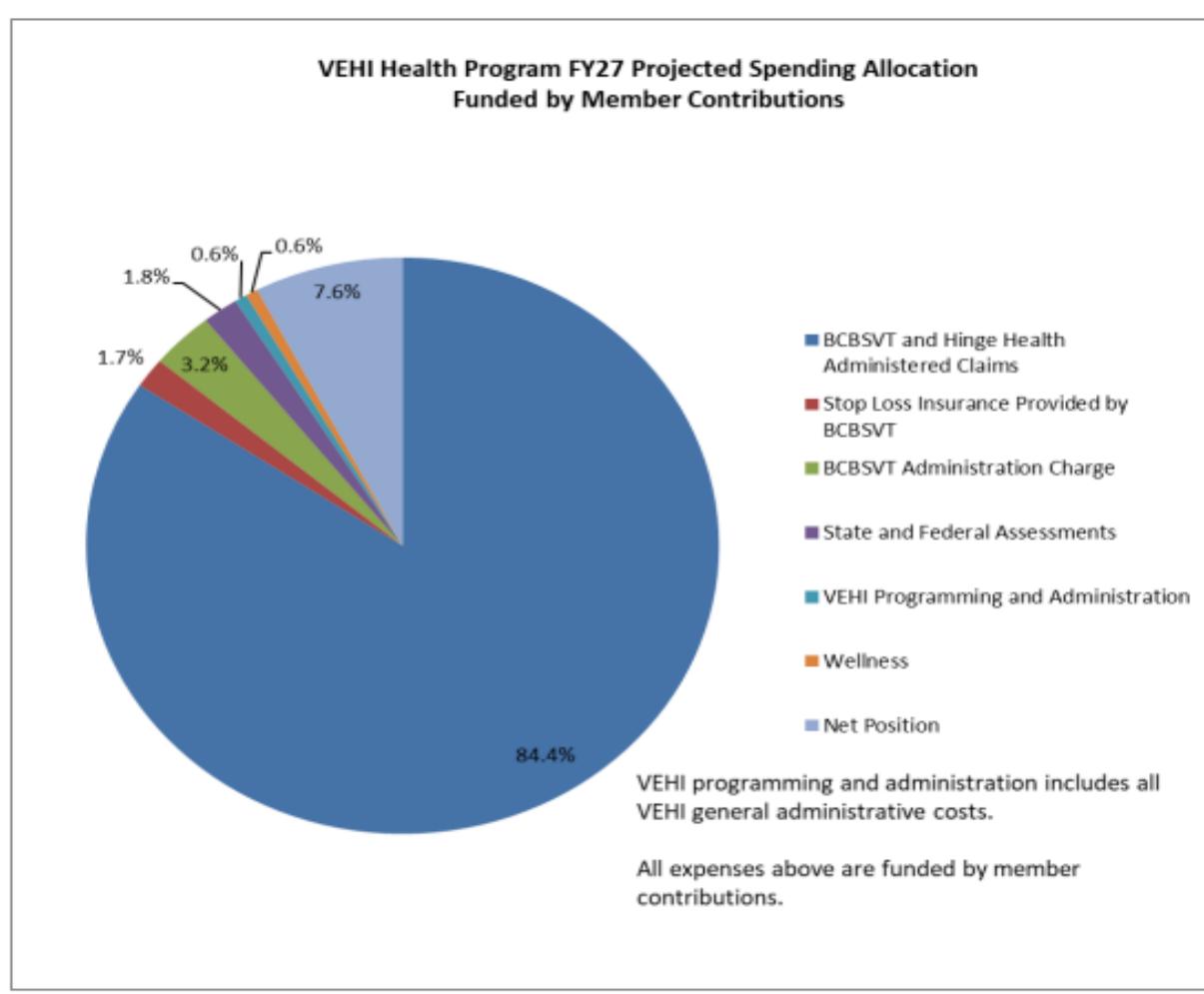
84.4 percent of premium dollars are allocated to pay claims.

7.6 percent to rebuild our “net position” (e.g., financial reserves).

4.4 percent covers administrative services (internal and for Blue Cross of Vermont).

1.8 percent covers state and federal assessments

.6 percent funds our Wellness Program.



The biggest system drivers of premium increases:

VEHI, like all risk pools and insurance carriers, is impacted greatly by hospital budgets and hospital prices; also, like everyone else, we are experiencing sharp spikes in costs for prescription medications, notably for specialty drugs.

- Hospital costs (inpatient and outpatient services combined) account for approximately **55 percent** of VEHIs total spend.
- **44%** of VEHIs outpatient costs and **43%** of inpatient costs are incurred at a hospital in the **UVM Health Network** – the lion's share at **UVMMC**.
- Prescription medications drive **20 percent** of our total spend.

Cost-Stratification Metrics & Concentration of Medical Spending in the VEHI Pool

While claims, as we said, are trending upward, VEHI's cost-stratification trends remain stable from year to year. Most high-cost medical and prescription utilization is highly concentrated among a relatively small percentage of patients. For example, in 2024, VEHI claimants, when stratified by costs, broke down as follows:

- **Top 1 percent** of claimants (344 patients) accounted for **25 percent** of our total spend, at an average cost of **\$286,152** per member per year.
- **Top 5 percent** of claimants (1,720 patients) accounted for **52 percent** of our total spend, at an average cost of **\$116,141** per member per year.
- **Bottom 50%** of claimants, those who incur the least costs (17,268 patients), accounted for just **5 percent** of total costs, at an average of **\$1,095** per member per year.
- **High-cost members** in our pool (see the table below) – those whose claims exceeded \$100,000 – numbered just **580** in 2024; but incurred total costs of **\$121.6 million**.

High-Cost Cases: \$100,000+ in Total Cost	2021	2022	2023	2024
Number of High-Cost Members	355	391	476	580
High-Cost Members as Percent of all Members	1.0%	1.1%	1.4%	1.7%
Total Cost of High-Cost Members	\$67.5M	\$83.8M	\$98.3M	\$121.6M
High-Cost Members' Cost as a Percentage of Total Cost	25%	29%	30%	33%

Rx Price & Utilization Trends

VEHI works diligently with its independent Rx consultant, **Remedy Analytics**, and with the **pharmacy team at BCBSVT**, to analyze and manage pharmaceutical costs without compromising access to high-quality care. Nonetheless, the prices for high-cost medications present an enormous and accelerating challenge. The price inflation of many high-cost medications is staggering, and a **small number of Rx patients**, like with medical care, generate the largest share of costs. In 2024:

- VEHI incurred a gross Rx cost (*prior to estimated negotiated rebates being applied*) of **\$90.3 million** compared to **\$76.3 million** in 2023 – an **18.4 percent** increase.
- Only **404 VEHI patients** needed medications that cost **\$50,000 or more**. But in the aggregate their claims represented **48.6 percent** of VEHI's gross cost.
- **4,890** VEHI subscribers, **14.1%** of our pool, did **NOT** use their Rx benefit.

Rx Category	Number of VEH Members Taking High-Cost & Low- Cost Medications (2024)	Average Gross Cost (2024)
Specialty Medications	995 (3.3% of Rx patients)	<p>\$50,034</p> <p>(995 patients = \$49.8 million in gross cost; 55.1% of Rx spend in 2024.)</p>
Generic & Lower-Cost, Non-Brand Medications	23,653 members were prescribed a medication costing between \$1 and <\$1,000.	<p>\$197</p> <p>(86% of prescribed medications in 2024 were generics.)</p>
Medications for Anti- Inflammatory Conditions	476 (1.6% of Rx patients)	\$63,690
Medications for Diabetes	1,800 (6% of Rx patients)	\$12,083

How is VEH addressing its biggest price drivers: hospital and Rx services?

1. On the pharmaceutical side, in addition to continuing our partnership with **Remedy Analytics**, we strongly endorsed **Act 55** last year, which capped the cost of hospital-administered medications at **120%** of CMS's Average Sales Price at 8 Vermont hospitals.
 - This lowered our projected Rx spend in the next 12 months by **\$14.6 million**.
 - We hope this price-capping methodology will be expanded to other hospitals.

2. VEHI issued in 2025 an RFP for a potentially new **PBM** (pharmacy benefit manager) and we are in the final stages of that process. Whether we stay in our current arrangement or branch off with a new vendor, we project **several million dollars in savings** in each of the next three years.
3. We are in the preliminary stages of researching the viability of a partnership with a new vendor that might significantly lower the costs of treating patients with **Type 2 diabetes**.
4. VEHI endorsed in 2024 the creation of a **Prescription Drug Affordability division** at the Green Mountain Care Board to lower the costs of high-priced medications, and we are looking forward to the work of this body in the near future.
5. With respect to **hospital costs**, our biggest cost driver by far, we are doing the following:
 - a) Undertaking a new **benefit design process**, with an independent consultant, to re-examine how we can incentivize and direct care to more affordable, **non-hospital settings** (accenting primary care, mental health services, preventive care and telehealth) and lower cost **centers of excellence** in and outside of Vermont.

We will also be alert to the possibility of new contracting arrangements with hospitals and high-cost providers inspired by the reference-based pricing reform work underway at the Green Mountain Care Board, and by what other pools are doing at present.
 - b) VEHI has endorsed the Blue Cross of Vermont [affordability campaign](#) initiative and is educating its membership about lower-cost options at Northwestern Medical Center, Green Mountain Surgery Center, Vermont OPEN Imaging, and Vermont Diagnostic Imaging.
 - c) VEHI is in the second year of a contract with **Hinge Health**, an independent vendor on the cutting edge of virtual physical therapy. In 2024-2025, the program successfully:
 - Engaged **1,231 of VEHI members**, with a satisfaction score of **8.9/10**.
 - **52%** of the engaged members saw significant **positive outcomes in pain reduction**, and **82%** reached a medically significant clinical benchmark (for example, a greater than 34% reduction in pain).
 - **23%** of engaged members reported they were **less likely to pursue surgery**. This finding is meaningful from both a care and cost perspective. Fewer surgeries equals fewer inpatient and outpatient hospital services.

- d) Just recently, Mark Hage spoke with another independent vendor that offers a specialty care program to reduce **surgical, cancer and infusion costs** – a new iteration on centers of excellence. We will be investigating this more in the coming weeks.
- e) VEHI will continue to support and encourage participation in its **PATH Wellness Program**. Members in 2024 who completed the Healthy Life Survey or Adventure Program:
 - Had a lower per member per month rate of spending from 2018-2023
 - Engage more with their primary care providers
 - Are more likely to have a preventive visit compared to non-participants
 - Have a lower frequency of ER visits
 - Have a lower prevalence of diabetes
 - Have a lower prevalence of hypertension
 - Have a lower prevalence of mental health conditions

Finally, the VEHI management team and Board of Directors will be following closely the **referenced-based pricing reforms** related to future hospital reimbursements that are taking shape under the auspices of the Green Mountain Care Board and will lead in time to **global hospital budgets** as mandated by Act 68.

Cost savings achieved through RBP will be positively impactful to school boards, school employees, and to VEHI's fiscal stability, as the [2024 GMCB repricing analysis](#) of VEHI's and the State of Vermont's 2018-2023 hospital claims showed.

Thank you.