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October 15, 2024

The Honorable Glenn Youngkin
Governor of Virginia

The Honorable Luke Torian, Chair
House Appropriations Committee

The Honorable L. Louise Lucas, Chair
Senate Finance and Appropriations Committee

Subject: Report on the Impact of the Renewal Cost on Employee and Employer Premiums

The attached report is pursuant to Chapter 2, Item 74, G of the 2024 Special Session I. Please be advised that these initial rates may be reduced by plan and program changes and may be partially subsidized by the Health Insurance Fund during the 2025-2026 plan year.

Please contact me if there are any questions or concerns,

Sincerely,

A handwritten signature in blue ink that reads "Janet L. Lawson".

Janet Lawson
Director, Department of Human Resource Management

cc: The Honorable John Littel, Chief of Staff, Office of the Governor
The Honorable Margaret McDermid, Secretary of Administration
Gary Johnston, Director, Office of Health Benefits

REPORT ON THE IMPACT OF RENEWAL COST ON

EMPLOYEE AND EMPLOYER PREMIUMS

This report is submitted as required by Chapter 2, Item 74, G of the 2024 Special Session I, which states:

The Department of Human Resource Management shall report to the Governor and Chairmen of the House Appropriations and Senate Finance Committees, by October 15 of each year, on the renewal cost of the state employee health insurance program premiums that will go into effect on July 1 of the following year. This report shall include the impact of the renewal cost on employee and employer premiums and a valuation of liabilities as required by Other Post-Employment Benefits reporting standards.

Summaries of Rating Projections

Overview

The following information summarizes the renewal cost of the state employee premiums for fiscal year 2025 that went into effect on July 1, 2024, and the key drivers of FY 2026 projections compared to the FY 2025 rates. The information package complies with all of the prior actuarial methods / procedures endorsed and approved by the APA audit report of October 2011.

Attached is a detailed analysis of our claims data and projections, as provided by our benefits consultant, Aon. The first three charts shown in the attached report provide summaries of rate projections for FY 2026 through FY 2027 and these include:

- Recast FY 2025 Projection
- FY 2026 Projection
- FY 2027 Projection

Each chart includes three scenarios (A, B, and C). Scenario A represents the most aggressive projection, Scenario B the most likely projection, and Scenario C the most conservative projection. It is important to note that each scenario represents a reasonable actuarial outcome. Historically, this range has been utilized in final budget setting based on the Commonwealth's fiscal priorities and internal assessment of the risk to be assumed for the applicable budget cycle. Excess funds in the Health Insurance Fund (HIF) have been used to subsidize the rates in recent years as follows:

- FY2023: 6.0%
- FY2024: 4.1%
- FY2025: 3.6%

Based upon COVA's historical healthcare trend and current healthcare trend, it is recommended that the Commonwealth utilize Scenario A for budgeting purposes. Please be advised that DHRM (along with Aon and DPB) will continue to analyze the rates as more updated claims information is available to provide the most accurate estimate for the state budget.

Each chart is broken down by product line (Medical, Dental, Rx Drugs, and MISA) and each product line is individually underwritten based upon the trend for that specific product line. The overall Total percentage is then calculated based upon each product line's relative value.

Each chart shows the baseline rates under the three scenarios. Separate tables at the end of the document provide the underlying claim trend assumptions based on the IBNP valuation completed mid-September and Aon's current outlook for future trends.

- Projected Cost per Contract Unit is synonymous with *actuarial rate or per contract unit per month (PCUPM.)* (For these projections, it represents a per-employee equivalent unit cost and serves as the actuarial baseline for cost projections in the requested three FY iterations). The assumptions inherent in the contract unit measure take into account the relative cost of each dependent class (spouse or child) relative to an employee. The per-employee or contract unit equivalent is the "base" level of exposure for rating purposes. This method was approved by the APA actuarial methods audit report of October 2011.
- The COVA Care Basic plan is shown because it is the basis for employer contributions. This chart shows rate projections and percentage increases or decreases from each fiscal year's premium rates per contract unit.
- Claim trend analysis inherent in Aon's future trend outlook includes detailed claim patterns to forecast future inflationary impact. The latter includes: price inflation; utilization rates of health care providers; government (Medicare/ACA) cost shifting; plan changes; and other current factors influencing health provider cost. Historical claim experience for the Commonwealth is also considered when establishing the estimated trends.
 - The updated trend analysis is based on the review of July 2021 – June 2024 claims and Aon forward looking trends. Claims incurred in the months of July 2021 – December 2021 were adjusted to pre-pandemic levels when determining trend assumptions.
 - The trend tables for Fiscal Years 2025-2026 and 2026-2027 are shown in the "Trend Tables" section of this document. Overall Scenario B health plan trend is +9.52% and +9.65% respectively for these years.

Reconciliation of FY 2023 and FY 2024 Plan Experience

The reconciliation of the FY 2023 and FY 2024 costs below does include estimates of claims runoff and pharmacy rebates beyond June 2024 but it is mostly complete.

	<u>FY2023</u>	<u>FY2024</u>
Premiums	\$1,421,400,000	\$1,494,500,000
Medical Claims	\$ 997,800,000	\$1,078,200,000
Pharmacy Claims	\$ 452,500,000	\$ 517,700,000
Dental Claims	\$ 53,100,000	\$ 57,200,000
Pharmacy Rebates	(\$ 126,000,000)	(\$ 149,600,000)
Carrier Administration	\$ 54,200,000	\$ 56,000,000
DHRM Administration	\$ 5,700,000	\$ 5,700,000
Total	\$1,437,300,000	\$1,565,200,000
Net Surplus/(Deficit)	(\$ 15,900,000)	(\$ 70,700,000)

Recast FY 2025 Projection

The recast is the first step in the fiscal three-year projection process required by the Commonwealth. It provides an early estimate of how actual current FY costs compare to previously projected costs/rates. The recast is based on claim data through June 2024, consistent with the IBNP valuation completed in mid-September. This analysis also provides an updated important baseline for projecting rates for FY 2026.

- The chart compares the recast actuarial rate projection for FY 2025 with the previous year's FY 2025 rate projection (and the claim data used to establish the FY 2025 rates).
 - This recast projection utilized an additional twelve months of claim experience and the updated trend outlook.
 - The chart shows the recast comparison for each plan component and rolls it up to the total. The Commonwealth decided to reflect the more aggressive trend from Scenario A in the FY 2025 rate projection. For Scenario A, Medical is +2.5%, Dental +7.6%, Rx +8.6%, MISA/Behavioral Health +7.3%. The overall total, based on the weighted value of each component's relativity to premium is +4.2%. Aon had estimated a rate increase for FY 2025 of +9.6% when rates were established last year. Scenario A rates were ultimately subsidized 38% to limit the increase to 6.0%. This overall increase in costs shown in the table below is primarily due to this subsidy inherent in the final FY 2025 rates.
- The recast vs. FY 2025 rate comparison is shown for each component of the COVA Care Basic rate. However, the Total percentage increase is the critical cost impact factor in the table.

Commonwealth of VA
Summary of FY2025 Rating Projections
Actives, COBRAs, and Retirees without Medicare

	COVA Care Enrollees (@July24)	Medical	Dental	Rx Drugs	Subtotal	MISA	Total
FY2025 COVA Rates	71,821	\$625.38	\$4.12	\$205.16	\$834.66	\$34.34	\$869.00

FY2025 Projected Cost per Contract Unit

Scenario	COVA Care	Medical	Dental	Rx Drugs	Subtotal	MISA	Total
Scenario A	71,821	\$641.21	\$4.43	\$222.81	\$868.46	\$36.86	\$905.31
	% Increase	2.5%	7.6%	8.6%	4.0%	7.3%	4.2%
Scenario B	71,821	\$647.06	\$4.46	\$224.74	\$876.26	\$37.19	\$913.44
	% Increase	3.5%	8.3%	9.5%	5.0%	8.3%	5.1%
Scenario C	71,821	\$652.91	\$4.49	\$226.66	\$884.06	\$37.51	\$921.57
	% Increase	4.4%	9.1%	10.5%	5.9%	9.2%	6.0%

FY 2026 Projection

Developing an estimated cost for the upcoming fiscal year (FY 2026) is the second step in the Commonwealth’s requested three-year projection cycle. The Exhibit shown below contains the rate projections and expected cost increase for FY 2026, which will be effective on July 1, 2025, for COVA Care under its current plan design. This chart builds on the outcome of the recast step above and blends current experience and trends compared to current rates.

- The FY 2026 rate increase is shown for each component of the COVA Care Basic rate. For budget planning purposes, the total percentage increase is the critical cost impact factor in the table.
- The chart shows the rate change comparison for each plan component and rolls it up to the total. For Scenario B, Medical is +10.1%, Dental +8.2%, Rx +13.5%, MISA/Behavioral Health +19.7%. The overall projected total increase, based on the weighted value of each component’s relativity to premium, is +11.3% before any program and/or design changes and any rate subsidy from the HIF. The overall projected total increase is reduced to +9.4% under Scenario A.
- While the initial projected increase is +11.3% (or +9.4% under the aggressive scenario), we are looking at ways to lower this increase:
 - Plan design changes, including increases to the deductible and out-of-pocket maximum.
 - We will continue to analyze the rates (with Aon and DPB) as updated data (claims and HIF balance) becomes available, which may lead to lower rates included during the state budget process.

Commonwealth of VA
Summary of FY2026 Rating Projections
Actives, COBRAs, and Retirees without Medicare

	COVA Care Enrollees (@July24)	Medical	Dental	Rx Drugs	Subtotal	MISA	Total
FY2026 COVA Rates	71,821	\$625.38	\$4.12	\$205.16	\$834.66	\$34.34	\$869.00
FY2026 Projected Cost per Contract Unit							
Scenario A							
COVA Care	71,821	\$676.49	\$4.39	\$229.00	\$909.87	\$40.41	\$950.28
% Increase		8.2%	6.5%	11.6%	9.0%	17.7%	9.4%
Scenario B							
COVA Care	71,821	\$688.72	\$4.46	\$232.84	\$926.02	\$41.12	\$967.14
% Increase		10.1%	8.2%	13.5%	10.9%	19.7%	11.3%
Scenario C							
COVA Care	71,821	\$700.95	\$4.53	\$237.04	\$942.52	\$41.86	\$984.38
% Increase		12.1%	9.9%	15.5%	12.9%	21.9%	13.3%

FY 2027 Projection

Development of the FY 2027 rate increase is the third and final step in the Commonwealth’s requested three-year projection cycle. Similar to the FY 2026 projection, the increase is shown for each component of the COVA Care Basic rate. The total percentage increase is the critical cost impact factor in the table.

The chart shows the rate change comparison for each plan component and rolls it up to the total. For Scenario B, Medical is +6.9%, Dental +3.8%, Rx +14.0%, MISA/Behavioral Health +11.3%. The overall projected total increase, based on the weighted value of each component’s relativity to premium, is +8.8%. Note, the 8.8% is compared to FY 2026 Scenario B and will be 7.8% if compared to FY 2026 Scenario A.

Commonwealth of VA
Summary of FY2027 Rating Projections
Actives, COBRAs, and Retirees without Medicare

	COVA Care Enrollees (@July24)	Medical	Dental	Rx Drugs	Subtotal	MISA	Total
Estimated FY2025 COVA Rates (A Scen:	71,821	\$676.49	\$4.39	\$229.00	\$909.87	\$40.41	\$950.28
Estimated FY2025 COVA Rates (B Scen:	71,821	\$688.72	\$4.46	\$232.84	\$926.02	\$41.12	\$967.14
Estimated FY2025 COVA Rates (C Scen:	71,821	\$700.95	\$4.53	\$237.04	\$942.52	\$41.86	\$984.38
FY2027 Projected Cost per Contract Unit							
Scenario A							
COVA Care	71,821	\$716.52	\$4.51	\$258.43	\$979.45	\$44.57	\$1,024.02
% Increase from Scenario A - FY25		5.9%	2.9%	12.9%	7.6%	10.3%	7.8%
Scenario B							
COVA Care	71,821	\$736.32	\$4.62	\$265.42	#####	\$45.77	\$1,052.13
% Increase from Scenario B - FY25		6.9%	3.8%	14.0%	8.7%	11.3%	8.8%
Scenario C							
COVA Care	71,821	\$756.71	\$4.73	\$272.24	#####	\$46.99	\$1,080.67
% Increase from Scenario C - FY25		8.0%	4.6%	14.8%	9.7%	12.3%	9.8%

Trend Tables

These tables show the trend for each plan component and roll it up to the total. For Scenario B, FY 2025 - FY 2026 Medical is +7.0%, Dental +4.0%, Rx +14.0%, and MISA/Behavioral Health +11.5%. The overall projected total trend (Scenario B), based on the weighted value of each component's relativity to premium is +9.52%.

		FY2025 - FY2026 Trend Assumptions					
		Medical	Dental	Rx Drugs	Subtotal	MISA	Total
Scenario A	COVA Care	6.00%	3.00%	13.00%	8.50%	10.50%	8.57%
Scenario B	COVA Care	7.00%	4.00%	14.00%	9.45%	11.50%	9.52%
Scenario C	COVA Care	8.00%	5.00%	15.00%	10.45%	12.50%	10.52%

For Scenario B, FY 2026 - FY 2027 Medical is +7.0%, Dental +4.0%, Rx +14.0%, and MISA/Behavioral Health +11.5%. The overall projected total trend (Scenario B), based on the weighted value of each component's relativity to premium is +9.65%.

		FY2026 - FY2027 Trend Assumptions					
		Medical	Dental	Rx Drugs	Subtotal	MISA	Total
Scenario A	COVA Care	6.00%	3.00%	13.00%	8.51%	10.50%	8.58%
Scenario B	COVA Care	7.00%	4.00%	14.00%	9.58%	11.50%	9.65%
Scenario C	COVA Care	8.00%	5.00%	15.00%	10.58%	12.50%	10.65%

Recent healthcare trends are primarily driven by healthcare inflation which lags general inflation due to the multi-year nature of medical provider contracting, severity of catastrophic claims, new weight loss medications, and the increased utilization of specialty drugs.

Other Post-Employment Benefits

As part of our annual actuarial review, other post-employment benefits are included. The actuarial report which provides a valuation of liabilities in accordance with GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 75)*, is available upon request.

Commonwealth of Virginia (COVA)

Preparation of This Actuarial Report

This report has been prepared to present our analysis of FY2026 pricing for COVA. The purpose of this analysis is to set premium equivalent rates for the FY2026 plan year. The use of this report for purposes other than those expressed herein may not be appropriate.

In conducting this analysis, we relied on claims and enrollment data provided by Anthem, Aetna, IngenioRx, Delta Dental, and the Commonwealth. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonability. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results.

This analysis has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. I, Christina Jackson, am a Vice President for Aon. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

Aon's relationship with COVA is strictly professional. There are no aspects of the relationship that may impair the objectivity of Aon's work.

Aon's professional services do not in any case include legal, investment, or accounting services, and Aon is not a fiduciary to your plans. The services and work product provided by Aon herein are provided solely for COVA's internal use; they are not intended to be used or relied upon by third parties.

Commonwealth of Virginia (COVA)

Assumptions and Methodology

- Aon estimates the claims runout as of June 30th of the current year separately for medical, pharmacy, dental, and mental health for all carriers combined
- The incurred claims for the fiscal year ending June 30th of the current year is used to project the rates beginning July 1st of the following year
- The incurred claims are projected forward with trend and adjusted for the following differences from the experience period to the projection year:
 - Plan differences
 - Mix of enrollment by plans
 - Mix of enrollment by coverage tier
 - Changes in carriers, network differences and pharmacy pricing
 - Adjustments for any new or terminated programs
 - Pharmacy rebates
- The trend assumption is based on a weighted average of COVA's composite trend for the most recent two years (adjusted to the current year) and Aon's internal trend guidance.
 - The COVA medical and pharmacy experience trend is given a 50% weighting.
 - Aon's internal trend guidance is based on data collected from the carriers, governmental agencies, Aon's book of business and COVA's specific GLP-1 utilization
- Incurred claims are adjusted for plan design to represent COVA Care Basic
- Projected pharmacy rebates are based on a blend of the most recent percentage of claims and the Carelon projections
- The internal DHRM fees and carrier administrative fees per renewals are added.
- A cost adjustment is made for the additional contributions collected for premium rewards
- Does not include costs for the Capital Square Healthcare Clinic, Weight Watchers and other local wellness initiatives, consulting fees, and Cardinal
- Does not include impact of any potential program changes, HIF subsidies and impacts of the RFP for FY2026
- Projected costs are compared to current year COVA Care Basic rates to determine the percentage increase for COVA Care components combined

Commonwealth of VA
Summary of FY2025 Rating Projections
Actives, COBRAs, and Retirees without Medicare

	COVA Care Enrollees (@July24)	Medical	Dental	Rx Drugs	Subtotal	MISA	Total
FY2025 COVA Rates	71,821	\$625.38	\$4.12	\$205.16	\$834.66	\$34.34	\$869.00

FY2025 Projected Cost per Contract Unit

Scenario A	COVA Care	71,821	\$641.21	\$4.43	\$222.81	\$868.46	\$36.86	\$905.31
	% Increase		2.5%	7.6%	8.6%	4.0%	7.3%	4.2%
Scenario B	COVA Care	71,821	\$647.06	\$4.46	\$224.74	\$876.26	\$37.19	\$913.44
	% Increase		3.5%	8.3%	9.5%	5.0%	8.3%	5.1%
Scenario C	COVA Care	71,821	\$652.91	\$4.49	\$226.66	\$884.06	\$37.51	\$921.57
	% Increase		4.4%	9.1%	10.5%	5.9%	9.2%	6.0%

FY2024 - FY2025 Trend Assumptions

		Medical	Dental	Rx Drugs	Subtotal	MISA	Total
Scenario A	COVA Care	6.00%	3.00%	15.00%	9.00%	10.50%	9.06%
Scenario B	COVA Care	7.00%	4.00%	16.00%	10.00%	11.50%	10.06%
Scenario C	COVA Care	8.00%	5.00%	17.00%	11.00%	12.50%	11.05%

Commonwealth of VA
Summary of FY2026 Rating Projections
Actives, COBRAs, and Retirees without Medicare

	COVA Care Enrollees (@July24)	Medical	Dental	Rx Drugs	Subtotal	MISA	Total
FY2026 COVA Rates	71,821	\$625.38	\$4.12	\$205.16	\$834.66	\$34.34	\$869.00

FY2026 Projected Cost per Contract Unit

Scenario A	COVA Care	71,821	\$676.49	\$4.39	\$229.00	\$909.87	\$40.41	\$950.28
	% Increase		8.2%	6.5%	11.6%	9.0%	17.7%	9.4%
Scenario B	COVA Care	71,821	\$688.72	\$4.46	\$232.84	\$926.02	\$41.12	\$967.14
	% Increase		10.1%	8.2%	13.5%	10.9%	19.7%	11.3%
Scenario C	COVA Care	71,821	\$700.95	\$4.53	\$237.04	\$942.52	\$41.86	\$984.38
	% Increase		12.1%	9.9%	15.5%	12.9%	21.9%	13.3%

FY2025 - FY2026 Trend Assumptions

		Medical	Dental	Rx Drugs	Subtotal	MISA	Total
Scenario A	COVA Care	6.00%	3.00%	13.00%	8.50%	10.50%	8.57%
Scenario B	COVA Care	7.00%	4.00%	14.00%	9.45%	11.50%	9.52%
Scenario C	COVA Care	8.00%	5.00%	15.00%	10.45%	12.50%	10.52%

Commonwealth of VA
Summary of FY2027 Rating Projections
Actives, COBRAs, and Retirees without Medicare

	COVA Care Enrollees (@July24)	Medical	Dental	Rx Drugs	Subtotal	MISA	Total
Estimated FY2025 COVA Rates (A Scenari	71,821	\$676.49	\$4.39	\$229.00	\$909.87	\$40.41	\$950.28
Estimated FY2025 COVA Rates (B Scenari	71,821	\$688.72	\$4.46	\$232.84	\$926.02	\$41.12	\$967.14
Estimated FY2025 COVA Rates (C Scenari	71,821	\$700.95	\$4.53	\$237.04	\$942.52	\$41.86	\$984.38

FY2027 Projected Cost per Contract Unit

Scenario A	COVA Care	71,821	\$716.52	\$4.51	\$258.43	\$979.45	\$44.57	\$1,024.02
	% Increase from Scenario A - FY25		5.9%	2.9%	12.9%	7.6%	10.3%	7.8%
Scenario B	COVA Care	71,821	\$736.32	\$4.62	\$265.42	\$1,006.36	\$45.77	\$1,052.13
	% Increase from Scenario B - FY25		6.9%	3.8%	14.0%	8.7%	11.3%	8.8%
Scenario C	COVA Care	71,821	\$756.71	\$4.73	\$272.24	\$1,033.68	\$46.99	\$1,080.67
	% Increase from Scenario C - FY25		8.0%	4.6%	14.8%	9.7%	12.3%	9.8%

FY2026 - FY2027 Trend Assumptions

		Medical	Dental	Rx Drugs	Subtotal	MISA	Total
Scenario A	COVA Care	6.00%	3.00%	13.00%	8.51%	10.50%	8.58%
Scenario B	COVA Care	7.00%	4.00%	14.00%	9.58%	11.50%	9.65%
Scenario C	COVA Care	8.00%	5.00%	15.00%	10.58%	12.50%	10.65%

Commonwealth of VA
Estimated Surplus/(Deficit) for FY2023 and FY2024
Actives, COBRAs, and Retirees without Medicare

	<u>FY2023</u>	<u>FY2024</u>
Premiums	\$1,421,400,000	\$1,494,500,000
Medical Claims	\$ 997,800,000	\$1,078,200,000
Pharmacy Claims	\$ 452,500,000	\$ 517,700,000
Dental Claims	\$ 53,100,000	\$ 57,200,000
Pharmacy Rebates	(\$ 126,000,000)	(\$ 149,600,000)
Carrier Administration	\$ 54,200,000	\$ 56,000,000
DHRM Administration	\$ 5,700,000	\$ 5,700,000
Total	\$1,437,300,000	\$1,565,200,000
Net Surplus/(Deficit)	(\$ 15,900,000)	(\$ 70,700,000)

Notes

1. Based on DHRM reported enrollment for June 2022 through July 2023
2. Based on updated claims data through June 2024
3. FY2024 pharmacy rebates include an estimate for March through June 2024 based on rebates for the other 3 quarters of the fiscal year

Commonwealth of VA
Projected Surplus/(Deficit) for FY2025
Actives, COBRAs, and Retirees without Medicare

	<u>FY2025</u>
Premiums	\$1,609,100,000
Medical Claims	\$1,165,500,000
Pharmacy Claims	\$ 605,800,000
Dental Claims	\$ 60,000,000
Pharmacy Rebates	(\$ 212,300,000)
Carrier Administration	\$ 59,300,000
DHRM Administration	\$ 5,700,000
Total	<hr/> \$1,684,000,000
Net Surplus/(Deficit)	(\$ 74,900,000)

Notes

1. Based on DHRM reported enrollment as of July 2024
2. Based on updated claims data through June 2024
3. Based on Anthem projected pharmacy rebate percentage

**Commonwealth of VA
Reconciliation of FY2026 COVA Rate Increase
Actives, COBRAs, and Retirees without Medicare**

	Cost Impact	Cost Factor
Anthem's Increase (Relative to Actual COVA FY2025 Rates)	11.9%	1.119
<u>Impact of Differences</u>		
Data Used		
Incurred vs Paid Claims Data	+3.6%	1.036
Inclusion of Aetna Data	-3.5%	0.965
Inclusion of Dental Data	-0.0%	1.000
Premium Rewards Adjustment	-1.5%	0.985
DHRM Administration Costs	+0.4%	1.004
Premium Reallocation *	-0.4%	0.996
Assumptions		
Trend Assumption	-0.6%	0.994
Aon's Increase	9.4%	1.094

* Higher increase applied to HDHP and HealthAware to account for adverse selection and migration, resulting in a lower increase to COVA Care

Note: Impacts are multiplicative

**Commonwealth of VA
Drivers of FY2026 Rating Projections
Active, COBRA, and Retiree without Medicare**

	Estimated Percent Increase	
	Aggregate	Percent Increase vs. Final FY2025 Rates (DPB Approved)
	Total Cost Per CU	
FY2025 COVA Final Rates (DPB Approved)	\$ 869.00	
FY2025 COVA Actuarial Rates (Scenario A)	\$ 896.44	+ 3.2%
Scenario B FY 2025 Actuarial Rates - Updated	\$ 913.44	+ 5.1%
Scenario A FY 2025 Actuarial Rates - Updated	\$ 905.31	+ 4.2%
Scenario B FY 2026 Actuarial Rates ("Best Estimate")	\$ 967.14	+ 11.3%
Scenario A FY 2026 Actuarial Rates (More Aggressive Trend)	\$ 950.28	+ 9.4%

FY 2025 vs. FY 2025 Budget

FY2025 Actuarial Rates (Scenario A) vs FY2025 Final Rates (DPB Approved)	+ 3.2%
FY2024 Base Claims Experience (Updated vs. Expected)	- 0.1%
Administrative Fees (Updated vs. FY2025 Budget)	0.0%
Impact of Premium Reward Surplus (Updated vs FY2025 Budget)	+ 0.0%
Trend (Updated vs. FY2025 Budget)	+ 1.2%
Total % Increase (Incremental) vs. Final FY2025 Rates Used	+ 4.2%

FY2026 vs. FY2025

Program Changes ¹	0.0%	
Administrative Fees	+ 0.1%	
Rebate Assumption (Prior to Trend)	- 2.2%	
Scenario B Trend (Including Rebates) vs. FY2025 Scenario A Trend	+ 9.8%	
Scenario A Trend (More Aggressive Trend vs. Scenario B "Best Estimate")	- 2.0%	
Premium Reallocation (Higher increase applied to HDHP and HealthAware to account for adverse selection and mix)	- 0.5%	
Total % Increase (Incremental) vs. Final FY2025 Rates Used	+ 5.2%	+ 9.4%

Additional Liability/Subsidy Funding Impacts ²

HIF Funding/Subsidy ³	0.0%	
Total % Increase (Incremental) vs. Final FY2025 Rates Used	0.0%	+ 9.4%

Notes:

1. Assumes no program changes for FY2026 or impacts from RFP
2. FY2025 and FY2026 rates exclude the Comparative Effectiveness (PCORI) fees estimated to be approximately \$496K/\$531K. Based on most recent guidance, PCORI fees may not be passed on to participants / paid from plan assets.
3. HIF Funding/Subsidy estimates will be updated once decisions have been made

**Commonwealth of VA
FY2026 Pricing Trend Assumptions
Active, COBRA, and Retiree without Medicare**

Comparison of COVA Trends and Aon Guidelines

Time Period	Actual COVA	Aon Guideline	Difference Actual COVA - Aon
Medical			
FY2022 - FY2023	3.1%	4.3%	-1.2%
FY2023 - FY2024	6.7%	7.0%	-0.4%
Pharmacy			
FY2022 - FY2023	12.3%	12.4%	-0.1%
FY2023 - FY2024	13.0%	16.8%	-3.8%
Medical and Pharmacy Combined			
FY2022 - FY2023	5.8%	6.7%	-0.9%
FY2023 - FY2024	8.6%	10.1%	-1.5%
2-Year Composite [FY2022 - FY2023 & FY2023 - FY2024]			
Medical	4.9%	5.7%	-0.8%
Pharmacy	12.6%	14.6%	-1.9%
Combined	7.2%	8.4%	-1.2%

Medical and Pharmacy Combined Trends Used in FY2026 Pricing

Time Period	Trend Used	Aon Guideline	Difference Used - Aon
Medical			
FY2024 - FY2025	7.0%	7.5%	-0.5%
FY2025 - FY2026	7.0%	7.8%	-0.8%
Pharmacy			
FY2024 - FY2025	16.0%	17.3%	-1.3%
FY2025 - FY2026	14.0%	15.0%	-1.0%
Medical and Pharmacy Combined			
FY2024 - FY2025	10.0%	10.7%	-0.7%
FY2025 - FY2026	9.6%	10.3%	-0.7%