SENATE FINANCE AND APPROPRIATIONS COMMITTEE

State Employee Health Plan Update

Virginia Department of Human Resource Management

April 14, 2026

Health Benefits Plan Overview

- Office of Health Benefits provides oversight for the state health plan that covers:
  - Just over 207,000 eligible state employees, non-Medicare retirees and their dependents
  - Five medical plans: three statewide/national plans (PPO, HDHP and CDHP) and two regional plans with basic dental
    - Self-Insured Plans include:
      - COVA Care (Anthem) – Standard PPO Plan with competitive copays and low deductibles
      - COVA HealthAware (Aetna) – Consumer Driven Health Plan (CDHP) with a $600 Health Reimbursement Arrangement (HRA), modest coinsurance and deductibles
      - COVA HDHP – High Deductible Health Plan (HDHP) – lowest cost (premiums) with highest deductibles and modest coinsurance
  - Optional coverage for expanded dental, vision, hearing available for all plans, and out-of-network available for COVA Care
- The Commonwealth pays an average of 88% of the premium cost for each coverage type (Employee Only, Employee Plus One, Family) versus most employers who cover 70% for Employee Only and 50%-60% for Family coverage

Health Benefits
Employee Demographics and Plan Offerings

Age Bands	Count of COVA Employees
10-19	109
20-29	9,446
30-39	19,995
40-49	21,632
50-59	22,507
60-69	15,768
70-79	1,508
80-89	102
90-100	3
Total	**91,070**

Plan Offering	COVA Enrollment	Avg. Age
COVACare	72,123	47.8
COVA HDHP	1,521	42.1
COVA HealthAware - CDHP	13,089	41.3
Sentara – Regional offering	2,477	44.3
Kaiser – Regional offering	1,860	47.9

Notes:
- Employee counts reflects active and early retiree population enrolled in COVA's self-insured and fully insured plans
- Does not include COVA Medicare retirees, TLC or LODA
- Based on Merative Data Warehouse data as of 09/01/2025

Health Benefits
FY2027 Projections Provided by AON

	FY2027 Sc A - Aggressive	FY2027 Sc B - Expected	FY2027 Sc C - Conservative
FY2026 Premiums	$1,732,600,000	$1,732,600,000	$1,732,600,000
Medical Claims	$1,343,500,000	$1,367,000,000	$1,390,700,000
Pharmacy Claims	$ 906,800,000	$ 922,500,000	$ 938,200,000
Dental Claims	$ 64,600,000	$ 65,900,000	$ 67,200,000
Pharmacy Rebates	($ 357,600,000)	($ 363,800,000)	($ 370,000,000)
Carrier Administration	$ 58,200,000	$ 58,200,000	$ 58,200,000
DHRM Administration	$ 15,000,000	$ 15,000,000	$ 15,000,000
Total	$2,030,500,000	$2,064,800,000	$2,099,300,000
Net Surplus/(Deficit)	($ 297,900,000) *(17.2%)*	($ 332,200,000) *(19.2%)*	($ 366,700,000) *(21.2%)*
Projected HIF Balance as of June 30th Assuming Full Rate Increase is Passed Along *Includes Active/Pre-65 Retiree and Medicare HIF Balance*	$ 134,700,000	$ 134,700,000	$ 134,700,000

HIF Balance reported by DHRM Finance as of June 30, 2025 and reduced for projected FY2026 deficit. Assumes full projected rate increase is passed along for FY2027 and claims and expenses come in as expected (i.e. no deficit). If the full projected rate increase is not passed along, the HIF is at risk of being depleted.

The HIF Balance includes the Medicare HIF Balance while the Premiums/Costs and Net Surplus/(Deficit) above reflect Actives and Pre-65 Retirees only. The Medicare HIF balance has sufficient funds to cover Medicare costs.

Notes:

1. Costs are reflected on an incurred basis. Due to the timing of invoices, they will not match to the HIF activity during the same period.
2. Pharmacy rebates are projected based on data supplied by Anthem/Carelon.
3. Projected increases are based on current enrollments, plan designs and pharmacy formulary.

Health Benefits
Pharmacy

- Pharmacy spend is the driver of above-market increases over the past few years
- Pharmacy costs increasing substantially, primarily due to:
  - GLP-1 utilization (both Type 2 Diabetes and weight loss) up from $30 million to $200 million
    - #1 drug is Wegovy at $47 million followed by Zepbound at $34 million (both are for weight loss)
    - GLP-1 drugs for weight loss only are in Tier 3 ($45/month for COVA Care); not considered a specialty drug
  - Specialty drug utilization (nearly 50% of overall drug spend with less than 2% of the population utilizing these drugs)
    - Make up 5 of the top 10 drugs
    - #1 drug is Humira at $40 million followed by Dupixent at $24 million
- *Code of Virginia* requires our health plan cover every FDA-approved drug
- The Trump Administration has introduced several initiatives to reduce prescription drug costs, though these changes appear primarily to impact state Medicaid and Medicare programs and the direct-to-consumer market (TrumpRx). The impact of changes are expected to be minimal for plan sponsors and group health plans; however, Aon will continue to monitor, and provide guidance, as additional details are released.

Health Benefits
Trend Drivers – Prescription Drug

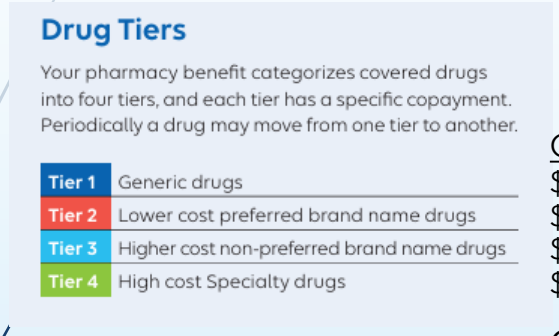
Top 10 drugs

- Represent 42.8% of your total plan cost and comprise 4 indications
- 5 of your top 10 are specialty drugs, making up 44.3% of your top 10 spend

Rank	Peer rank	Brand name	Drug type	Indication	Rxs	Patients	Plan cost	Plan cost PMPM	Peer plan cost PMPM	Prior rank	Prior Rxs	Prior patients	Prior plan cost PMPM	% change plan cost PMPM
1	8	Wegovy	NS	Non-Dm GLP-1	35,382	5,930	$47,425,994	$21.45	$3.34	2	19,943	4,368	$12.64	69.7%
2	1	Humira	S	Inflammatory Conditions	3,690	559	$40,847,958	$18.47	$10.45	1	3,803	588	$19.29	-4.3%
3	10	Zepbound	NS	Non-Dm GLP-1	32,080	5,660	$33,720,721	$15.25	$3.02	16	4,908	1,431	$2.32	557.3%
4	2	Ozempic	NS	Diabetes	25,947	4,289	$31,745,522	$14.36	$9.95	3	21,213	4,227	$11.64	23.4%
5	6	Dupixent	S	Dermatologic Conditions	5,670	738	$24,074,330	$10.89	$5.08	5	4,399	582	$7.89	38.0%
6	3	Mounjaro	NS	Diabetes	18,501	2,893	$22,129,831	$10.01	$7.86	10	6,518	1,373	$3.55	182.0%
7	4	Stelara	S	Inflammatory Conditions	824	161	$21,708,269	$9.82	$6.88	4	840	171	$9.51	3.3%
8	5	Skyrizi	S	Inflammatory Conditions	894	269	$19,086,684	$8.63	$6.77	6	613	186	$5.57	54.9%
9	7	Jardiance	NS	Diabetes	11,456	2,864	$13,602,872	$6.15	$4.23	7	9,788	2,544	$5.02	22.5%
10	9	Enbrel	S	Inflammatory Conditions	1,215	195	$12,466,585	$5.64	$3.07	8	1,096	184	$4.70	20.0%
			Total		**135,659**	**23,558**	**$266,808,773**							

Health Benefits
Prescription Drug Employee Costs (Monthly)

COVA Care Only



Drug Tiers

Your pharmacy benefit categorizes covered drugs into four tiers, and each tier has a specific copayment. Periodically a drug may move from one tier to another.

Tier 1	Generic drugs
Tier 2	Lower cost preferred brand name drugs
Tier 3	Higher cost non-preferred brand name drugs
Tier 4	High cost Specialty drugs

Top 5 drugs average cost:		Co-Pay	COVA Care employee cost:
Wegovy	$1,340	$15	$45
Humira	$11,070	$30	$55
Zepbound	$1,051	$45	$45
Ozempic	$1,223	$45	$45
Dupixent	$4,422	$55	$55

COVA HealthAware and COVA HDHP pay 20% coinsurance after the deductible is met.

COVA HealthAware Deductible
$1,500/$3,000
COVA HDHP Deductible
$1,750/$3,500

Consultant's Projection for FY27 Versus Introduced Budget

Aon Consulting's rating projections for FY27 for actives, COBRA and pre-65 retirees, utilizing expected trend assumptions, is calling for a 19.9% increase to rates

Governor Youngkin's budget proposed a 13% increase, a 6.9% deficit to expected rates, with the addition of modest plan design changes intended to offset the projected increases:

- Implementation of a Pharmacy deductible of $150
- Require the use of biosimilars, where available, for specialty drugs
- Partner with Eli Lilly for lower cost GLP-1s for weight loss*

Without further changes, using the 13% increase in the proposed budget will result in a $115 million deficit.

***Additional plan design options available to further offset premiums

Initial Rate Reduction Options

- Aggressive
  - 9.6% savings, $164.9 million
  - Total increase to employees - 10.3%
- Moderate
  - 5.6% savings, $95.8 million
  - Total increase to employees - 14.3%
- Conservative
  - 3.9% savings, $66.3 million
  - Total increase to employees - 16%

These were all "break-even" models that assumed a change in Out-of-Pocket Max, which is not possible without striking language in the Appropriations Act (Item 469.G.6)

A new recommendation is available (see slide 13)

Initial Rate Reduction Option 1

- Aggressive
  - 9.6% savings, $164.9 million, 10.3% increase to employees

- Adding pharmacy deductible of $250
- Increasing the medical deductible from $300/$600 to $500/$1000
- Increasing the OOP max from $1,500/$3,000 to $5,000/$10,000
- Increasing tier 4 drug copay from $55 to 20% up to $300 max
- Increasing BMI for GLP-1 Weight Loss Drugs from 27/30 to 35
- Implementing Biosimilar Only Formulary

Initial Rate Reduction Option 2

- Moderate
  - 5.6% savings, $95.8 million, 14.3% increase to employees

- Adding pharmacy deductible of $150
- Increasing the OOP max from $1,500/$3,000 to $2,800/$5,600
- Increasing tier 4 drug copay from $55 to 20% up to $200 max
- Increasing BMI for GLP-1 Weight Loss Drugs from 27/30 to 35
- Implementing Biosimilar Only Formulary

Initial Rate Reduction Option 3

- Conservative
  - 3.9% savings $66.3 million, 16% increase to employees

- Adding pharmacy deductible of $150 for Tiers 2-4
- Increasing the OOP max from $1,500/$3,000 to $2,000/$4,000
- Increasing tier 4 drug copay from $55 to 20% up to $150 max
- Increasing BMI for GLP-1 Weight Loss Drugs from 27/30 to 35
- Implementing Biosimilar Only Formulary

Final Rate Reduction Recommendations

- Conservative Model
  - Minimal changes to plan design (still maintain our competitive advantage)
  - Increases to premiums are within reasonable limits (17.5% average)
  - Adds a 50% subsidy for HealthAware to offset required increase, which will cost ~$5 Million
  - OHB will focus on marketing the Premium Rewards program to help offset increases

Changes include:

- Adding pharmacy deductible of $150 for Tiers 2-4
  - Many private sector firms and local government entities already have a similar deductible in place
- Increasing BMI for GLP-1 Weight Loss Drugs from 27/30 to 35, similar to Medicaid
  - Capping the increase at 35 will preserve 50% of our rebates while decreasing access;
  - Lower than current Medicaid criteria
- Implementing Biosimilar Only Formulary
  - Two options here: add biosimilars and save incrementally (only 2 exist today, with more in development); OR move to the Carelon National Formulary, which includes biosimilars but will save us more (OHB to explain)

Final Rate Reduction Impacts

- Adding pharmacy deductible of $150 for Tiers 2-4 (excludes generics)
  - Members on a tier 2, 3, or 4 (specialty) drug will have to pay $150 before the copay is applied; cost is based on our discounted rate
  - Current copays:
    - Tier 1 = $15
    - Tier 2 = $30
    - Tier 3 = $45
    - Tier 4 = $55
  - Example: Employee on a tier drug that costs the plan $1,300; first time purchasing the drug will cost $150; second time, and future purchases during the plan year, will cost $45**; the member will pay $105 more for first purchase in the plan year than under our structure**
- Increasing BMI for GLP-1 Weight Loss Drugs from 27/30 to 35, similar to Medicaid
  - Members seeking to use a GLP-1 for weight loss only will only be eligible for coverage if their BMI is at or above 35
- Implementing Biosimilar Only Formulary (applies to specialty drugs only)
  - Biosimilars cost significantly less than current name brands and have the same efficacy

Pharmacy Plan Cost and Rebates

ALL PHARMACY	PLAN COST	REBATES
	Plan Year 2025	Plan Year 2025
COVA (COVA Care, COVA HDHP and HealthAware)	$624,193,538	$212,876,765
LODA	$11,131,109	$3,698,948
TLC	$237,221,321	$83,556,397
Total	$872,545,968	$300,132,110
	Plan Year 2024	Plan Year 2024
COVA (COVA Care, COVA HDHP and HealthAware)	$485,125,233	$158,113,459
LODA	$8,197,660	$2,586,456
TLC	$189,250,419	$62,907,261
Total	$682,573,312	$223,607,176

Pharmacy Plan Cost and Rebates

SPECIALTY MEDICATIONS	PLAN COST	REBATES
	Plan Year 2025	Plan Year 2025
COVA (COVA Care, COVA HDHP and HealthAware)	$298,669,319	$69,667,578
LODA	$4,876,334	$1,198,572
TLC	$107,147,947	$24,059,209
Total	$410,693,600	$94,925,359
	Plan Year 2024	Plan Year 2024
COVA (COVA Care, COVA HDHP and HealthAware)	$252,115,162	$75,959,884
LODA	$3,730,513	$1,134,330
TLC	$93,175,195	$24,683,345
Total	$349,020,870	$101,777,559

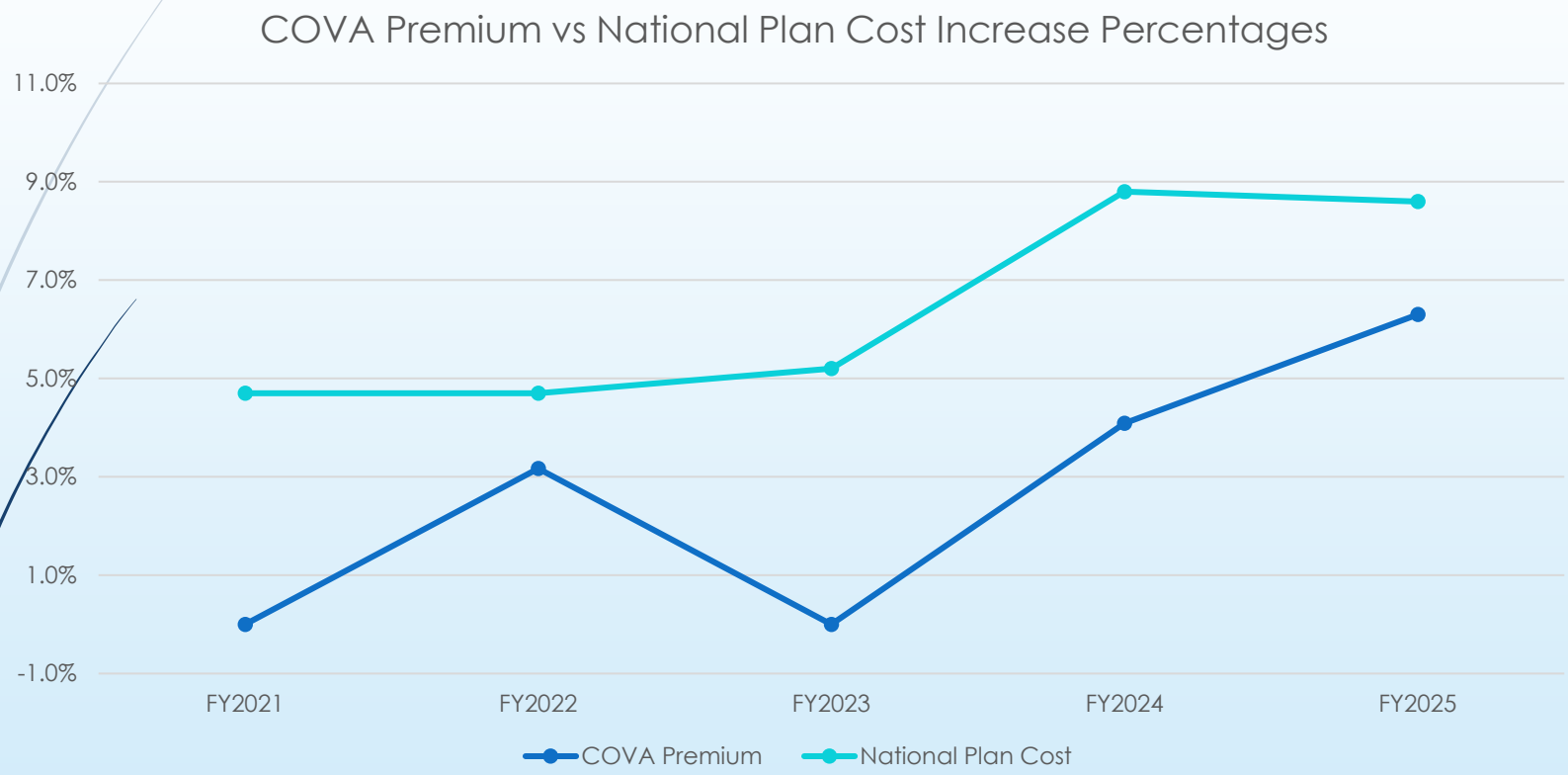
Pharmacy Plan Cost and Rebates

GLP1's WEIGHT LOSS	PLAN COST	REBATES
	Plan Year 2025	Plan Year 2025
COVA (COVA Care, COVA HDHP and HealthAware)	$89,346,497	$23,318,578
LODA	$1,401,256	$362,800
TLC	$37,976,121	$10,304,480
Total	$128,723,874	$33,985,858
	Plan Year 2024	Plan Year 2024
COVA (COVA Care, COVA HDHP and HealthAware)	$36,797,112	$12,957,730
LODA	$601,587	$223,128
TLC	$15,624,296	$5,671,463
Total	$53,022,995	$18,852,321

Pharmacy Plan Cost and Rebates

GLP1's DIABETES	PLAN COST	REBATES
	Plan Year 2025	Plan Year 2025
COVA (COVA Care, COVA HDHP and HealthAware)	$67,969,421	$28,066,435
LODA	$1,065,991	$443,091
TLC	$28,889,940	$11,536,371
Total	$97,925,352	$40,045,897
	Plan Year 2024	Plan Year 2024
COVA (COVA Care, COVA HDHP and HealthAware)	$50,339,724	$26,032,813
LODA	$822,992	$414,319
TLC	$21,374,578	$10,884,178
Total	$72,537,294	$37,331,310

Health Insurance Premium Increase History

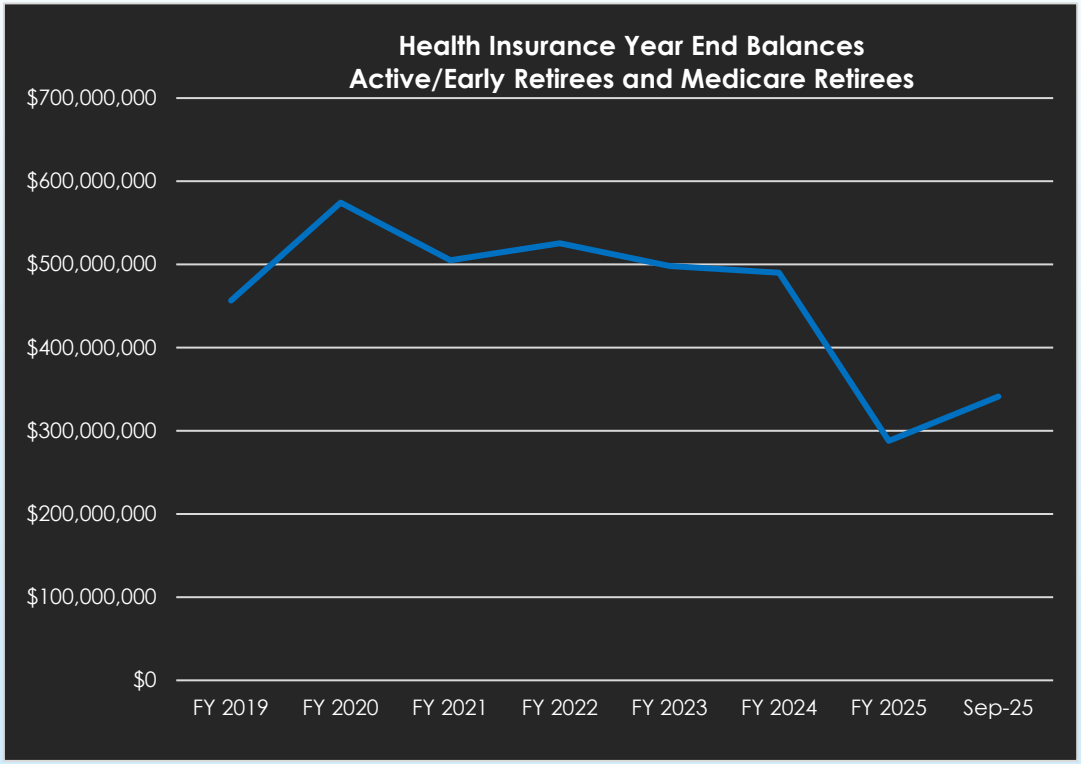


Health Insurance Fund Balance

The Health Insurance Fund (HIF) is used to pay claims for the self-insured plans. It is comprised of revenues (employee premiums, employer premiums, and rebates) and expenses (claims).

Active/Early Retirees and Medicare Retirees Plan Year and Current Balances

- FY 2019: $456.5 million
- FY 2020: $574.3 million
- FY 2021: $505.0 million
- FY 2022: $525.5 million
- FY 2023: $498.2 million
- FY 2024: $490.0 million
- FY 2025: $287.9 million
- As of Sept 2025: $341.1 million



The Effects of Subsidizing Rates on the Health Insurance Fund

- HIF Balance is projected to be $47M at the end of FY2026 (June 30, 2026)
- Minimum targeted HIF balance of $282M to pay the outstanding claims liability, as well as a contingency reserve to protect against shock claims and adverse experience
- The Commonwealth has utilized the HIF, in prior years, to subsidize premium increases and provide premium holidays

	COVA Care Basic Increase		HIF
	Projected	Implemented	Subsidy
FY2020	Premium Holiday		($120,000,000)
FY2021	Premium Holiday		($118,200,000)
FY2022	6.4%	3.2%	($47,300,000)
FY2023	6.0%	0.0%	($86,200,000)
FY2024	8.2%	4.1%	($53,900,000)
FY2025	9.6%	6.3%	($47,500,000)
FY2026	7.5%	6.0%	($24,600,000)

Summary

- Concerns with our HIF balance
  - Need to replenish the HIF
  - Consider a one-time appropriation to ensure sufficient funds in the HIF
- If we cannot reach the 13% rate increase included in the Introduced Budget, we will need additional funding to cover the employer share and/or implement plan design changes.
- We are re-establishing discussions with Eli Lilly and with Novo Nordisk regarding lower cost GLP-1s for weight loss.

Questions ?