

Cost of Health Insurance for Government Employees Has Risen Nearly \$72 Million Since 2019

With premiums now at \$226M—up from \$154.4M in FY2019—rising insurance costs have lawmakers wary of self-funding, citing weak planning, unreliable data, and just 14 days of cash on hand to cover claims, payroll, and other government obligations.

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The cost of health insurance for government employees in the U.S. Virgin Islands has skyrocketed by nearly \$72 million since 2019—rising from \$154.4 million in FY2019 to a projected \$226 million in FY2026. This increase, laid out in testimony from Office of Management and Budget Director Julio Rhymer and Commissioner of Finance Kevin McCurdy, has become a driving force behind Governor Albert Bryan Jr.'s push to reform how the government manages its health plan.

Sent down for consideration during Friday's special legislative session, Bill No. 36-0126 sought to establish a special committee tasked with issuing a Request for Proposal (RFP) for the provision of a self-funded group health and dental insurance plan for government employees and retirees. In correspondence to the Legislature, Governor Bryan called the legislation a response to "the significant rise in premiums under the existing fully funded plan," and urged "decisive legislative action" to ensure long-term affordability and stability.

But while the Bryan administration has emphasized potential cost savings and transparency under a self-funded model—where the government would pay claims directly instead of paying fixed premiums to a carrier—lawmakers and stakeholders remained unconvinced. Despite testimony continuing late into the day, a power outage at the Randolph Harley Power Plant cut the session short. Nonetheless, the Legislature ultimately voted the bill down, effectively shelving the measure for now.

McCurdy testified that under the current fully funded system, the Government of the Virgin Islands pays set premiums to carriers regardless of actual claims filed. These premiums have continued to rise, with this year's renewal carrying a projected 19.5% increase. "That's \$34 million we won't have anymore," he warned, emphasizing the budgetary pressure on vendor payments, allotments to the hospital, and university funding.

OMB Director Rhymer similarly highlighted the fiscal toll, noting that average annual increases in insurance spending amount to nearly \$9 million. "Such a trajectory is unsustainable," he told lawmakers.

The Bryan administration has pitched self-funding as a possible solution. They argue it could help the government reduce administrative overhead, better manage pharmaceutical rebates, and tailor coverage more efficiently to the population's needs.

But the numbers offered to support those claims were challenged. The administration has cited an estimated \$20–\$50 million in annual savings, but Rhymer admitted the figure is "just preliminary." Senator Milton Potter pressed the issue, describing the savings projection as "arbitrary... with no real analytics."

The Government Employees Service Commission (GESC) Health Insurance Board conducted its own analysis through its consultant, the Gehring Group. Chairperson Beverly Joseph presented the results to lawmakers: a 2.5% savings under a self-funded model—equating to roughly \$4.3 million—compared to the 19.5% guaranteed increase under the fully funded renewal. But unlike the current setup, the self-funded alternative comes with significant volatility and no guarantee on costs.

"You're going to have to pay off the \$36 million owed to Cigna, have \$6.9 million weekly for claims, and be prepared for fluctuations," Joseph said. She warned that without reliable reserves, sick employees could face gaps in care if claims aren't paid on time.

Lawmakers across the board raised similar concerns. "Self-funding requires the government to have millions of dollars in liquidity, perhaps even weekly," Senator Angel Bolques Jr. noted. "If these funds are delayed or short, claims won't be paid."

Several senators pointed to structural issues that would make a transition to self-funding risky under current conditions. Senator Marvin Blyden highlighted the territory's aging population, noting that self-funding works best when the pool is younger and healthier. Currently, retirees outnumber active employees in the government's insurance plan—7,109 to 6,984—Joseph

confirmed.

Senator Carla Joseph emphasized the risk of unpredictable high-cost claims, especially when the government lacks the cash on hand to absorb them. “We’re going to need \$208 million,” she warned. “I don’t know if we have all of that money.”

Commissioner McCurdy conceded that the government has only about 14 days of cash on hand—roughly \$57 million—while payroll alone consumes \$25 million every two weeks.

Dr. George Rosenberg of V.I. Equicare, a preferred provider organization, warned that private healthcare providers are “terrified” of relying on the Government of the Virgin Islands for timely payments. He said delays in Medicaid and workers’ compensation payments have already strained provider finances. “It could be devastating to health care,” he said. “We would end up losing a lot of physicians.”

While both the administration and Legislature agree that rising insurance costs must be addressed, the debate revealed deep divisions over how and when reform should happen—and who should lead the process. The GESB Board maintains that it already has the authority, expertise, and consultant support to pursue reform responsibly. The Bryan administration believes an independent committee is needed.

But with Bill No. 36-0126 now voted down, and lawmakers unwilling to risk healthcare coverage for thousands of public workers and retirees, the push for self-funding will likely require far more preparation, data, and consensus before it’s reconsidered.