

**Good day Senate President Milton E. Potter, Chairman of the Committee of the Whole, and esteemed members of the 36th Legislature.**

My name is Julio A. Rhymer Sr., and I serve as the Director of the Office of Management and Budget. I appreciate the opportunity to appear before you today to provide testimony on a matter of critical importance to both the Government of the Virgin Islands and the broader Virgin Islands community—health and dental insurance coverage for government employees and retirees.

## **Overview of Bill No. 36-0126**

Bill No. 36-0126 proposes the establishment of a special committee to issue a Request for Proposal (RFP) for the provision of a self-funded group health and dental insurance plan. This initiative represents a pivotal step toward addressing one of the most significant and escalating costs faced by our government.

## **Current State of Government Insurance**

At present, the Government of the Virgin Islands operates under a fully funded insurance model. Under this structure, the government pays a fixed premium to an insurance carrier, which assumes the financial risk of providing coverage. While this model offers predictability for budgeting, it limits flexibility and offers no opportunity for cost savings. Additionally, it is subject to both federal and local regulatory constraints.

## **Exploring Self-Funded Insurance Options**

In contrast, a self-funded insurance model allows the employer to assume the financial risk of providing health benefits. Rather than paying fixed premiums, the government would pay claims as they arise. This model offers the potential for substantial cost savings, greater plan customization, and improved control over healthcare expenditures. Employees could benefit from more tailored coverage options, and both the government and its workforce could realize significant financial relief.

## **The Case for Change**

Over the past six fiscal years, the cost of health insurance has risen dramatically—from \$154.4 million in FY2019 to an estimated \$226 million in FY2026. This represents an average annual increase of \$8.95 million. Such a trajectory is unsustainable and demands a strategic reassessment of our approach.

By authorizing the issuance of an RFP, this legislation enables us to conduct a comprehensive analysis of the true cost of health insurance and explore viable alternatives. It is not a commitment to change, but a commitment to understanding our options and making informed decisions for the future.

## **Conclusion**

As we look ahead, we must balance fiscal responsibility with our duty to enhance the quality of life for our civil servants. Bill No. 36-0126 provides a pathway to do just that. It initiates the necessary research and dialogue to potentially reduce one of the largest recurring expenses in our budget while preserving—and possibly improving—the benefits our employees and retirees rely on.

Thank you for your time and consideration. I welcome any questions you may have.