



# VERMONT LEGISLATIVE Joint Fiscal Office

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## Fiscal Note

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### **H.721 – An act relating to expanding access to Medicaid and Dr. Dynasaur**

As recommended by the Senate Committee on Health and Welfare

#### Bill Summary

The bill, which will be known as the “Medicaid Expansion Act of 2024” upon passage, includes several provisions regarding the expansion of Medicaid services that would have fiscal impacts on the State Medicaid Program.

- The bill would expand the Dr. Dynasaur program to include pregnant individuals earning up to 312% of the federal poverty level (FPL), effective January 1, 2026. The estimated fiscal year 2026 cost of this expansion is \$4.5 million (\$1.9 million General Fund dollars). Annualized, the expansion is estimated to cost \$9 million gross (\$3.8 million General Fund dollars). The bill would also appropriate \$600,000 (\$180,000 General Fund dollars) to the Department of Vermont Health Access (DVHA) in fiscal year 2025 for implementation costs associated with this expansion.
- The bill would appropriate \$450,000 (\$250,000 General Fund dollars) in fiscal year 2025 to the Agency of Human Services (AHS) to undertake a technical analysis.
- The bill would expand income limits within the Medicare Savings Program. If approved by the Centers for Medicare and Medicaid Services (CMS), this would have an estimated annualized cost of \$30.7 million (\$16 million General Fund dollars). Implementation could start as early as January 1, 2026. Fiscal year 2026 costs depend on the timing of CMS approval.
- The bill would also appropriate \$200,000 (\$100,000 General Fund dollars) to DVHA in fiscal year 2025 for administrative costs associated with the implementation of the Medicare Savings Program.
- The bill would push out the sunset date for the 0.199% tax on health insurance claims that are deposited into the Health Information Technology Fund (HIT Fund) for another two years, to July 1, 2027.
- This bill would make changes to corporate income taxation including an add back of currently deductible Subpart F income and an increase in the top marginal corporate tax rate from 8.5% to 10%. These proposals are estimated to increase corporate income tax revenue by \$2 million in fiscal year 2025 and \$33 million in fiscal year 2026.
- The bill would adjust securities registration fees, which would generate \$6.2 million in annual General Fund revenue.

#### 2024 Federal Poverty Levels (FPL)

Household Size	312%
1	\$46,987
2	\$63,773
3	\$80,558
4	\$97,344

<https://aspe.hhs.gov/poverty-guidelines>

## Background and Details

The following sections have a fiscal impact.

### Sec. 3 – Dr. Dynasaur Expansion

The bill would expand the Dr. Dynasaur program to include pregnant individuals earning up to 312% FPL, effective January 1, 2026. This would require a state plan amendment (SPA) to Vermont’s Medicaid program. According to DVHA, the fiscal year 2025 cost to implement this expansion would be \$600,000 (\$180,000 General Fund dollars). If the SPA is approved by CMS, the estimated fiscal year 2026 fiscal impact would be \$4.5 million (\$1.9 million General Fund dollars), assuming a January 1, 2026 effective date. This would be fully annualized by fiscal year 2027.

**Dr. Dynasaur Expansion up to 312% FPL (x million)**

	Implementation Costs		Est. Program Costs			
	FY 2025		FY 2026 <sup>1</sup>		Annualized	
	Gross	GF	Gross	GF	Gross	GF
<b>Pregnant Individuals</b>	\$0.60	\$0.18	\$4.50	\$1.90	\$9.00	\$3.80

<sup>1</sup> January 1, 2026 effective date

### Sec. 4 – Technical Analysis

The bill would require AHS, in collaboration with interested stakeholders, to undertake a technical analysis relating to many issues, including expanding access to Medicaid and Dr. Dynasaur; rates paid to health care providers delivering services to individuals on Medicaid and Dr. Dynasaur; and the structure of Vermont’s health insurance markets as specifically set forth in the bill. The bill would appropriate \$450,000 (\$250,000 from the General Fund and \$200,000 in federal funds) to AHS for this.

### Secs. 7 & 8 – Medicare Savings Program Expansion

The Medicare Savings Program helps reduce out-of-pocket Medicare costs for low-income Vermonters. There are three programs: the Qualified Medicare Beneficiary (QMB) Program, the Specified Low-Income Medicare Beneficiary (SLMB) Program, and the Qualified Individual (QI-1) Program. The chart below provides a quick summary of the Medicare Savings Program in Vermont. More information on the Medicare Savings Program can be found in Appendix A.

**Current Medicare Savings Program in Vermont**

Program	Income Limit (FPL)	Benefits
QMB	100%	Pays Medicare Part A and Part B premiums, deductibles and coinsurance
SLMB	120%	Pays Medicare Part B premiums only
QI-1	135%	Pays Medicare Part B premiums only

The bill would make the following changes to the Medicare Savings Program:

- Increase the Qualified Medicare Beneficiary (QMB) Program threshold from 100% FPL to 150% FPL;
- Eliminate the Specified Low-Income Medicare Beneficiary (SLMB) program; and
- Increase the Qualifying Individual (QI) Program income threshold from between 120% and 135% FPL to 200% FPL.

Program	Current Income Limit (FPL)	Proposed Income Limit (FPL)
QMB	100%	150%
SLMB	120%	-----
QI-1	135%	200%

The bill also directs AHS to seek a SPA to Vermont’s Medicaid Program for this eligibility expansion, which would become effective January 1, 2026, or upon approval by CMS – whichever is later. If, and, or when the SPA is approved, the annualized cost of these programs is estimated to increase by \$30.7 million (\$6 million in General Fund dollars).

The earliest implementation date for this eligibility expansion would be January 1, 2026, which would then require an appropriation in the fiscal year 2026 budget. The fiscal year 2026 costs will depend on the timing of CMS approval. There would also be implementation costs. The bill appropriates \$200,000 gross (\$100,000 in General Fund dollars) to DVHA in fiscal year 2025 for this.

Medicare Savings Program Expansion (x million)						
	Implementation Costs		Est. Program Costs			
	FY 2025		FY 2026 <sup>1</sup>		Annualized	
	Gross	GF	Gross	GF	Gross	GF
<b>Medicare Savings Program Expansion<sup>1</sup></b>	\$0.20	\$0.10	\$15.4	\$3.0	\$30.7	\$6.0

<sup>1</sup> The FY 2026 estimate assumes a January 1, 2026 start date but will depend on the timing of CMS approval.

**Sec. 10 – Health Care Claims Tax Sunset**

The Health Care Claims Tax is a 0.999% tax on all health insurance claims paid by insurers in for their Vermont members for the previous fiscal year. Of this, revenue from 0.199% of claims is deposited into the Health Information Technology Fund (HIT Fund). The rest of the revenue is deposited into the General Fund. The HIT Fund’s portion of the Claims Tax is estimated to raise \$6.2 million in fiscal year 2024.

Act 73 (2013) imposed a sunset on the HIT Fund portion of revenue, effective July 1, 2017. Since then, the sunset has been postponed five times for the purposes of revisiting and evaluating the expenditures, goals, and objectives of the Fund. The Governor’s fiscal year 2025 budget proposal recommended extending the sunset an additional year (from July 1, 2025, to July 1,2026). The bill proposes extending the sunset two years – to July 1, 2027.

**Sec. 13 – Taxation of Corporate Subpart F Income**

Vermont currently uses the federal definition of corporate net income for its taxable base. The federal definition allows two deductions related to foreign income that exempts them in part from taxation at the federal level, which in turn exempts them in part from taxation by Vermont. 26 U.S.C. § 250 allows corporations to deduct 50% of global intangible low tax income (GILTI) and 37.5% of their foreign derived intangible income (FDII).

GILTI is income earned from intangible assets such as copyrights, patents, licenses, trademarks, and other intellectual property held in foreign affiliates. FDII, on the other hand, refers to earnings that come from sales of products related to intellectual property. If a U.S. corporation holds intellectual property in the U.S. and has sales to foreign customers based on that intellectual property, the profits from those sales face a lower tax rate.

Effective January 1, 2025, this bill would add back the amount of GILTI and FDII deducted at the federal level and increase reported net income to Vermont for corporations with those types of income. The Joint Fiscal Office (JFO) estimates that adding back this federally deductible income will increase corporate tax revenue by approximately \$15.3 million in fiscal year 2026. This estimate incorporates the rate change proposed in Sec. 14.

**Sec. 14 – Corporate Income New Top Marginal Tax Rate**

Vermont currently taxes 8.5% of corporate net income attributable to Vermont above \$25,000. Effective January 1, 2025, this bill would increase that rate to 10%. JFO estimates that this increase will generate \$2 million in fiscal year 2025 and \$17.7 million in subsequent years. The fiscal year 2025 revenue increase relates to an anticipated adjustment to quarterly estimated tax payments from corporations. Corporations are expected to increase their estimated payments in response to expected increase in tax liability.

**Sec. 15 – Securities Registration Fees**

Section 15 would increase securities registration fees by paid the issuers of securities. For filings referenced in 9 V.S.A 5302(e), the fee would increase from \$600 to \$740. This increase would partially account for inflation, since the fee was last adjusted in 2008.

Investment companies subject to 15 U.S.C. § 80a-1 et seq., which includes mutual funds and unit investment trusts, currently pay an initial notice fee of \$2,000 and a renewal fee of \$1,650. This section would increase those fees to \$2,250 and \$1,900 respectively; a \$250 increase for each. These fees were last adjusted in Act 138 (2022). Together these changes would raise an estimated \$6.2 million in annual General Fund revenue, starting in fiscal year 2025.

It is the intent of the General Assembly to use a portion of the revenues generated through the tax and fee increases in Secs. 13 – 15 to fund the appropriations set forth in the bill.

	Number of Filings	Year Last Changed	Current Fee	New Fee Amount	FY23 Revenue – Current Law	Estimated FY25 Revenue – H.721	Difference
9 VSA 5302(e) Notification and Renewal	1,172	2008	\$600	\$740	\$703,200	\$867,280	\$164,080
9 VSA 5302(f) Notification	2,418	2022	\$2,000	\$2,250	\$4,836,000	\$5,440,500	\$604,500
9 VSA 5302(f) Renewal	21,799	2022	\$1,650	\$1,900	\$35,968,350	\$41,418,100	\$5,449,750
<b>Total</b>					<b>\$41,507,550</b>	<b>\$47,725,880</b>	<b>\$6,218,330</b>

**Fiscal Summary**

The following is a summary of the General Fund impacts of the bill for fiscal years 2025 and 2026.

**Appropriations (x million)**

Sec.	Appropriation	General Funds		
		FY 25	FY 26	FY 27
3	Dr. Dynasaur Expansion <sup>1</sup>	\$0.18	\$1.9	\$3.8
4	Technical Analysis	\$0.25		
7 - 8	Medicare Savings Program Expansion <sup>1</sup>	\$0.10	\$3.00	\$6.0
(a)	<b>TOTAL Appropriations</b>	<b>\$0.53</b>	<b>\$4.9</b>	<b>\$9.8</b>

**Revenues (x million)**

Sec.	Revenues	General Funds		
		FY 25	FY 26	FY 27
13	Taxation of Subpart F Income	\$0.0	\$15.3	\$15.3
14	Increase in Corporate Tax Rate	\$2.0	\$17.7	\$17.7
15	Securities Registration Fees	\$6.2	\$6.2	\$6.2
(b)	<b>TOTAL Revenues</b>	<b>\$8.2</b>	<b>\$39.2</b>	<b>\$39.2</b>
	<b>Balance (Line b - Line a)</b>	<b>\$7.7</b>	<b>\$34.3</b>	<b>\$29.4</b>

<sup>1</sup> FY 25 appropriations are implementations costs.

## **Appendix A:**

### **Medicare Savings Program – Useful Terms**

The Medicare Savings Program helps reduce out-of-pocket Medicare costs for low-income Vermonters. There are three programs: the Qualified Medicare Beneficiary (QMB) Program, the Specified Low-Income Medicare Beneficiary (SLMB) Program, and the Qualified Individual (QI) Program. To help understand the proposed changes in the bill, the following are descriptions of Medicare Part A and Part B and the current QMB, SLMB, and QI programs.

#### **Medicare Part A**

Part A (hospital insurance) helps cover inpatient care in hospitals, skilled nursing facility care, skilled nursing home care (not custodial or long-term care), hospice care, and some home health care. Most people get Part A for free because they or a spouse paid Medicare taxes long enough while working – generally 40 quarters of employment. For those that do pay a premium, the monthly cost is either \$278 or \$505, depending on how long the individual or spouse worked and paid Medicare taxes. According to CMS, 99% of Medicare beneficiaries do not have a Part A premium.<sup>1</sup>

#### **Medicare Part B**

Part B (medical insurance) helps cover physician services, outpatient care, home health care, durable medical equipment (like wheelchairs, walkers, hospital beds, and other equipment), and many preventive services such as screenings, shots or vaccines, and yearly “wellness” visits. Most people pay the standard monthly Part B premium of \$174.40, although approximately 8% of beneficiaries pay a higher income-adjusted premium.<sup>2</sup>

#### **Qualified Medicare Beneficiary (QMB) Program**

The QMB program pays for Medicare Part B and Part A premiums (if the individual is not eligible for premium-free Part A). It also pays for Part A and B deductibles, coinsurance, and copayments (for services and items Medicare covers). To be eligible, the individual or couple must have income at or below 100% FPL – \$1,255 per month for individuals and \$1,704 per month for couples. According to DVHA, there are currently 2,238 Vermonters enrolled in the QMB program.

#### **Specified Low-Income Medicare Beneficiary (SLMB) Program**

The SLMB program pays for Medicare Part B premiums only. To qualify, a household must have income at or below 120% FPL – \$1,506 per month for individuals and \$2,044 per months for couples. According to DVHA, there are currently 2,872 Vermonters enrolled in the SLMB program.

#### **Qualifying Individual (QI-1) Program**

The QI-1 program pays for Medicare Part B premiums only. To be eligible, an individual or couple must have income at or below 135% FPL – \$1,695 per month for individuals and \$2,300 for couples. According to DVHA, there are currently 2,649 Vermonters enrolled in the QI-1 program.

#### **VPharm Assistance Program**

The VPharm program helps Vermonters with incomes at or below 225% FPL who do not qualify for Medicaid and are enrolled in Medicare pay for their Medicare Part D plan and related costs. Under the program, beneficiaries pay a monthly premium of \$15, \$20, or \$50 per month, depending on their income, and copayments of \$1 or \$2, depending on the cost of the drug. In fiscal year 2023, there were approximately 9,100 people in the program. More than half of those individuals also participated in a Medicare Savings Program. More detailed information on the program can be found [here](#).

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<sup>1</sup> 2024 Medicare Parts A & B Premiums and Deductibles (October 12, 2023). <https://www.cms.gov/newsroom/fact-sheets/2024-medicare-parts-b-premiums-and-deductibles>

<sup>2</sup> 2024 Medicare Costs Fact Sheet. <https://www.medicare.gov/Pubs/pdf/11579-medicare-costs.pdf>