

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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H.524 – An act relating to health insurance and the individual mandate

As Introduced by the House Committee on Health care

<https://legislature.vermont.gov/Documents/2020/Docs/BILLS/H-0524/H-0524%20As%20Introduced.pdf>

As amended by the House Committee on Ways & Means

<https://legislature.vermont.gov/Documents/2020/WorkGroups/House%20Ways%20and%20Means/Bills/H.524/W~Jennifer%20Carbee~H.524%20-%20Amendment~3-21-2019.pdf>

As further amended by the House Committee on Appropriations

<https://legislature.vermont.gov/Documents/2020/WorkGroups/House%20Appropriations/Bills/H.524/H.524-ANACTRELATINGTOHEALTHINSURANCEANDTHEINDIVIDUALMANDATE~Jennifer%20Carbee,%20Legislative%20Council~Context%20of%20Committee%20Amendment~3-22-2019.pdf>

The purpose of this bill as introduced was to implement Vermont’s individual mandate to maintain health insurance coverage. The bill also has other insurance related requirements related to association health plans, brokers, and certain consumer protections and requires the Agency of Human Services (AHS) to develop strategies for increasing the affordability of health insurance and evaluate options for the future of Vermont’s health insurance markets.

Individual Mandate

Act 182 of 2018 established an individual mandate for Vermont residents to maintain minimum essential coverage beginning on January 1, 2020. It also expressed legislative intent to enforce the individual mandate through a financial penalty or other enforcement mechanisms to be enacted by the General Assembly during the 2019 legislative session.¹

Sec. 1 of the bill as introduced would have established a penalty for “applicable individuals” who fail to maintain minimum essential coverage, that was modeled upon, with variations, the tax penalty previously instituted by the federal government. It is difficult to estimate how much revenue the penalty might yield.² Preliminary estimates were between roughly \$2 and \$4 million in FY 2021.

According to testimony provided by the Department of Taxes, implementing a penalty could have start up costs as high as \$1.1 million, not including on-going costs for additional full-time equivalents to do compliance, appeals, outreach, and other necessary administrative work.³ Additionally, officials from

¹ [Act 182 of 2018](#)

² According to the Internal Revenue Service, in 2016, 3.2% of tax returns reported penalties resulting in \$7.34 million dollars in penalties. However, it was later determined that many people who were Medicaid-eligible wrongly paid the penalty and revised numbers from the IRS have not yet been released.

³ This estimate is based on the estimated for implementing an individual mandate in the District of Columbia.

the Department of Vermont Health Access (DVHA) estimate administrative costs to DVHA (which include IT vendor costs and additional FTEs) associated with administering exemptions, hearing appeals of exemptions, rulemaking on exemptions and mandate administration, and providing documentation of coverage, could range between \$500,000 to \$4.5 million with \$100,000 to \$200,000 in annual on-going costs.

The *House Committee on Ways & Means (HWM)* amended the bill, striking the individual mandate penalty. While there could still be some costs to the Department of Taxes related to reporting requirements and changing existing forms, the fiscal impact to the Department is expected to be nominal requiring no additional appropriation at this time. Similarly, the amendment also eliminates requirements for DVHA associated with administering exemptions and therefore an appropriation would not be required for this section of the bill as amended by HWM. As such there are **no longer any fiscal impacts related to the individual mandate** as amended by HWM.

Health Insurance Affordability Report

Sec. 9 of this bill as introduced would require the Agency of Human Services (AHS) to submit a report to the General Assembly that 1) develops a health insurance affordability strategy; 2) explores increasing co-pays for Medicaid beneficiaries; 3) determines costs and mechanisms regarding out-of-pocket exposure for ensuring Vermonters have access to primary care services; and 4) explores the potential of a regional publicly-financed universal health care program. Some of this work would likely require hiring outside expertise, including actuaries, the cost of which could range from \$100,000 to \$250,000.

The *House Committee on Appropriations (HAC)* amended the bill taking out language that dealt specifically with cost sharing and would have likely required actuarial services. As such there are **no longer any estimated expenditures related to this section of the bill** as amended by HAC.

Merged Insurance Market Report

Sec. 12 of this bill also requires AHS to evaluate Vermont's health insurance market to determine the potential advantages and disadvantages of merging the individual, small group, and large group markets, separating each of these markets, and maintaining the current market structure as well as the impact on premiums for each scenario. Similar reports were commissioned in 2009 by the Health Care Reform Commission⁴ and in 2016 by the Green Mountain Care Board⁵. The costs of these reports ranged from \$50,000 (in 2009) to \$97,106 (in 2016). The proposed report would have a broader scope and could require more actuarial resources than previous reports and could cost between \$80,000 and \$120,000.

Fiscal Impact

Est. Cost = \$100,000

⁴ [Merging the Individual, Small-Group, and Association Markets in Vermont](#). Prepared by Elliot Wicks, Health Management Associates. January 2009.

⁵ [Report on the Impact of Expanding Vermont Health Connect to include Large Group Employers](#). Prepared by Lewin & Ellis, Inc. February 2016.