

JAMES H. DOUGLAS
GOVERNOR



State of Vermont
OFFICE OF THE GOVERNOR
GOVERNOR DOUGLAS' HEALTH INSURANCE PLAN
Financial Benefits and Funding

Governor Douglas' health insurance plan would immediately reduce premiums by 15 percent for every Vermonter with an individual insurance plan; decrease the number of uninsured Vermonters by 20 percent in the first year; offer low and middle income Vermonters a premium discount of up to 60 percent; and reduce, by up to 50 percent, the cost for a small business to start providing insurance to employees.

“Taken together, my reforms make insurance more affordable for individuals and small businesses, reduce the number of uninsured Vermonters by 20 percent in the first year alone, offer an economic incentive to help expand the private market, and make Vermont more attractive to health insurance providers.” Governor Douglas said.

“But we won't stop there,” Douglas added. “I will work every year to make progress toward our goal of affordable and accessible health care for everyone.”

The Premium Discount Program – Making Insurance Affordable for Individuals

- The state will provide a premium discount to income-eligible Vermonters so they will have access to affordable health care coverage.
- The discounts will be applied to the individual's health insurance premiums and deductible expenses.
- The premium discount will directly lower the cost of health care coverage, based on a percentage discount on an employee's share of the premium of the lowest cost small group or association plan offered in Vermont.
- If a high deductible (HSA) plan is used, the program will pay a percentage of the individual's deductible expenses.
- The Premium Discount Program will be income-sensitive based upon the household income of the individual:

Household Income	Discount on the Individual's Premium or Deductible
150%-200% of the Federal Poverty Level - \$13,965-\$18,620 for an individual - \$18,735-\$24,980 for a two-person family	60%
200%-250% of the Federal Poverty Level - \$18,620-\$23,275 for an individual - \$24,980-\$31,225 for a two-person family	40%
250%-300% of the Federal Poverty Level - \$23,275-\$27,930 for an individual - \$31,225-\$37,470 for a two-person family	20%

- The individual will not be required to choose any particular insurance plan, and the individual may choose to enroll in a more expensive plan, but the state's financial obligation will be limited to the specified sharing of costs of the lowest cost Health Savings Account-eligible plan.
- The Premium Discount Program will be administered by private market health insurance plans.
- Enrollment and program cost:
 - About 10,000 uninsured individuals are expected to participate in the program.
 - At this level of participation, the program cost is estimated at \$8-9 million.

Discount	60%	40%	20%	Total
Household income (% of FPL)	150 – 199	200 – 249	250 – 300	
Uninsured individuals and dependents ¹	6,298	6,780	3,629	16,706
Premium discount	\$825	\$550	\$275	
Deductible discount ²	\$480	\$320	\$160	
Total Discount Per Individual	\$1305	\$870	\$435	

Key assumptions:

- Premium cost of the lowest cost HSA-eligible plan: single premium \$2,750

¹ Includes both employed and unemployed individuals and dependents in these income groups. Does not include individuals and dependents eligible for Medicaid.

² An individual with a qualified, high deductible health insurance plan would be eligible for the deductible subsidy.

- Employee share of the premium cost = \$1,375
- Premium costs based on a plan that includes first dollar coverage of preventive services
- Average, annual deductible spending = \$800 per employee

Tax Credit Program – Making Insurance Affordable for Small Businesses

- The state will provide financial assistance to Vermont small businesses so that they will have the capacity to offer coverage to their employees.
- Assistance will be provided through a tax credit program to small businesses with 25 or fewer employees.
- Eligibility:
 - To be eligible for the credit the financial commitment of the business must be to pay at least 50% of the premium cost for the lowest cost individual or family plan offered in the Vermont small group or association market. Health Savings Account-eligible plans are typically the lowest cost plans.
 - The business or individual may chose a more expensive, non-Health Savings Account-eligible plan, but the business will have a financial incentive to choose the lower cost HSA-eligible plan.
 - Individuals with household income between 150% and 300% of the Federal Poverty Level will be eligible for the Premium Discount Program, and if enrolled in an HSA-eligible high deductible plan they will be eligible for assistance paying for deductible expenses.
 - The tax credit will be available as a refundable tax credit to small businesses which have not offered coverage within the past 24 months.
- The tax credit will be equal to \$50 per employee per month, adjusted annually to account for medical inflation.
- For example, a small business with 10 employees would receive an annual tax credit of \$6,000 (10 X \$600). The net, per employee annual cost of health insurance for the employer is \$775 (50% of the \$2,750 annual premium: \$1,375 less \$600 credit).
- Program enrollment and costs:
 - Employees working for eligible small businesses: 29,292.
 - Cost of the tax credit program for eligible businesses currently not offering coverage: \$4,393,800.

The Reinsurance Program – Lowering Premiums for Individuals

- The Reinsurance Program will lower premiums by 15% for individuals in the non-group market.
- The Reinsurance Program will reimburse carriers in the non-group market for their costs incurred in connection with any single individual in excess of a specified threshold, for example \$75,000. The specific threshold will be set on an annual basis after calculation of available revenues.
- The Reinsurance Program will result in a 15% reduction in non-group premiums for individual Vermonters.
- Non-group premiums are the highest in Vermont: the 1st quarter 2004 non-group premiums for a single plan with a \$3,000 deductible is \$4,032/yr.
- A 15% reduction in non-group premiums will require an investment of \$6 million, but will also increase enrollment in the non-group market by 19 percent.

4. Total Program Funding

- The plan invests \$38 million dollars into the health insurance market over two years.
- The plan will be funded by extending the 2 percent health insurance premium assessment to include all health insurance companies, and by allocating those revenues to the program.
- This is a sustainable economic plan.
- The addition of thousands more covered lives, the reinsurance mechanism, and the reinvestment of the premium assessment funds into the private market acts as an economic stimulus to help lower the cost of health insurance in the private market.

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