

CONFIDENTIAL
LEGISLATIVE BILL REVIEW FORM: 2015

Bill Number: H.24

Name of Bill: An Act relating to increasing subsidies in the Vermont Health Benefit Exchange and establishing a sugar-sweetened beverage tax

Agency/ Dept: AHS/DVHA

Author of Bill Review: Addie Strumolo

Date of Bill Review: 1/28/2015

Related Bills and Key Players: VDH accompanying bill review

Status of Bill: (check one): ☒ Upon Introduction ☐ As passed by 1st body ☐ As passed by both

Recommended Position:

☐ Support ☐ Oppose ☒ Remain Neutral ☐ Support with modifications identified in #8 below

Analysis of Bill

1. Summary of bill and issue it addresses.

H. 24 would provide revenue of 2 cents per ounce of sugar-sweetened beverages sold through an excise tax. Beverages affected are:

- Sodas
- Sweetened teas
- Energy drinks
- Juice drinks

100% juice, milk (including sweetened) and infant formula would not be included.

The revenue from this tax would provide funding to two initiatives:

1. Increase the amount of financial assistance available to individuals and families enrolling in health insurance through Vermont Health Connect (VHC). Specifically, households with incomes less than or equal to 400% of the federal poverty level (FPL) would become eligible for the Vermont Premium Reduction (1.5%) and cost sharing reductions. These premium assistance programs would continue to be managed by DVHA.
2. Funding for anti-obesity efforts:
 - Subsidize purchase of fruits and vegetables by WIC and 3SquaresVT recipients
 - Establish a revolving loan fund for purchase of energy-efficient refrigeration for small retailers
 - EBT terminals for all VT farmers markets, along with TA, promotional support and reimbursement farmers markets for transaction costs
 - Subsidize school meals for low income Vermonters
 - Create a permanent and self-sustaining fund to support obesity prevention programs, administered by a board comprising representatives from the Agency of Human Services, Agency of Education and Agency of Agriculture, Food and Markets.

H.24 would become effective July 1, 2015.

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2. Is there a need for this bill?

Vermont Premium Reduction (VPR) and cost sharing reductions (CSR) are currently available to households with incomes less than or equal to 300% FPL and who are eligible for federal premium tax credits. This bill is needed to increase the population of Vermonters eligible for this assistance in paying health insurance premiums and out of pocket costs up to 400% of the FPL.

3. What are likely to be the fiscal and programmatic implications of this bill for this Department?

Programmatic Implications:

The State would have to plan carefully about when and how to implement this change. VHC does not have the functionality to effectuate eligibility changes in an aggregate or automated way at this time. VHC would have to manually make the change to each case or wait for eligible customers to otherwise request a coverage change and incorporate the new VPR and CSR amounts at that time.

Increased functionality is expected this spring. However, waiting to implement VPR and CSR changes until the open enrollment period for 2016 (currently proposed to start October 1, 2015) when all enrollments are renewed with updated eligibility rules, may be more operationally feasible. These changes would result in a greater volume of VPR payments made to insurance carriers on behalf of VHC enrollees on a monthly basis. The bill does not alter the administration of the program itself.

The Centers for Medicare and Medicaid Services (CMS) would have to approve any changes to subsidies in order to receive federal financial participation.

Fiscal Implications:

The VHC eligibility system would need to be updated to account for new VPR and CSR rules. There would be IT implementation costs to update the rules engine, mostly around testing efforts. If this were to be lumped into a planned release, it would be less costly than if done standalone given testing economies of scale. VHC would need to consult with its IT vendor to determine a cost estimate.

It is unclear as to whether the proposed new tax on sugar-sweetened beverages would produce sufficient funding to pay for the proposed increases to VPR and CSR.

4. What might be the fiscal and programmatic implications of this bill for other departments in state government, and what is likely to be their perspective on it?

If a portion of the proceeds were appropriated to the Vermont Department of Health's Physical Activity and Nutrition program at sufficient levels, this would allow the Department to create a comprehensive obesity prevention program including more evidence-based programs in communities, schools and worksites, social marketing activities and robust surveillance and evaluation components. Additionally, subsidization of the purchase of fruits and vegetables by WIC clientele has been identified as a specific activity funded through the tax. The Department of Health would also conduct the independent evaluation of the tax impacts on consumption, and report that information to interested parties. Funding would be appropriated to support that effort.

The bill is written to require a board to administer the fund that would support obesity prevention programs. Members of the board will include staff from the Agencies of Human Services, Education and Agriculture, Food and Markets. This will require staff time to administer the fund.

The Tax Department would also be affected by this bill, as mechanisms for collecting the tax and licensing the distributors would need to be created and maintained.

5. What might be the fiscal and programmatic implications of this bill for others, and what is likely to be their perspective on it?

- Insurance companies: This bill would result in increased VPR payments made to insurance carriers on behalf of VHC enrollees on a monthly basis. Insurance carriers would likely support this change to the extent it would increase enrollment. They may have concern that increased volume of VPR payments could create a need for additional reconciliation between their system and VHC. They would also support a streamlined implementation of the change as opposed to a manual one. This bill would affect the plan design process for CSR plans that the carriers have to do, which would impact plan selection and require a public outreach process.
- Public: It is unclear how the public will respond to this tax, should the bill pass. Sugar-sweetened beverage consumers may oppose this bill due to the increase in what they will pay for a beverage (20 oz. soda will cost \$.40 extra). However, polls in other states have shown that the public favors the revenue from this tax supporting anti-obesity programs.

6. Other Stakeholders:

6.1 Who else is likely to support the proposal and why?

- Consumer advocates: it enhances the affordability of health insurance through VHC.
- Municipalities/organizations concerned about obesity rates: They will be supportive presuming that more funding may be available for their programs.
- Public: It is unclear how the public will respond to this tax, should the bill pass. Sugar-sweetened beverage consumers may oppose this bill due to the increase in what they will pay for a beverage (20 oz. soda will cost \$.40 extra). However, polls in other states have shown that the public favors the revenue from this tax supporting anti-obesity programs.
- Organizations concerned about obesity rates and the need for prevention programs are likely to support this bill, as it would provide funding for these types of programs, if passed as written. These would include American Heart Association, American Cancer Society, Vermont State Dental Society, University of Vermont Medical Center, YMCA, possibly the other hospitals, dieticians' professional groups, health insurers, and other health related groups. Additionally those concerned about health insurance for low income Vermonters will be in support of the bill.

6.2 Who else is likely to oppose the proposal and why?

- Municipalities/organizations/businesses that sell sugar sweetened beverages will likely oppose this due to concern about impact on sales.
- The beverage and grocer's associations historically are against bills like this one, due to concern over loss of sales. Since this tax is regressive, there may be low-income advocates that also oppose the bill. As mentioned above, municipalities and organizations that sell sugar-sweetened beverages for fundraising purposes may oppose the bill due to concern regarding loss of sales.

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7. Rationale for recommendation:

This bill represents an alternative to the Governor's proposal to increase CSRs paid for by a 0.7% payroll tax.

Facilitating access to affordable, quality health insurance is a top priority of VHC and DVHA, and the availability of increased premium assistance would contribute to that effort.

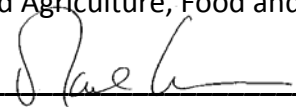
Consumption of sugar sweeten beverages have been linked to increased risk of chronic diseases such as dental caries, diabetes and cardiovascular disease, and the risk factor of obesity. Passage of this bill could reduce consumption of sugar sweeten beverages. However, there is a lack of supporting data that definitively links implementation of a sugar sweeten beverages tax with a reduction in obesity rates.

8. Specific modifications that would be needed to recommend support of this bill:

Support the increased VPR and VT CSR eligibility if effective date of change is 2016 plan year.

9. Gubernatorial appointments to board or commission?

Yes, from Agencies of Human Services, Education and Agriculture, Food and Markets.

Secretary/Commissioner has reviewed this document:  **Date:** 2/9/15