

1 S.252

2 Introduced by Senator Galbraith

3 Referred to Committee on

4 Date:

5 Subject: Health care; taxation; Green Mountain Care

6 Statement of purpose of bill as introduced: This bill proposes to develop a
7 financing mechanism for Green Mountain Care.

8 An act relating to financing for Green Mountain Care

9 It is hereby enacted by the General Assembly of the State of Vermont:

10 Sec. 1. 32 V.S.A. chapter 152 is added to read:

11 CHAPTER 152. HEALTH CARE TAXES

12 § 5981. PRINCIPLES FOR HEALTH CARE FINANCING

13 The General Assembly adopts the following principles to guide the
14 financing of health care in Vermont:

15 (1) All Vermont residents have the right to high-quality health care.

16 (2) All Vermont residents shall be eligible for Green Mountain Care.

17 Vermont residents enrolled in the Federal Employees Health Benefits Program
18 or TRICARE already participate in publicly financed, government-sponsored
19 health care programs and will continue to receive health care through these
20 programs. A Vermont resident eligible to participate in these publicly financed

1 federal health care programs may choose to enroll in Green Mountain Care and
2 contribute to its financing on a similar basis to other Vermont residents.

3 (3) Vermont residents shall finance Green Mountain Care through taxes
4 that are levied equitably, taking into account an individual's ability to pay and
5 the value of the health benefits provided.

6 (4) As provided in 33 V.S.A. § 1827, Green Mountain Care shall be the
7 secondary payer for Vermont residents who continue to receive health care
8 through plans provided by an employer, by another state, by a foreign
9 government, or as a retirement benefit. As long as it is financially beneficial to
10 the State of Vermont for these individuals to continue to be enrolled in these
11 health care plans, the State may pay premiums on behalf of the employee,
12 retiree, or beneficiary.

13 (5) Vermont's system for financing health care shall raise revenue
14 sufficient to provide medically necessary health care services to all enrolled
15 Vermont residents, including maternity and newborn care, pediatric care,
16 vision and dental care for children, surgery and hospital care, emergency care,
17 outpatient care, treatment for mental health conditions, and prescription drugs.

18 § 5982. DEFINITIONS

19 As used in this chapter:

1 (1) “Employee” means every person for whom taxes are withheld under
2 section 5841 of this title, except that the term shall include a federal employee
3 only to the extent that his or her wages are from nonfederal sources.

4 (2)(A) “Employer” means every person who is required under the laws
5 of the United States to withhold federal income tax from payments that are also
6 subject to Vermont income tax.

7 (B) “Employer” does not mean the U.S. government.

8 (3) “Federal employee” means any person employed by the
9 U.S. government, retired from employment with the U.S. government, or an
10 active or retired member of the U.S. Armed Forces.

11 (4) “Self-employment income” shall have the same meaning as in the
12 Internal Revenue Code, 26 U.S.C. § 1402(b).

13 (5) “Total employee wages” means the total amount of payments subject
14 to withholding under section 5841 of this title for each individual employee,
15 plus the total amount of any self-employment income for that individual, but in
16 no case shall total employee wages exceed the greater of \$113,700.00 or the
17 contribution base calculated under Section 230 of the Social Security Act,
18 codified at 42 U.S.C. § 430.

19 (6) “Total employer wages” means the total amount of payments subject
20 to withholding under section 5841 of this title for each employer subject to
21 withholding requirements, minus any wages in excess of \$113,700.00 or the

1 contribution base calculated under Section 230 of the Social Security Act,
2 codified at 42 U.S.C. § 430, paid by the employer to any employee.

3 (7) “Wages” shall have the same meaning as in the Internal Revenue
4 Code, 26 U.S.C. § 3401(a).

5 § 5983. PAYROLL TAX

6 (a) A tax is imposed on any employer required to withhold taxes under
7 section 5841 of this title and on the self-employment income of every
8 individual in an amount equal to total employer wages multiplied by
9 11 percent.

10 (b) A tax is imposed on any employee for whom taxes are withheld under
11 section 5841 of this title and on the self-employment income of every
12 individual in the amount equal to total employee wages multiplied by two
13 percent, except as otherwise provided in section 5984 of this chapter.

14 § 5984. OPT-IN TO PAYROLL TAX

15 A tax is imposed on any federal employee that elects to seek coverage under
16 Green Mountain Care in an amount equal to total employee wages multiplied
17 by 13 percent.

18 § 5985. PAYMENT

19 (a) Each employer shall prepare and submit to the Department a quarterly
20 return and payment on or before the 25th day of the calendar month succeeding
21 the quarter ending on the last day of March, June, September, and December.

1 The return requirements and procedures shall be established by the
2 Commissioner and shall show the amount of total employer wages paid for
3 employment during the preceding quarter and other information the
4 Commissioner may require. The tax under this chapter shall be paid each
5 quarter to the Department at the same time the report is submitted. The taxes
6 shall be deposited in the Green Mountain Care Fund established under
7 33 V.S.A. § 1829.

8 (b) Each employee shall prepare and submit to the Department an annual
9 return according to procedures established by the Commissioner showing the
10 amount of total employee wages received for employment during the
11 preceding year and other information the Commissioner may require. The tax
12 shall be paid each year to the Department at the same time the return is
13 submitted and deposited in the Green Mountain Care Fund established under
14 33 V.S.A. § 1829.

15 § 5986. ENFORCEMENT

16 (a) The employer payroll tax imposed under subsection 5983(a) of this title
17 shall be enforced and collected as if it were an amount required to be withheld
18 and remitted to the State under subchapter 4 of chapter 151 of this title.

19 (b) The employee payroll tax under subsection 5983(b) of this title shall be
20 enforced and collected as if it were a personal income tax under section 5822
21 of this title.

1 Sec. 2. 32 V.S.A. §§ 5987 and 5988 are added to read:

2 § 5987. DEFINITION

3 As used in this chapter, “non-wage income” means, for any taxable year,
4 the total amount of income considered taxable income in the State of Vermont
5 under section 5822 of this title, minus any amounts subject to the tax in
6 subsection 5983(b) of this title, but in no case shall non-wage income exceed
7 the greater of \$113,700.00 or the contribution base calculated under Section
8 230 of the Social Security Act, codified at 42 U.S.C. § 430.

9 § 5988. NON-WAGE INCOME TAX

10 (a) A tax is imposed on each taxpayer subject to the tax under section 5822
11 of this title, except that the tax shall be imposed on a federal employee only in
12 the event that he or she has elected to seek coverage under section 5984 of this
13 chapter. The non-wage income tax shall be equal to the amount of non-wage
14 income for each taxpayer, multiplied by 10 percent. The non-wage income tax
15 shall have the same return, payment, and enforcement requirements as the
16 personal income tax under section 5822 of this title.

17 (b) Each taxpayer subject to the tax imposed under subsection (a) of this
18 section is entitled to claim a credit against his or her non-wage income tax in
19 an amount equal to five times the tax imposed in subsection 5983(b) of this
20 title for the same tax year. In the case of individuals filing a joint return, the
21 credit against non-wage income tax shall be calculated based on the combined

1 amount of tax imposed in subsection 5983(b) of this title on the filing unit for
2 the same tax year.

3 Sec. 3. 32 V.S.A. § 5811(21) is amended to read:

4 (21) "Taxable income" means federal taxable income determined
5 without regard to ~~Section 168(k) of the Internal Revenue Code~~ 26 U.S.C.
6 § 168(k) and:

7 (A) Increased by the following items of income (to the extent such
8 income is excluded from federal adjusted gross income):

9 (i) interest income from non-Vermont state and local obligations;

10 (ii) dividends or other distributions from any fund to the extent
11 they are attributable to non-Vermont state or local obligations; and

12 (iii) ~~the amount in excess of \$5,000.00 of state and local income~~
13 ~~taxes deducted from federal adjusted gross income for the taxable year, but in~~
14 ~~no case in an amount that will reduce total itemized deductions below the~~
15 ~~standard deduction allowable to the taxpayer; and~~ the amount of total itemized
16 deductions in excess of the standard deduction allowable to the taxpayer;

17 * * *

18 Sec. 4. 33 V.S.A. § 1822 is amended to read:

19 § 1822. IMPLEMENTATION; WAIVER

20 (a) Green Mountain Care shall be implemented ~~90 days following the last~~
21 ~~to occur of~~ only after the occurrence of all of the events described in this

1 subsection. If the last event is completed prior to July 1 in the year of its
2 occurrence, Green Mountain Care shall be implemented on the first January 1
3 following the completion. If the last event is completed on or after July 1 in
4 the year of its occurrence, Green Mountain Care shall be implemented on the
5 second January 1 following the completion. The required events shall be:

6 * * *

7 Sec. 5. 33 V.S.A. § 1824 is amended to read:

8 § 1824. ELIGIBILITY

9 (a)(1) Upon implementation, all Vermont residents shall be eligible for
10 Green Mountain Care, ~~regardless of whether an employer offers health~~
11 ~~insurance for which they are eligible~~ except as otherwise provided in
12 subsections (f) and (g) of this section. The Agency shall establish standards by
13 rule for proof and verification of residency.

14 * * *

15 (f)(1) Federal employees shall not be eligible for Green Mountain Care if
16 they are eligible for health coverage through the federal government, except as
17 provided in subdivision (2) of this subsection. As used in this section, “federal
18 employee” means a person employed by the U.S. government who is eligible
19 for the Federal Employees Health Benefits Program (FEHBP), a person retired
20 from employment with the U.S. government who is eligible for the FEHBP, or

1 an active or retired member of the U.S. Armed Forces who is eligible for a
2 TRICARE plan.

3 (2) A federal employee who would otherwise be ineligible for Green
4 Mountain Care may choose to participate in the program by enrolling in Green
5 Mountain Care and paying the opt-in to payroll tax for federal employees
6 established in 32 V.S.A. § 5984.

7 (g) An individual who is not a federal employee but who is eligible for an
8 employer-sponsored health benefit plan or a retiree health benefit plan may
9 choose Green Mountain Care or the employer's or retiree plan as his or her
10 primary coverage.

11 (1) If the individual chooses Green Mountain Care for primary coverage,
12 he or she shall enroll in the program according to the procedure established by
13 the Secretary of Human Services pursuant to this subchapter.

14 (2) If the individual chooses to remain on the employer's or retiree plan,
15 the Agency of Human Services shall pay the individual's share of the premium
16 for the employer-sponsored or retiree health benefit plan unless it would be
17 more cost-effective to the State for Green Mountain Care to provide the
18 individual's primary coverage. In conducting its analysis of cost-effectiveness,
19 the Agency shall factor in the cost of providing any additional benefits
20 included in the Green Mountain Care benefit package, as well as Green
21 Mountain Care's status as secondary payer for services covered in whole or in

1 part by other health benefit plans pursuant to section 1827 of this title. The
2 Agency shall not consider the medical history, medical conditions, or claims
3 history of any individual for whom cost-effectiveness is being evaluated.

4 (A) If an individual remains on his or her employer's or retiree plan,
5 the Agency shall pay from the Green Mountain Care Fund the employee's or
6 retiree's share of the premium on behalf of that individual unless the Agency
7 determines that doing so is not cost-effective for the State. Green Mountain
8 Care shall provide any additional benefits included in the Green Mountain Care
9 benefit package that would not otherwise be available to individuals
10 participating in the employer-sponsored or retiree health benefit plan and shall
11 serve as secondary payer for any benefits covered in whole or in part by the
12 employer's or retiree plan.

13 (B) If the Agency determines that Green Mountain Care can provide
14 health services to the individual in a manner that is more cost-effective to the
15 State than making the premium payment, providing additional benefits, and
16 servicing as secondary payer through Green Mountain Care, the Agency shall
17 not make the premium payment described in subdivision (A) of this
18 subdivision (2).

19 Sec. 6. 33 V.S.A. § 1827(f) is amended to read:

20 (f) Green Mountain Care shall be the secondary payer with respect to any
21 health service that may be covered in whole or in part by any other health

1 benefit plan, including private health insurance, or retiree health benefits, ~~or~~
2 ~~federal health benefit plans offered by the Veterans' Administration, by the~~
3 ~~military, or to federal employees.~~

4 Sec. 7. 33 V.S.A. § 1829 is amended to read:

5 § 1829. GREEN MOUNTAIN CARE FUND

6 (a) The Green Mountain Care Fund is established in the State Treasury as a
7 special fund to be the single source to finance health care coverage for Green
8 Mountain Care.

9 (b) Into the Fund shall be deposited:

10 (1) transfers or appropriations from the General Fund, authorized by the
11 General Assembly;

12 (2) if authorized by a waiver from federal law, federal funds for
13 Medicaid, Medicare, and the Vermont Health Benefit Exchange established in
14 chapter 18, subchapter 1 of this title; ~~and~~

15 (3) 7.7 percent of the income taxes levied pursuant to 32 V.S.A.
16 chapter 151; and

17 (4) the proceeds from grants, donations, contributions, taxes, and any
18 other sources of revenue as may be provided by statute or by rule.

19 (c) The Fund shall be administered pursuant to 32 V.S.A. chapter 7,
20 subchapter 5, except that interest earned on the Fund and any remaining

1 balance shall be retained in the Fund. The Agency shall maintain records
2 indicating the amount of money in the Fund at any time.

3 (d) All monies received by or generated to the Fund shall be used only for:

4 (1) the administration and delivery of health services covered by Green
5 Mountain Care as provided in this subchapter; ~~and~~

6 (2) expenses related to the duties and operation of the Green Mountain
7 Care Board pursuant to 18 V.S.A. chapter 220; and

8 (3) the payment of premiums pursuant to subsection 1824(g) of this title.

9 Sec. 8. 32 V.S.A. § 435(b)(5) is amended to read:

10 (5) ~~Individual~~ 92.3 percent of the income taxes levied pursuant to
11 chapter 151 of this title;

12 Sec. 9. EFFECTIVE DATES

13 (a) Secs. 4 (Green Mountain Care implementation), 5 (eligibility), 6
14 (secondary payer), and this section shall take effect on passage.

15 (b) Secs. 2 (non-wage income tax), 3 (itemized deductions), 7 (Green
16 Mountain Care Fund), and 8 (General Fund) shall take effect on the date Green
17 Mountain Care is implemented pursuant to 33 V.S.A. § 1822(a).

18 (c) Sec. 1 (payroll tax) shall take effect on the first day of the last quarter of
19 the calendar year preceding implementation of Green Mountain Care pursuant
20 to 33 V.S.A. § 1822(a).