



# TESTIMONY ON H.721

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*Presented to*  
Vermont Senate Health and Welfare Committee

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Chair Lyons and members of the Senate Health and Welfare Committee:

My name is Hayden Dublois, and I am a Visiting Fellow at the Opportunity Solutions Project (OSP), a non-profit organization dedicated to advancing public policy solutions. Thank you for the opportunity to submit testimony H.721.

Put simply, this legislation would make the following changes:

- Expand Dr. Dynasaur coverage to include individuals up to age 21 and pregnant Vermonters (who earn below 312 percent of the federal poverty level);
- Increase income thresholds for those dually-eligible for Medicare and Medicaid;
- Study various additional expansions and modification of Medicaid in Vermont; and
- Increases taxes and fees by nearly \$40 million to pay for the initial programmatic changes.

OSP strongly opposes this legislation for the following reasons

- 1. The Proposed Coverage Expansions Would Crowd Out Other Forms of Coverage**
- 2. This Proposal Would Hurt Vermonters, Medical Providers, and the State's Finances**
- 3. This Proposal Would Dramatically Raise Taxes on Vermonters**

### **Reason 1: The Proposed Coverage Expansions Would Crowd Out Other Forms of Coverage**

Section 3 of the bill contains the Dr. Dynasaur coverage expansions mentioned above. In addition, Section 4 would require a technical analysis to study a further expansion of Medicaid from 133 percent of the federal poverty level (FPL) to 312 percent FPL for able-bodied adults in Vermont up to age 65. (In reality, due to the federal government's five percent income disregard for Medicaid, the true FPL levels would actually be five percentage-points higher).

Today, Vermonters in these income ranges already have access to heavily-subsidized or entirely free private coverage on Vermont Health Connect thanks to federal premium tax credits.<sup>1</sup>

#### **Subsidized Insurance Costs for a Single Individual in Vermont on VHC**

<b>Annual Income Level (in dollars)</b>	<b>Income level (as a Percent of the FPL)</b>	<b>Premium Expense Today on VHC for Lowest-Cost Plan</b>
150%	\$22,590	\$0.07 per month
200%	\$30,120	\$0.07 per month
250%	\$37,650	\$0.07 per month
300%	\$45,180	\$12.13 per month

*Source: Author's calculations using VHC plan comparison tool*

As you can see, **virtually all of the individuals in the income ranges that would be covered by expanded Dr. Dynasaur and Medicaid in the proposed legislation already have access to extremely low-cost, heavily subsidized private insurance today.** In addition to premium tax

credits subsidizing their premiums, many of these individuals also benefit from cost-sharing subsidies for their out-of-pocket expenses.<sup>2</sup>

Based on open enrollment files from the Centers for Medicare and Medicaid Services (CMS), **approximately 18,000 Vermonters** in the affected income ranges are currently enrolled on these free or nearly-free plans.<sup>3</sup>

Unfortunately, if this bill passed (and if the technical analysis were acted upon), **it would shift these individuals from their private plans onto Medicaid, since eligibility for federal premium tax credits is canceled if an individual is eligible for Medicaid.**<sup>4</sup> **This would be a disaster.**

As a result, both the Dr. Dynasaur and broader Medicaid expansion in the bill would not actually expand coverage—it would shift it from private coverage paid for by the federal government to Medicaid paid for, in part, by the State of Vermont. Individuals would be forced to take inferior Medicaid that reimburses providers at lower levels and is accepted at fewer providers, and abandon their current private plans.<sup>5</sup>

### **Reason 2: This Proposal Would Hurt Vermonters, Medical Providers, and the State's Finances**

If Vermont were to act on this legislation—thus shifting these individuals off of their private plans and onto Medicaid—based on Vermont's Federal Medical Assistance Percentage (FMAP) **the state would have to bear 41.8 percent of the cost for each new enrollee on Medicaid in this income range.**<sup>6</sup> **That stands in stark contrast to the \$0.00 the state contributes to their federal health subsidies for private insurance today.**

The Legislative Joint Fiscal Office (JFO) estimates that **the Dr. Dynasaur expansion will cost \$6.9 million out of the General Fund (GF).**<sup>7</sup> We predict that **if the Medicaid expansion technical analysis were acted upon, it would cost another \$48.8 million per year to the GF alone.**<sup>8</sup>

Put simply, **the state would be sacrificing the benefits of federally financed private insurance for thousands of Vermonters and replacing it with, in part, state-financed Medicaid.**

Additionally, Medicaid reimburses providers at roughly 60 percent of what private insurance pays.<sup>9</sup> **By shifting more individuals off of their private plans and onto Medicaid, provider reimbursements will plummet.** Based on Vermont hospital filings with CMS, we estimate that this would **cost Vermont's hospitals alone \$63.4 million per year**—not counting the costs to other medical providers like physicians.<sup>10</sup>

This is a lose-lose-lose. Covered individuals lose out by moving from free or nearly-free superior private coverage to inferior Medicaid that is accepted at fewer providers. Medical providers lose since more patients will be enrolled at lower reimbursement rates. And the state loses because it will be picking up tens in millions in GF costs to simply shift coverage.

### **Reason 3: This Proposal Would Dramatically Raise Taxes on Vermonters**

The Vermont House Ways and Means Committee decided to finance this bill with nearly \$40 million in tax and fee increases. This includes **raising Vermont’s top corporate tax rate (applying to affected businesses reporting more than just \$25,000 in earnings) to the highest level in the nation.**<sup>11</sup> If adopted, this would seriously hamper Vermont’s business climate.

Moreover, the “technical analysis” would cost \$250,000 out of the GF, but the program changes proposed in this technical analysis would cost even more (as noted above) if they are implemented at a later date. There is no consideration given as to how to pay for these future expenses.

## **Conclusion**

Legislators can and should reject H.721. This proposal would unnecessarily shift thousands of Vermonters from subsidized private coverage to Medicaid, with the state and medical providers bearing a significant cost. This legislation would not achieve its intended goals of expanding access to health care, and would instead cost taxpayers and providers millions.

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<sup>1</sup> Centers for Medicare and Medicaid Services, “Plan Year 2024 Qualified Health Plan Choice and Premiums in HealthCare.gov Marketplaces,” U.S. Department of Health and Human Services (2023), <https://www.cms.gov/files/document/2024-qhp-premiums-choice-report.pdf>.

<sup>2</sup> Centers for Medicare and Medicaid Services, “Cost Sharing Reductions,” U.S. Department of Health and Human Services (2023), <https://www.healthcare.gov/lower-costs/save-on-out-of-pocket-costs/>.

<sup>3</sup> Centers for Medicare and Medicaid Services, “2023 Marketplace Open Enrollment Period Public Use Files,” U.S. Department of Health and Human Services (2023), <https://www.cms.gov/data-research/statistics-trends-and-reports/marketplace-products/2023-marketplace-open-enrollment-period-public-use-files>.

<sup>4</sup> Congressional Research Service, “Health Insurance Premium Tax Credit and Cost-Sharing Reductions,” CRS (2023), <https://crsreports.congress.gov/product/pdf/R/R44425>.

<sup>5</sup> While the Chair of House Health Care has claimed that these premium tax credits “expire” next year, this is very misleading. The enhanced premium tax credits under the American Rescue Plan Act (ARPA) phase out at the end of 2025, but will likely be extended by Congress before then, just as they were extended in 2022 by Congress. Moreover, even if the enhanced ARPA tax credits expire, the credits themselves will not go away: they will simply be slightly less than they currently are.

<sup>6</sup> Kaiser Family Foundation, “Federal Medical Assistance Percentage (FMAP) for Medicaid and Multiplier,” KFF (2024), <https://www.kff.org/medicaid/state-indicator/federal-matching-rate-and-multiplier/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>.

<sup>7</sup> Nolan Langweil, “H.721 – An act relating to expanding access to Medicaid and Dr. Dynasaur,” Vermont Legislative Joint Fiscal Office (2024), [https://ljfo.vermont.gov/assets/Publications/2023-2024-House-Bills/b873fcf94b/GENERAL-374922-v6-2024\\_H\\_721\\_Medicaid\\_Expansion-HHC.pdf](https://ljfo.vermont.gov/assets/Publications/2023-2024-House-Bills/b873fcf94b/GENERAL-374922-v6-2024_H_721_Medicaid_Expansion-HHC.pdf).

<sup>8</sup> This is calculated by multiplying the state’s 41.8 percent Medicaid share x 18,000 Vermonters in the affected income ranges currently on subsidized private plans x the \$6,480 per member per year costs reported by the Vermont Department of Health Access (DVHA) as of early 2024.

<sup>9</sup> John D. Shatto & M. Kent Clemens, “Projected Medicare expenditures under an illustrative scenario with alternative payment updates to Medicare providers,” U.S. Department of Health and Human Services (2018), <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/2018TRAlternativeScenario.pdf>.

<sup>10</sup> Author’s calculations based on hospital reports to HHS.

<sup>11</sup> Katherine Loughead, “State Corporate Income Tax Rates and Brackets, 2024,” Tax Foundation (2024), <https://taxfoundation.org/data/all/state/state-corporate-income-tax-rates-brackets-2024/>.