Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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H. 418 – An act relating to establishing premium and cost-sharing assistance, a sugar-sweetened beverage tax, and a health care claims tax

REVENUES

Sugar-Sweetened Beverage Tax (Sec. 11)
The bill creates an excise tax on sugar-sweetened beverages at the rate of one cent per ounce. Sugar-sweetened beverages include non-alcoholic beverages with any added sweetener. The proposal exempts 100% fruit juices, milk with or without added sweetener, infant formula, and diet beverages (the sweetener adds fewer than five calories per serving) from the tax.

Estimated Fiscal Impact (State dollars)
SFY' 14 = **$24.3 million**
SFY' 15 = **$26.3 million**

Health Care Fund Contribution Assessment (Sec. 14)
The bill would sunset the Health Care Fund Contribution Assessment (aka "employer assessment") as of January 1, 2014.

Estimated Fiscal Impact (State dollars)
SFY' 14 = **($12.7 million)**
SFY' 15 = **($13.7 to $15.4 million)** - estimates pending

Health Care Claims Tax (Sec. 5)
Currently health insurers are assessed a 0.999% tax on health insurance claims paid for their Vermont members of which 0.199% is deposited into the Health IT-Fund and 0.8% is deposited into the State Health Care Resources Fund. The bill would increase this tax to 1.499% for SFY'15 and 1.999% in SFY'16 of which 0.199% would still be deposited into the Health IT-fund with the remainder of the balance deposited into the State Health Care Resources Fund. The bill also moves administration and enforcement of this tax to the Department of Taxes.

Estimated Fiscal Impact (State dollars)
SFY' 15 = Additional **$8.9 million** *(above what would have been raised otherwise)*
SFY' 16 = Additional **$18.7 million** *(aggregate above what would have been raised otherwise)*

Finally, under this bill the sugar-sweetened beverage tax goes into effect 7/1/13 and the employer assessment will be repealed 1/1/14. This six- month overlap will result in additional one-time revenues, the amount of which is still being determined.

EXPENDITURES

Premium Tax Credit and Cost Sharing Subsidies (Sec. 2 & 3)
The Patient Protection and Affordable Care Act of 2010 will make available premium tax credits and cost-sharing subsidies to eligible individuals and families for the purpose of purchasing health insurance in the health benefits exchange. This bill allocates additional state dollars to increase the premium tax credits and cost-sharing subsidies.

The Shumlin Administration's budget proposal allocated $4.5 million in state funds ($7 million gross) for the premium tax credit and cost sharing subsidies proposal. The changes to the administration's proposal in the house health care bill cost $4.35 million in state funds ($8 million in federal funds). This is a difference of approximately $158,000 less but draws approximately $1 million more in federal match. This is because it shifted money from the cost-sharing subsidies (where there is no federal match) to premium subsidies (where there is federal match).

Premium Tax Credits (Sec. 2)
This bill would provide an additional 1.5% subsidy to the federal premium tax credits for those up to 300% FPL.

Comparison of Premium Tax Credits

		ACA		HHC Proposal (1.5%)	
Example Scenarios	Monthly Income	Premium % income	Monthly Premium	Premium % income	Monthly Premium
Individual @ 220% FPL ($25,886/yr)	$2,109	7.0%	$148	5.5%	$116
Family of four @ 225% ($53,001/yr)	$4,417	8.05%	$356	6.55%	$289

Cost-Sharing Subsidies (Sec. 3)
This bill would reduce the out-of-pocket exposure for those individual and families who purchase insurance through the exchange, are between 200-300%, and are eligible for federal cost-sharing subsidies by increasing the actuarial values of their insurance products beyond what they'd be eligible for through the ACA.

Cost-Sharing Subsidies Actuarial Values

** Based on the 2nd lowest cost Silver Plan*

FPL%	ACA	Admin Proposal	Admin Revised Proposal	HHC Bill
100-150%	94%	94%	94%	94%
Deductible	$100	$100	$100	$100
OOP Max	$500	$500	$500	$500
150-200%	87%	87%	87%	87%
Deductible	$750	$750	$750	$750
OOP Max	$1,250	$1,250	$1,250	$1,250
200-250%	73%	83%	82%	77%
Deductible	$1,900	N/A	$1,000	$1,000
OOP Max	$4,000	N/A	$2,000	$2,500
250-300%	70%	77%	73%	73%
Deductible	$1,900	$1,000	$1,900	$1,900
OOP Max	$5,150	$2,500	$4,000	$4,000
300-400%	70%	73%	70%	70%
Deductible	$1,900	$1,900	$1,900	$1,900
OOP Max	$5,150	$4,000	$5,150	$5,150

Where HHC proposal differs from the ACA

Note: Many of the deductibles and OOP Max's listed above subject to change.
They also do not include Rx deductibles and OOP max.

Estimated Fiscal Impact (State dollars)

	SFY'14	SFY'15
Premium Tax Credits	$2.87 million	$5.92 million
Costs Sharing Subsidies	$1.48 million	$3.12 million
TOTAL	**$4.35 million**	**$9.04 million**

Offset of Health Care Fund Contribution Repeal (Sec. 11)
For SFY '14, the bill deposits $12,720,000 from the proceeds of the sugar-sweetened beverage tax to the State Health Care Resources Fund to offset the reduction in revenues resulting from the repeal of the Health Care Fund Contribution Assessment ("employer assessment"). It also adjusts this amount in subsequent years by indexing to a percentage equal to any percentage change in the premium for the second-lowest cost silver-level plan in the Vermont Health Exchange.

Appropriation (State dollars)
SFY' 14 = **$12,720,000**
SFY' 15 = **N/A** *($12.72 million + index)*

Monitoring of Sugar-Sweetened Beverage Tax Impacts (Sec. 12)
The bill appropriates $100,000 to the Department of Health for the purpose of evaluating the impacts of the Sugar-sweetened beverage tax on consumption of products and health outcomes. The bill does not identify where the money comes from (i.e. sugar-sweetened beverage tax) or whether it is intended to be one-time or ongoing. As such this section may require a technical correction.

Appropriation (State dollars)
SFY' 14 = **$100,000**

Combatting Obesity Fund (Sec. 4a)
The bill establishes a new special fund where revenues from the sugar-sweetened beverage tax will be deposited. This special fund will finance initiatives using a "waterfall" approach creating an order of prioritization. The authorized purposes are listed in order and each higher priority category must be fully funded before monies are applied to the next category. They are:

1. Doubling the purchasing power of 3SquaresVT beneficiaries on purchases of fresh fruits and vegetables at farmers' markets and on purchases of fresh produce, milk, and 100% fruit juice.
2. Public health initiatives developed by the Department of Health to combat obesity.
3. After full satisfaction of the initiatives listed above, the remainder shall be deposited into the State Health Care Resources Fund.

Estimated Fiscal Impact (State dollars only)
SFY' 14 = **$11.6 million**
SFY' 15 = **$10.1 million** (estimate pending)

NOTE: These are the monies left-over from the sugar-sweetened beverage tax after $12.7 million is deposited into the State Health Care Resources Fund. The bill did not specify how much money would be needed for each initiative.

OTHER

Managed Care Entity Investments (Sec. 3)
The administration is currently renegotiating renewal of the Global Commitment to Health Section 1115 waiver with the Center for Medicare and Medicaid Services (CMS). As part of the negotiations, the administration is pursuing the consolidation of Global Commitment with Vermont's other Section 1115 Medicaid waiver – Choices for Care Waiver. Should this consolidation be accepted and it is determined that there is sufficient financial capacity for new managed care entity investments, the commissioner of the Department of Vermont Health Access (DVHA) will propose cost-sharing assistance at the levels proposed in the administrations original proposal (see chart page 3). If this happens before November 1, 2013, the proposal shall be made to the Joint Fiscal Committee. If this happens after November 1, 2013 then DVHA's recommendation will be part of its' SFY' 15 budget proposal.