January 29, 2013

Examples: Different Scenarios for Vermonters Moving from Catamount and Traditional Health Insurance to the Exchange

Here are some examples of what it would mean to different Vermonters to purchase health insurance in the Vermont Exchange instead of today's commercial market.

<u>Example #1 A couple with Catamount shops in the Exchange</u>

Before 2014 Ellen and her husband were enrolled in Catamount Health policies for which they each paid $124 a month for a total of $248 per month. They have no children. Their family income is $32,000 a year. In 2014, when they buy a policy in the Vermont Health Benefit Exchange, their federal income tax credit will reduce their cost of coverage to $174 per month. They will be saving $74 every month for a total annual savings of $888. Their deductible is $3,800 and their OPM is $6,400.

<u>Administration Proposal:</u> Under the Administration's proposal, Ellen and her husband would receive premium assistance. Their premiums would be further reduced to $134 each month for a total monthly savings of $114 per month and $1,368 per year. Under Catamount, their combined deductible was $1,000 and their OPM was $2,100. Under the administration's proposal, their combined deductible is $1400 and their OPM is $3200. Even if Ellen and her husband hit their OPM, which they are unlikely to do, they will still save $268 per year compared to Catamount due to premium reductions.

<u>Example #2 -- A single person buying coverage in the Exchange</u>

Bill is a single self-employed electrician in St. Johnsbury. He earns $40,000 and buys one person non-group coverage with the same benefits used in Example #1. Bill's premium is $600 per month. When Bill purchases coverage in the Exchange, his federal tax credit will reduce his cost of coverage to $317 per month. His savings will be $283 per month and he will have reduced what he spends on health insurance by 47%.

Administration Proposal: Under the Administration's proposal, Bill would not receive premium assistance because he is above 300% FPL. He would receive cost-sharing reductions and may see his out-of-pocket maximum reduced from $5,000 to $3,750.

Example #3 – A family looks at buying in the exchange

John and Mary are a couple with two children. Together, their annual income is $32,000. Before 2014 they buy family non-group coverage with a $10,000 deductible that costs $700 monthly. When they shop in the exchange they find that a family plan costs $1600 a month but their tax credit would reduce their cost to $85 per month. Their insurance premium would be reduced by 89% but if they generate $10,000 in claims in a year they will also save another $7,500 because they have a lower deductible. They also find out that their children are eligible for Dr. Dynasaur.

Administration Proposal: Under the Administration's proposal, John and Mary's premium costs would be reduced even further to $45 per month. Their out of pocket maximum could be as low as $600.

Example #4 –Every individual and small group can buy in the Exchange but some get no tax credit

Mr. and Mrs. Smith are married and have two children. Their combined income is $450,000 and they currently buy family non-group health insurance. The Smiths can buy one of the plans offered in the Exchange but they will not be eligible for a federal tax credit because their income exceeds the maximum income ($92,208) for which a credit is available.

Administration Proposal: Mr. and Mrs. Smith would not be eligible for state premium assistance or cost-sharing reductions due to their income level.