State of Vermont
Agency of Administration
Health Care Reform
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REPORT TO THE VERMONT LEGISLATURE

Health Benefit Exchange Impact Report

In accordance with Act 79 of 2014, Section 42a

Submitted to
House Committee on Health Care
Senate Committee on Health and Welfare
Senate Committee on Finance

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Introduction

Vermont's health care reform efforts are designed around four goals: 1) Reducing healthcare costs and cost growth 2) Assuring that all Vermonters have access to and coverage for high quality care 3) Assuring greater fairness and equity in how we pay for health care and 4) Improving the health of Vermont's population. Vermont created a state-based health benefit exchange—Vermont Health Connect (VHC)—to align new federal law with Vermont's health care system priorities.

Section 42a of Act 79 of 2014 charges the Agency of Administration with reporting to the House Committee on Health Care and the Senate Committees on Health and Welfare and Finance regarding the impact of the Vermont Health Benefit Exchange and the federal individual responsibility requirement on:

1) the number of uninsured and underinsured Vermonters;
2) the amount of uncompensated care and bad debt in Vermont; and
3) the cost shift.

Act 79 requires that this report be submitted to the above committees no later than March 15, 2015, and every three years thereafter. The objective of the report is to assess the impact, with available data, of the implementation of the Affordable Care Act (ACA).

It is important to note that there is an incomplete picture of the impact of ACA implementation on Vermont's health insurance system in 2014, because there is less than a full annual set of data due to the availability of data and necessary extensions provided for enrolling in coverage.

However, according to the available data, Vermont has been successful in increasing the number of Vermonters with health insurance as a result of ACA implementation. From 2012 to 2014, Vermont's uninsured rate dropped from 6.8% to 3.7%[1], second lowest in the nation. In addition, the reduction in the uninsured has had a measurable effect on the component of the cost shift attributable to free care and bad debt provided by hospitals. Actual free care provided by Vermont hospitals dropped approximately $15.2 million and bad debt was approximately $11 million lower than the amount anticipated for 2014.

Brief Overview of ACA Implementation

Vermont made several changes to its health care coverage programs in order to comply with the Affordable Care Act. Prior to the ACA, Vermont had implemented

[1] 2014 Vermont Household Health Insurance Survey.

coverage expansions through Medicaid waivers and provided coverage through Dr. Dynasaur, Vermont Health Access Plan (VHAP), Catamount Health, and an Employer-Sponsored Insurance Assistance (ESIA) Program. When Vermont implemented the ACA, it no longer could provide coverage through VHAP, Catamount Health, and ESIA.

In accordance with the Affordable Care Act of 2010, Vermont expanded Medicaid eligibility for most adults up to an income of 138% of federal poverty level (with income offsets). In Vermont, children are eligible for Medicaid or Dr. Dynasaur if their family's income is 317% of FPL or less (with income offsets). Act 48 passed the Vermont legislature in May 2011. The law recognized the fiscal and economic imperative for Vermont to undertake fundamental reform of its health care system. Subsequently, Vermont aimed to align its prior health insurance programs with the new federal requirements by establishing a state-based health benefit exchange and providing state premium and cost-sharing assistance.

For 2014, VHC had the highest per capita enrollment of any exchange in the United States[2]. During 2014, over 115,000 Vermonters used Vermont Health Connect to enroll into coverage for at least part of the year. More than 80,000 used VHC to access Medicaid, while 37,000 used VHC to enroll in qualified health plans (QHPs). Some Vermonters migrated from Medicaid to QHPs, or vice versa, due to seasonal work, changes in income, or other factors. Approximately 118,000 Vermonters are enrolled in MAGI Medicaid - the newly expanded Medicaid program. In addition to the 80,000 enrolled in MAGI Medicaid through the Vermont Health Connect system, an additional 38,000 will continue to be served by Medicaid until their redetermination in 2015. More than 33,000 individuals were automatically transitioned from the Catamount (CHAP) or Vermont Health Access Program (VHAP) to Medicaid by the State in January 2014[3]. Finally, more than 36,000 small business employees and families enrolled in VHC plans directly through VHC's insurance carrier partners.

Under the ACA and Act 48, Vermonters are eligible for federal advance premium tax credits (APTC) and Vermont premium assistance (VPA) to assist in purchasing health insurance through VHC. These are available to families with incomes up to 400% of FPL. The tax credits limit the premium to a specific percentage of income. Plans offered through VHC also cap out-of-pocket expenses based on family income.

Through VHC, many Vermonters received financial help with their health care coverage. Over 23,000 (64%) of QHP enrollees qualified for tax credits to make their coverage more affordable. Nearly 20,000 (54%) also received Vermont Premium Reduction (VPR). The median monthly APTC and VPA amount of Vermonters receiving financial help was $382. The sum total of APTC and VPR paid on behalf of Vermonters for 2014 was more than $7.3 million[4].

[2] Report to the Vermont Legislature, Vermont Health Connect, submitted January 15, 2015
[3] Vermont Health Care Uniform Reporting and Evaluations System (VHCURES) Data
[4] Report to the Vermont Legislature, Vermont Health Connect, submitted January 15, 2015

Nearly 20,000 Vermonters also qualified for cost-sharing reductions. Cost-sharing reductions (CSR) lower the amount of out-of-pocket payments for enrollees. These discounts are automatically applied to enrollees at certain income levels who enroll in a silver plan. Nearly 14,000 of these Vermonters enrolled in a Silver plan and received CSR. Combining Medicaid, APTC/VPR and CSR, just under nine out of ten individuals who enrolled through VHC benefitted from some form of financial help[5].

In accordance with the ACA beginning in 2014, the federal individual mandate also known as "individual shared responsibility payment," went into effect. Starting in January 2014, individuals and families must have qualifying health insurance coverage throughout the year or make a payment when personal income taxes are filed. Qualifying coverage includes coverage from an employer, health insurance purchased through the Health Benefits Exchange (Vermont Health Connect), or government-sponsored coverage that meets federally mandated minimum levels of coverage. Qualifying coverage does not include insurance plans that provide only limited benefits, such as coverage only for vision care or dental care, or workers' compensation. [6]

The individual mandate is being rolled out over the course of two years. The penalties paid by non-compliant individuals and families increase from 2015 to 2016 and then are adjusted for inflation each year going forward. The penalties are either a percentage of income above the filing threshold or a fixed minimum amount. Persons paying the penalties pay the higher of the two amounts. This is illustrated in the following Figure:

Figure 1. Individual Mandate Penalty Comparison – 2015 and 2016

2015	**2016**
The greater of	The greater of
2% of yearly income,* capped at national average of bronze plan	2.5% of yearly income,* capped at national average of bronze plan
Or	Or
$325 per adult/year & $162.50 per child under 18, up to $975	$695 per adult/year & $347 per child under 18, up to $2,085
*Income above the filing threshold, about $10,000 for an individual.	

[5] Report to the Vermont Legislature, Vermont Health Connect, submitted January 15, 2015
[6] 2015 Vermont Health Connect Report, Robin Lunge, Agency of Administration; Department of Vermont Health Access

Vermont's implementation of the ACA continues to bring the state closer to achieving its goals to improve access, reduce costs, and assure equity in paying for health care while improving the overall health of our state. Data from the Vermont Household Health Insurance Survey (VHHIS) indicates that Vermont has made great strides toward accomplishing its health care reform goals over the last few years.

Impact on the Uninsured and Underinsured

This section of the report describes the impacts on Vermont's uninsured and underinsured rate. As anticipated, implementation of the ACA has had a measurable impact on these rates.

Uninsured

Vermont's implementation of the ACA, coupled with the federal mandate, has resulted in significant decreases in the number of Vermont residents who are uninsured.

Data from the VHHIS, dating back to 2000, shows that Vermont's uninsured rate peaked in 2005 with 9.8 percent, or 61,057, of Vermonters without insurance. This number has steadily decreased since then with the most significant reduction occurring from 2012 to 2014. During this time the number of uninsured dropped in Vermont by approximately 23,000. This reduced the state's uninsured rate from 6.8 percent in 2012 to 3.7 percent in 2014, the second lowest in the nation. In that same timeframe rates of uninsured Vermonters 18 years of age and younger dropped by 53% leaving just 1 percent of Vermont's children (under age 18) uninsured, the lowest rate in the nation. Figure 2 shows the percentage of uninsured Vermonters by age cohorts from 2005 to 2014.[7]

[7] 2012 VHHIS Legislative Presentation

Figure 2. Percentage of Uninsured Vermonters by Age

Since 2012, the percentage of uninsured residents has declined among every age cohort.

Is person uninsured?
(% by Age)

	Rate					Change	
Age Group	**2005**	**2008**	**2009**	**2012**	**2014**	**2005 to 2014**	**2012 to 2014**
0-17	4.9%	2.9%	2.8%	2.5%	1.0%	-3.9%	-1.5%
18-24	25.0%	21.5%	17.4%	11.5%	4.6%	-20.4%	-6.9%
25-34	17.9%	13.4%	16.1%	18.2%	11.0%	-6.9%	-7.2%
35-44	12.7%	9.0%	9.9%	7.2%	5.1%	-7.6%	-2.1%
45-64	8.9%	7.2%	7.1%	6.2%	3.7%	-5.2%	-2.5%
65+	.5%	.1%	0.1%	0.3%	0.3%	-0.2%	0.0%
Total	9.8%	7.6%	7.6%	6.8%	3.7%	-6.1%	-3.1%

Data Source: 2005, 2008, 2009, 2012 and 2014 Vermont Household Health Insurance Surveys

The drop in the uninsured rate is across all income and age groups as well as geographic and demographic categories. The uninsured rate in 2014 has declined for all FPL levels since 2012, with the highest decrease seen in 100 percent to 199 percent FPL, down by 6.9 percent. This is shown in Figure 3.

Figure 3. Uninsured Vermonters by Income

The uninsured rate in 2014 has declined for all FPL levels since 2012.

Is person uninsured?
(% by annual family income – FPL)

	Rate					Change	
Income (% FPL)	**2005**	**2008**	**2009**	**2012**	**2014**	**2005 to 2014**	**2012 to 2014**
Less than 100%	18.0%	13.7%	11.9%	9.0%	4.8%	-13.2%	-4.2%
100% to 199%	16.1%	13.1%	13.3%	12.2%	5.3%	-10.8%	-6.9%
200% to 299%	11.5%	9.8%	10.0%	8.8%	4.9%	-6.6%	-3.9%
300%+	4.5%	3.5%	3.9%	3.8%	2.5%	-2.0%	-1.3%
Total	9.8%	7.6%	7.6%	6.8%	3.7%	-6.1%	-3.1%

Data Source: 2005, 2008, 2009, 2012 and 2014 Vermont Household Health Insurance Surveys

Every county in Vermont has seen a reduction in the number of uninsured individuals. Essex County saw the largest drop from 19.8 percent in 2012 to 9.9 percent in 2014. Despite the technology problems, Vermont Health Connect has played an integral part in reducing Vermont's uninsured population.

Of those who remain uninsured, we know that one quarter (25%) are families whose income is between 100% and 199% of federal poverty level. More men (4.9 percent) are uninsured than women (2.5 percent), though both percentages are approximately half of the 2012 numbers. Approximately 1,300 children (18 and younger) currently do not have health insurance. About a quarter of those children (26.7%) reside in families whose annual incomes are less than 200% of FPL. Approximately 21,600 Vermont adults aged 18 to 64 currently have no health insurance, with 50.2% of these adults falling between the ages of 18 and 34. Just under half (45.9%) of uninsured adults reside in families with incomes below 200% of the FPL. Of interest, more than three quarters (79.4%) of uninsured adults are employed and more than seven in ten (76.1%) of those adults work full time. [8]

In Vermont, among uninsured children age 0 to 18, half (52%) are eligible for Medicaid/Dr. Dynasaur. One in six (15%) reside in families that would be eligible for subsidies to purchase insurance through the Exchange. Among uninsured adults aged 19 to 64 three in ten (30%) would be eligible for Medicaid. Another 49% would be eligible for subsidies to purchase insurance through VHC, which automatically screens users for subsidy eligibility.[9]

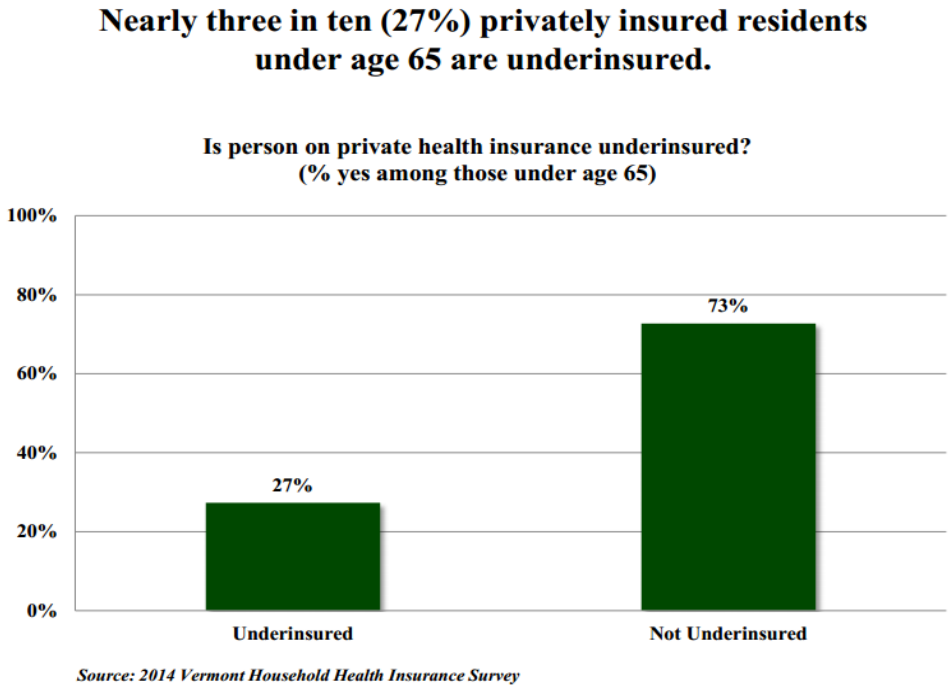
Underinsured

While the number of Vermonters without health insurance coverage has decreased significantly, there are still concerns about people who are "underinsured". Residents with private health insurance under age 65 were classified as underinsured if: the deductible for the private health insurance coverage exceeds 5% of a family's income and/or a family earned 200% or less of federal poverty level and their out of pocket expenses for medical care exceeds 5% of family income, the family earned more than 200% of federal poverty level and their out of pocket expenses for medical care exceeds 10% of family income.

As shown below in Figure 4, 27% of privately insured Vermonters under 65 are underinsured using the definition described above. However, more than half (61.5%) of Vermont residents aged 18 to 24 are underinsured.

[8] 2014 VHHIS
[9] 2014 VHHIS

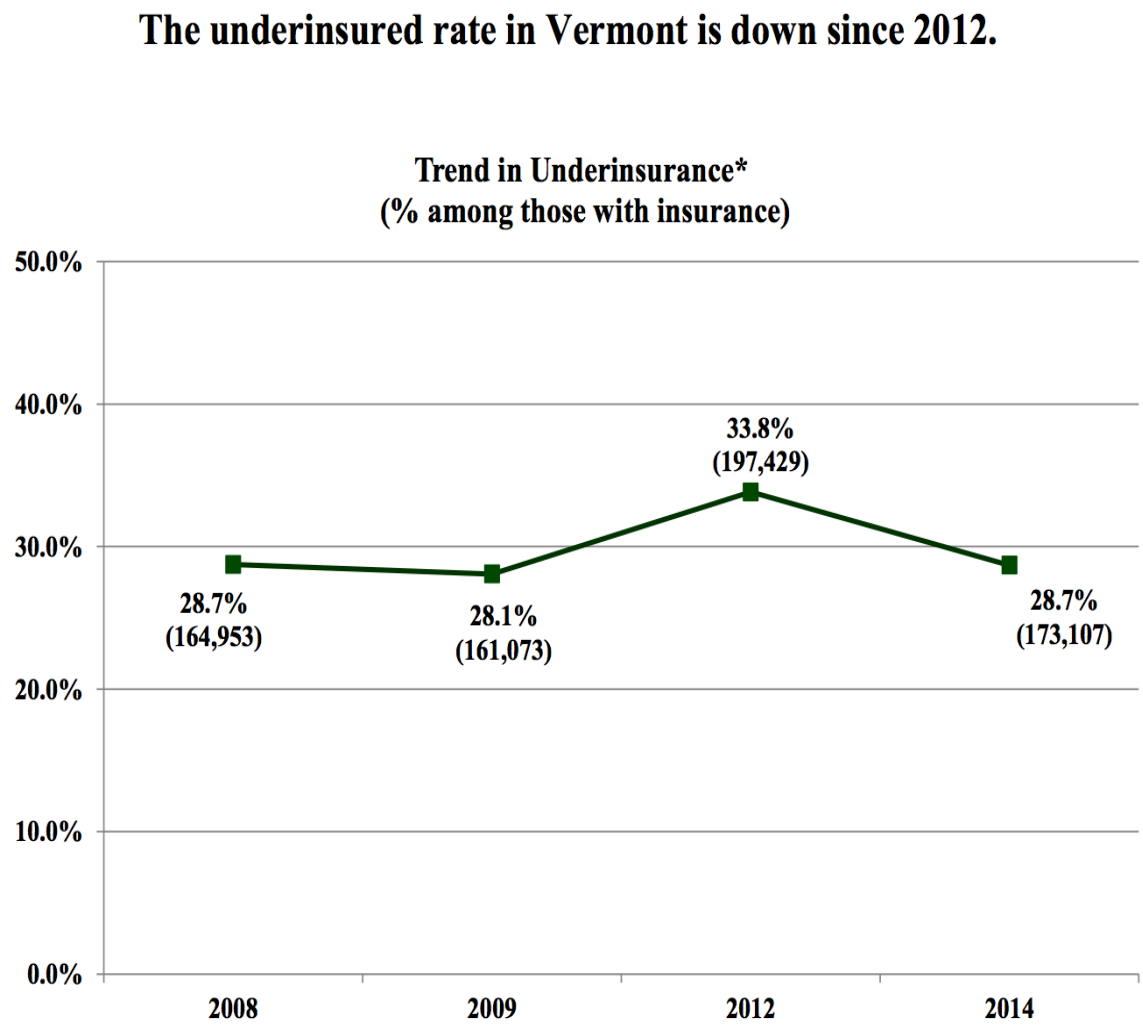
Figure 4. Percentage of Underinsured Privately Insured Residents (under age 65)



When comparing Vermonters under 65 on private insurance plans between 2012 and 2014, the rate of underinsured dropped by 9%--101,334 to 92,332. [10] Figure 5 illustrates the trend in underinsured for all Vermonters, regardless of age or type of insurance.

[10] Compiled from the 2012 VHHIS Data Compendium & the 2014 VHHIS Legislation Presentation.

Figure 5. Trend in Underinsured



Source: 2008, 2009, 2012,2014 Vermont Household Health Insurance Survey
****Imputations on deductibles were not conducted in 2008 or 2009, potentially lowering underinsured rates***

Vermont's has made great headway toward its goal to assure that all Vermonters have access to health insurance and high quality care. The state's implementation of the ACA has led to a 50% reduction in uninsured adults from 6.8 to 3.7 percent, the second lowest in the nation, and has reduced the number of children without insurance to one percent, the lowest in the nation.

Impacts on the Cost Shift: Uncompensated Care and Bad Debt

This section of the report discusses the measurable impacts on the cost shift from the reduction in the uninsured and underinsured.

In 2006, the Legislature in Act 191 created the Cost Shift Task Force. The cost shift occurs when hospitals and other health care providers charge higher prices to patients who have private insurance or no insurance to make up for lower reimbursement from Medicare, Medicaid, free care, or bad debt. The Green Mountain Care Board is responsible for creating an annual report for the Legislature that describes the cost shift, quantifies its impact, and presents reporting recommendations.

One factor that leads to increased health care costs for those paying private premiums is the amount of free care and bad debt within the system. With the reduction of the uninsured, there should be a corresponding reduction in uncompensated (or free) care. Free care is the difference between the full amount of established charges and amounts attributed to services received by uninsured patients, or from nonprofits or government agencies on behalf of specific uninsured patients. Bad debt is the difference between the full amount of established charges attributed to services received by insured patients that are able to pay, but fail to do so.

All Vermont hospitals must report free care as a distinct cost in the budget submission to GMCB. The Board recommends that individuals whose gross income is at or less than 200% of the federal poverty level should be eligible for free care through the hospital's free care policy. Bad debt is reported as a deduction from revenue.

Table 1 on the following page shows preliminary information reported by hospitals for 2014. Free care provided by hospitals was reduced approximately $15.2 million from the amount expected for in 2014. Similarly, bad debt was also significantly reduced by approximately $11 million.[11]

[11] 2015 Green Mountain Care Board Annual Report to the General Assembly

Table 1. Vermont Hospital System Bad Debt and Free Care

	Actual	Actual	Budget	Actuals	Budget	Y to Y
	2012	2013	2014	2014	2015	B14 - A14
Uncompensated Care						
Free Care (Gross Revenue)	$52,274,463	$53,034,419	$58,453,757	$43,261,680	$58,652,440	-26.0%
Free Care % of Gross Revenue	1.3%	1.2%	1.2%	0.9%	1.2%	-24.7%
Bad Debt (Gross Revenue)	$78,076,825	$74,186,355	$83,671,426	$72,603,879	$86,627,708	-13.2%
Bad Debt % of Gross Revenue	1.9%	1.7%	1.8%	1.6%	1.8%	-11.8%

*Free care and bad debt data are shown above as charges. Actual cost of services would be approximately 50% of total charges.
* Actual 2014 data is still under review.

As was expected, the implementation of the Affordable Care Act and resulting reduction in the uninsured and underinsured has made a measurable impact on the cost shift.

Conclusion

According to the available data, the Affordable Care Act has been successful in increasing the number of Vermonters with health insurance. From 2012 to 2014, Vermont's uninsured rate dropped from 6.8% to 3.7%, second lowest in the nation. Vermont's underinsured population has also had a modest decrease from 2012.

In addition, the reduction in the uninsured has had a measurable effect on the component of the cost shift attributable to free care and bad debt provided by hospitals. Actual free care provided by Vermont hospitals dropped approximately $15.2 million and bad debt was approximately $11 million lower than the amount anticipated for 2014.