
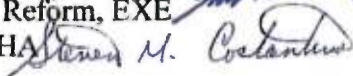




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TO: Nolan Langweil

FROM: Lawrence Miller, Chief of Health Care Reform, EXE 
Steven Costantino, Commissioner, DVHA 

DATE: February 20, 2015

RE: Responses to Legislative Questions Pertaining to Use of the Federally Facilitated Marketplace

We are in receipt of your question pertaining to what type of cost reductions could be realized if Vermont moved to utilizing the federally facilitated exchange. There are myriad issues to contemplate when evaluating this request.

The Vermont Health Connect must maintain its ability to determine Modified Adjusted Gross Income (MAGI) Medicaid eligibility, staff a call center for such, and continue to manage Medicaid premium receipts. Additionally, the Vermont Premium Assistance (VPA) and Vermont Cost Sharing Reductions (VCSR) are state-managed benefits inextricably intertwined with federal Advanced Premium Tax Credits (APTCs), Cost Sharing Reductions (CSR), and individual premium amounts due. It is assumed that the Federally Facilitated Marketplace (FFM) does not provide for state-specific, specialized accommodations. Thus, if Vermont were to move forward with utilizing the FFM, there would be increased costs – not less. This would be primarily due to a need to integrate Vermont’s Medicaid eligibility system and whatever system is developed for administering VPA and VCSR with the federal solution in order to provide the additional Vermont benefits. These development and operating costs would be significant. It is unclear what, if any, financial support CMS would be willing to offer for this integration work. Importantly, the open U.S. Supreme Court Case, *King v. Burwell*, could result in the elimination of tax credits for FFM users.

There are a number of additional costs Vermont would incur in a shift to the FFM. In addition to the State’s costs for developing, integrating and operationalizing the move, Vermont’s carriers would face similar transition costs to connect to the FFM. Shifting from VHC to the FFM would necessitate redoing work and additional financial commitments for each carrier. A move to the FFM would bring with it a “user fee”, charged to Vermont health insurance carriers to fund the FFM. The federal formula bases the fee on marketplace users which is applied to the carriers’ entire covered population. Realized through premium increases to Vermonters, these Vermont dollars would flow to the Federal Government to support the FFM. Additionally, the Federal Government may require repayment from Vermont for funds spent on VHC.

A separate question could be posed as to “what are the incremental operational costs associated with services directly related to Qualified Health Plan (QHP) supports?” that – absent the challenge depicted above – could be reduced if individuals were able to access their QHP benefit through the FFP. That answer is as follows:

Call Center Utilization: \$1,400,000 gross / \$980,000 state
Premium Processing Costs: \$2,100,000 gross / \$1,450,000 state
Ombudsman Utilization: \$470,000 gross / \$325,000 state
Mailings/Notices: \$52,000 gross / \$35,000 state
Navigators: \$400,000 gross / \$210,000 state
Personal Services Costs: \$1,280,000 gross / \$880,000 state

TOTAL: \$5,702,000 GROSS / \$3,880,000 STATE

Please feel free to contact us if additional information or clarification is necessary. Thank you.