The Cost of Health Insurance

Quantifying the Vermont Affordability Crisis

Office of the Health Care Advocate

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The Office of the Health Care Advocate advocates for all Vermonters through both individual consumer assistance and systemic advocacy on health care issues. We work to increase access to high-quality, affordable health care for all Vermonters by representing the public before the Green Mountain Care Board, state agencies, and the state legislature.

Executive Summary

Many Vermonters cannot afford health insurance. Vermont Health Connect (VHC) insurance costs have grown faster than wages and the cost of living in the state. As health insurance and health care costs rise, many Vermonters have to make difficult decisions between paying health care and paying for necessities like food and shelter. Small businesses also confront difficult decisions in determining whether they can afford to offer employees a meaningful health benefit. The Office of the Health Care Advocate (HCA) has tracked affordability issues since 1998. Every day, Vermonters tell us stories of struggling to pay health insurance and health care costs.

Health insurance affordability can be measured in several different ways, providing different perspectives on affordability.[1] The HCA recently developed models to quantify Vermont's health insurance and health care affordability crisis. In this paper, we present three different ways of examining and quantifying affordability.

First, we compare the cost of health insurance to Vermont wage and economic growth. We find that health insurance premium costs are growing faster than the Vermont economy and Vermonters' wages.

Second, we use a rule-based approach that includes premium affordability standards codified in the Patient Protection and Affordable Care Act (ACA) and the deductible affordability standard used in the Vermont Household Health Insurance Survey (VHHIS). We find that health insurance is unaffordable at a wide range of incomes.

Third, we use a market-based[2] model that evaluates whether Vermont families can afford health insurance and health care and still be able to purchase basic necessities such as food, clothing, transportation, and housing. We find that many households, including some with moderate incomes, do not have enough money to pay for health insurance and other basic necessities.

Fiona and Jack Miller lost their health insurance coverage at the end of 2017 because they couldn't afford their premiums. The Millers make $36,000 a year farming. They care for their adult disabled son. Fiona has a chronic heart condition. Last summer, she had to go to the ER and is still paying the bills. Jack has had type 1 diabetes for 35 years. His insulin costs $1,700 per month and he needs regular visits to specialists. The Millers were forced to choose between paying their premiums and paying their medication and medical bills. When they chose to pay the medical bills, they could no longer afford their premiums and lost their health insurance coverage.

All three models demonstrate that unaffordability is both quantifiable and measurable, and that health insurance plans offered on VHC are unaffordable to a wide range of Vermonters. Together the models demonstrate the severity of Vermont's health care affordability crisis.

[1] *See e.g.* Bundorf, M. K., & Pauly, M. V., Is Health Insurance Affordable for the Uninsured?, Journal of Health Economics, 25 (4), 650-673 (2006); *available at* http://dx.doi.org/10.1016/j.jhealeco.2005.11.003; Amy Glasmeier, MIT Living Wage Calculator, *available at* http://livingwage.mit.edu; Collins et al., How high is America's health care Cost burden? Findings from the Commonwealth Fund Health Care Affordability Tracking Survey, July-August 2015, available at http://www.commonwealthfund.org/publications/issue-briefs/2015/nov/how-high-health-care-burden.

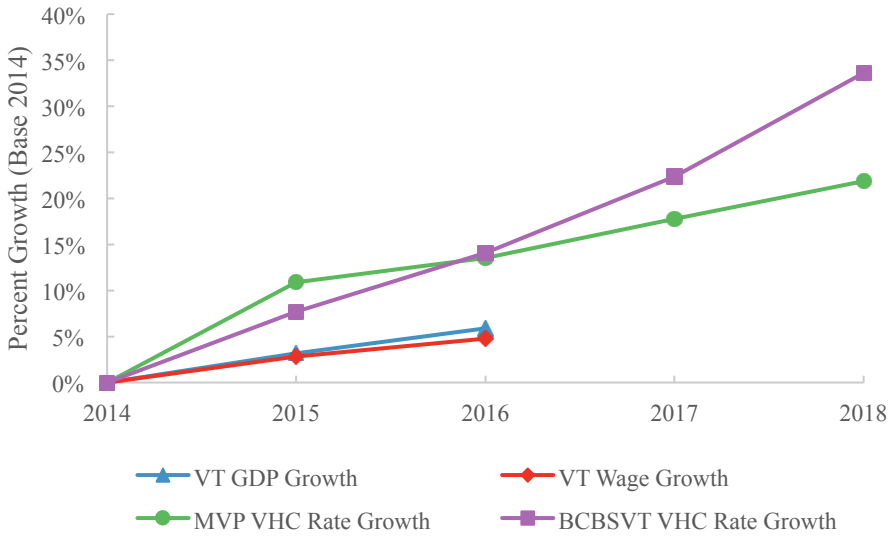
[2] A market-based approach is sometimes referred to as a normative approach as it entails making certain assumptions about the cost of goods and services necessary to maintain a minimally adequate standard of living.

Health Insurance Costs Have Outpaced Vermont Wage and Economic Growth

It is well known that health insurance costs are growing rapidly. To understand the context of these growing costs, we compared VHC health insurance cost growth to two macroeconomic indicators: Vermont's Gross Domestic Product (GDP)[3] and Vermont wage growth (VTWG).

The data clearly show VHC health insurance premium costs growing faster than the Vermont economy and Vermonters' wages.[4] [5] This means that Vermonters must spend an increasingly large share of their income on health insurance.[6] [7] [8] Unfortunately, there is no evidence to suggest that this trend will change in the near future absent policy interventions to address health insurance cost growth.

Figure 1. Growth of GDP, VTWG, and Blue Cross Blue Shield of Vermont (BCBSVT) and MVP individual and small group health insurance premiums between 2014 and 2018. 2016 is the most recent year for which GDP and VT wage growth statistics are available.



[3] GDP is a broad measure of economic output consisting of the value added in production by the labor and capital located in a state. *See* State of Vt. Joint Fiscal Office, 2017 Fiscal Facts (Mar. 2017), *available at* http://www.leg.state.vt.us/jfo.
[4] Between 2014 and 2016, Vermont wages grew 4.8 percent. Over the same period, both BCBSVT's and MVP's health insurance rates grew nearly 3 times as much (13.6%). On average, a Vermont family who earned $50,000 in 2014 earned, adjusting for VTWG, $52,400 in 2016. A health plan that cost $5000 in 2014 cost $5,680 in 2016. While earning more money, this Vermont family is paying a higher proportion of their income on health insurance.
[5] Vt. Dept. of Labor, Year to Date Wage tables (2017), *available at* http://www.vtlmi.info/indnaics.htm#mqa.
[6] *See* Charles Roehrig, 'Moderate' Health Spending Growth Projections Exceed What We Can Afford, *Health Affairs Blog* (Aug. 10, 2016), *available at* http://healthaffairs.org/blog/2016/08/10/moderate-health-spending-growth-projections-exceed-what-we-can-afford.
[7] Between 2014 and 2016, Vermont's GDP grew 5.9 percent. Over the same period, BCBSVT's and MVP's average premium for individual and small group health insurance plans grew 14.1 percent and 13.6 percent respectively. Vermont GDP data is not available post-2016 as of this memo's completion but between 2014 and 2018 BCBSVT and MVP individual and small group health insurance premiums have grown 21.9 percent and 17.8 percent respectively. It is unlikely that Vermont's 2017 and 2018 GDP will grow at a rate even roughly equivalent to health insurance premium growth.
[8] U.S. Bureau of Economic Analysis, Gross Domestic Product GDP, *available at* https://fred.stlouisfed.org/series/GDP (last accessed Feb. 6, 2018); U.S. Bureau of Economic Analysis, Total Gross Domestic Product for Vermont, *available at* https://fred.stlouisfed.org/series/VTNGSP.

While the comparison of health insurance costs to macroeconomic indicators provides useful context to Vermont's affordability issue, it does not show whether individual Vermont households can afford health insurance and health care. This model also looks at premiums only and does not account for affordability issues related to the cost of care for the consumer (cost-sharing).

To focus on individual Vermont households, we developed two more ways to measure affordability: a rule-based model and a market-based model. These models can be used to explore affordability in both the individual and small group markets in Vermont.

Health Insurance Affordability: A Rule-Based Model

Our rule-based model focuses on affordability for Vermont households. This model applies two rules to determine whether a household can afford health insurance and health care:

1. From the ACA: A household should spend no more than 9.69% of income on 2017 health insurance premiums. If the household spends more than that on premiums, the health insurance is unaffordable.[9]

2. From the VHHIS: A household is financially burdened by medical costs when the deductible is greater than 5% of income.[10]

We combine the ACA premium rule and the VHHIS deductible rule to evaluate VHC plan affordability. In our model, if an household's premium is more than 9.69% of income or the deductible is greater than 5% of income, a plan is unaffordable.[11] The model accounts for available subsidies, including Federal and Vermont Cost Sharing Reductions (CSR), Federal Premium Tax Credits (PTC), Vermont Premium Assistance, and Dr. Dynasaur.[12] [13] [14]

We use this rule-based model to evaluate whether the lowest cost 2017 VHC silver plans offered by BCBSVT and MVP are affordable. We look at silver plans because PTC amounts are benchmarked against the cost of the second lowest cost VHC silver plan and Vermonters must enroll in a silver plan to receive CSR. The lowest-cost silver plan provides the most conservative view within the silver plans.[15] [16] Many Vermont households with chronic illnesses and

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[9] 26 U.S.C. § 36B(c)(2)(C)(i)(II); Rev. Proc. 2016–24, 2016-18 I.R.B. 677 (May 2, 2016). The 9.69% figure captures the top end of premium cost burden for individuals who qualify for premium subsidies. It is also the metric for assessing affordability of employer based coverage for purposes of premium tax credit eligibility. The ACA contains a lower affordability threshold for purposes of the individual shared responsibility provision. This is 8.16% for 2017. *See* Rev. Proc. 2016–24 § 2.03.

[10] Brian Robertson & Mark Noyes, Comprehensive Report: 2014 Vermont Household Health Insurance Survey (Mar. 2015), *available at* http://hcr.vermont.gov/sites/hcr/files/pdfs/survey/2014-VHHIS-Comprehensive-Report.pdf.

[11] Income for these calculations is the same as for PTC eligibility: Modified Adjusted Gross Income (MAGI) under Internal Revenue Code section 36B(d)(2)(B).

[12] Federal CSR is available to household with incomes at or below 250% of the Federal Poverty Level. 42 U.S.C. § 18071. Vermont CSR is available to households with incomes at or below 300% of the Federal Poverty Level. 33 V.S.A. § 1812(b). CSRs are a discount that lowers the amount of a household's deductibles, copayments, and coinsurance. Income-eligible households must enroll in a Silver plan to receive this subsidy. *See* Vermont Health Connect, Cost-Sharing Reductions (CSR) Frequently Asked Questions, March 2014, *available at* http://info.healthconnect.vermont.gov/sites/hcexchange/files/CSR_FAQ.pdf.

[13] The Federal PTC is a refundable credit that helps households cover the premiums for their health insurance. Households with income between 138% and 400% of the Federal Poverty Level who purchase insurance through VHC may be eligible. *See* 26 U.S.C. § 36B. *See also* Vermont Law Help, Premium Tax Credits, *available at* https://vtlawhelp.org/premium-tax-credits.

[14] Dr. Dynasuar is free or low-cost insurance available to certain eligible populations including children under 19. *See* State of Vermont Green Mountain Care, Health Plans: Dr. Dynasaur, *available at* http://www.greenmountaincare.org/health-plans/dr-dynasaur.

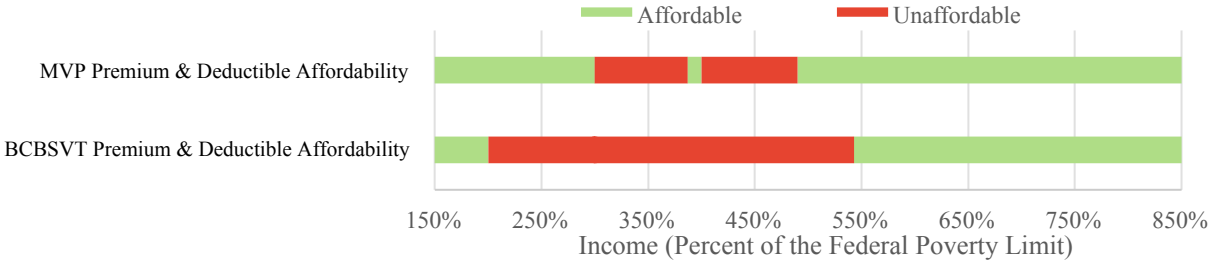
[15] BCBSVT's lowest cost silver plan in 2017, Blue Rewards Health and Wellness Plan, before accounting for any potential PTC, has a monthly premium of $507 for individuals, $1,014 for couples, and $1,425 for families. The plan's combined medical and pharmaceutical deductible, before accounting for any potential CSR, is $2300 for an individual and $4,600 for couples and

high medical costs must purchase more robust Gold or Platinum plans to get the coverage they need. Generally, plans with better coverage are even less affordable.

We demonstrate the affordability of the lowest cost 2017 silver plans for BCBSVT and MVP across a range household incomes for three different household compositions: single adult (Figure 2), two adults (Figure 3), and two adults, two children (Figure 4). On the x-axis we plot a household income as a percentage of the Federal Poverty Level (FPL).[17] Green indicates premium and deductible affordability at a particular income, and red indicates unaffordability.

This model demonstrates that health insurance and health care are unaffordable at a wide range of incomes. [18] BCBSVT plans are unaffordable across a larger range of household incomes than MVP plans. However, regardless of insurance company, health insurance premiums and deductibles are unaffordable for many Vermont households. For example, for both companies, health insurance premiums and deductibles are unaffordable for couples with incomes between $48,060 (300% FPL) and $116,645 (727% FPL). The median Vermont household income is $56,104 (2016).[19]

Figure 2. Rule-based affordability of lowest cost 2017 BCBSVT and MVP silver plans for single adult household.[20] [21]



families. BCBSVT, 2017 Plans and Premiums: Qualified Health Plans, *available at* http://www.bcbsvt.com; *see also* Vermont Health Connect, Silver 70 Plans brochure (2017), available at http://info.healthconnect.vermont.gov/2017healthplans.

[16] MVP's lowest cost silver plan for 2017, MVP VT Plus, before accounting for any potential PTC, has a monthly premium of $470 for individuals, $941 for couples, and $1,322 for families. The plan's combined medical and pharmaceutical deductible, before accounting for any potential CSR, is $2,300 for an individual and $4,600 for couples and families. MVP Health Care, 2017 Vermont Plans At A Glance, *available at* https://www.mvphealthcare.com; *see also* Vermont Health Connect, Silver 70 Plans brochure (2017), *available at* http://info.healthconnect.vermont.gov/2017healthplans.

[17] Income relative to the Federal Poverty Level (FPL) is used to determine eligibility for PTC and CSR. *See generally* http://info.healthconnect.vermont.gov/thresholds2017.

[18] Figures 2 through 4 below do not include subsidies that could be provided by employers for a small-group plan. The contribution of a small employer towards employee health costs varies widely, and is at the discretion of the employer. However, the results of this rule-based model demonstrate the uphill battle that small employers face if they wish to offer their employees an affordable health insurance benefit.

[19] U.S. Census Bureau, 5-year American Community Survey (2016), Table S1903, *available at* https://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml. The median Vermont family household income is $71,465 and the median non-family household income is $33,129.

[20] The lowest cost single person BCBSVT 2017 silver plan, accounting for PTC, CSR, and other subsidies, is affordable for individuals with incomes equal to or lower than $23,760 (200% FPL) and equal to or greater than $64,508 (543% FPL). The plan's premium is affordable for individuals with incomes equal to or lower than $35,640 (300% FPL) and equal to or greater than $64,508 (543% FPL). The plan's deductible is affordable for individuals with incomes equal to or lower than $23,760 (200% FPL) and greater than $41,580 (350% FPL).

[21] The lowest cost single person MVP 2017 silver plan, accounting for PTC, CSR, and other subsidies, is affordable for individuals with incomes equal to or less than $35,640 (300% FPL), between $45,967 (387% FPL) and $47,520 (400% FPL), and greater than $58,331 (490% FPL). The premium is affordable for individuals with incomes equal to or less than $47,520 (400% FPL) and equal to or greater than $58,217 (490% FPL). The plan's deductible is affordable for individuals with incomes equal to or less than $35,640 (300% FPL) and equal to or more than $45,861 (386% FPL).

Figure 3. Rule-based affordability of lowest cost 2017 BCBSVT and MVP silver plans for a two adult household.[22] [23]

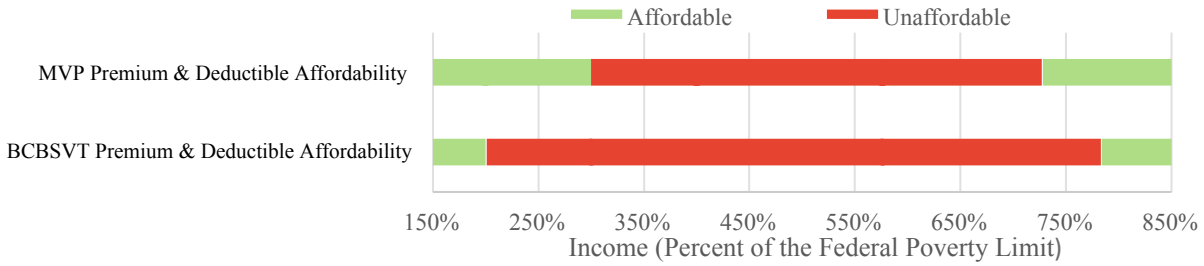
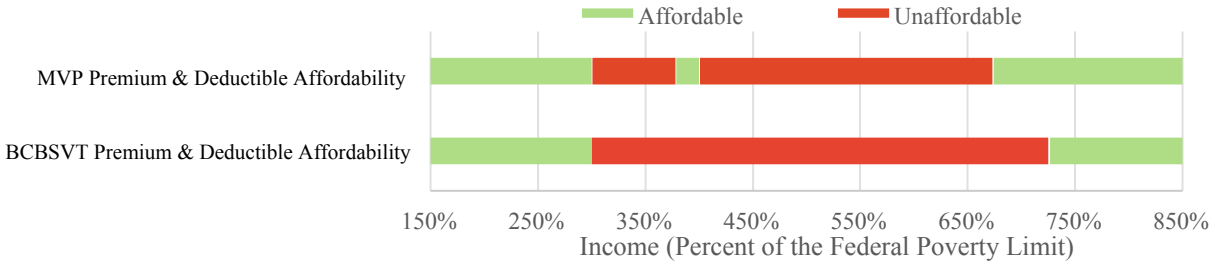


Figure 4. Rule-based affordability of lowest cost 2017 BCBSVT and MVP silver plans for a 2 adult, 2 child household.[24] [25]



[22] The lowest cost couple BCBSVT 2017 silver plan, accounting for PTC, CSR, and other subsidies is affordable for couples with incomes equal to or lower than $32,000 (200% FPL) and greater than $125,444 (783% FPL). The plan's premium is affordable for couples with incomes equal to or lower than $48,060 (300% FPL) and greater than $125,444 (783% FPL). The plan's deductible is affordable for couples with incomes equal to or lower than $32,000 (200% FPL) and equal to or greater than $80,100 (500% FPL).

[23] The lowest cost couple MVP 2017 silver plan, accounting for all premium subsidies and cost sharing reductions, is affordable for couples with incomes equal to or less than $48,060 (300% FPL) and greater than $116,645 (727% FPL). The premium is affordable for couples with incomes equal to or less than $64,080 (400% FPL) greater than $116,645 (727% FPL). The plan's deductible is affordable for couples with incomes equal to or less than $48,060 (300% FPL) and equal to or more than $71,930 (449% FPL).

[24] The lowest cost family BCBSVT 2017 silver plan, accounting for all premium subsidies and cost sharing reductions, is affordable (premium and deductible) for families with incomes equal to or lower than $72,900 (300% FPL) and equal to or greater than $176,522 (726% FPL). The plan's premium is affordable for families with incomes equal to or lower than $72,900 (300% FPL) and equal to or greater than $176,522 (726% FPL). The plan's deductible is affordable for families with incomes equal to or lower than $72,900 (300% FPL) and equal to or greater than $92,097 (379% FPL).

[25] The lowest cost family MVP 2017 silver plan, accounting for all premium subsidies and cost sharing reductions, is affordable (premium and deductible) for families with incomes equal to or less than $72,900 (300% FPL), between $92,000 (379% FPL) and $97,200 (400% FPL), and equal to or greater than $163,693 (674% FPL). The plan's premium is affordable for families with incomes equal to or less than $47,520 (400% FPL), between $78,000 (320% FPL) and $97,200 (400% FPL), and equal to or greater than $163,693 (674% FPL). The plan's deductible is affordable for families with incomes equal to or less than $72,900 (300% FPL) and equal to or more than $92,000 (379% FPL).

Health Insurance Affordability: A Market-Based Model

Our last method looks at whether Vermont households can buy health insurance and still have enough money to pay for necessities such as food and rent. Unlike the macroeconomic and rule-based methods, this model allows us to identify scenarios when Vermonters must choose between health care and other necessities.

The market-based model makes assumptions about what expenses Vermonters must pay to maintain a minimally adequate quality of life. Vermont's Basic Needs Budget, produced by the Legislative Joint Fiscal Office (JFO), provides a reasonable standard for the minimum costs a Vermont family must be able to pay.[26] Our model uses the Basic Needs Budget, federal and state income tax rules for 2017, federal and state PTC and CSR, and 2017 Vermont Health Connect individual and small-group insurance rates to evaluate whether a Vermont household can afford to pay for health insurance, health care, and other basic necessities.

This market-based model adds up the costs that a household must satisfy and then subtracts this number from the household's gross income. If the result is negative, the household does not have enough money to cover the necessities included in the model. If the result is zero or positive, the household has adequate funds to cover these necessities.[27] [28] [29] [30] [31]

We have not incorporated potential contributions from small employers, as these vary widely and are set at the discretion of each employer. Small employers can use this market-based model to see what they would need to contribute to ensure that their health insurance benefit is affordable for their employees.

In Figures 5, 6, and 7, we demonstrate the affordability of health insurance and health care costs for specific households purchasing the lowest cost VHC silver plan, with different levels of use (percent of the plan deductible spent). We account for the fact that households will not pay out-of-pocket costs for children with Dr. Dynasaur.

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[26] Vermont Legislative Joint Fiscal Office, *Basic Needs Budgets and the Livable Wage* (Feb. 1 2017), *available at* http://www.leg.state.vt.us/jfo.

[27] Cost items in the model include these elements from the 2017 JFO Basic Needs Budget: food, housing, transportation, dental care/insurance, childcare, clothing and household expenses, personal expenses and telecommunications. These elements vary by household composition. Cost elements related to income tax liability, FICA withholding, and Medicare withholding are drawn from federal and Vermont statutes and regulations applicable to 2017. These elements vary by household income and composition. Cost elements related to health insurance and health care are drawn from the 2017 VHC plan designs. The cost items for health care costs as a percentage of plan deductible is a user-inputted value. This item varies by applicable plan design, household composition, and available subsidies.

[28] The model includes the following 2017 federal income tax items: the standard deduction, personal exemptions, PTC, the dependent care credit, the earned income credit, and the child tax credit. The model includes the following 2017 Vermont income tax items: the earned income credit, the dependent care credit, and the renter rebate. The model includes the following nontax federal subsidy: CSR. The model includes the following nontax Vermont subsidies: CSR, Vermont premium assistance, and Dr. Dynasaur. The elements vary by household income, household composition, and housing costs.

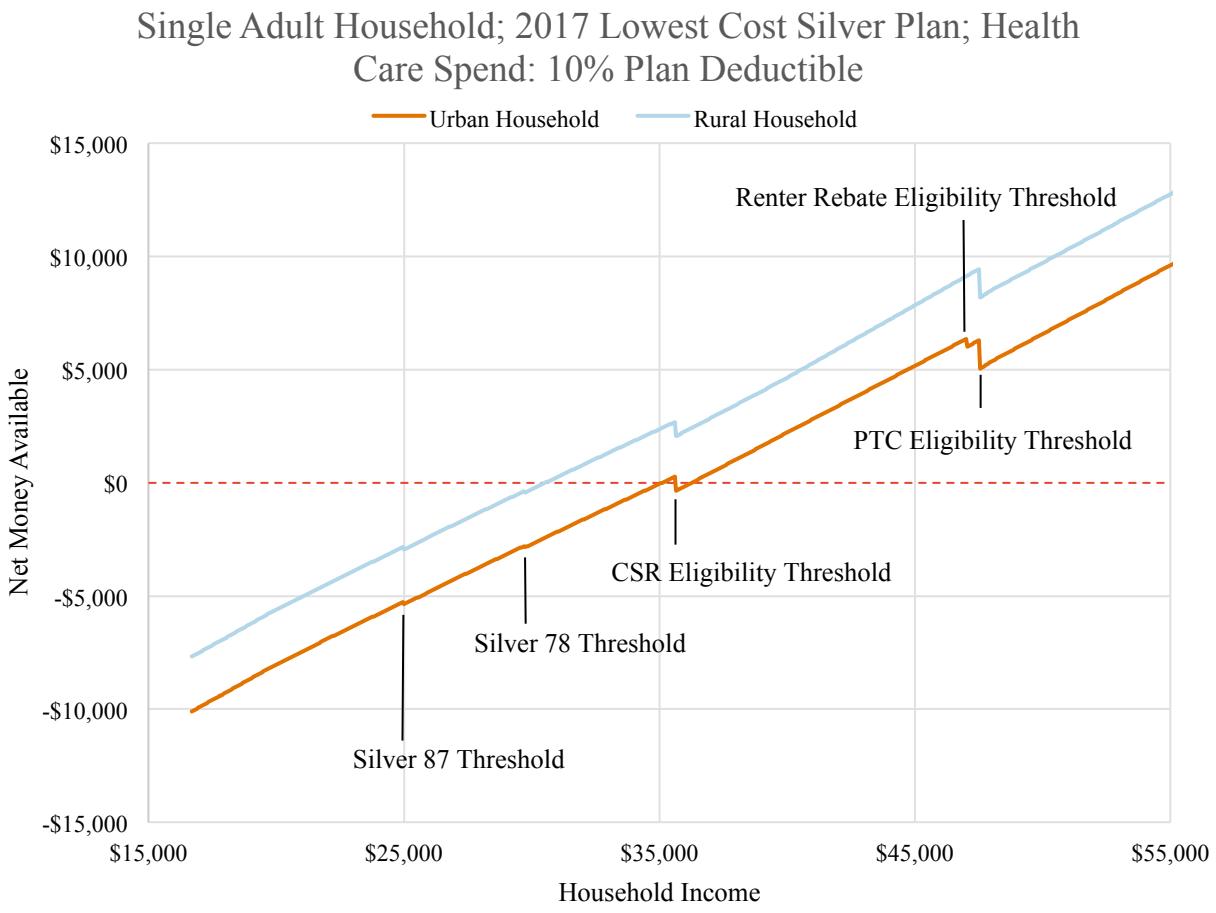
[29] Our method makes two explicit assumptions that the JFO Basic Needs Budget did not make. These assumptions were necessary since we were interested in estimating affordability across a range of household incomes whereas the Basic Needs Budget is essentially a point estimate of the minimum amount of money a household needs to live. Our first assumption is that all household income is earned income and that adjusted gross income for the household equals modified adjusted gross income for PTC. This assumption was necessary to allow for the calculation of tax liability and various subsidies across household income values. Second, we assumed that a household's basic needs costs varied only by household composition and not by household income. For instance, a single adult will have lower basic needs costs than a four person household but a single adult who earns $30,000 a year will have the same basic needs as one who earns $70,000 a year.

[30] Necessary expenses only capture the *minimum* money necessary to adequately meet the household's needs as established by the JFO's Basic Needs Budget. To make our model more conservative, we excluded three items that are included in the Basic Needs Budget: (1) contribution to savings, (2) renters insurance, and (3) life insurance.

[31] The market-based approach looks at necessary costs for Vermont households to maintain a minimally adequate standard of living. Health insurance and health care are the only drivers of unaffordability.

The out-of-pocket medical costs in the scenarios we present were selected to reflect realistic possibilities for Vermonters. Figure 5 shows affordability for a single adult who spends 10% of her deductible. For a single person who earns $36,000 per year, 10% of the deductible for the lowest cost MVP VHC silver plan is $180 (approximately the cost of one urgent care visit).[32] Figure 6 shows affordability for a single parent with one child, who spends 40% of the deductible on health care, half of which is for the child. If the parent earns $44,000 per year, 20% of the deductible for the lowest cost MVP VHC silver plan is $160 (approximately the cost of one 15-minute office visit with a doctor). Figure 7 shows affordability for a couple with two children, who spend their entire deductible on health care for the children. If the couple earns $85,000 per year, 100% of the deductible for the lowest cost MVP VHC silver plan is $4,600 (approximately the cost of treating a broken arm and managing diabetes).[33]

Figure 5. Affordability of 2017 lowest cost silver plan for single adult urban[34] and rural households using 10% of the deductible.



[32] Healthcare Bluebook, *available at* https://healthcarebluebook.com. The cost estimates in this paper are based on the fair price of services for persons who seek care in Montpelier, VT.

[33] Services included in this estimate: x-ray ($67), short arm cast ($209), ER visit ($1,602), initial physical therapy evaluation ($193), and five 15-minute physical therapy sessions ($395), for a total of $2,520. Healthcare Bluebook, https://healthcarebluebook.com/. The patient cost of managing type 2 diabetes for an enrollee in the 2017 MVP VT Plus Silver 1800 plan (the lowest-cost VHC silver plan for 2017) is approximately $1,948. *See* Summary of Benefits and Coverage, *available at* http://info.healthconnect.vermont.gov/2017healthplans.

[34] In Vermont, only households in Chittenden County are considered urban (approximately 25% of the population). Per the JFO Basic Needs Budget, basic needs cost more in urban settings.

Table 1.

Income ranges and ability to cover basic needs for urban and rural single adult households whose health care costs are 10% of their deductible (2017 VHC lowest cost silver plan).

Urban Household		**Rural Household**	
Income	Affordable?	Income	Affordable?
Less than $35,100	No	Less than $35,500	No
Between $35,100 and $35,600	Yes	More than $35,500	Yes
Between $35,600 and $36,250	No		
More than $36,250	Yes		

Figure 6. Affordability of the 2017 lowest cost silver plan for one adult, one child urban and rural households using 40% of the deductible, half of which is attributable to the child.

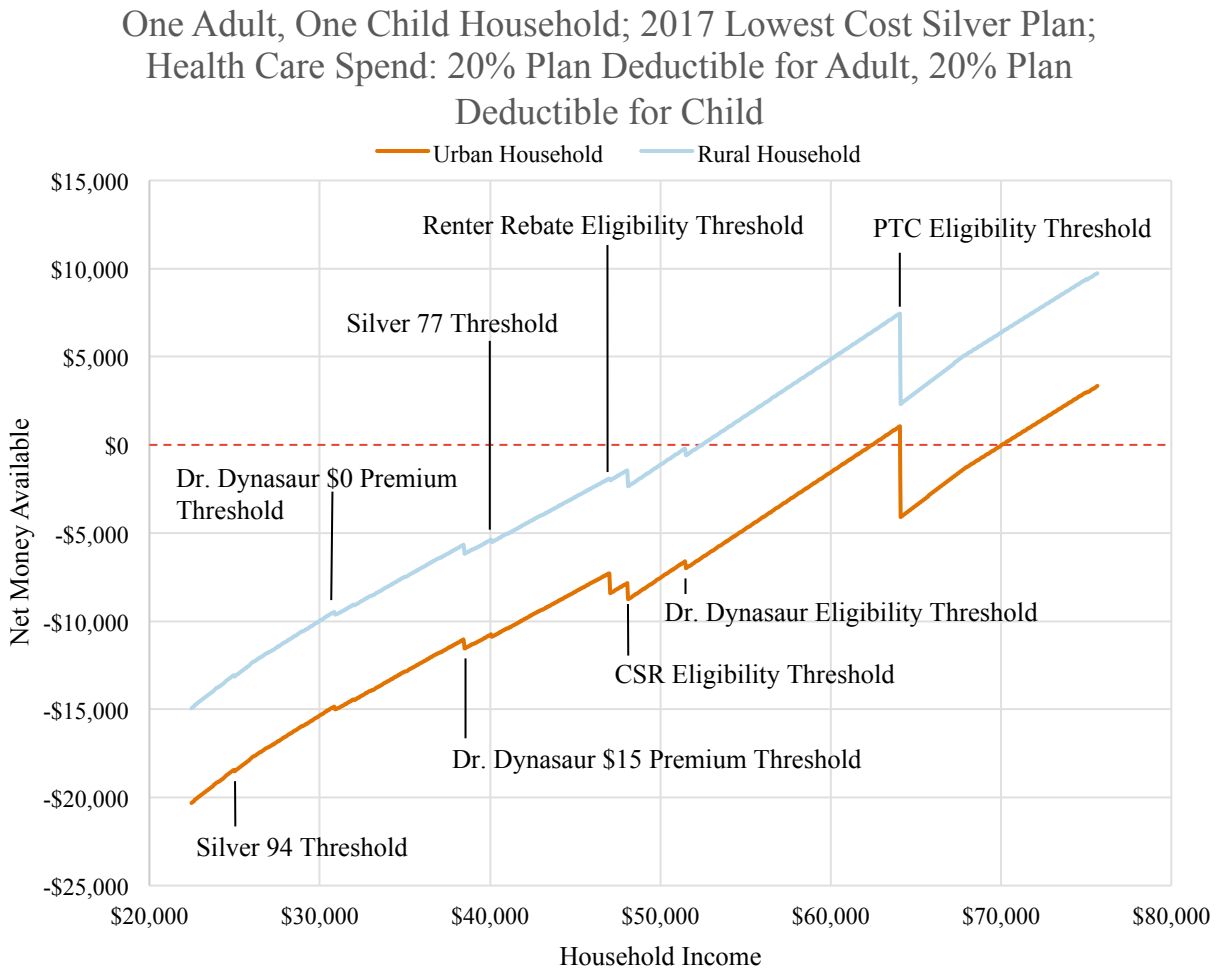


Table 2. Income ranges and ability to cover basic needs for one adult, one child urban and rural households using 40% of the deductible, half of which is attributable to the child (2017 VHC lowest cost silver plan).

Urban Household		**Rural Household**	
Income	Affordable?	Income	Affordable?
Less than $62,400	No	Less than $52,450	No
Between $62,300 and $64,050	Yes	More than $52,450	Yes
Between $64,050 and $70,100	No		
More than $70,100	Yes		

Figure 7. Affordability of the 2017 lowest cost silver plan for two adult, two child urban and rural households using 100% of the deductible, all of which is attributable to the children.

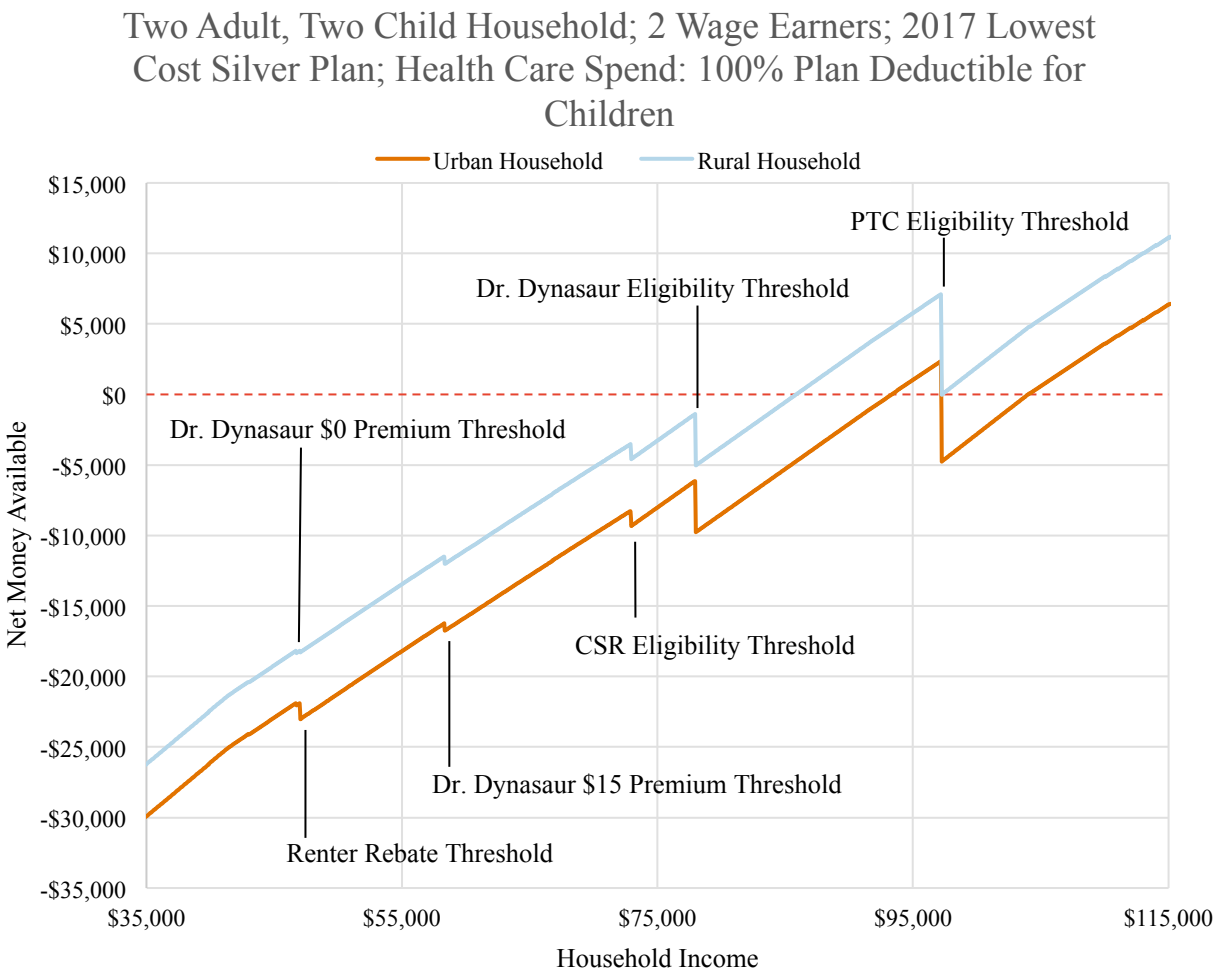


Table 3. Income ranges and ability to cover basic needs for two adult, two child urban and rural households with two wage earners using 100% of the deductible, all of which is attributable to the child (2017 VHC lowest cost silver plan).

Urban Household		**Rural Household**	
Income	Affordable?	Income	Affordable?
Less than $93,300	No	Less than $85,850	No
Between $93,300 and $97,250	Yes	More than $85,850	Yes
Between $97,250 and $104,000	No		
More than $104,000	Yes		

The results of the market-based model support the general results of the rule-based model, namely, that health insurance and health care are unaffordable for many households, even those with substantial incomes. For instance, an average two-adult, two-child family earning less than $93,300 per year lacks sufficient income to afford their necessities when they have a moderately sick child.

The results of the market-based model suggest two additional conclusions. First, sharp drops in net money available occur when eligibility lines are crossed. There are particularly pronounced drops at the limits of CSR and PTC eligibility. These eligibility "cliffs" present Vermonters with a perverse set of incentives— accepting a raise can cost more money than it earns if an eligibility line is crossed and the new pay does not offset the loss of subsidy. For example, a family of four whose income increases from $97,000 to $98,000 experiences a roughly $6,500 net loss due to ineligibility for PTC.

Second, the results of this model highlight the fact that low-income Vermonters live on substantially less money than is required to meet their basic needs. Although the rule-based model indicates that households at lower incomes spend an acceptable amount on premium and deductible, the market-based model demonstrates that such households face a substantial struggle to pay for health insurance, health care, and other basic necessities. For instance, a two-adult, two-child family in Chittenden County making $50,000 and purchasing the second lowest cost silver plan faces a bleak financial situation, even if they spend a relatively small amount on health care costs (15% of plan deductible, attributable to the adults). Although the family qualifies for CSR, near free insurance for the children, PTC, and various additional federal and Vermont tax credits, the family comes up nearly $22,000 short compared to its total basic needs. The interpretation of such values is clear even though other factors such as rent and childcare contribute to the family deficit. The family cannot afford health insurance, health care, and the other necessities of life and is faced with the near impossible task of choosing which basic necessities to forego.

Conclusion: VHC Health Insurance Affordability

Affordability of health insurance and health care is a substantial issue in Vermont. This paper's methods of measuring affordability demonstrate three main points. First, VHC health insurance and health care costs are increasing at an unsustainable rate.

Second, Vermonters with low and moderate incomes cannot currently afford VHC health insurance, regardless of the plan they select. BCBSVT health insurance is particularly unaffordable. Even some higher income Vermont households struggle to afford health insurance, health care, and the basic necessities of life.

Third, subsidy thresholds produce drastic eligibility "cliffs" that lead to drastic drops in net money available, and in some cases, perverse incentives for working Vermonters.

Many households have to choose between paying for food, for shelter, for health insurance, or for health care. Some households earn tens of thousands of dollars less than they need to meet these basic needs.

We know Vermont's affordability issue is not solely the result of VHC health insurance costs, or health care costs in general. As the market-based model demonstrates, additional factors such as food, rent, and childcare significantly contribute to our affordability problem. However, the rapidly increasing costs of health insurance and health care indicate that health expenses are accounting for a larger and larger proportion of Vermonters' basic needs.

State and federal subsidy programs like PTC, VPA, CSR, and Dr. Dynasaur make health insurance more affordable. These programs should continue to be funded, and should be expanded over time to help address the affordability problem. Additionally, policy decisions like subsidy eligibility cliffs should be examined and gradual subsidy phase-outs should be implemented when possible.

The complex and systemic nature of this affordability problem creates substantial opportunity for policy efforts to improve VHC health insurance affordability.

The complex and systemic nature of the affordability problem suggests that Vermont needs to approach health insurance and health care from a broader perspective that looks holistically at people's needs. For instance, integrating subsidy supports to ameliorate health insurance and health care costs as well as social determinants of health might be a cost-effective means of improving affordability for Vermonters.

We encourage policy makers to consider the affordability crisis when making policy changes and to continue to discuss solutions with the Office of the Health Care Advocate.

Office of the Health Care Advocate

Vermont Legal Aid, Inc.
264 North Winooski Avenue
Burlington, Vermont 05401
800.917.7787

http://www.vtlegalaid.org/health