

Health Care Affordability in Vermont



Presented by

Michael Fisher, MSW

Eric Schultheis, JD PhD

The Office of the Health Care Advocate

1.26.2018

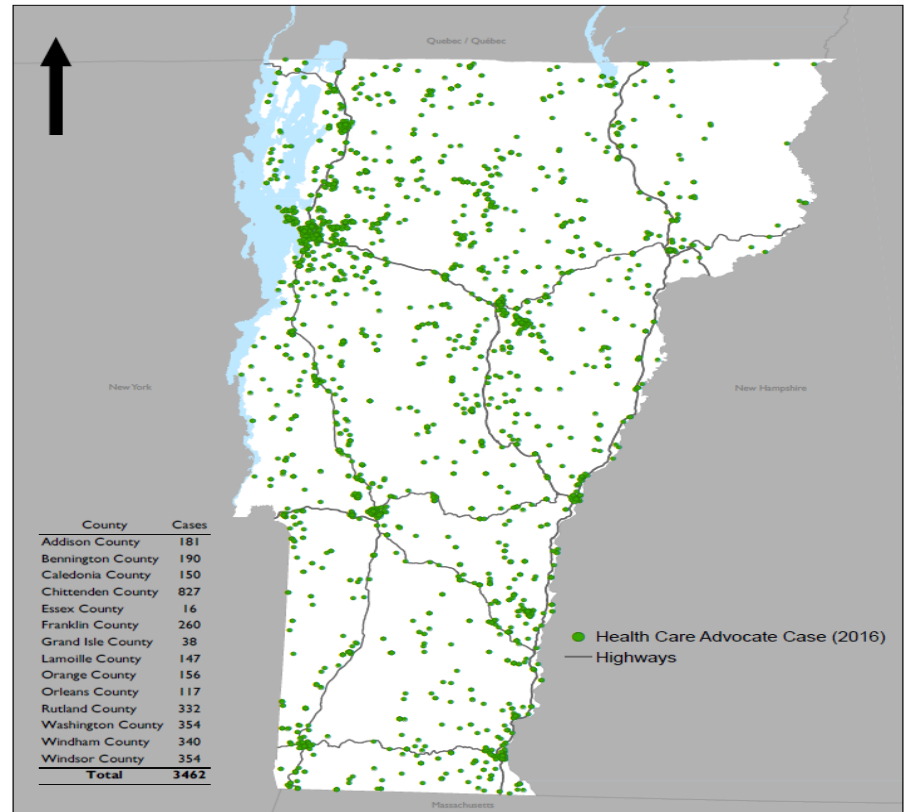




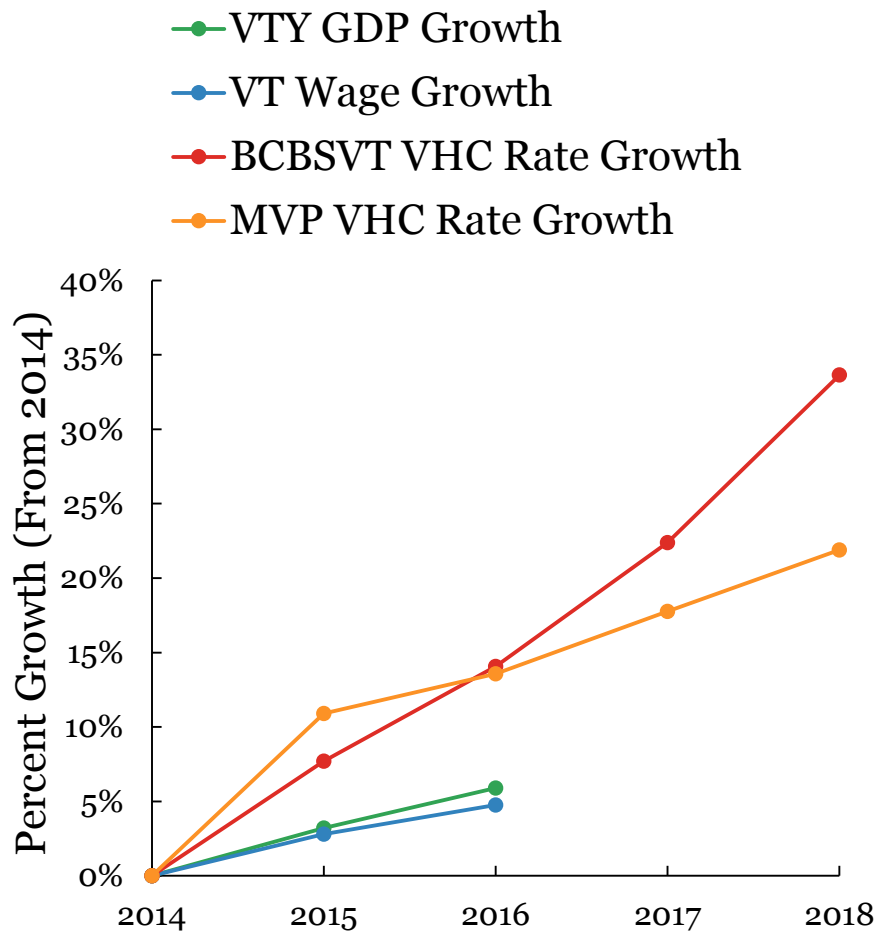
Who we are

Today's topic – Affordability

1. From 10,000 Feet
2. For Vermont Households



Health Care Affordability from 10,000 Feet



- Between 2014 and 2016, MVP and BCBSVT Vermont Health Connect rates grew roughly 2 times as much as Vermont GDP and almost 3 times as much as Vermont wages.

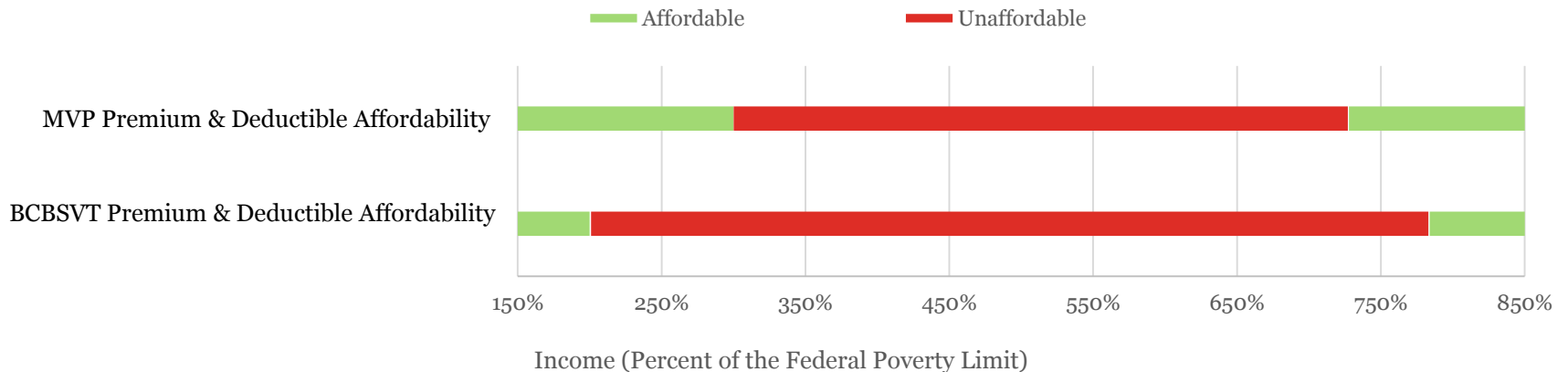
10000 Feet? What Vermonters can Afford?



Bright-line rules for premium and deductible affordability

- Premium affordability rule from the ACA (9.69% of income)
- Deductible affordability rule from the Vermont Household Health Insurance Survey (5% of income)

Lowest cost 2017 silver for a couple



Rule-based test do only tell us one part of financial situation Vermonters face. Health insurance costs do not exist in a vacuum.

Affordability for Vermont Households



Basic Needs
Health Care
+ Taxes/FICA/Medicare
Minimum Expenses

If Net Money Available is less than 0, **Insufficient** Money to Cover Expenses

Income
- Minimum Expenses
Net Money Available

If Net Money Available greater than or equal to 0, **Sufficient** Money to Cover Expenses

Calculating Minimum Expenses



- To calculate net money available, we use:
 - 2017 Vermont Health Connect Insurance rates and plan designs
 - JFO's Basic Needs Budget
 - We make a few more conservative assumptions: no savings, no life insurance, no renters insurance
 - Federal and Vermont income tax liability
 - Medicare/FICA
 - Federal and Vermont subsidies

Key Subsidy Overview



Name	Income Limit	Effect
Federal and VT Premium Tax Credit	400 FPL	Reduce premiums to a percent of household income
Federal Cost Sharing Reduction	250 FPL	Increase plan actuarial value at no cost to consumer
VT Cost Sharing Reduction	300 FPL	Increase plan actuarial value at no cost to consumer
Dr, Dynasaur	317 FPL	Free or near free health insurance for children
VT Renter Subsidy (not entitlement)	125 FPL	Reduce rent to a percent of household income
Dependent Care Credit	NA	Tax credit based on expenditures related to dependent care

Example 1



- 2 Wage Earning Adults and 2 Children who live in Chittenden County
- Family Income = \$50,000 (roughly 200% FPL)
- Health Insurance: Second lowest cost silver plan, low health care costs (15% of plan deductible attributable to the adults = \$420)
- Key Subsidies and Tax Credits:
 - Near free health insurance for children (Dr. Dynasaur)
 - Subsidized health insurance plan
 - Child Credit
 - Dependent Care Credit

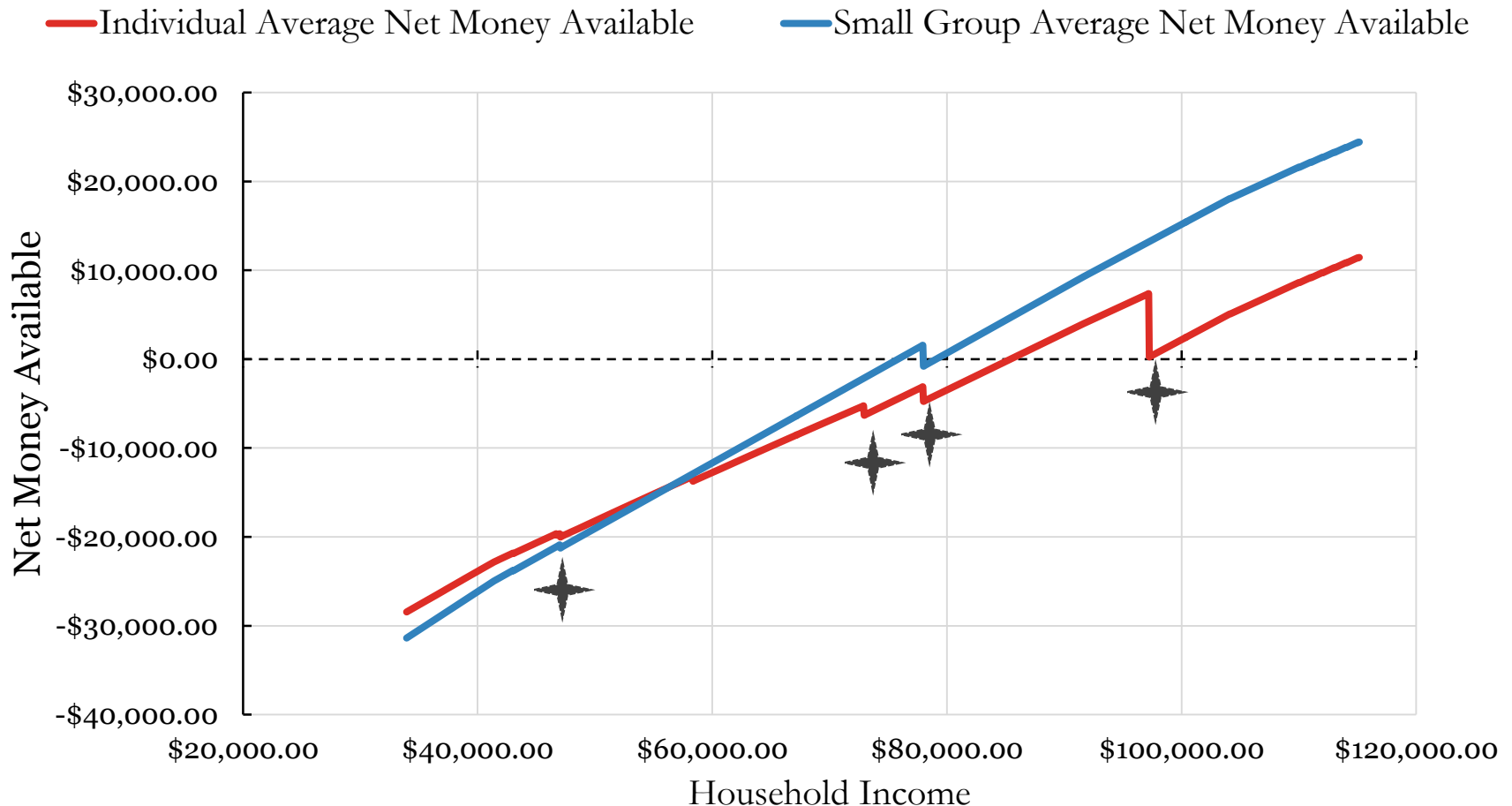
Example Calculation



Basic Needs	\$65,652.00
Health Care	\$3,170.04
<u>+ Taxes/FICA/Medicare</u>	<u>+ \$3,044.46</u>
Minimum Expenses	\$71,866.50
Income	\$50,000.00
<u>- Minimum Expenses</u>	<u>-\$71,866.50</u>
Net Money Available	-\$21,866.50

Example 2

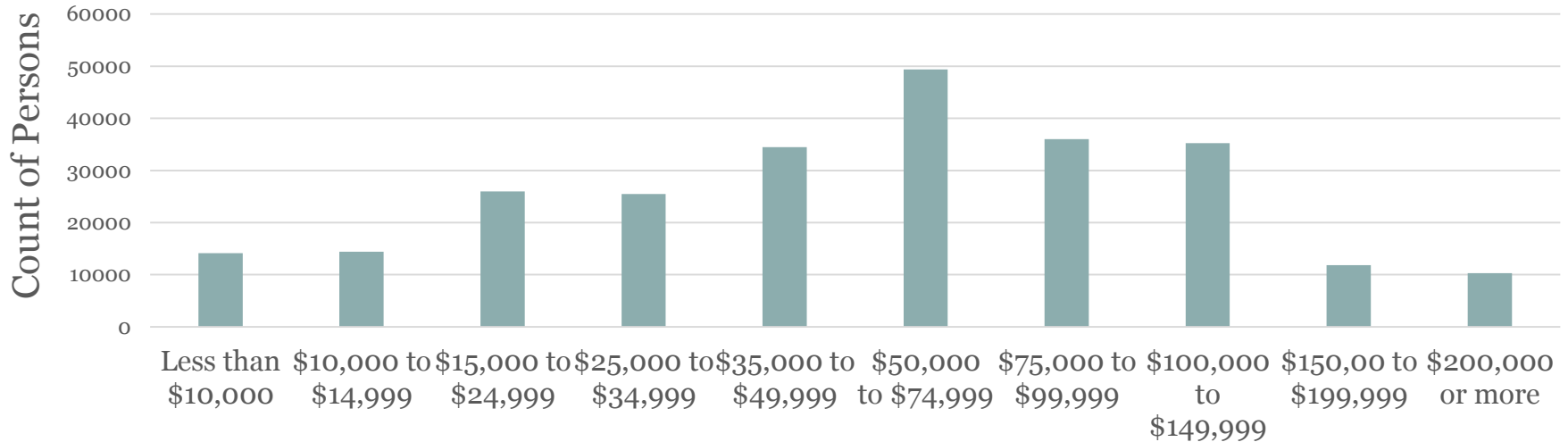
2 Adults, 2 Children; 2 Wage Earners; Second Lowest Cost Silver Plan;
75% of Deductible of which 100% is Attributable to Children.
Annual Employee Share of \$3600



How many people are we talking about?



Vermont Household Population by Household Income



Roughly 65% (388,860) of Vermonters who do not reside in group quarters are *income* eligible for a Premium Tax Credit

Roughly 39% (13,224) of Vermonters of *who purchase a silver plan through Vermont Health Connect* receive a cost sharing reduction

What is 75% of Deductible?



- For a family making \$80,000, the median Vermont family income is \$71,665, 75% of deductible is \$2,400.
- How hard is it to meet that out of pocket spend?
 - One person breaks their arm (fair cost in Montpelier, VT: \$2,387)
 - X-ray: \$67
 - Short arm cast: \$209
 - ER Visit: \$1,602
 - Physical therapy: \$509
 - Initial evaluation: \$193
 - Four 15 Minute Visits: \$316

Subsidy Cliffs & Perverse Incentives



- What happens if such a family who purchases private health insurance gets a \$1,000 raise from \$97,000 and \$98,000?
 - They lose Federal Premium Tax Credit eligibility
- Net Money Available drops roughly \$6,476:
 - Family in Chittenden County: \$3,719 to -\$2,757
 - Family in any other county: \$8,459 to \$1982

Enter Values

Household Composition	Enter Values Single Person	
Household Income	31500	
Plan Type	Second Lowest Cost Silver	
Health care spending (%Deductible or %MOOP)	%Deductible	
Select %Deductible	15	
Auto Calculated		
	Urban	Rural
Monthly Expenses (excluding health care and savings)	\$2,213.00	\$1,951.00
Annual Expenses (excluding health care and savings)	\$26,556.00	\$23,412.00
Annual Premium	\$2,255.28	
Annual Deductible or MOOP Costs	\$240.00	
Annual Expenses (incl. health care but excluding savings)	\$29,051.28	\$25,907.28
Savings (5% of all expenses) (Included in JFO Basic Needs Budget but	\$1,452.56	\$1,295.36
Total Tax/FICA/Medicare Liability	\$4,722.73	\$5,445.37
Annual Money Needed	\$33,774.01	\$31,353.25
NET MONEY AFTER Basic Needs	-\$2,274.01	\$146.76
Household Income as a percent of 2017 FPL (decimal)	261.1940299	
Household Income as percent of 2017 FPL/100	2.611940299	
Medicaid Threshold (138% 2017 FPL)	16642.8	
Household Size		
Income (assume AGI = MAGI)(assume income earned)	31500	
Monthly Income (rounded)	2625	
2016 FPL	2.651515152	
2016 FPL (not decimal)	265.1515152	
2016 Basic Needs		

Household Composition	Premium	Deductible	MVP
Single	470.4	1800	
Single Parent	907.87	3600	
Couple	940.8	3600	
Family	1321.82	3600	

Household Composition	Deductible (in network)	RX Deductible	
Single	0	0	0
Couple	0	0	0
Family	0	0	0

Initial FPL% Income at least (1)	Final FPL % Income Less than (2)	Federal FPL % Initial Percentage (2)	
133	150	3.06	3.06
150	200	4.08	4.08
200	250	6.43	6.43
250	300	8.21	8.21
300	400	9.69	9.69

Potentially eligible for Dr. D	Child Criteria	Income Criteria (312% 2017 FPL + 5% Disregard)	
TRUE	TRUE	TRUE	

Household Size	2016 100%	2017 100% FPL	

Thank you!

2017 VHC Plan Health Insurance Costs	
Eligible for APTC	Eligible
Eligible for VT Subsidy and CSR	Eligible
Eligible For Dr. D	Not Eligible
Dr. D Premium	0
Plan Size (Incl applicable Dr. D eligibility)	Single
Subsidized Plan Eligibility (0 if not eligibility)	73
Monthly Income (Item 18)	2625
Household 2016 FPL (Item 18)	265.1515152
Calculation of Federal Applicable Percentage (Item 19)	15.15151515
Calculation of Federal Applicable Percentage (Item 19(2))	50
Calculation of Federal Applicable Percentage (Item 19(3))	0.303030303
Calculation of Federal Applicable Percentage (Item 19(4))	1.48
Calculation of Federal Applicable Percentage (Item 19(5))	0.448484848
Calculation of Federal Applicable Percentage (Item 19(6))	8.66
Monthly required share of the Applicable Benchmark Plan premium (0 if no subsidy) (Item 19)	
APTC Worksheet	227.325
Applicable Benchmark Plan (Item 19, APTC Worksheet)	491.74
Federal APTC (Item 19, APTC Worksheet)	264.42
Applicable percentage including VRA reduction if applicable (Item 19(9), APTC Worksheet)	7.16
Required share for Applicable Benchmark Plan (incl. vt subsidies) (Item 19(3))	187.95
VT premium assistance subsidy amount (Item 19(5))	33.38
Total Subsidy (Item VI+VII(3))(rounded to nearest cent)	303.8
Plan	MVP VT HDHP Subsidy T3
Plan Type and Plan Size	Second Lowest Cost Silver Single
Monthly Premium (no subsidy)	491.74
Monthly Subsidy Amount	303.8
Monthly Premium (applicable state and federal subsidies and Dr. D premiums)	187.94
Deductible	1600
RX Deductible	0
MOOP	4700
RX MOOP	1300
100% Deductible	1600

Plan Premium (No subsidy)	Lowest Cost Silver	Second Lowest Cost Silver
Single	470.4	491.74
Single Parent Family	907.87	949.06
Couple	940.8	983.48
Family	1321.82	1381.79

2017 Applicable Benchmark Plan	Amount	
Single	491.74	
Single Parent Family	949.06	
Couple	983.48	
Family	1381.79	

Plan Type	Applicable Plan Accounting for Subsidy	
Lowest Cost Silver	MVP VT Plus Subsidy 77	
Second Lowest Cost Silver	MVP VT HDHP Subsidy 77	
Lowest Cost Gold	MVP VT Plus HDHP Gold	
Lowest Cost Platinum	MVP VT Platinum	

Plan Premium (No subsidy)	Lowest Cost Silver Single	Second Lowest Cost Silver Single
	470.4	491.74

Dr. D Premium	2917 FPL not more than	Premium
2017 FPL a least	0	190
	190	237
		15