

**Green Mountain Care Board**  
89 Main Street  
Montpelier, VT 05620

**Department of Financial Regulation**  
89 Main Street  
Montpelier, VT 05620

To: House Committee on Appropriations, House Committee on Health Care,  
House Committee on Ways and Means, Senate Committee on Appropriations,  
Senate Committee on Health and Welfare, Senate Committee on Finance

From: Kevin Mullin, Chair, Green Mountain Care Board  
Michael Pieciak, Commissioner, Department of Financial Regulation

Date: January 10, 2018

Re: CSR Work Group; Silver Loading Proposal

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The Affordable Care Act (ACA) includes a provision for cost sharing reductions (CSRs) to reduce deductibles, co-insurance and copayments for individuals with incomes below 250% of the federal poverty level. Until recently, health insurance carriers received CSR payments from the federal government to provide this benefit to eligible low income individuals purchasing silver plans on the state's health benefit exchange. In October of 2017, however, President Trump announced that the federal government would immediately stop making CSR payments to insurers, moving the cost of the program from the federal government to health insurers participating in the exchange.

Without further action, Vermonters buying insurance through Vermont Health Connect in the individual and small group market will see additional increases to their health insurance premiums for 2019. The Green Mountain Care Board (GMCB) and the Department of Financial Regulation (DFR) organized a CSR Working Group (the Working Group) in response to the elimination of CSR payments and to protect the viability of Vermont's health insurance market. The Working Group is made up of a broad group of stakeholders including the GMCB, DFR, Blue Cross & Blue Shield of Vermont, MVP Health Care, the Office of the Health Care Advocate, the Department of Vermont Health Access, Vermont Association of Hospitals and Health Systems, and Vermont's Director of Health Care Reform.

After careful consideration of the dynamics of Vermont's individual and small group health insurance market, the approaches taken by other states and various alternatives, the Working Group agrees that "Silver Loading" would best protect the stability of the market and mitigate any financial impact on Vermonters, whether or not they previously benefited from CSR payments. This solution does not result in any additional costs to the State and maximizes the portion of ACA subsidies borne by the federal government.

Silver Loading offsets the elimination of CSR payments through a two-step process. First, it allows health insurers to increase premiums for silver plans offered on Vermont Health Connect to cover the cost of CSR payments being eliminated (10% to 15%, as preliminarily estimated by the health insurers). Second, the increase in premiums for these silver plans would be fully absorbed or offset by the Advance Premium Tax Credit (APTC)—another federal subsidy which all individual consumers eligible for CSRs are also



eligible—and which is calculated on a sliding scale based on an individual’s income relative to the cost of a silver plan. In this way, neither the State nor the individual incur additional costs.

For individuals and employees of small businesses not eligible for subsidies, however, who would not otherwise benefit from the Silver Loading option, the Working Group proposes that insurers participating in the exchange be authorized to offer silver plans with nearly identical coverage—but which do not incorporate the CSR-related rate increases—for purchase outside of the exchange. For 2018, at least 37 other states have utilized a comparable approach, and can serve as models for how to successfully implement a similar solution in Vermont for plan year 2019. This strategy avoids putting a financial burden on the roughly 60,000 Vermonters who purchase unsubsidized plans through Vermont Health Connect; in addition, Vermonters qualifying for an APTC can choose to apply the increased subsidy to the purchase of a metal level other than silver, which may reduce their monthly premium payments.

The CSR Working Group unanimously endorses the adoption of the Silver Loading option to address the CSR payment defunding. To successfully implement this strategy, legislative changes need to occur during the early part of the 2018 session. In addition, an outreach campaign will be needed before and during 2019 open enrollment to educate and support consumers in selecting the best plan for their particular situation. With the 2019 Vermont Health Connect plan certification process beginning this month, it is of paramount importance that the legislature take immediate legislative action in order to protect Vermonters from significant premium increases, and the potential destabilization of the Vermont individual and small group health insurance market.

