

**Penalty**

<b>Greater than</b>	<b>Less than or equal to</b>	<b>Penalty (% of household income)</b>
400% FPL	500% FPL	0.5%
500% FPL	600% FPL	1.0%
600% FPL	700% FPL	1.5%
700% FPL	NA	2.0%

- Notes:
  - Penalties are prorated on a monthly basis. If a household member has MEC for any portion of a month, that person is deemed to have had MEC for the entire month for purposes of penalty assessment.
  - Penalty is a percent of household income.
  - Alternative option: Divide household income penalty by household size and apportion the household penalty to each individual should some, but not all, of the household be insured or otherwise exempt. Penalty would then be the sum of each uninsured and non-exempted person’s penalty.

**Affordability Exemptions**

- Categorical exemption:
  - Tax household income is equal to or less than 400% FPL.
    - Exemption applies to entire tax household.
    - Note: lowering exemption below 400% FPL results in a more complicated formula and lowering the exemption below 317% FPL results in a further complication due to the need to account for Dr. D eligibility.
- Non-categorical exemption:
  - If the lowest-priced gold plan premium available through VHC exceeds a percentage of household income as described below, the household is exempt.
    - Applicable plan premium based on household size (after insured or exempt household members are removed); single plan for tax household of 1; couple plan for tax household of 2, family plan for tax household of 3 or more).

<b>Household Income</b>	<b>Max. Premium as a Percent of Household Income</b>
Household Income <= 400% FPL	NA (categorically exempt)
400% FPL < Household Income <= 500% FPL	12.56%
Household income > 500% FPL	16%

## Strengths & Weaknesses/ Key Differences from ACA & MA

- Strengths:
  - Potential positive impact on state revenues.
  - Simple.
    - Roughly similar to federal mandate calculations.
  - Progressive penalty across the non-categorically exempt income range.
    - Based on percent of household income not plan cost.
    - No penalty ceiling that creates a regressive penalty above a certain income.
  - Affordability exemption roughly tracks Vermonters' financial ability to purchase and use health insurance.
    - Categorical exemption threshold based on money needed to purchase VHC silver plan and pay for other basic needs assuming a 50% of deductible spend.
    - Note: tagged to gold plan to avoid complications that will likely arise due to "silver stacking", potential federal action to prevent "silver stacking", and unknown Vermont response to such a federal action.
  - Affordability exemption accounts for household size as it relies on FPL.
  - Tables with income thresholds and penalty amounts could be pre-generated much like MA TIR 17-1: Individual Mandate Penalties.
  - Implicitly incorporates deductible affordability by basing the affordability exemption on the lowest-cost VHC gold plan.
- Weaknesses:
  - Unclear that the proposed penalty is sufficient to drive health insurance uptake as both peoples' price sensitivity to such a penalty is not well understood and price sensitivity may vary by household income.
  - Unclear whether lowest-cost gold plan provides an affordable deductible.
  - Absent adequate feedback mechanisms, it is unclear whether this penalty would be responsive to future events and/or achieve the intended policy goals.
- Key differences from MA
  - Progressive penalty.
    - Proposed penalty based on percent of income not plan cost.
    - MA penalty is progressive till 300% FPL, due to its accounting for subsidies, but it is then regressive as it is based on plan cost alone.
  - Proposed affordability exemption applies to a larger income spectrum.
  - Proposed penalty tracks federal MEC and not MCC.
  - Avoids complication of calculating what persons would actually pay for insurance if household is 150.1% to 300% of FPL.
- Known glitches/unanswered questions
  - Households of 2 or greater are assumed to purchase a couple (if 2) or family plan (if 3 or greater) despite the fact that some such households could be

eligible to purchase an adult and child(ren) plan which would be lower cost than a family plan.

- It is unclear whether AGI could be used as a substitute for household income and what, if any, modifications to the affordability exemption would be required to reasonably account for differences between household income and AGI.

**Scenarios (2018 FPL & approved 2019 VHC plan premium price)**

<b>FPL%</b>	<b>Size</b>	<b>Income</b>	<b>Premium as a Percentage of Income</b>	<b>Penalty</b>
450	1	\$54,630.00	12.83%	EXEMPT
450	2	\$74,070.00	18.26%	EXEMPT
450	3	\$93,510.00	21.18%	EXEMPT
450	4	\$112,950.00	17.54%	EXEMPT
550	1	\$66,770.00	10.49%	\$677.70
550	2	\$90,530.00	14.94%	\$905.30
550	3	\$114,290.00	17.33%	EXEMPT
550	4	\$138,050.00	14.53%	\$1380.50
650	1	\$78,910.00	8.88%	\$1,183.65
650	2	\$106,990.00	12.64%	\$1,604.85
650	3	\$135,070.00	14.67%	\$2,026.05
650	4	\$163,150.00	12.14%	\$2,447.25
750	1	\$91,050.00	7.7%	\$1,821.00
750	2	\$123,450.00	10.95%	\$2,469.00
750	3	\$155,850.00	12.71%	\$3,117.00
750	4	\$188,250.00	10.52%	\$3,765.00
900	1	\$109,260.00	6.41%	\$2,185.20
900	2	\$148,140.00	9.13%	\$2,962.80
900	3	\$187,020.00	10.59%	\$3,740.40
900	4	\$225,900.00	8.77%	\$4,518.00