

# Potential for Health Insurance Premium Volatility in 2023

*Overall and related to the option of re-merging the individual and small group markets*

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# Premium volatility in 2023 – What are the potential causes?

Three possible sources of 2022-2023 premium rate shocks:

## 1) If Congress fails to extend ARPA subsidies

- Uncertain future, significant efforts from Vermont's delegation and many others to retain
- Termination would impact all subsidized individuals, those who are newly subsidized as well as those enjoying larger subsidies
- The largest of the three possibilities for volatility, both at per capita and aggregate levels - a total impact of \$45-\$80M to more than 23,000 Vermonters

## 2) The decision to remerge or extend unmerged markets into 2023

- REGARDLESS of what happens to ARPA subsidies, re-merging would increase premiums nearly \$18M for >40,000 members of small group plans
- IF ARPA subsidies end, remaining unmerged would increase premiums ~\$2M for ~3,500 newly subsidized Vermonters

## 3) If gross premiums are increased significantly for 2023

- Highly likely given inflationary pressures and requested health system increases
- Would impact small businesses and their employees as well as unsubsidized individuals; subsidized individuals would be protected

# Who Pays More and Why?

|                                    |                       |                                    | Price shock between: |                     |               |              |                         |
|------------------------------------|-----------------------|------------------------------------|----------------------|---------------------|---------------|--------------|-------------------------|
|                                    |                       |                                    | '21 – '22            | '22-'23             | '22-'23       | '22-'23      | '22-'23                 |
| Insured Population                 | Pop. Size (Jan. 2022) | Income Level                       | Due to unmerging     | If staying unmerged | If re-merging | If ARPA ends | If large rate increases |
| Small biz employees/family         | 40,498                | All levels                         | No                   | No                  | Yes           | No           | Yes                     |
| Direct-enroll                      | 5,643                 | Relatively high (>400% FPL)        | Yes                  | No                  | No            | No           | Yes                     |
| Marketplace not subsidy eligible   | 787                   | Typically high (>820% FPL*)        | Yes**                | No                  | No            | No           | Yes**                   |
| Marketplace unknown                | 1,640                 | Relatively high (>400% FPL)        | Yes**                | No                  | No            | No           | Yes**                   |
| Getting ARPA APTC but not ACA      | ~3,500                | Relatively high (>400%-1350% FPL*) | No                   | If ARPA ends        | No            | Yes          | If ARPA ends            |
| Will still get APTC with ACA alone | ~19,500               | Moderate (<=400% FPL)              | No                   | No                  | No            | Yes          | No                      |
|                                    |                       | Percentage of total population     | 11%                  | 0%-5%               | 57%           | 32%          | 68-73%                  |
|                                    |                       | Aggregate annual increase          | ~\$4M                | ~\$2M               | ~\$18M        | >\$45M***    | ?                       |

\*ARPA's effective threshold ranges from ~820% FPL for an individual to ~1350% FPL for some families.

3 \*\*Had price shock on monthly bill but may get tax credit at tax filing time.

\*\*\*Based on current members. Likely to be higher due to restart of Medicaid redeterminations.

## How do premium increases impact small business employees and their families?

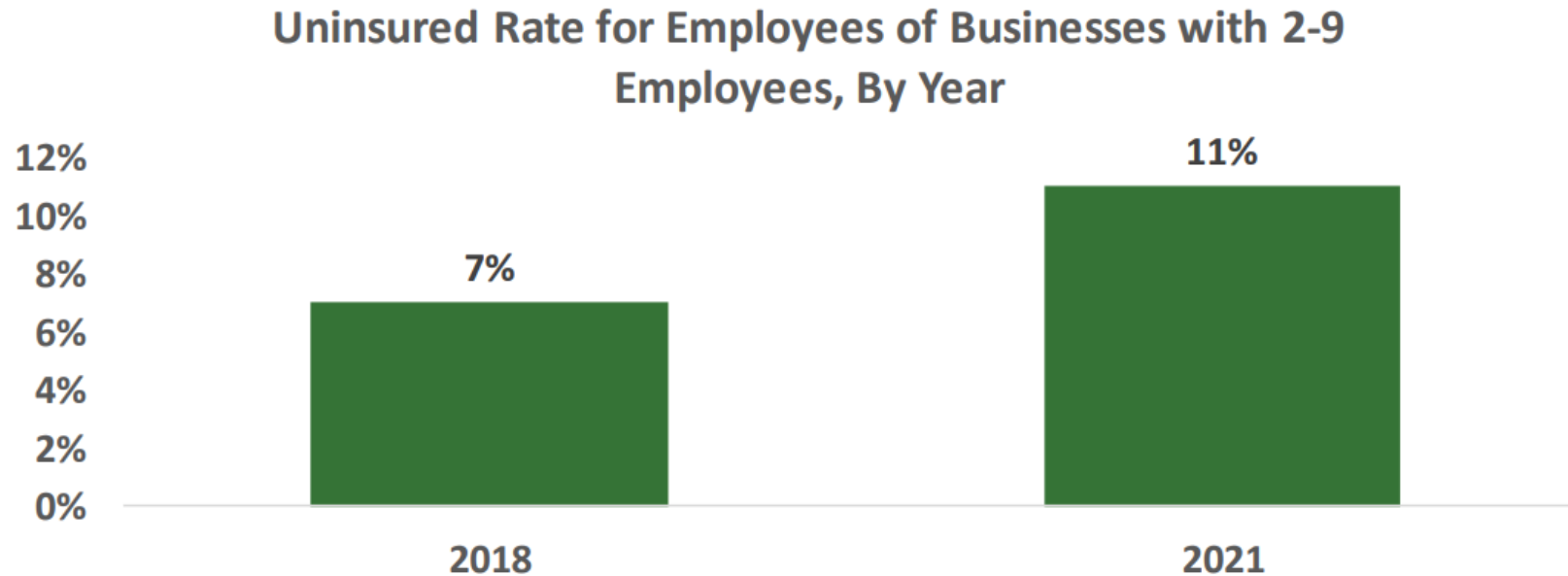
Premium increases may make an employer less likely to offer generous raises or other benefits. Assuming the employee contributes to their premium, increases can also have a negative impact on their take-home pay... or their decision of whether to buy insurance at all. Consider the following scenario:

- Ann's employer offers employees a choice of all 26 Blue Cross and MVP health plans.
  - Her employer contributes 50% of the premium; the employee contributes the other 50%.
- If Ann chooses the Blue Cross Standard Gold Plan, Ann and her employer will each pay \$370.54 toward the cost of her monthly premium.
  - Ann earns \$35,000 per year, so this would be 13% of his income. If the 2022 markets were still merged, her plan would cost \$40-\$50 more, meaning Ann and her employer would each pay \$20-\$25 more per month.
- Notably, a Vermonter with the same income as Ann who does not have an offer of insurance could get this same Blue Cross Standard Gold Plan for \$189 (or 6% of income) or have a choice of zero-premium bronze plans (0% of income) through the marketplace.
  - Ann cannot get subsidized insurance through the marketplace because her offer of employer-sponsored insurance is deemed affordable.
  - She can buy the MVP VT Plus Bronze 1 plan for \$253.37, or 8.7% of her income.
  - To be considered unaffordable, this plan would have to cost her more than 9.32% of her income.

Employees of Vermont's smallest businesses are one of the state's only demographics that has a double-digit uninsured rate.

## Uninsured Rate by Employer Size

In 2021, 11% of employees of businesses with 2-9 employees lacked health insurance, compared to 7% in 2018.



Source: 2021 Vermont Household Health Insurance Survey