Written Testimony on Vermont Medicaid Bills

Presented to

Vermont House Committee on Health Care and Vermont Senate Committee on Health and Welfare

Winter 2025

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My name is Hayden Dublois, and I am a Visiting Fellow at FGA Action, a non-profit organization dedicated to advancing public policy solutions. I am also a former Vermonter who appreciates the opportunity to weigh in on this important policy discussion.

Thank you for allowing me to provide opportunity to submit testimony to your committee on several related Medicaid bills: S.1, S.8, and S.14/H.114.

FGA Action opposes these bills for the reasons listed below.

S.1/An act relating to providing Medicaid-equivalent coverage to all Vermonters

S.1 would require the Vermont Agency of Human Services (AHS) to submit a waiver seeking federal approval to cover all Vermonters on the state's Medicaid program, potentially financed through a payroll tax.

This legislation would have severe negative consequences. First, it would **crowd out private coverage for the nearly 30,000 Vermonters who have insurance on Vermont Health Connect—**most of whom have heavily subsidized plans—and the **nearly 300,000 Vermonters who have coverage through their employer**.[1-2]

Employers would have no reason to finance private coverage if the state is offering it, nor would individuals have an incentive to sign up on Vermont Health Connect if the state is offering them Medicaid.

As a result, hundreds of thousands of Vermonters will shift from private insurance to Medicaid. This would have two major implications:

- First, **providers would suffer** as countless Vermonters move from private coverage (which reimburses at high levels) to Medicaid (which reimburses at pennies on the dollar).[3]
- Second, **Vermont taxpayers would suddenly have to foot an untenable bill**.

On the second point, the bill seeks to maintain the existing federal Medicaid match, which is highly unlikely to be approved. Vermont will have to foot the bill on its own for the 330,000 adults with private insurance, plus the roughly 20,000 uninsured Vermonters.[4] At an average per-member, per-month cost of approximately $800 for able-bodied adults according to the Vermont Department of Health Access (DVHA), **the state could expect to pay $3.4 billion—yes, billion—per year** to cover these 330,000 Vermonters who would shift from private insurance to Medicaid.[5]

Even if, somehow, the state were able to maintain its 58 percent federal support for the Medicaid program, the state would still be on the hook for 42 percent of the costs, or $1.4 billion annually.

For comparison purposes, that would more than double the state's current spending on the entire AHS budget, which is only $1.3 billion for FY2025.[6]

Recall that, in 2023, the 0.44 percent payroll tax to finance childcare was only projected to raise $81.9 million.[7] In order to potentially finance billions in new Medicaid spending, **the payroll tax rate would be unbearable.**

Put simply, this legislation would do something no state has done before: offer taxpayer-funded Medicaid to hundreds of thousands of Vermonters who already have adequate insurance (in some cases, insurance paid for entirely by the federal government) and shift it onto state taxpayers at a cost of billions per year.

S.8/An act relating to eligibility for Dr. Dynasaur for young adults up to 26 years of age

S.8 would raise the age for Dr. Dynasaur coverage from 18 to 26, allowing 19- to 26 year-olds to receive Medicaid coverage if they earn up to 317 percent (312 percent plus a 5 percent income disregard) of the federal poverty level (FPL).

This is problematic for several reasons:

- First, **Vermonters in this age range earning up to 138 percent FPL already qualify for Medicaid coverage**. As a result, these lower-income Vermonters would see no benefit from this change.[8]
- Second, **Vermonters in the 139–317 percent FPL range qualify for heavily subsidized coverage on Vermont Health Connect (VHC).** For example, a single Vermonter earning $30,000 could get a silver VHC plan for just $25.12 per month with an out-of-pocket exposure of just $1,650.[9] A family of four earning $75,000 per year could get a gold VHC plan for just $6.93 per month with an out-of-pocket exposure of just $3,000.[10]

In other words, most low-income Vermonters in this age range already have Medicaid coverage, while others qualify for subsidized VHC coverage that is entirely paid for by the federal government. Shifting this back onto the state's Medicaid program would **shift the thousands of Vermonters in this FPL range from their superior private coverage—which reimburses providers at higher levels—and onto Medicaid.[11]**

As a result, this proposal would also shift thousands of Vermonters off of their federally subsidized private insurance and onto Medicaid, with the state picking up much of the tab and providers grappling with lower reimbursement rates.

S.14/H.114/An act relating to expanding Dr. Dynasaur income eligibility for pregnant individuals and exploring eligibility expansions for other populations

S.14/H.114 would increase pregnant women's eligibility for Dr. Dynasaur from 213 percent FPL to 317 percent FPL (including the five percent income disregard), while exploring the above-mentioned expansion for individuals up to age 26.

This bill suffers from the same challenges as H.8. **First, most low-income pregnant women in Vermont—those earning below 213 percent FPL—already qualify for Dr. Dynasaur**. Meanwhile, **those pregnant women between 213 percent and 317 percent FPL already qualify for federally-subsidized VHC plans**.

Once again, by expanding Medicaid to this group, costs would be shifted onto state taxpayers (via Medicaid's larger state share) from federal taxpayers (who currently cover the entirety of subsidized VHC plans), while providers would suffer from lower reimbursement rates.

The Bottom Line: For each of these bills, costs would be shifted from the federal government to the state government, individuals would be moved from private plans to government plans, and providers would see reimbursement rates shift from private-levels to lower Medicaid-levels.

Not only that, but Medicaid patients are less likely to be seen by physicians than patients with private insurance.[12] So, by shifting coverage from private VHC plans to Medicaid, patients will be worse off.

Lastly, with the federal government actively considering reducing federal support to Medicaid, Vermont may already be on the hook for more Medicaid expenses without any coverage expansions. To extend coverage to even more individuals would compound these new costs.

For these reasons, these bills should be rejected.

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[3] American College of Radiology, "Medicaid Reimbursement Is Not Keeping Pace With Medicare," American College of Radiology (2023), https://web.archive.org/web/20250129030431/https://www.acr.org/Practice-Management-Quality-Informatics/ACR-Bulletin/Articles/June-2023/Medicaid-Reimbursement-Is-Not-Keeping-Pace-With-Medicare.
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[10] Ibid.
[11] Centers for Medicare and Medicaid Services, "2024 Marketplace Open Enrollment Period Public Use Files," U.S. Department of Health and Human Services (2024), https://www.cms.gov/data-research/statistics-trends-reports/marketplace-products/2024-marketplace-open-enrollment-period-public-use-files.
[12] Medicaid and CHIP Access and Payment Commission, "Physician Acceptance of New Medicaid Patients: New Findings," MACPAC (2019), https://www.macpac.gov/publication/physician-acceptance-of-new-medicaid-patients-new-findings/.