A Technical Analysis Relating to Vermont's Health Insurance Markets (2025)

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Vermont Act 113 (H. 883) of 2024 and Legislative Direction

Act 113 (H.883) of 2024 directed the state to conduct a technical analysis related to Vermont's health insurance markets.

Specifically, the Act directed the Department of Vermont Health Access (DVHA) to examine:

Market Structure

Should Vermont keep its individual and small group markets as separate markets?

Targeted Affordability

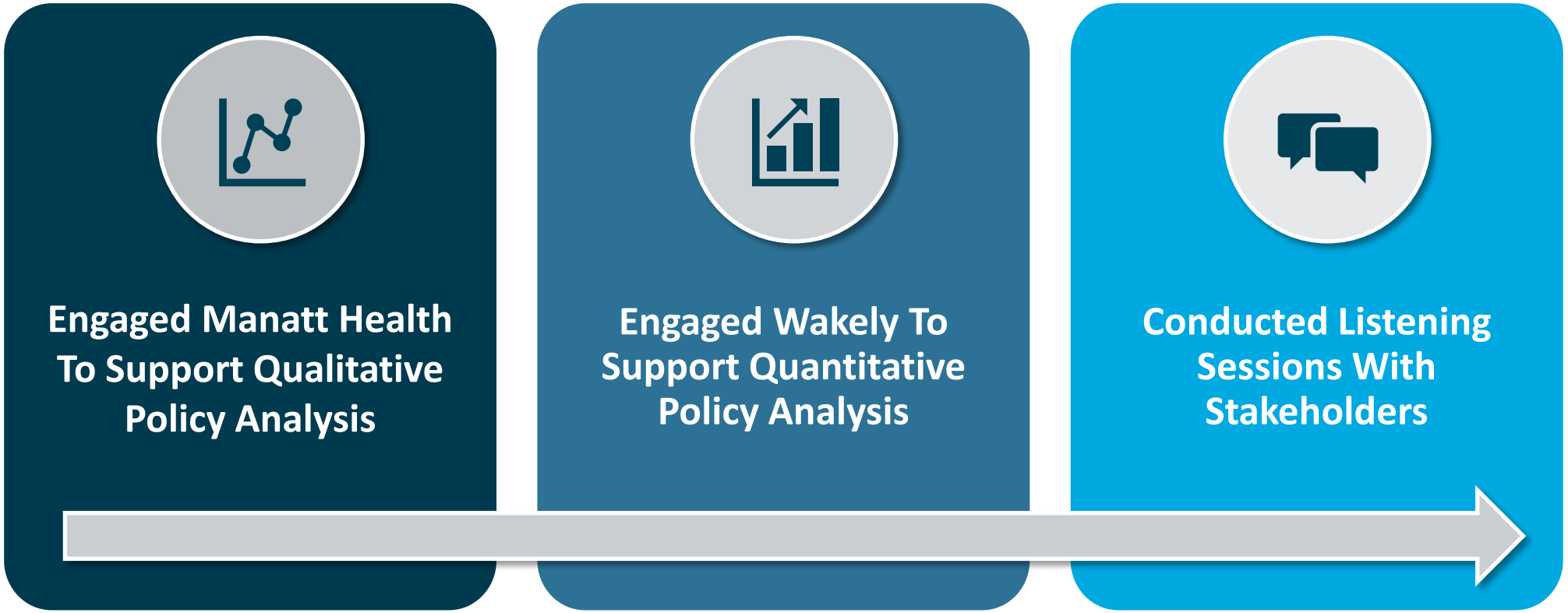
What targeted affordability programs could Vermont pursue if federal IRA subsidies expire for 2026?

Broader Affordability

What longer term options could extend Medicaid-like coverage to a broader population?

Project Methodology

DVHA engaged several partners to support analysis and provide feedback on the legislative study's three topic areas.



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Findings

Summary of Key Findings

Market Structure

Keeping Vermont's insurance markets separate prevents a rate increase in the small group market and provides the State with more flexibility to address individual market affordability.

Targeted Affordability Options if IRA Subsidies Expire

Fully replacing federal enhanced PTCs for PY 2026 would require substantial state funding. However, impacts of expired IRA subsidies could be partially offset by targeted changes in the **Vermont Premium Assistance program (VPA)** and/or by adoption of a **reinsurance program**.

Longer Term Initiatives to Improve Access to Affordable Coverage

Medicaid expansion remains challenging due to the limited federal match for expansion above 133% FPL. Other states' experience with a **public option** have led to minimal affordability and coverage gains to date. A **Basic Health Program (BHP)** offers more affordable federal funding (95% of PTCs) for providing Medicaid-like coverage for those below 200% FPL but has considerations for the Marketplace.

Affordability Impacts if IRA Subsidies Expire

Enhanced federal PTCs ("IRA subsidies") substantially improved affordability of Marketplace premiums since 2021. If IRA subsidies expire at the end of 2025, Vermont Marketplace enrollees will face significant affordability impacts.

Study estimates that if IRA subsidies expire, in PY 2026:

- Vermont enrollees will lose **roughly $65 million in aggregate federal APTCs**
- Per-member, per-month (PMPM) premium costs within the individual market **will increase by more than 7.5%.**
- Overall enrollment in Vermont's individual market is projected to **decrease by nearly 8%** (about 2,400 people).
- Vermont's **unsubsidized population will significantly increase**

Vermont Premium Assistance (VPA)

If IRA subsidies expire, Vermont could consider modifying its VPA program to focus on preserving affordability gains for individuals with income up to 300% FPL.

VPA is a state premium subsidy that applies an additional 1.5% reduction to an individual's expected premium contribution by income for Marketplace enrollees with income up to 300% FPL.

> 400% FPL

300 – 400% FPL

250 – 300% FPL

200 – 250% FPL

150 – 200% FPL

138 – 150% FPL

Partially replicating IRA subsidy enhancements **for all income levels** using VPA:

- Would require CMS approval to amend the State's 1115 waiver
- Estimated to cost **$32 million** in total funding, with **$13.4 million** in state funding

Increasing VPA subsidies **for those with income up to 300% FPL** could be more feasible:

✓ Permissible under the state's 1115 waiver

✓ Estimated to cost **$9 million** in total funding, with **$3.8 million** in state funding

State-based Reinsurance

If IRA subsidies expire, a state reinsurance program under a Section 1332 waiver could increase affordability mostly for those above 400% FPL, who will otherwise face as subsidy cliff for PY 2026.

- State reinsurance programs can support market stability overall and specifically improve affordability for unsubsidized populations by bringing down the cost of net premiums.
- If IRA subsidies expire, enrollees above 400% FPL will lose their subsidy for premium costs above 8.5% of income and be required to pay full unsubsidized premiums.
  - Net premiums could more than double for unsubsidized enrollees without another mechanism for relief.

Preliminary study estimates: a state reinsurance program that reduces average premiums by 10% would cost **$10.3 million** in state funding, and draw down **$27.2 million in federal pass-through funding**

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Basic Health Program

A BHP offers favorable federal funding, with State flexibility to design a Medicaid-like program for adults up to 200% FPL and to maintain a competitive marketplace for those above 200% FPL.

What is a "BHP"?

- States have the right to implement a Basic Health Program (BHP) under Section 1331 of the ACA. Program parameters are laid out in statute.
- BHP coverage replaces Marketplace coverage for enrollees with household income from 133% to 200% FPL who would otherwise be eligible to purchase coverage through the Marketplace.
- States are entitled to BHP funding equal to **95 percent of the federal PTCs** that would otherwise have been provided to enrolled individuals if those individuals had enrolled in Marketplace QHPs, with several adjustments applied.
- Several states have implemented BHPs: Minnesota, New York, Oregon.

Basic Health Program

A BHP in Vermont using Medicare reimbursement rates and with no enrollee premiums or cost sharing could create surplus funding.

Impact of a BHP in Vermont

- ***Morbidity*.** BHP population estimated to have 7% higher morbidity than the remaining Marketplace population, which increases both BHP revenues and costs and decreases Marketplace premiums
- ***Enrollment.*** Estimated BHP enrollment of 7,700 people in 2027 *(1,100 people who would otherwise be uninsured and 6,600 Marketplace enrollees that would transition to BHP)*
- ***Surplus.*** **BHP annual surplus is estimated at $9 million to $34 million** based on estimated revenues and costs
- ***Premiums.*** Marketplace gross average premiums would decrease by 11% PMPM, which is offset by lower APTC that decreases purchasing power due to the loss of silver loading

BHP Revenue, Cost, and Surplus

	PMPM	Annual Total
Revenues	$1,100 - $1,200	$104 M- $111 M
Costs	$800 - $1,000	$77 M - $95 M
Total Surplus		**$9 M - $34 M**

Basic Health Program

Pursuing a BHP in Vermont would require careful consideration of Vermont's unique market features that distinguish it from other states that have implemented a BHP.

Considerations for a BHP in Vermont

- ***BHP Administration and Design.*** New York, Minnesota and Oregon all leverage their Medicaid managed care organizations (MCOs) to administer and deliver the BHP in their respective states; New York also allows QHP issuers to deliver the BHP.
  - Because Vermont's Medicaid managed care model is a public managed care model, a BHP likely would be delivered through QHP issuers with reference pricing and standard plan design with minimal cost sharing.
- ***BHP Impacts on Silver Loading.*** BHPs eliminate most silver loading since those with 87% and 94% CSR plans move to the BHP. The BHP funding formula includes a silver loading funding bump, but the formula does not currently replace all silver loading benefits for those under 200% FPL for a state like Vermont with a high silver load for PY 2025. The BHP also sharply reduces the silver load in the remaining marketplace, which reduces subsidies and purchasing power for those over 200% FPL.

Thank You

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