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MEMORANDUM

TO: Senate Committee on Health and Welfare
FROM: Commissioner Kaj Samsom
SUBJECT: DFR comments on VAHHS' proposed changes to H.482
DATE: April 28, 2025

The Department of Financial Regulation supports H.482 as an important tool to ensure the financial viability of BCBSVT in 2026 and beyond. A BCBSVT insolvency or inability to continue operating on the exchange would cause severe disruption to the entire Vermont healthcare system, with major impacts on consumers and providers.

I have reviewed the April 25, 2025, memo from the GMCB to the Senate Committee on Health and Welfare. I have limited my comments to elements of the VAHHS proposal and GMCB response that are directly relevant to my department's duty and ability to ensure the solvency of insurers and the viability of the marketplace.

1. **Sunset:** I agree with the GMCB comments. It is extremely unlikely that any significant and material variance between approved BCBSVT 2026 rates and actual claims experience would present itself by March of 2026. The proposed sunsetting of H.482 in March 2026 arguably renders the bill ineffective for the purpose of ensuring the solvency of BCBSVT.
2. **Lump Sum or Loan rather than Reimbursement Adjustments:** I agree with the GMCB comments. Risk-based capital (RBC) is the primary solvency measure used by all state insurance regulators and is an essential tool in DFR's statutory authority to monitor, measure, and influence the solvency of our domestic insurers. If the triggers in H.482 are breached, by definition, BCBSVT would be in a very precarious financial situation. A loan is debt and would not improve the RBC or financial position of BCBSVT. Furthermore, while a loan or lump-sum payment (as I understand the intent in the VAHHS proposal) could provide immediate cash relief, it would not influence the trend likely giving rise to the shortfall in approved rates. Said differently, the most likely conditions that would give rise to the triggering of the provisions of this bill would be systemic (not one-time) in nature, and a lump-sum payment would not address the systemic issue (e.g. provider billing exceeding actuarial estimates and approved rates). A loan provides little relief from a solvency point of view, and a lump sum lacks the sustainable relief that would be provided by the original language.
3. **Meet vs. Exceed RBC level:** I agree with the GMCB comments.

4. **Limit to reimbursement adjustments:** I agree with the GMCB comments. A cap on the total reimbursement adjustment that becomes operative before an insurer exceeds the required RBC level will limit the effectiveness of this bill in achieving the intended purpose.
5. **Change RBC statutory reference**: I agree with the GMCB comments. The RBC action level events and the powers and duties of the Commissioner are not just numeric. The House-passed version contains the correct reference for the trigger.

Thank you for the opportunity to provide these comments.