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Issue Brief

December 15, 2025 Nolan Langweil, Principal Fiscal Analyst

Health Insurer Sustainability in Vermont

Executive Summary

Blue Cross Blue Shield of Vermont (BCBSVT) accounts for a little more than half of the commercial health insurance market in the state.[1] The next three largest health plans by market share – MVP Health Plan, United Health Care, and Cigna – account for approximately 25% of the market.[2] This issue brief will focus on BCBSVT as it provides health insurance coverage for roughly a third of Vermont's population, operating in multiple markets including the fully-insured (individual, small, and large group), self-funded, and Medicare Supplement plans. BCBSVT is also the only health insurance company domiciled in Vermont, being specifically established and governed by State statutes. Health insurers that operate in Vermont are regulated by both the Department of Financial Regulation (DFR) and the Green Mountain Care Board (GMCB).[3]

Solvency refers to a company's ability to meet its long-term financial obligations and continue operations into the future.

State regulators have the authority to take measures to intervene and correct problems before insolvencies become inevitable. Risk-based capital is a tool used to determine if regulators should intervene.

BCBSVT recorded losses of over $150 million between 2021 and 2024.[4] In April, Owen Foster, the chair of GMCB, testified that "If Blue Cross cannot pay the claims, the system fails."[5] In July, DFR released an alarming solvency opinion highlighting BCBSVT's insurers tenuous financial situation.[6] In November, BCBSVT reported improvements to its financial situation.[7] However, given the company's significant commercial market share, continued concerns are understandable.

DFR is tasked with monitoring the solvency of health insurance companies operating in the state. Solvency refers to a company's ability to meet its long-term financial obligations and continue operations in the face of potential future risk scenarios. Risk-based capital (RBC) is one regulatory tool used by regulators to protect policy holders by intervening before insolvencies become inevitable.[8]

The purpose of this issue brief is to explain RBC, how it is used by Vermont's health insurance regulators, and the potential implications of BCBSVT's financial situation on Vermont's health care system.

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[1] This includes The Vermont Health Plan (TVHP), which is a subsidiary of BCBSVT.
[2] 2020 Vermont Annual Statement Supplement Market Share Report (ASSR). This was the most recent ASSR report available at this time.
[3] 8 V.S.A. Chapters 107, 123, and 125.
[4] George, Don. Blue Cross VT Financial Overview. April 10, 2025.
[5] *Financial struggles have pushed Vermont's largest insurer to the brink*. VTDigger. May 7, 2025.
[6] DFR Solvency Impact Report of 2026 Vermont QHP Market – Individual Rate Filing of Blue Cross and Blue Shield of Vermont, July 11, 2025.
[7] Letter to the Community from Don George, President and CEO of BCBSVT. November 5, 2025.
[8] National Association of Insurance Commissioners (NAIC), Risk-Based Capital (updated May 9, 2024).

Solvency

In accounting terms, solvency refers to a company's ability to meet its long-term financial obligations and continue operations into the future. It is a critical indicator of a company's financial health. In Vermont, DFR is charged with ensuring that insurance companies have the solvency to fulfill their financial obligations to policyholders. In all its recent solvency decisions, DFR included the following paragraph:

> *DFR considers insurer solvency to be the most fundamental aspect of consumer protection, since it directly relates to an insurer's ability to pay policyholder claims. Determining an insurers solvency is more complex than whether at any given moment the insurer has more assets than liabilities. Rather, it is an intricate analysis of many factors to discern how close the insurer is to insolvency, and in what direction it will move in the future.*[9]

One important factor used by DFR to discern an insurer's solvency and direction is RBC.

Risk-Based Capital (RBC)

RBC is used to measure the minimum amount of capital appropriate for an insurance company to support its operations in consideration of its size, structure, and risk profile.[10] It was created by the National Association of Insurance Commissioners (NAIC) in the 1990's after the banking crisis of the late 1980's and early 1990's. It is a set of model statutes to provide a capital adequacy standard that is related to risk, raises a safety net for insurers, is uniform among the states, and provides regulatory authority for timely action.[11] Nonetheless, RBC is not designed to be a standalone tool in determining an insurance company's solvency. Rather, it is meant to be a tool that gives regulators legal authority to take preventative and corrective measures to intervene before insolvencies become inevitable, thereby minimizing adverse impacts on companies and protecting policyholders.[12]

RBC is usually expressed as a ratio – the total adjusted capital of a company divided by the company's authorized control level risk-based capital, which is determined by a somewhat complex formula that looks at credit, investment, underwriting, and other operating risks faced by the insurer.

$$\textit{RBC Ratio} = \frac{\textit{Total Adjusted Capital}}{\textit{Authorized Control Level RBC}}$$

The NAIC system details specific actions to be taken by a company and the state insurance regulator if the RBC ratio declines or hits certain levels. Most states, including Vermont, have adopted statutes, regulations, or bulletins that follow or are similar to the NAIC RBC model.[13] These RBC levels are:

NAIC RBC Standards for Determining Action Levels

RBC Ratio	Action Level	Summary
Over 300%	No action required	
200% to 300%	Potential Company Action Level	Corrective plan may be required
150% to 200%	Company Action Level	Corrective plan required
100% to 150%	Regulatory Action Level	Regulator has authority to intervene
70% to 100%	Authorized Control Level	Regulator has authority to assume control
Less than 70%	Mandatory Control Level	Regulator is required to assume control

[9] DFR Solvency Impact Report of 2026 Vermont QHP Market – Individual Rate Filing and Small Group Rate Filing for Blue Cross Blue Shield of Vermont, July 11, 2025.

[10] Bell, Rowan B., Robert B. Cumming and Constance Peterson, 2020. Risk-Based Capital Formulas. In *Group Insurance*, 677-95.7th ed. Also Society of Actuaries, Navigate through Risk-Based Capital with Success, *Health Watch*, December 2021.

[11] Risk-Based Capital (RBC) for Health Organizations Model Act. NAIC Model Laws, Regulations, Guidelines and Other Resources – April 2011.

[12] National Association of Insurance Commissioners (NAIC), Risk-Based Capital (updated 5/9/2024).

[13] 8 V.S.A § Chapter 159.

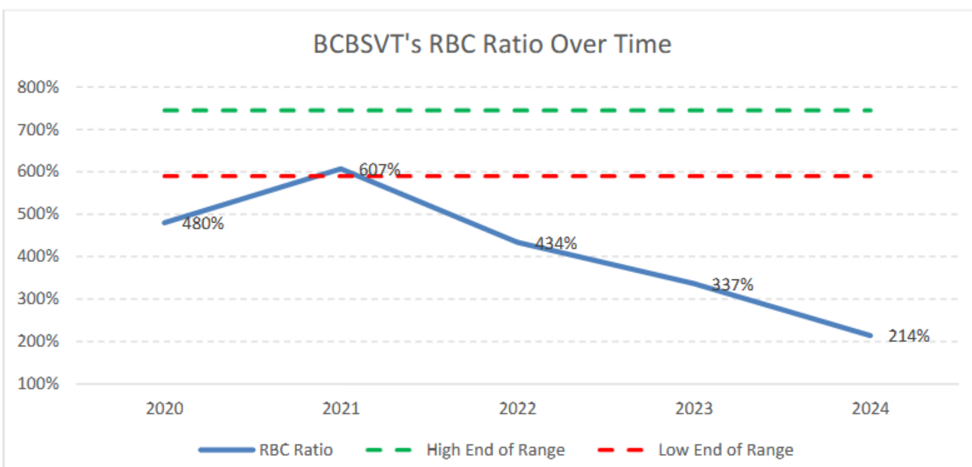
By the NAIC standards, 200% of RBC is commonly known as the minimum level of surplus that a health insurance company must hold to avoid any potential regulatory action.[14] However, it is important to note that an RBC ratio of 200% is not generally seen as an "acceptable" ratio. An RBC ratio of 200% is still cause for concern for both the company and the regulator, especially since it can be difficult to elevate once a company is on a downward trajectory.

While no single ratio or methodology can provide a complete picture of a company's financial health, RBC is perhaps the most universally recognized and widely accepted tool within the health insurance industry for gauging a company's solvency and financial health and for identifying when corrective actions need to be taken to protect the company and its policyholders. In 2019, DFR issued an order based on an actuarial analysis that set a target RBC ratio for BCBSVT of 590% to 745%.[15] As recently as 2021, BCBSVT's RBC ratio was well within this range. Since then, though, it's been declining.

Solvency Concerns and Potential Implications

Prior to any GMCB decision on an insurer's rate request, DFR is required to provide GMCB with an analysis and opinion on the impact of the company's proposed rate filing on its solvency and reserves.[16] On July 11, 2025, DFR submitted an alarming solvency opinion regarding BCBSVT as part of the insurer's proposed individual and small group filings for the 2026 Vermont Qualified Health Plan (QHP) market, raising serious concerns about BCBSVT's solvency.[17]

It reported that "…at the end of 2024, the company's Risk-Based Capital ("RBC") ratio was 214%, the lowest in decades, due overwhelmingly to medical costs, driven both by utilization and cost of services." The Company Action Level can be triggered if a health insurer is between 200% to 300% RBC and has a negative trend.[18] This was triggered for BCBSVT. The solvency opinion also noted that in the absence of a $30 million loan from Blue Cross Blue Shield of Michigan (BCBS of Michigan), BCBSVT's RBC ratio would be 104%.[19] At a level of 100%, DFR would have the authority to place BCBSVT into receivership.[20] This is in stark contrast to 2021, when BCBSVT's RBC ratio was 607%.[21]



Source: DFR Solvency Impact Report, July 11, 2025

[14] Note: a company with a 200% RBC ratio has capital equal to twice its risk-based capital.
[15] DFR Order, Docket No. 19-007-I - BCBSVT Risk Based Capital Order.
[16] 8 V.S.A. § 4026.
[17] DFR Solvency Impact Report of 2026 Vermont QHP Market – Individual Rate Filing and Small Group Rate Filing for Blue Cross Blue Shield of Vermont, July 11, 2025.
[18] 8 V.S.A. 8303.
[19] BCBSVT became a subsidiary of BCBS of Michigan in 2024.
[20] Receivership is when a neutral party is appointed to oversee a distressed company's assets and operations to facilitate financial recovery.
[21] DFR Solvency Impact Report of 2026 Vermont QHP Market – Individual Rate Filing of Blue Cross and Blue Shield of Vermont, July 11, 2025.

In the Fall of 2024, BCBSVT submitted a corrective plan to DFR. While the plan itself is, per statute, confidential, plans generally include background and financial information related to RBC, reasons for the decline, and specific steps to be taken to improve RBC such as projections, assumptions, timelines, etc.[22] In November, BCBSVT reported a $47 million gain for the first nine months of 2025 (compared to a $29 million loss during the same period in 2024) and were halfway to their member reserve target ordered by DFR as part of their recovery plan.[23] Although the company's financial situation has shown recent improvements, concerns regarding the company's long-term solvency remain. It should be noted that DFR also meets with BCBSVT frequently as part of its monitoring process.

Blue Cross Blue Shield Affiliation

As a result of its low RBC ratio, BCBSVT was likely facing scrutiny from the Blue Cross Blue Shield Association, which owns and manages BCBS trademarks and names.[24] Companies affiliated with the Association must maintain an RBC ratio of at least 200% to retain their licenses to use the "Blue Cross Blue Shield (BCBS)" brand name. Additionally, when a BCBS company's RBC ratio falls below 375%, it is subject to intensified monitoring (known as the "Early Warning" stage) by the Association.[25] Although the Association has not publicly commented on any additional scrutiny of BCBSVT, it is likely that it was conducting intensified monitoring.

RBC Standards for Determining Action Levels

RBC Ratio	Standard	Action Level	Summary
590% to 745%	DFR	Target Range	Target range set by DFR for BCBSVT in 2019 based on an actuarial study by Oliver Wyman
375%	BCBS Association	Early Warning	Company will experience intensified monitoring by the Association
200%	BCBS Association	Minimum level required to retain BCBS brand name and affiliation	
200% to 300%	NAIC	Potential Company Action Level	Corrective plan may be required
150% to 200%		Company Action Level	Corrective plan required
100% to 150%		Regulatory Action Level	Regulator has authority to intervene
70% to 100%		Authorized Control Level	Regulator has authority to assume control
Less than 70%		Mandatory Control Level	Regulator is required to assume control

BCBSVT's license is an essential component in its continued operations and existence. If BCBSVT were to lose its affiliation license with the Association, the implications for both the company and its policyholders would be significant. Policyholders could lose access to BCBS's nationwide provider network, which could limit access and increase costs for beneficiaries when they receive care beyond the immediate BCBSVT network within Vermont and along neighboring state borders. BCBVT could also lose significant technical assistance and legal support, branding and communications resources, access to critical shared data, and other valuable supports for a relatively smaller insurance company.

In short, should BCBSVT lose its BCBS affiliation, the company could face insolvency, bankruptcy, and/or the dissolution of its business. The impacts would be enormously disruptive to its approximately 200,000 policyholders and could in turn have ripple effects on Vermont's health care system as a whole.

[22] 8 V.S.A. § 8308
[23] Letter to the Community from Don George, President and CEO of BCBSVT. November 5, 2025.
[24] The Blue Cross Blue Shield Association is a national association of 33 independent, community-based and locally operated BCBS companies of which BCBSVT is one.
[25] Memo from the President of Blue Cross Blue Shield Association to the Interim Insurance Commissioner, June 24, 2014.

Other Potential Implications

One example of the disruption BCBSVT's financial situation could potentially have on Vermont's health care system is the collapse of the individual and small group markets where qualified health plans (QHPs) are sold.[26] Currently, BCBSVT and MVP Healthcare are the only two insurers in Vermont offering QHPs. According to DFR "despite their small share of the market, QHPs are where the greatest risk to insurers is concentrated."[27]

Another concern is that if BCBSVT were to withdraw from the Vermont Health Connect health insurance marketplace for any reason, it is widely speculated that MVP Healthcare would also exit rather than take on the increased adverse risk of the remaining markets. This would create an "insurance desert" that would leave over 70,000 Vermonters with no options to obtain any kind of health insurance coverage. Furthermore, the large group and self-funded markets – the source of most employer-sponsored insurance plans in Vermont – could see further spikes in premiums due to lack of competition and other actuarial uncertainties. More people might also go without health insurance, which has other systemwide implications.

Additionally, while BCBS of Michigan could provide financial assistance to BCBSVT as it has in the past, the terms of the affiliation agreement require each plan to support itself independently. Moreover, BCBS of Michigan has financial problems of its own, having reportedly lost $1.7 billion last year.[28]

Conclusion

Vermont's health care system is at a precarious and critical moment. The solvency of BCBSVT, Vermont's only domestic health insurer, is one of many impending pressures that policymakers and regulators will need to continue to monitor and address in the coming months.

[26] A Qualified Health Plan (QHP) is a health insurance plan that has been certified by a health insurance marketplace, such as Vermont Health Connect. QHPs provide essential health benefits, have set limits on cost sharing, and meet other federal and state requirements. To receive government subsidies, such as premium tax credits, eligible Vermonters must be enrolled in a qualified health plan through Vermont Health Connect.

[27] *Act No.68 (2025) Department of Financial Regulation; Domestic Health Insurer Sustainability Report.* Nov. 1, 2025.

[28] *Blue Cross Blue Shield Michigan cuts hundreds of jobs to address financial losses.* Michigan Public Radio. June 13, 2025.