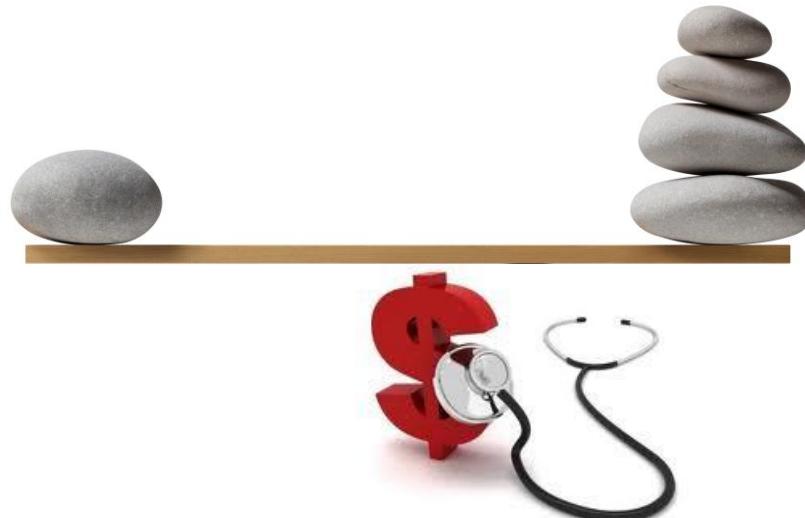


HEALTH INSURER SOLVENCY IN VERMONT

Nolan Langweil, Joint Fiscal Office

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[Issue Brief](#)
[Link](#)



JFO

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VERMONT HEALTH INSURANCE REGULATORS

- **Green Mountain Care Board (GMCB)**
- **Department of Financial Regulations (DFR)**



SOLVENCY



- A company's ability to meet its long-term financial obligations and continue operations into the future.
- It's a critical indicator of a company's financial health.
- In Vermont, The Department of Financial Regulations (DFR) is charged with ensuring insurance companies have the solvency to fulfill their financial obligations to policy holders.
- Risk Based Capital (RBC) is a popular tool used within the health insurance industry for gauging and reacting to a company's solvency and financial health

RISK-BASED CAPITAL (RBC)



- It was created by the National Association of Insurance Commissioners (NAIC) after the banking crisis of the late 80s and early 90s
- It is 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 policy holders.

RISK-BASED CAPITAL (RBC)



- Expressed as a ratio, which is determined by a complex formula that looks at credit, investment, underwriting, and other operating risks faced by the insurer.
- Outlines specific actions to be taken by the company and the regulator if the ratio declines or hits certain benchmark levels.
- Most states, including Vermont, have adopted statutes, regulations and bulletins that follow or are similar to the NAIC RBC model.
- DFR and the BlueCross BlueShield Association also use RBC ratios as policy benchmarks

RISK-BASED CAPITAL (RBC)



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

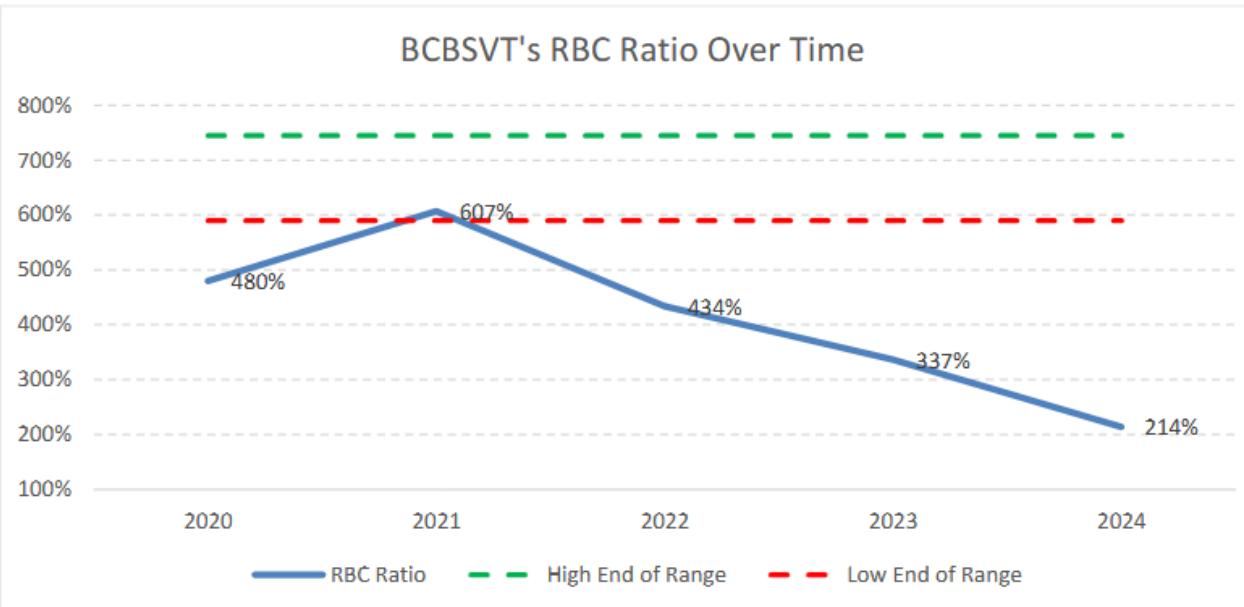


RBC & BCBSVT



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RBC & BCBSVT

Potential Implications



- In the Fall of 2024, BCBSVT submitted a corrective plan to DFR. These plans are confidential.
- In November 2025, BCBSVT reported a \$47 million gain for the first 9 months of 2025
 - Compared to a \$29 million loss during the same period in 2024
- DFR continues to meet with BCBSVT frequently as part of the monitoring process.

RBC & BCBSVT



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- BCBSVT was likely facing scrutiny from the BCBS Association, which owns and manages BCBS trademarks and names.
- Affiliates that fall below 375% RBC are subject to intensified monitoring (“Early Warning” stage) by the BCBS Association.
- Affiliates must maintain an RBC ratio of at least 200% to retain their licenses to use the BCBS name.

RBC & BCBSVT

Potential Implications

- If BCBSVT were to lose its BCBS affiliation license, the implications would be significant:
 - Policy holders could lose access to BCBS's nationwide provider network
 - BCBSVT would lose:
 - Significant technical assistance and legal support
 - Branding and communications resources
 - Access to critical shared data
 - Other valuable supports
- Loss of affiliation would seriously threaten the existence of BCBSVT
- If BCBSVT were to go out of business the implications would be enormously disruptive to its approx. 200,000 policyholders. It would also have ripple affects on the Vermont's health care system.





THE END

[LINK](#)

ISSUE BRIEF:
Health Insurer Sustainability in Vermont