

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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S.222

An act relating to cost-sharing for employer-sponsored insurance plans

Background

Act 191 of 2006, which established Catamount Health, also established the *Employer-Sponsored Insurance Assistance (ESIA)* program. The basic premise was that if a Catamount-eligible applicant also had access to employer-sponsored insurance whose benefits were deemed to be “substantially similar” to the benefits covered by Catamount, the agency would determine whether “it is cost effective to the state to require the individual to purchase the approved employer-sponsored insurance plan with premium assistance.”

Currently the agency primarily looks at deductibles when determining whether an employer-sponsored insurance plan is “substantially similar” to Catamount. Senate Bill 222 as originally proposed would have required the agency to also include “co-payments, co-insurance, and out-of-pocket maximums that shall not exceed those charged under Catamount Health” when determining similarity of benefits for the ESIA program.

S.222 as originally proposed

Catamount has relatively lower co-payments, co-insurance, and out-of-pocket maximums than many other insurance products, even those with similar deductibles. Therefore, under the original proposal it was expected that less employer-sponsored plans would have been eligible for the ESIA program, resulting in a shift of beneficiaries (and likely beneficiaries) from ESIA to Catamount health.¹ It is estimated that approximately half of ESIA beneficiaries would have moved from ESIA to Catamount, which has a higher per-member-per month (PMPM) than ESIA resulting in an increase in spending by the state. Under the original proposal the estimated cost increase to the state for SFY’13 would have been **\$900,000 (gross) / \$392,130 (net)**. On the revenue-side, the beneficiary’s premium would have remained the same resulting in net-neutral revenues.

New Proposal

In addition to concerns over the budgetary impacts, the Administration asserted there could be additional front-end administrative costs and questioned whether they would be able to make the necessary IT changes to the eligibility system by the July 1, 2012 effective date given its known limitations. As such, the Department of Vermont Health Access (DVHA) offered an alternative approach which the Senate Health & Welfare Committee adopted. The new language would expand supplemental drug coverage to ESIA beneficiaries “equivalent to the benefits offered by the Vermont Health Access Plan (VHAP).” The estimated budgetary impact of this new language is **\$120,000 (gross) / \$52,300 (state)**.

¹ The estimated average enrollment in ESIA (as approved by the Emergency Board) for SFY’13 is 874 people.

Other considerations

The effective date is July 1, 2012. The health exchange is expected to commence January 1, 2014, and H.559 as passed the house proposes that the ESIA program would sunset in 2014. Therefore this legislation could be in effect less than 2 years.