Employer Assessment Proposal
House Ways & Means Committee
March 15, 2016

Proposal: Increasing the employer assessment to raise another $8 million annually. The increase would be tiered so that small employers would pay $604 per person annually, reflecting no increase. For employers with 50-249 employees, the assessment would increase 62% to $979 and for employers with more than 250 employees the assessment would increase 127% to $1370.

The Vermont Chamber opposes this increase in the employer assessment, whether it's this tiered proposal or another type of increase.

Uncertainty is a business' most difficult obstacle. For many years now, ever since the Hsiao Report in 2011, businesses have been uncertain of the future of health care in Vermont.

Will it cost more?
Will they be able to continue to offer a benefit to attract good talent?
Will the benefits be better or worse for their employers?
Will they be responsible for increased costs mandated by State?
How will it all impact the wage levels of their employees?
How will that compare with companies outside of Vermont that they compete with?

Since that time, we've answered some of those questions but with the federal and state reforms that have been enacted since, yet a lot of uncertainty still remains.

Employer Assessment Increases
I encourage you to look at the trends over the last few years. When this was the Catamount assessment, it was $365 per year, it is now $604 per year and you are considering significant change. The year Catamount was dissolved this tax raised $11 million and the proposal contemplates raising $27 million – that's 245% growth rate in the course of four years.

Today's proposal demonstrates exactly that uncertainty employers continue to have. Again, as has been done every year since it was enacted, the employer assessment is being considered as a source of revenue for the growing Medicaid program. Some have made the case that employers should pay this because some of their employees are on Medicaid instead of being covered by the employer health care plan, that claim and the policies made by the Legislature deserves further examination.

1. Employer responsibility
    a. We don't use the exchange mechanism. Fortunately, we have been using direct enrollment for the last three years, allowing us to go directly to the insurer to access the health care plans. This work-around has helped reduced the employer frustration commonly seen with individuals using the Exchange.
    b. Employers were initially encouraged to drop insurance. The goal was to separate employment from health care and to draw down a maximum amount of federal subsidies to show a stronger need to bolster the argument for a single payer health care system. And while that direction has been abandoned, those decisions were made and once dropped the current state of the Exchange doesn't entice anyone to change that decision. And now, the penalties for not offering insurance are continuing to grow.
    c. Rep. George Till's 2013 quote

2. Medicaid Growth – While there are several cost drivers creating upward cost pressures for Medicaid, there have been several policy decisions that have led to Medicaid growth which are not employer related and therefore we shouldn't have to pay for them.
    a. Sole proprietors are no longer considered employers as per the ACA and some of those folks have been able to meet the expanded eligibility of Medicaid. This pressure is not an employer responsibility; it was a federal policy decision.
    b. This body chose to expand Medicaid allowing more people to access the state funded program. As part of that expansion the modified adjusted gross income calculation has been changed, disallowing several components of income that have previously qualified as income, allowing more people to be on Medicaid. These changes in MAGI cannot be attributed to low employer wage rates. It was a policy decision to lower the eligibility to allow more workers to access Medicaid.

3. Medicaid eligibility is not solely wage based. If you look at the FPL charts, much of Medicaid eligibility is based on the number of people in the household. This is absolutely not an employer responsibility nor can it be. We cannot and do not ask people we are hiring how many people are in their household nor do we base their wages on that information. So suggesting that employers don't pay enough to keep people off of Medicaid is a false premise. I have an example to demonstrate this.
    - We have a position at the Vermont Chamber that is generally filled by an entry level worker or someone with little experience. It's a receptionist job, answering phones, doing data entry, greeting tourists and helping them find their way. The only qualifications are a pleasant attitude, some light computer experience and a willingness to learn. This job pays $15 per hour with health care benefits (we pay 75%), a generous PTO and holiday policy, and a 401k match. A decent job by many standards.
    - We hired a woman who only had retail and fast food experience. She was taking CCV classes to further her education which we agreed to help pay for as well. We invested in her.
    - After several months, we realized she wasn't taking the health care benefits and my HR person encouraged her and because she was doing well we even offered a raise to

help her pay her 25% portion. That's when we learned that she didn't want the raise nor the health care as her four children were covered by Medicaid.

- This is a common story. As an employer, I provide decent pay and benefits for this job but because of the eligibility standards for Medicaid, employees may decline health care coverage which we then have to pay a penalty for.

So what to do?

I agree with the Chair of the House Appropriations Committee, Rep. Mitzi Johnson who stated last Friday before this committee that as a state, if we want a different budget outcome, that we need to have make different policy choices.

The Medicaid budget is $1.3 billion and growing. An $8 million cut is less than one percent of the budget. We raised over $50 million in taxes last year and on track for nearly $35 million this year. Our economy is not growing enough to keep up with this pace. And these are on top of the natural revenue growth.

Total Impact List

Here is a current copy of the Total Impact List that we have assembled since last April. We have distributed this to our 1,500 members and the many people that attended our presentations in 35 locations around the state this summer and fall.

Economic Growth as an Alternative

We would prefer spending the same amount of policy time and attention on growing the economy which would lead to more natural revenue growth from our existing tax base. We have been reluctant to invest in these areas because the need for existing programs is all consuming. We have been successful in changing the conversation in some areas: stronger telecommunications and broadband infrastructure, marketing Vermont as a place to live and work, increasing training programs, creating a viable path for the 21st century workforce. These components over time will lead to economic growth but there is so much more we could do.