Healthcare Is a Human Right Campaign

Equitable financing of universal healthcare in Vermont

February 26, 2015

The healthcare system financed by this plan will include all residents, except TRICARE and Medicare recipients. Green Mountain Care (GMC) will be publicly and equitably financed through progressive income taxes and graduated payroll taxes on employers. TRICARE, Medicare and Medicaid recipients (those earning less than 138% FPL) will not have to pay income taxes for healthcare. The healthcare system will provide medically necessary health services of at least 94% A/V, plus dental, vision and hearing care.

- This financing plan sets Green Mountain Care on a solid financial footing, with a $362 million surplus in 2017, and guarantees access to comprehensive healthcare for all Vermont residents.

- It improves GMC’s fiscal position by over $200 million compared to the Governor’s proposal, even with including dental, vision and hearing care plus out-of-pocket cost relief for seniors.

Payroll tax

Businesses will contribute to Green Mountain Care through a graduated payroll tax that takes into account their size as well as their wage disparity. Tax obligations will be lower for small businesses and for those with low wage gaps between the bottom and top wage earners, and higher for larger corporations and those that have a greater top to bottom wage ratio. A company’s wage ratio measures the gap between its top 1% wage earners and bottom 50%. This ensures that businesses pay based on their ability, and are encouraged to raise rather than lower the wages of their bottom 50% of workers.

- All businesses with fewer than 50 employees - the vast majority of Vermont businesses – will pay a lower tax rate than under the Governor’s proposal (i.e. lower than 11.5%)

- 60% of businesses will pay an average tax rate of 4%.

Income tax

Vermont residents under 65 years of age will contribute to Green Mountain Care through a progressive income tax that is modeled on the Governor’s proposal. But in the financing plan proposed here, tax rates will increase more gradually than in the Governor’s plan, and payments will not be capped for the wealthy.

- In Green Mountain Care, a family with an income of $50,000 will pay an average of 40% less in healthcare costs than if the current healthcare system continued.

- Three quarters of families will pay a tax rate lower than 9%, many of them will pay much less.

- 65% of Vermont’s residents will pay less than under the Governor’s proposal.
Tax on non-wage income
A tax on non-wage income will ensure that people with substantial wealth contribute to GMC based on their ability. Non-wage income includes stocks, dividends, capital gains, interest, and the trading of stocks and derivatives. The tax rate is flat at 5%, but sliding scale credits will be given to people with incomes under $200k. Additionally, the existing capital gains tax exclusion, which is incompatible with the principle of equity, will be repealed.

- Over three quarters of the revenue from this tax would come from those with incomes above $200k.
- Families under $50,000 of income would pay no unearned income tax

Medicare Affordability Credit
A Medicare Affordability Credit will provide out-of-pocket cost relief for lower and middle income seniors. A sliding scale credit of $500 per person per year will be given as a preloaded card seniors can use at the doctor’s office or hospital toward any co-pays or other out-pocket-costs that Medicare doesn’t cover.

- Every senior whose income is lower than $65,000 will receive a $500 per year Medicare Affordability Credit to help with out-of-pocket costs.

Health system administration
The Green Mountain Care Board will get additional powers so that it can be the administrator of Green Mountain Care. It will become a public corporation similar to other Vermont public authorities. At the start of Green Mountain Care in 2017, Blue Cross Blue Shield VT will be converted into this successor public corporation, and its assets, liabilities, obligations will be received by the GMC Board.

- BCBSVT is not a private company but a non-profit corporation with no investors or stockholders. If dissolved its assets would normally be distributed to another public benefit corporation or another non-profit organization, in this case the Green Mountain Care Board.
- BCBSVT currently holds $132 million in surplus, which GMC can use as an insurance reserve. This would eliminate the need to issue a bond for reserves, which was proposed by the Governor.