

Health Care Reform in Vermont – Does History Always Repeat Itself?

Presentation to the Middle Atlantic
Actuarial Club

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Main Topics

- A Little Background and History
- Act 128 and the “Hsiao Report”
- Act 48 and the future



A Little Background and History

- Vermont is a small state
 - 630,000 people, \$5 billion in health spending
- It's also rural – most people live in small towns and villages
- Vermont has a long history of political activism
 - First state to outlaw slavery
 - First state to enact civil unions

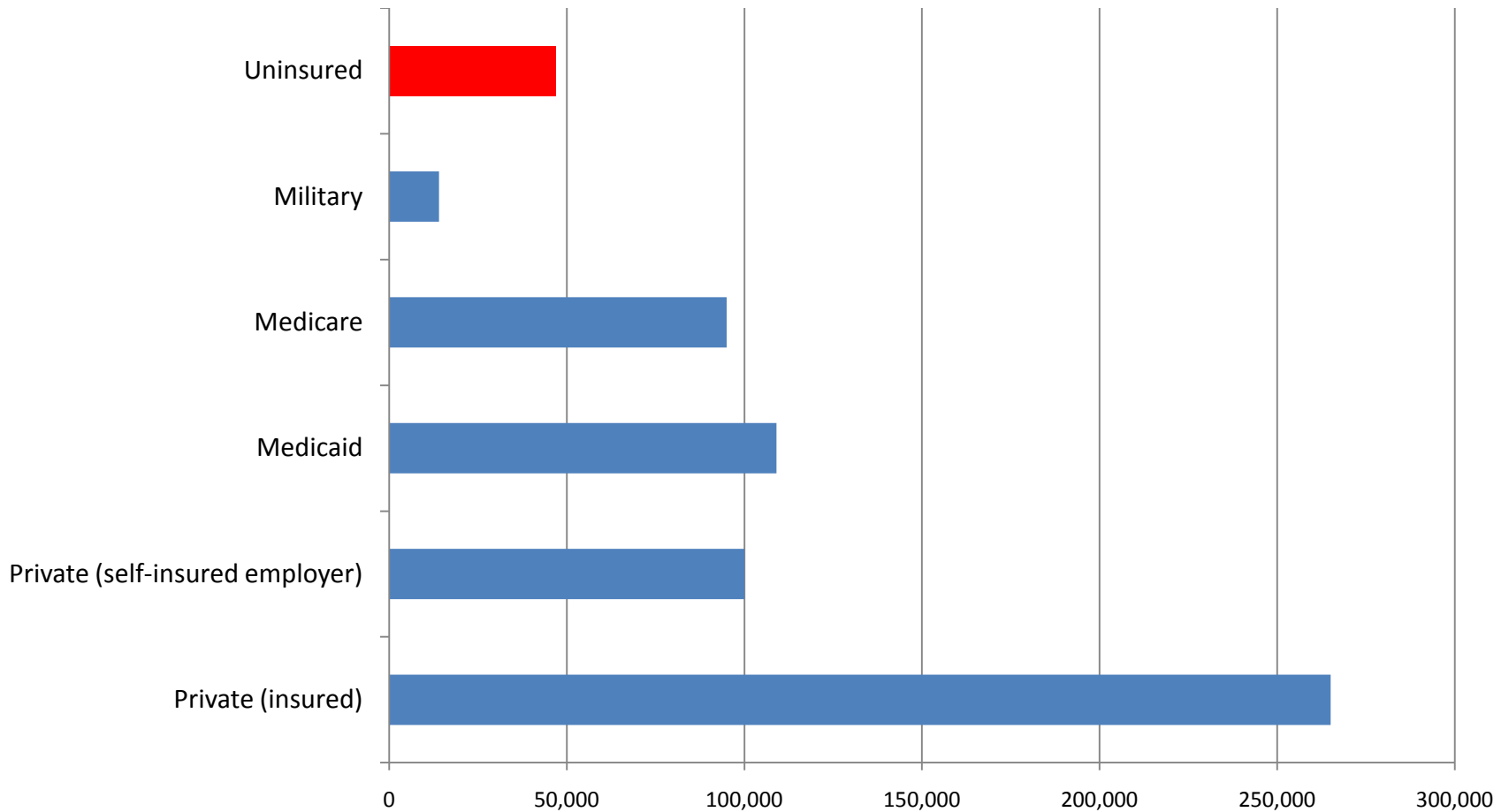


A Little Background and History

- There is minimal competition, both among insurers and among providers
- Three insurers control over 98% of the commercial insurance market
- Hospitals are usually 40 or more miles apart
- Most tertiary care is provided by one hospital in the state and one in New Hampshire



Primary Source of Coverage, 2009



Early History

- While Vermont is among the healthiest states now, during WWII, 30% of Vermonters were rejected by the military for physical health reasons
- Systematic reform efforts began in the early 1970s, with the Daniels Commission, created to explore the need for regulatory authority over the state's health care system.



Daniels Commission Findings (1974)

- Too many specialists, not enough primary care
- Insurance was too complicated
- There were widespread variations in utilization and costs
- Malpractice costs were leading to defensive medicine
- The public was demanding care without regard for costs
- The state had insufficient data



Next Steps

- Certificate of Need (1979)
- Hospital budget review (1983) – not binding until 1995
- Vermont Health Insurance Plan (1988)
 - Too expensive (\$94 million!)
 - Led to the state's first major Medicaid expansion – coverage for kids up to 225% of poverty
- Governor's Blue Ribbon Commission (1991)



Act 160 (1992)

- Created the Vermont Health Care Authority
- Charged HCA with developing 2 plans for universal access
 - Single-payer
 - Managed competition
 - Based on work by Actuarial Research Corporation



Act 160 (1992)

- Plans were rejected by both the legislature and the Governor (Howard Dean, MD)
- Second major Medicaid expansion
 - Childless adults to 150% of poverty (VHAP)
 - 1115 Waiver
 - Covers about 5% of Vermont population
 - Children to 300%



Next Large-Scale Reform Efforts

- H.524 (2005) – single payer; vetoed by Gov. Douglas (R)
- Catamount Health (2006) – compromise between Governor and legislature
 - Coverage offered by private carriers
 - Benefits and payment levels set in statute
 - Eligibility based on being uninsured
 - Premium subsidies up to 300% of poverty
 - Currently about 10,000 people covered



Act 128 (2010)

- Required the legislature to contract with a consultant to develop 3 designs for universal access in Vermont:
 - Single payer
 - Public option
 - Consultant's choice
- Opposed by Gov. Douglas, but he chose not to veto it.



Act 128

- Competitive bid process
- Contract awarded to a team led by Prof. William Hsiao of Harvard.
- Team included Prof. Jonathan Gruber of MIT
 - And me...
- Work began in August 2010, final report delivered in February 2011



“The Hsiao Report”

- Combined actuarial and political analysis
 - Very different from Act 160, which separated the two
 - Findings of political analysis bounded the design process



“The Hsiao Report”

- Key findings and design goals
 - No new spending – additional coverage costs must be offset by savings elsewhere
 - ERISA would present a challenge, but did not rule out large-scale reform
 - Impacts on employers must be minimized
 - Federal funds must be maximized
 - Including the need to preserve value of tax-deductibility of employer contribution



“The Hsiao Report”

- Analytical approach
 - Identify current spending
 - Project into the future as baseline
 - Estimate quantity and timing of savings
 - Develop financing mechanism
 - Estimate macroeconomic impacts



“The Hsiao Report”

- An example of political and quantitative boundaries – financing
- We proposed a payroll tax
 - For those employers who currently offer health insurance, employer and employee contributions would be similar to current
 - To the extent that employers converted premium dollars into wages, use of a payroll tax preserves deductibility.



“The Hsiao Report”

- A little more on analysis
- Starting point with the state’s “Expenditure Analysis”
 - Modeled on NHEA.
 - Done since 1992
- Also used the state’s new “Most-payer” claims database for repricing and estimation of current private insurance actuarial value



“The Hsiao Report”

- Prof. Gruber’s model was used to estimate federal dollars available (ACA premium subsidies) and to do distributional analyses
- A regional I/O model was used to estimate macroeconomic impacts
 - Small net job gain



And Then...

- Governor Douglas (R) decided not to run for re-election in 2010.
- The state elected Peter Shumlin (D)
 - Former President Pro Tem of the State Senate
 - Single payer was a major plank in his platform



Act 48

- Working closely with the Governor's health policy staff, the legislature passed Act 48 in May of 2011.
- Two main parts
 - Enact changes required by ACA (Exchanges)
 - Create a mechanism for moving toward universal access
 - Including codifying goals and principles



Act 48

- Creates the Green Mountain Care Board
 - Delegates to the board many major decisions, including:
 - Design of a financing proposal
 - Design of a benefit package
 - Board members were appointed on 9/13, start work on 10/1



Key Issues

- In addition to financing and benefits...
- What will self-insured employers do?
- How should the exchange be designed to assist transition to universal access?
 - “Single Pipe”
- Savings – how to measure, how to capture?



Important Quotes

- History repeats itself twice – the first time as tragedy and the second time as farce. (K. Marx)
- Those who forget history are doomed to repeat it (G. Santayana)
- ... And sometimes those who remember history are doomed to repeat it anyway (S. Kappel)



Key Documents

- Act 128 –
<http://www.leg.state.vt.us/DOCS/2010/ACTS/ACT128.PDF>
- Hsiao Report -
http://www.leg.state.vt.us/JFO/healthcare/FINAL%20REPORT%20Hsiao%20Final%20Report%20-%2017%20February%202011_3.pdf
- Act 48 -
<http://www.leg.state.vt.us/DOCS/2012/ACTS/ACT048.PDF>



Questions?

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