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H.372

Introduced by Representatives Fisher of Lincoln, Haas of Rochester,

McCullough of Williston and Sharpe of Bristol

Referred to Committee on

Date:

Subject: Health; primary and preventive care; income tax; payroll tax

Statement of purpose: This bill proposes to establish the Vermont freedom health plan to cover certain health-related services for all Vermonters.

An act relating to the Vermont Freedom Health Plan

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 33 V.S.A. § 1901d is amended to read:

§ 1901d. STATE HEALTH CARE RESOURCES FUND

(a) The state health care resources fund is established in the treasury as a special fund to be a source of financing health care coverage for beneficiaries of the state health care assistance programs under the Global Commitment to health waiver approved by the Centers for Medicare and Medicaid Services under Section 1115 of the Social Security Act.

(b) Into the fund shall be deposited:

(1) all revenue from the tobacco products tax and 84.5 percent of the revenue from the cigarette tax levied pursuant to chapter 205 of Title 32;

1 (2) revenue from health care provider assessments pursuant to
2 subchapter 2 of chapter 19 of this title; ~~and~~

3 (3) the proceeds from grants, donations, contributions, taxes, and any
4 other sources of revenue as may be provided by statute, rule, or act of the
5 general assembly;

6 (4) all federal receipts for health care purposes, including all Medicaid
7 receipts and all Medicare receipts upon federal approval;

8 (5) revenue from the Vermont freedom health plan personal income tax
9 surcharge established under section 2036 of this title; and

10 (6) revenue from the Vermont freedom health plan payroll tax
11 established under section 2037 of this title.

12 * * *

13 Sec. 2. 33 V.S.A. chapter 19, subchapter 6 is added to read:

14 Subchapter 6. The Vermont Freedom Health Plan

15 § 2031. DEFINITIONS

16 As used in this subchapter:

17 (1) "Health care provider" shall have the same meaning as in section
18 9432 of Title 18, but shall also include health care facilities as defined in that
19 section.

20 (2) "Health services" means any medically necessary treatment or
21 procedure to maintain, diagnose, or treat an individual's physical or mental

1 condition, including services provided pursuant to a physician's order, and
2 services to assist in activities of daily living provided by a health care provider
3 or in a health care facility as defined in section 9432 of Title 18 or a residential
4 care home as defined in section 7102 of this title.

5 (3) "Qualifying disease" means a specific health or behavioral health
6 condition chosen by the board for which the payment of medically necessary
7 health services will be covered by the Vermont freedom health plan.

8 (4) "Vermont resident" means an individual domiciled in Vermont as
9 evidenced by an intent to maintain a principal dwelling place in Vermont
10 indefinitely and to return to Vermont if temporarily absent, coupled with an act
11 or acts consistent with that intent. The secretary of human services shall
12 establish specific criteria for showing residency.

13 § 2032. VERMONT FREEDOM HEALTH PLAN BOARD

14 (a) The governor, the senate committee on committees, and the speaker of
15 the house shall appoint one individual each to serve as members of the
16 Vermont freedom health plan board within 60 days of passage of this section.
17 Members shall serve for three-year terms or until a successor is appointed,
18 except that initial terms shall be staggered so that no more than one board
19 member's office shall become vacant during any calendar year. The governor
20 may remove a member from office only for cause, after notice and hearing.

1 (b) The board shall have the powers of a nonprofit corporation established
2 under Title 11B in carrying out the purposes of this section. The board may
3 adopt such rules as are necessary or desirable in carrying out the purposes of
4 this section.

5 (c) On or before January 15, 2010 and annually thereafter, the Vermont
6 freedom health plan board shall propose to the general assembly the Vermont
7 freedom health plan, a universally accessible health benefit plan offering
8 coverage to Vermont residents for medically appropriate and cost-effective
9 care and treatment for specific health services or coverage for Vermont
10 residents with qualifying diseases. The board shall incrementally increase over
11 time the number of health services and the types of qualifying diseases covered
12 under the plan subject to funding. The annual plan shall include a summary of
13 any proposed changes to the plan. The first annual plan shall provide coverage
14 for routine and preventive health services, including any associated diagnostic
15 tests and X-rays, primary care health services, and prenatal health services.

16 (1) Specific health services covered by the Vermont freedom health plan
17 shall be determined and amended by the board after consideration of:

18 (A) a public process designed to respond to Vermonters' health care
19 values and priorities;

20 (B) credible scientific research and comment by health care
21 professionals concerning clinical efficacy and risk;

1 (C) health care ethics;

2 (D) the cost-effectiveness of health services and technology;

3 (E) revenues anticipated to be available to finance the Vermont
4 freedom health plan; and

5 (F) the state health plan and the health resource allocation plan
6 established under section 9405 of Title 18.

7 (2) No assistance shall be provided under this chapter with respect to a
8 health service that may be covered in whole or in part by Title XVIII of the
9 Social Security Act (Medicare) or by any other public health benefit plan.

10 (d)(1) The board shall establish a public process for the development of an
11 annual budget to finance the Vermont freedom health plan. The budget
12 process shall provide an opportunity for informed debate by consumers, health
13 care providers, and any other individuals or organizations with an interest in
14 the development of the annual budget. The board shall propose its budget to
15 the general assembly on or before January 15 of each year, including
16 recommended expenditures during the next succeeding calendar year for each
17 sector of the health care system providing a health service under the Vermont
18 freedom health plan and anticipated revenues available to support such
19 expenditures.

20 (2) After the general assembly's approval of the budget for the Vermont
21 freedom health plan, the board shall establish by rule standards and procedures

1 to provide coverage of health services and expenditures that are in financial
2 balance with the approved budget. Such standards and procedures may
3 include:

4 (A) annual budget allocations for hospitals, health care provider
5 specialties, and other health care sectors.

6 (B) uniform reimbursement mechanisms, including a fee-for-service
7 mechanism with volume controls for licensed or certified health care providers.
8 Reimbursement mechanisms shall adequately compensate for the operating
9 costs of providing health services efficiently and may include fee supplements
10 to encourage care and treatment by different health care provider specialties or
11 in different geographic regions of the state.

12 (C) a reference pricing reimbursement mechanism whereby a
13 consumer may choose to pay additional reimbursement for health services
14 determined by the board to be less effective or more expensive than other
15 comparable health services.

16 (D) limits on the number of health care provider specialists that may
17 be licensed under chapter 23 of Title 26 during any two-year period.

18 (3) The Vermont freedom health plan created by this subchapter shall
19 negotiate with health care providers and health care provider networks to
20 establish a payment structure for the covered health services that is sufficient
21 to provide reasonable access to health services covered by the Vermont

1 freedom health plan, to provide sufficient payment to health care providers to
2 cover actual costs, and to encourage health care provider stability. Individuals
3 covered by the Vermont freedom health plan shall be considered Medicare
4 beneficiaries for purposes of chapter 65 of this title (Medicare balance billing).

5 (e) After approval of the Vermont freedom health plan by the general
6 assembly, the agency of human services shall publish a description of the
7 services covered by the Vermont freedom health plan created by this
8 subchapter.

9 § 2033. COST SHARING

10 The board shall establish by rule income-sensitized, minimal deductibles,
11 co-payments, or other cost-sharing amounts applicable to the Vermont freedom
12 health plan created by this subchapter. The plan may also include financial or
13 other incentives that have been demonstrated to encourage healthy lifestyles.

14 § 2034. ADMINISTRATION

15 (a) The administration of the Vermont freedom health plan shall be first
16 offered to qualified bidders through requests for proposals. If no bids are
17 received, the agency of human services shall administer the plan.

18 (b) To qualify as a carrier of the Vermont freedom health plan created by
19 this subchapter, a health insurance carrier must:

1 (1) provide coverage for individuals with qualifying diseases and the
2 health services included by the board in the Vermont freedom health plan and
3 for certain health care providers required under state law;

4 (2) cover preexisting conditions; and

5 (3) have no waiting period for coverage.

6 (c) Any prescription drug coverage offered by the plan created by this
7 subchapter shall be consistent with the standards and procedures applicable to
8 the pharmacy best practices and cost control program established by sections
9 1996 and 1998 of this title.

10 (d) The agency or plan administrator shall make available the necessary
11 information, forms, and billing procedures to health care providers to ensure
12 payment for health services covered under the Vermont freedom health plan.

13 The agency or plan administrator shall inform health care providers of
14 acceptable proof of residency which will qualify an individual for coverage.

15 (e) The agency or plan administrator shall use the simplest form used to
16 determine eligibility for Medicaid, the Vermont health access plan, or any state
17 pharmacy program for enrollment in the Vermont freedom health plan to
18 ensure that any individual eligible for Medicaid, the Vermont health access
19 plan, or the state pharmacy programs has the opportunity to enroll. The agency
20 of human services shall provide coverage for health services up to three
21 months prior to the date of application for Medicaid, the Vermont health access

1 plan, or the state pharmacy programs. The agency shall seek any necessary
2 amendments to any state plans or federal waivers necessary to implement this
3 subsection.

4 (f) A beneficiary aggrieved by an adverse decision of the agency or plan
5 administrator may appeal to the human services board as provided for in
6 section 3090 of Title 3.

7 § 2035. REPORTING

8 The commission on health care reform shall be responsible for legislative
9 oversight of the implementation and ongoing operation of the plan created by
10 this subchapter. The secretary and the board shall report on the
11 implementation of the plan and its ongoing operations and financial status at
12 such times and with such information as the committee determines is necessary
13 to fulfill its legislative oversight responsibilities.

14 § 2036. THE VERMONT FREEDOM HEALTH PLAN INCOME TAX

15 On or before January 1, 2010, the commissioner of taxes shall file for
16 consideration proposed legislation with the general assembly for the
17 establishment of a Vermont freedom health plan income tax. The proposed
18 legislation shall conform to the following principles:

19 (1) The Vermont freedom health plan income tax shall be established as
20 an increase in the state personal income taxation rate or as a surcharge on an
21 individual's income tax obligation.

1 (2) The Vermont freedom health plan income tax shall raise the
2 additional monies needed to fund the Vermont freedom health plan after
3 accounting for the payments made to the Vermont health access trust fund
4 from federal receipts, the Vermont freedom health plan payroll tax, and the
5 cigarette and tobacco products taxes.

6 (3) An individual shall receive a credit against the Vermont freedom
7 health plan income tax for any Medicare premiums paid by the individual.

8 § 2037. VERMONT FREEDOM HEALTH PLAN PAYROLL TAX

9 On or before January 1, 2010, the commissioner of taxes shall file for
10 consideration proposed legislation with the general assembly for the
11 establishment of a Vermont freedom health plan payroll tax. The proposed
12 legislation shall conform to the following principles:

13 (1) All employers, including all agencies or instrumentalities of the
14 state, shall pay a tax on total gross annual payroll in excess of \$20,000.00. The
15 legislation shall include a schedule imposing tax rates that vary with the range
16 of average annual compensation paid by the employer. The rates of tax shall
17 be fixed to raise the same aggregate amount that would have been spent by
18 employers on health care premiums and other health care expenditures in the
19 first year the tax established by this section takes effect.

20 (2) For the period of time when an employer is under a contractual or
21 legal obligation to provide an employee with health care benefits, which

1 benefits are Vermont freedom health plan benefits, the employer shall receive
2 a credit against its Vermont freedom health plan payroll tax obligation equal to
3 the amount it pays during any tax period for such benefits. Entitlement to the
4 credit shall lapse upon expiration of the contractual or legal obligation.