The Road to Green Mountain Care Financing

Michael Costa,
Deputy Director of Health Care Reform
Road to a Finance Proposal:
Four Major Questions

 How much do we pay now?

 How much will Green Mountain Care cost?

 How will we pay for it?

 What will be the economic impact?
Road to a Finance Proposal: How Much Do We Pay Now?

- Individuals and businesses make a substantial and regular direct contribution to health care.

<table>
<thead>
<tr>
<th>Contributing Group</th>
<th>Amount Spent on Health Care (Millions)</th>
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<td>Premiums</td>
<td>1,849</td>
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<td>Out of Pocket</td>
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Source: 2011 Health Care Expenditure Analysis, GMCB
Road to a Finance Proposal: How Much Do We Pay Now?

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- But how do people experience this system?

Source: 2011 Health Care Expenditure Analysis, GMCB
Road to a Finance Proposal:
How Do We Pay Now?

Health Care Spending
Road to a Finance Proposal: How Do We Pay Now?
Road to a Finance Proposal: How Do We Pay Now?

- Premiums
- Out of Pocket

Health Care Spending
Road to a Finance Proposal: How Do We Pay Now?

Health Care Spending

Premiums → Out of Pocket

Foregone Wages
Road to a Finance Proposal: How Do We Pay Now?

- Premiums
- Foregone Wages
- Health Care Spending
- Out of Pocket
Road to a Finance Proposal: How Do We Pay Now?

Consider health care costs embedded in taxes:
- Federal
- State
- Local

Premiums

Out of Pocket

Health Care Spending

Foregone Wages
Road to a Finance Proposal: How Do We Pay Now?

- Health Care Spending
  - Premiums
  - Out of Pocket
  - Foregone Wages

Consider health care costs embedded in taxes:
- Federal
- State
- Local

Consider health care costs embedded in goods and services.
How Do We Pay Now?
An Example Taxpayer

- My friend the landscaper
  - Is this person a winner or loser?
How Do We Pay Now?
An Example Taxpayer

- My friend the landscaper
  - Is this person a winner or loser?

- Opaque health care system makes accurate comparison a huge challenge
Financing System Snapshot

Contribution Profile: % of Income, Family of 3
Silver Level Plan

Income (Family of 3)

Contribution as % of Income

- 0%
- 2%
- 4%
- 6%
- 8%
- 10%
- 12%
- 14%
- 16%
- 18%
- 20%

- 20,000
- 40,000
- 60,000
- 80,000
- 100,000
- 120,000
- 140,000
- 160,000
- 180,000
- 200,000
- 220,000
- 240,000
- 260,000
- 280,000
- 300,000
- 320,000
- 340,000
- 360,000
- 380,000

X Premium
How Much Will Green Mountain Care Cost? Revenue Range, Not a Bullseye

Base Cost Estimate + Policy Choices = Revenue Needed
How Much Will Green Mountain Care Cost?
Revenue Range, Not a Bullseye

Adjustments as we update and scrutinize plan
Any costs to operationalize GMC
Financing Process

- UMASS/Wakely baseline
  - PLUS
- Adjustments & implementation costs
  - PLUS OR MINUS
- Policy levers
  - EQUALS
- Green Mountain Care public financing
Road to a Finance Proposal: 
How Much Will Green Mountain Care Cost?

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<th>UMASS/Wakely GMC Cost &amp; Revenue Streams</th>
<th>Dollars (Millions)</th>
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<tr>
<td>Total System Costs</td>
<td>(5,916)</td>
</tr>
<tr>
<td>Federal: Medicare</td>
<td>1,613</td>
</tr>
<tr>
<td>Federal: Medicaid Match</td>
<td>1,247</td>
</tr>
<tr>
<td>Federal: ACA</td>
<td>267</td>
</tr>
<tr>
<td>Federal: Other</td>
<td>209</td>
</tr>
<tr>
<td>State Medicaid Funding</td>
<td>637</td>
</tr>
<tr>
<td>Individuals and Employers (Non-GMC)</td>
<td>332</td>
</tr>
<tr>
<td>Total Sources of Funds</td>
<td>4,305</td>
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<tr>
<td>Amount to be Publicly Financed</td>
<td>(1,611)</td>
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A new financing system will need to produce $1.6 billion in funding that was previously paid by individuals and employers.
Road to a Finance Proposal: How Will We Pay for It?

- Green Mountain Care will feature *a new funding source, not new funding*
  - Policy debate should focus on redirecting the money Vermonters already spend

- Paying less to cover more people with more valuable benefits
Road to a Finance Proposal: How Will We Pay for It?

- Individuals and businesses make a substantial and regular contribution to health care
  - They should expect that may continue in some form
Road to a Finance Proposal: How Will We Pay for It & Economic Impact?

- Process
  - Develop multiple options for raising the required revenue
  - Assess the impact of finance plan on taxpayers, Vermont’s economy, and Vermont’s revenue streams
  - Goal is to discuss potential revenue options in 2014 and present a plan to the Legislature in January 2015
Ongoing Considerations

- Data gathering on current system
- Tax status of contributions
- Transitions and stabilizers
- Developing consensus on GMC costs over time
- Simplicity versus fairness
The Road to Green Mountain Care Financing

- Most importantly, what are your questions?