
2017 FINANCING PLAN



2017 Financing Plan

- A plan to provide universal health care coverage to all residents, primarily through Green Mountain Care, beginning in 2017
- Consultants Retained:
 - University of Massachusetts Center for Health Law and Economics - a health policy consulting team
 - Wakely Consulting - an actuarial firm

UMass and Wakely were retained to:

- Estimate the likely covered population in 2014, by type of coverage, for all Vermonters, given changes resulting from implementation of the Affordable Care Act.
- Estimate the likely 2014 costs of coverage for health care for all Vermonters, given changes resulting from implementation of the Affordable Care Act.
- Estimate changes in types of coverage and costs of coverage from 2014 to 2017, required under Green Mountain Care in Act 48
- Examine the current distribution of cost burden of coverage on Vermonters and Vermont employers.
- Assess potential revenue sources to fund Green Mountain Care.

Health Reform Base Model 2017

- All Vermont residents will be enrolled automatically in Green Mountain Care (GMC)
- If individuals have other coverage (e.g. ESI or Medicare), the other coverage would pay first and GMC would supplement as needed (“GMC Secondary”)
- GMC will provide comprehensive health care benefits, including:
 - comprehensive mental health and substance abuse services,
 - pharmaceuticals,
 - pediatric dental and vision care, and
 - care coordination
- GMC enrollees who meet Medicaid eligibility criteria will also be eligible for certain federally mandated services such as EPSDT, non-emergency transportation, and LTSS

Health Reform Base Model 2017

- The GMC plan has an actuarial value of 87%: Individuals, in aggregate, pay 13% of costs through copayments & deductibles
- Low-income individuals who are eligible for cost-sharing subsidies under the federal Affordable Care Act (ACA) also receive those subsidies in GMC.
- GMC pays health care providers 105% of Medicare rates.
- Administrative functions are provided by a unified system
- Additional options modeled separately: covered services, actuarial value, provider payment levels

Estimated GMC Base Costs 2017

Estimated health care costs under GMC in 2017, does not include administrative costs (in Millions)

GMC Primary (not eligible for Medicaid-match)	\$1,519
GMC Primary - Medicaid-Match Eligible	\$1,230
GMC Secondary – Medicaid-Match Eligible	\$645
GMC Secondary - Medicare Primary	\$83
GMC Secondary – ESI or Other Primary	\$21
Total GMC Base Costs	\$3,498

Additional Options Modeled

- Incremental savings/cost relative to Base Model:
 - Providers paid 100% Medicare Rates
 - Providers paid 110% Medicare rates
- Incremental savings/cost relative to Base Model:
 - Actuarial value 80% (plus ACA cost-sharing subsidies)
 - Actuarial value 100% (no out-of-pocket cost sharing)
- Incremental cost of additional benefits:
 - Adult dental (2 coverage levels modeled)
 - Adult vision
 - Comprehensive long-term services and supports (LTSS)

GMC Additional Options, 2017

- Estimated health care costs under GMC in 2017, does not include administrative costs (in Millions)
- These amounts cannot be simply added, the whole is greater than the sum of the parts

Provider payment rates: 100% Medicare	(\$113)
Provider payment rates: 110% Medicare	\$113
Actuarial value 80%	(\$225)
Actuarial value 100% (no individual cost sharing)	\$631
Adult Dental: Tier 1 Preventive (100%) & Tier 2 Restorative (80%)	\$218
Adult Dental: Tier 1 Preventive (100%), Tier 2 Restorative (80%) & Tier 3 Major Services (50%)	\$294
Adult Vision	\$46
Comprehensive Long-Term Services & Supports (LTSS)	\$917

Additional value provided by GMC in 2017

The \$3.5 billion total cost of GMC includes:

- \$77 million to cover the cost of the 12,128 individuals who would otherwise be uninsured in 2017
- \$127 million to provide additional medical, pharmaceutical and dental benefits to 127,747 previously under-insured individuals
- \$21 million to provide wrap coverage for 19,019 individuals who have ESI or other primary coverage
- \$7 million to provide dental care to 21,736 children who would be uninsured for dental services without reform
- \$1 million to provide vision care to 26,753 children who would be uninsured for vision services without reform
- \$314 million to eliminate Medicaid cost-shifting, that is to bring Medicaid rates up to 105% of Medicare rates

Additional value provided by GMC in 2017

New benefit	Provided to	Number of individuals	Cost (millions)
Full health insurance coverage	Previously uninsured individuals	12,128	\$77
Additional medical, pharmaceutical and dental benefits	Previously under-insured individuals	127,747	\$127
Wrap coverage	Individuals who have ESI or other primary coverage	19,019	\$21
Pediatric dental care	Children who were uninsured for dental	21,736	\$7
Pediatric vision care	Children who were uninsured for vision	26,753	\$1
Eliminate Medicaid cost-shifting (increase Medicaid rates to 105% Medicare rates)	Health care providers	NA	\$314
TOTAL			\$547



Total Statewide Health Care Costs, 2017

- Total cost includes GMC costs and non-GMC costs (Millions)
- With reform, all Vermonters have health insurance
- With reform, many Vermonters have access to more comprehensive benefits than without reform
- In 2017, claims cost (health care costs) are \$87 million higher with health reform to pay for this additional care, and administrative costs are \$122 million lower
- Net savings in year 1: \$35 million

	Number of Individuals	Total Paid Claims Per Year	Administrative Cost	Total Cost with Reform
Total cost without reform	636,244	\$5,428	\$523	\$5,952
Total cost with reform	636,244	\$5,515	\$401	\$5,916
Additional cost (savings)		\$87	(\$122)	(\$35)

Total Statewide Health Care Costs, 2017-2019

- Single payer health reform is estimated to save \$289 million over the first 3 years
- Conservative estimate of savings, just from creating single payer system

	2017	2018	2019	3 year total
Without reform	\$5,952	\$6,262	\$6,606	\$18,819
With reform	\$5,916	\$6,175	\$6,448	\$18,539
Savings with reform	\$36	\$86	\$158	\$281

Potential additional savings

- Hsiao identified additional savings that could accrue to the system over 5-10 years, not considered here
- Vermont will need to take additional steps to gain these savings; single payer system supports these efforts

	Option 1	Option 2	Option 3	Time frame
Reduced Fraud and Abuse	5.0%	5.0%	5.0%	5 years
Shift to Integrated Delivery System	10.0%	5.5%	10.0%	10 years
Medical Malpractice Reform	2.0%	2.0%	2.0%	5 years

Hsiao , Kappel & Gruber, Act 128 Health System Reform Design: Achieving Affordable Universal Health Care in Vermont, February 17, 2011, p.56.



Sources of Funds, 2017 (Millions)

- A new financing system will need to produce \$1,611 million in funding that was previously paid by individuals and employers, a substantial reduction from the current system.

	Without reform	With reform	Difference
Individuals and Employers	\$2,228	\$332	(\$1,896)
Federal: Medicare	\$1,613	\$1,613	\$0
Federal: Medicaid Match	\$998	\$1,247	\$249
Federal: ACA	\$267	\$267	\$0
Federal: Other	\$209	\$209	\$0
State Medicaid Funding	\$637	\$637	\$0
Total Sources of Funds	\$5,952	\$4,305	(\$1,647)
Total System Costs	(\$5,952)	(\$5,916)	\$38
Amount to be Financed		(\$1,611)	(\$1,611)



Current financing

- Currently, Vermonters spend nearly \$6 billion annually to finance the present health care system, including federal contributions.

Contributing Group	Amount Spent on Health Care (Billions)
Out of Pocket	846.0
Private Insurance	2,186.4
Medicare & Medicaid	2659.2
Other Government	238.9
Total	5,930.8

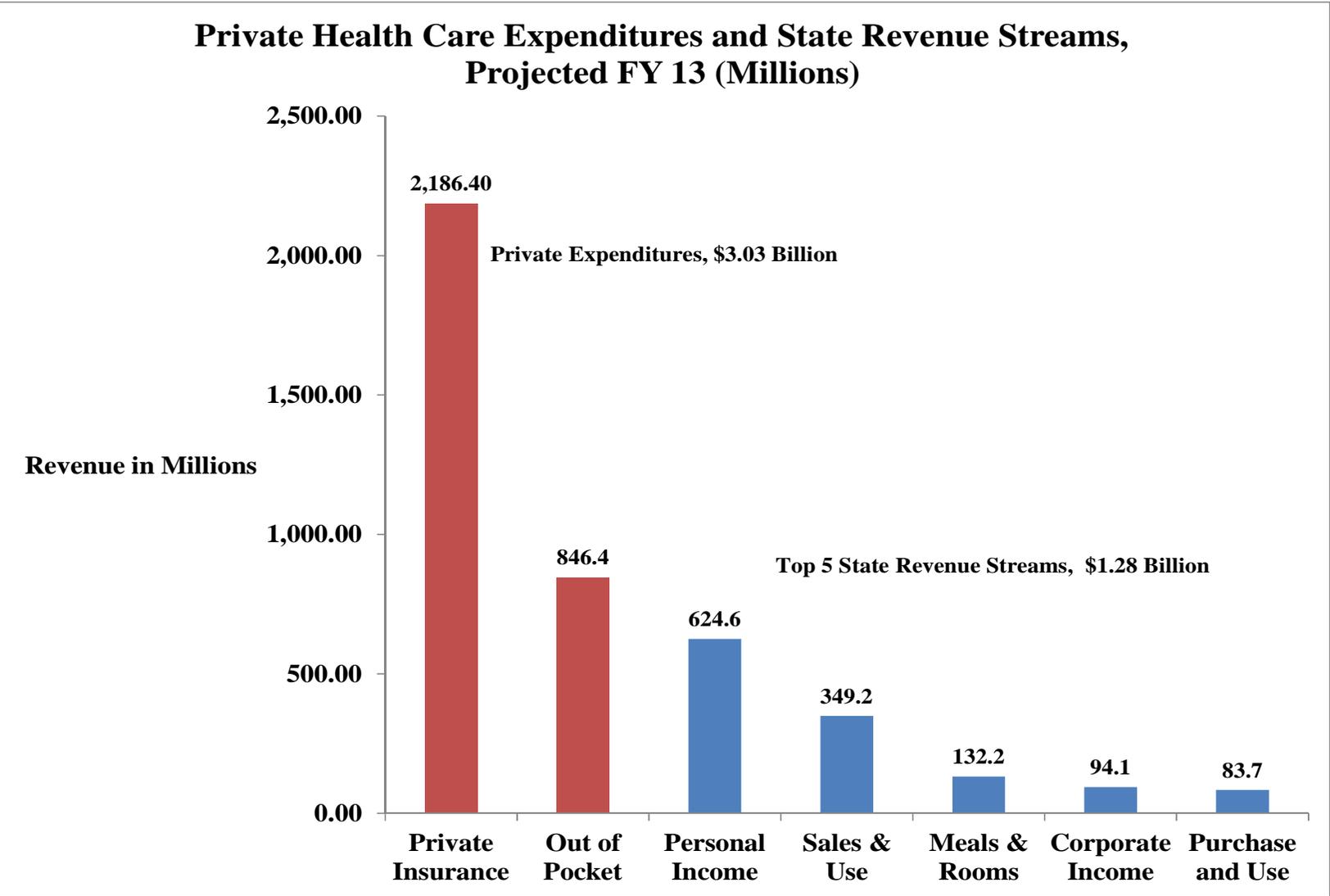
Current financing

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

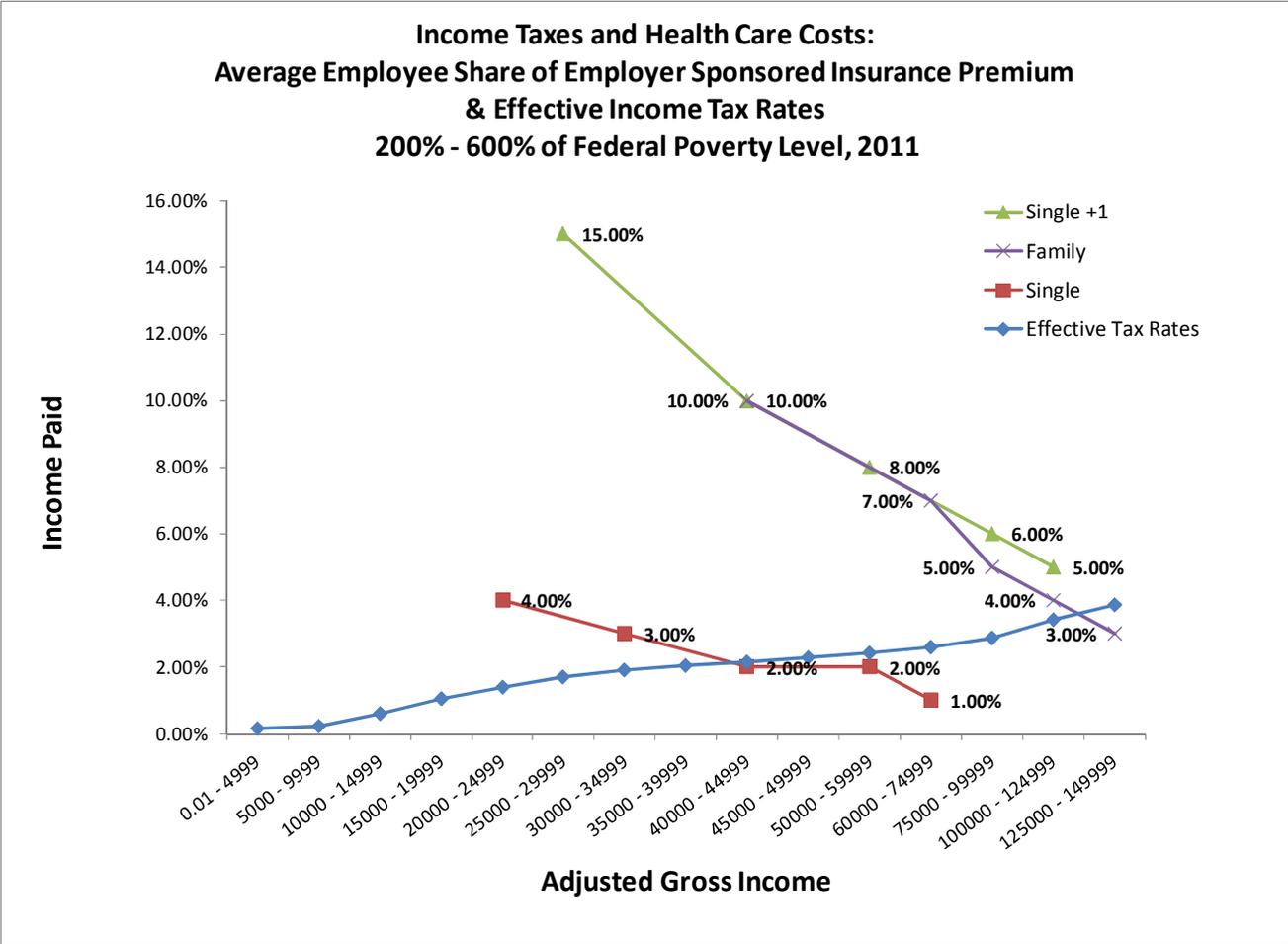
Contributing Group	Amount Spent on Health Care
Employers	1,749.2
Individuals	1,283.7

- This contribution to the current health care system dwarfs Vermont's major revenue streams.

**Private Health Care Expenditures and State Revenue Streams,
Projected FY 13 (Millions)**



Current financing is inequitable



Future Financing Mechanism

- 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.

Financing Considerations

- Consider relevant models
 - Current revenue system
 - Other states and the federal government
 - Other countries

- Consider current law policy choices
 - Tax expenditures as an example of opportunity

Revenue Sources

Revenue Source	FY 2013 Revenue (Forecast)	Tax Rate	Unit of Tax	New Revenue (Millions)
Payroll Tax	N/A	N/A	1%	119
Personal Income Tax	624.6	Various	1%	109
Sales and Use Tax	349.2	6%	1% Sales	58.2
Meals & Rooms (and Alcohol)	132.2	9% & 10%	1% Sales	14.6
Corporate Income Tax	94.1	Various	1% Surcharge	0.9
Purchase and Use	83.7	6%	1% Sales	14.0
Cigarettes & Tobacco	74.3	2.62 per pack	1 Penny	0.3
Gasoline	59.1	0.19	1 Penny per Gallon	3.2
Insurance Premium	59.3	Various	1% Value	29.2
Property Transfer Tax	28.3	Various	1% surcharge	0.3
Liquor	16.8	25%	1%	0.7
Diesel	15.6	0.25	1 Penny per Gallon	0.6
Bank Franchise	10.4	0.0096%	.0001% Increase	0.1

Current Tax Expenditures

Tax Type	Revenue Impact (2014 Estimated, Millions)
Sales and Use Tax	595.4
Income Tax (Federal Pass-Through)	289.9
Property Taxes	277.1
Personal Income Tax (State Level)	50.2
Purchase and Use	30.4
Insurance Premium	19.5
Gasoline & Diesel	13.2
Meals and Rooms	11.0
Corporate Income Tax	4.39
Bank Franchise Tax	3.7
Total	1290.4



Financing Considerations

- Relationship between principles and funding sources
 - Equity
 - Affordability
 - Stability
 - Economic competitiveness
- Impact of revenue sources
 - Incidence of revenue streams
 - Wage earner contributions v. non-wage earner contributions
 - What is the right mix of sources?
- Revenue streams influence behavior

Financing Considerations

- The ability of the financing sources to sustain your health care priorities over time
- The impacts and fairness of financing on individuals
- The impacts on the business and provider communities
- Engagement on these issues and policy principles

Feedback from Vermonters on health care financing principles

Figure 1: Policy Preferences - Sum of All Listening Sessions

