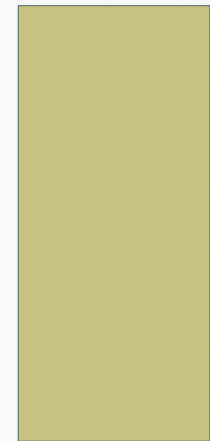


2011 VERMONT HEALTH CARE EXPENDITURE ANALYSIS

GREEN MOUNTAIN CARE BOARD

APRIL, 2013



PURPOSE OF THE EXPENDITURE ANALYSIS

The Vermont Health Care Expenditure Analysis provides information on health care spending for services delivered in Vermont and for services provided to Vermont residents within Vermont and in other states. The analysis is prepared annually, and 2011 is the most recent year for which we have the most complete expenditure data. The analysis relates to both calendar year and federal fiscal year 2011 since payers and providers report on different fiscal years.

Responsibility for preparing the Expenditure Analysis rests with the Green Mountain Care Board (GMCB). This report is intended to be a tool to educate the public about health care spending and to support health policy-makers in their decision-making.

THE EXPENDITURE ANALYSIS INCLUDES TWO DIFFERENT PERSPECTIVES

Resident analysis

- includes premiums and other expenditures on behalf of Vermont residents, regardless of where their health care was provided

Provider analysis

- includes all revenue received by providers located within Vermont, regardless of where the patient resides

Because some Vermonters obtain health care out-of-state and some non-Vermonters come to Vermont for care, both of these analytical constructs are necessary to understand total health care spending. Results of the resident analysis are provided first in this report, followed by results of the provider analysis.

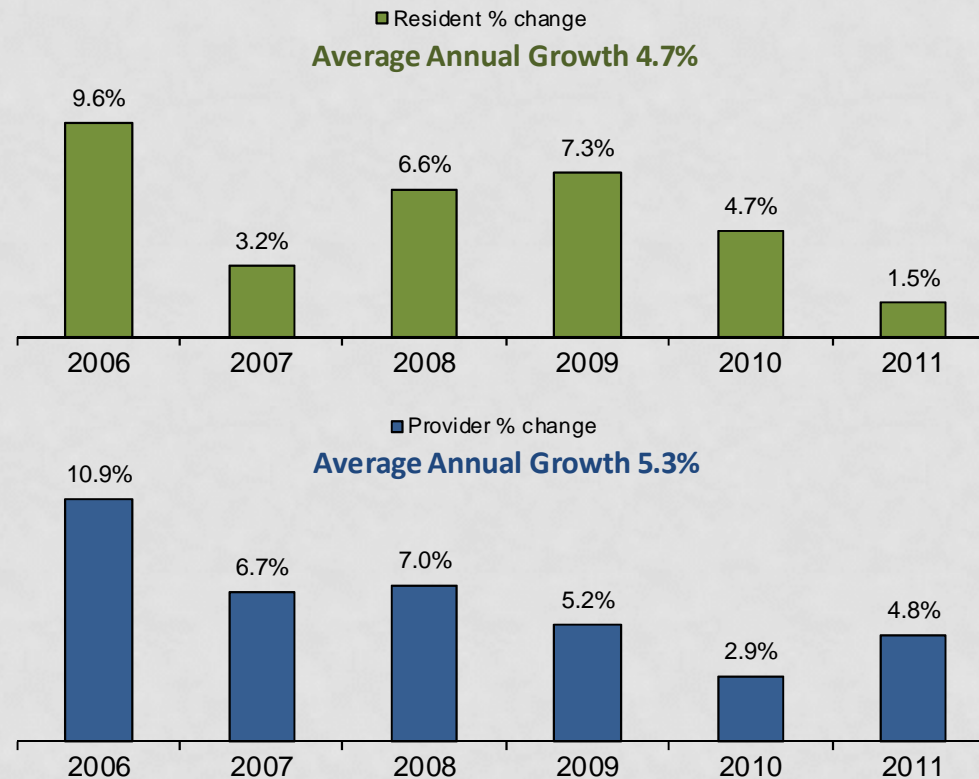
WHAT HEALTH CARE SPENDING IS COUNTED IN THE EXPENDITURE ANALYSIS?

For the purposes of this report, health care expenditures have been compiled to allow comparisons to the National Health Expenditures model. Broad categories include:

- Hospital services
- Physician services
- Other professional services such as chiropractic, physical therapy and podiatry
- Home health care
- Nursing home care
- Drugs, supplies, and over-the-counter medicine
- Vision products and durable medical equipment (DME)
- Dental services
- Administrative costs related to health insurance including changes to reserves for future claims
- Government health care activities (primarily mental health, substance abuse, and disability program spending)
- Other, unclassified health services such as ambulance, college clinics, etc.

Currently, the analysis does not include certain types of alternative or complementary therapies or unpaid care (such as care provided by family members).

ANNUAL CHANGE AS MEASURED BY PROVIDER AND RESIDENT SPENDING VIEWS



Note: Use caution in reading year-to-year differences in health care spending or differences between resident and provider analyses in a single year, as Vermont is small and statistical anomalies can occur in single-year data readings.

HIGHLIGHTS OF SPENDING ON VERMONT RESIDENTS

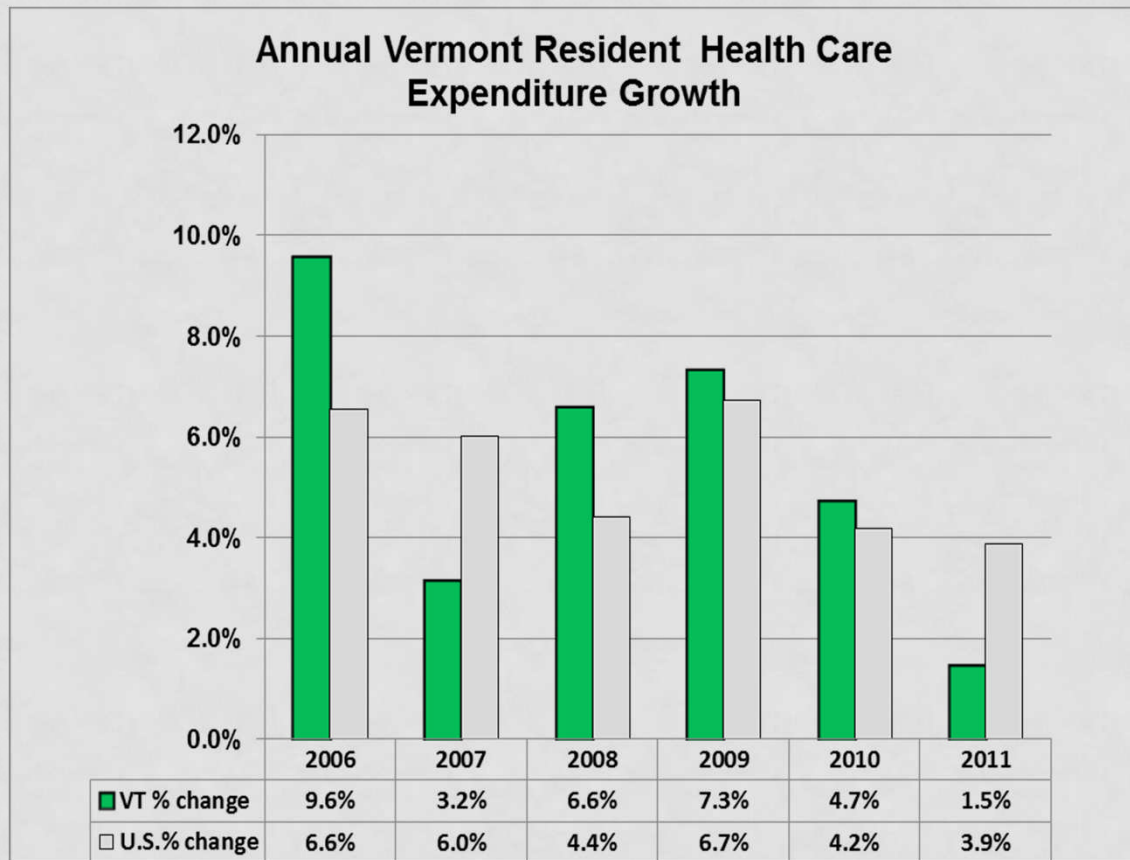
- Expenditures for health care services provided to Vermonters grew 1.5% in 2011. This compared with growth of 4.7% in 2010 and also 4.7%, on average, annually between 2006 and 2011.
- The spending increase was seen primarily in the hospitals. Most other providers showed slower growth.
- Vermont health care spending growth is predicted to accelerate again. Vermont rates of growth are estimated at 6.5% for 2012, 4.6% for 2013 and 7.0% for 2014. We do not yet have full data on actual 2012 expenditures.
- Predicted rates of growth nationally were 4.2% for 2012, 3.8% for 2013, and 7.4% for 2014.
- Caution should be used in trying to forecast trends based upon a single-year change, especially in a small state.

HIGHLIGHTS, CONTINUED

- Vermont private insurance expenditures showed a decline from 2010 to 2011 that was not due to enrollment changes or a decrease in claims paid.
- The private insurance decrease was related to overall changes in the cost of administering insurance and in decreased profits.
- Medicaid showed slower growth for the 2nd year in a row, increasing only 2% (\$25 million) over 2010.

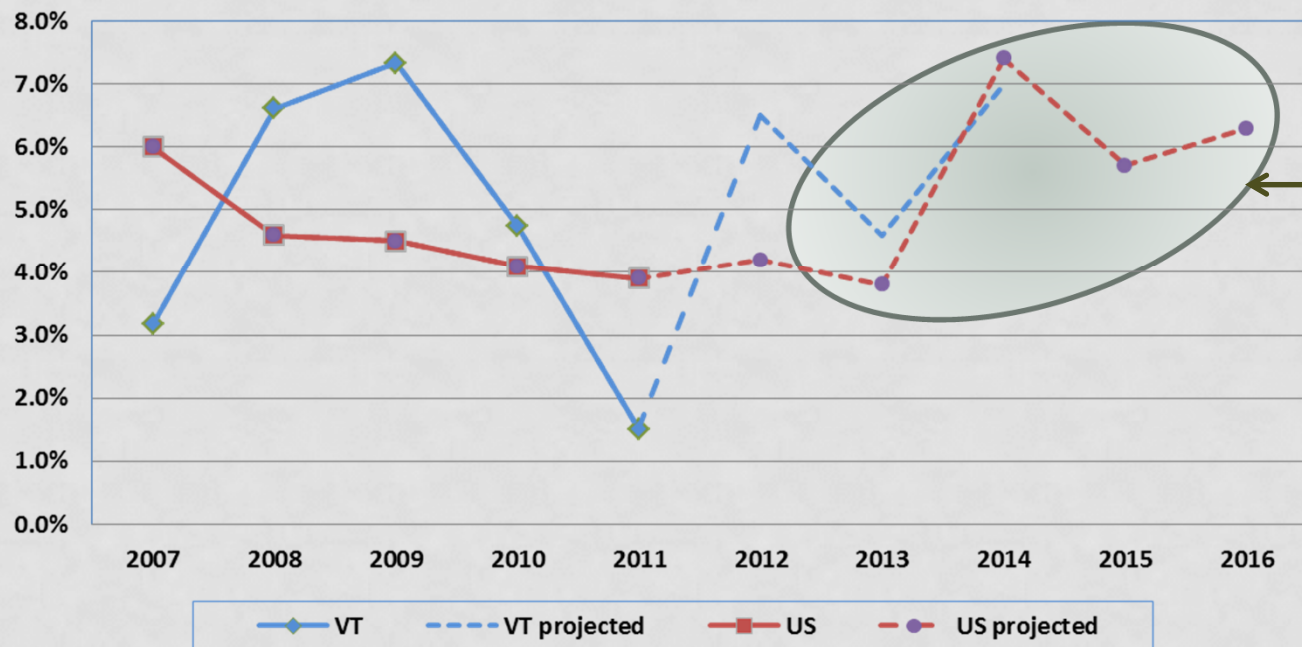
WHAT IS THE RATE OF GROWTH IN VERMONT COMPARED WITH THE U.S.?

Expenditures for health care services received by Vermonters grew 4.7% per year 2006-2011 and 1.5% from 2010-2011.



IF VERMONT FOLLOWS NATIONAL TRENDS, THE ACTUAL RATE OF GROWTH FOR 2012 AND PREDICTED RATES OF GROWTH FOR 2013 AND 2014 WILL BE HIGHER THAN 2011.

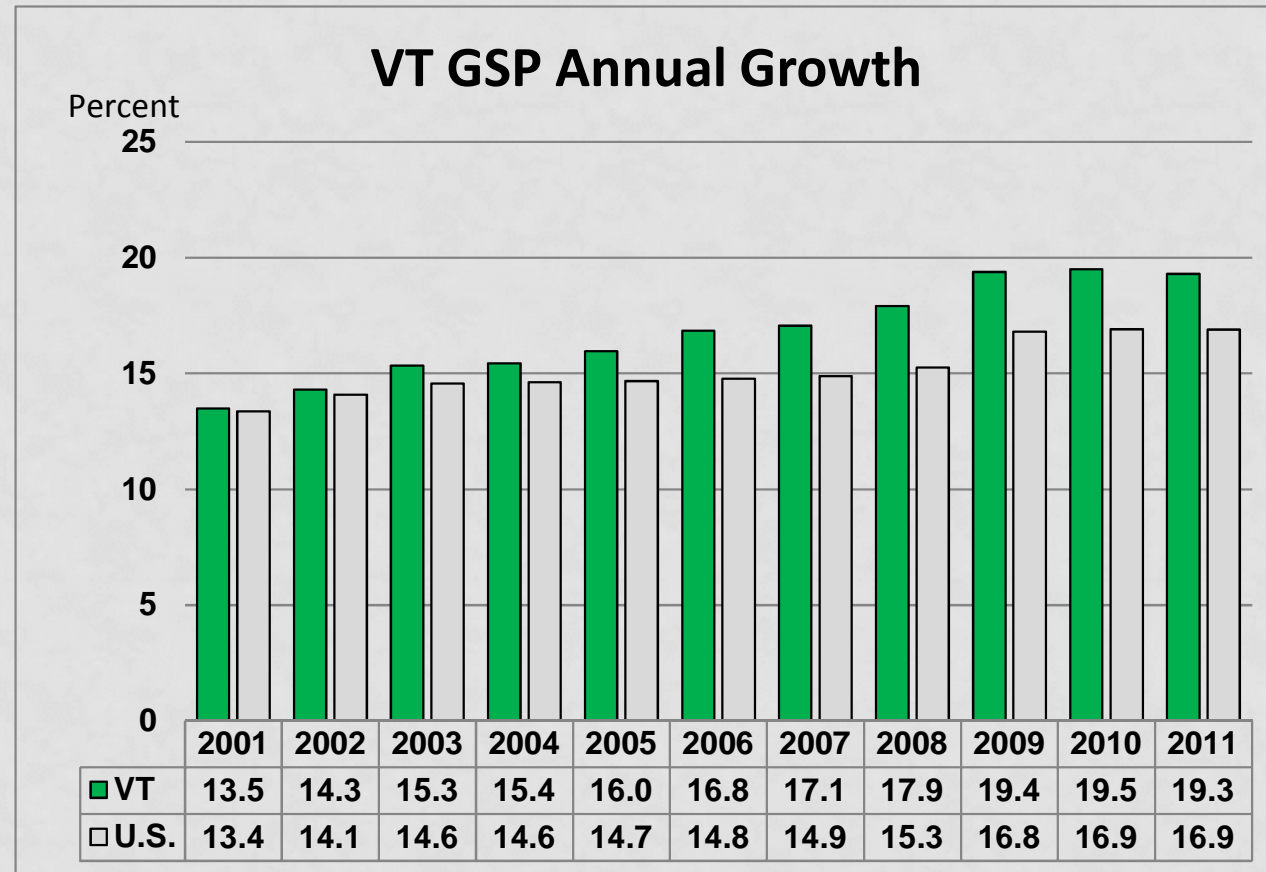
Annual Resident
Health Care Expenditure Growth
Actual and Projected



VT's projections based on national data

HEALTH CARE INFLATION RESULTS IN A GROWING SHARE OF GROSS STATE PRODUCT DEDICATED TO HEALTH CARE

Vermont's health care expenditures as a percentage of GDP/GSP continue to be higher than the US average: up from 13.5% in 2001 to 19.3% in 2011.

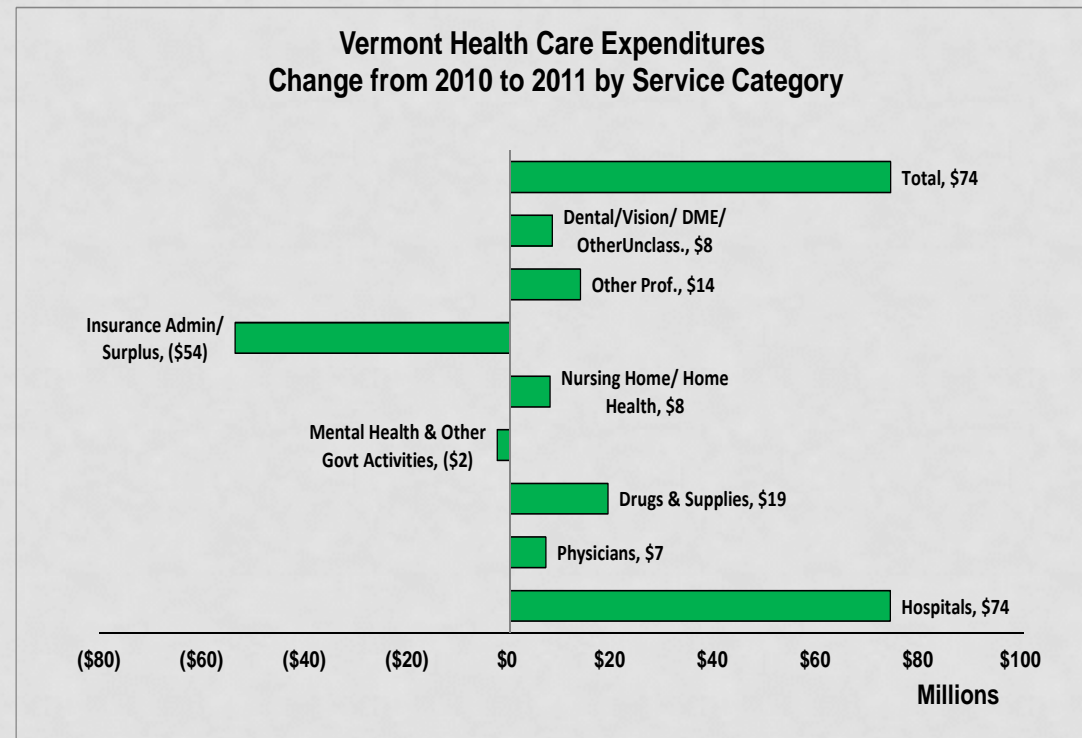


WHAT ACCOUNTS FOR THE COST INCREASE?

From 2010 to 2011 total Vermont health care expenditures increased \$74.2 million.

Hospitals expenditures account for the majority of the increase in expenditures.

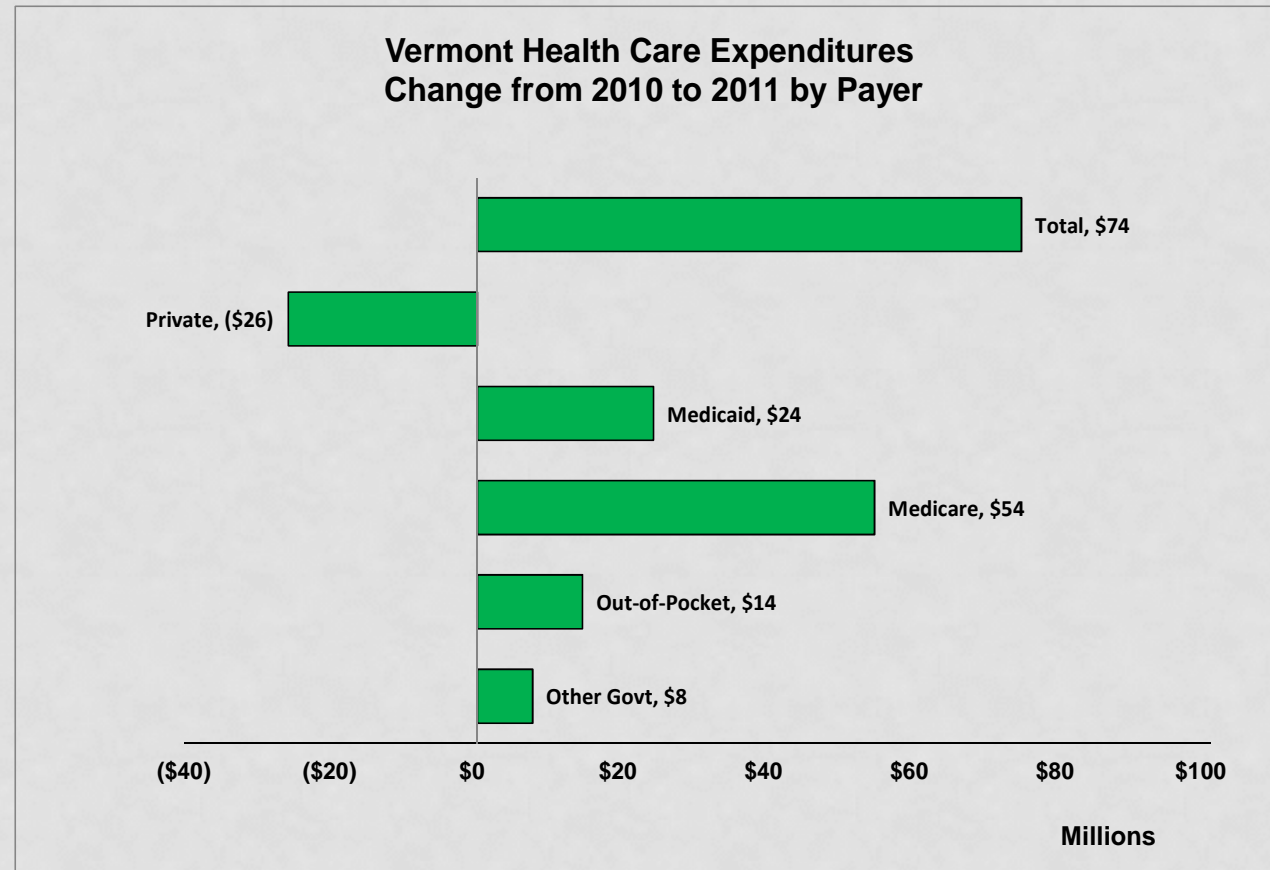
Insurance administrative expenses and surpluses decreased 12.9% from 2010 and mental health and other government activities decreased 0.5%.



WHO PAID FOR THE COST INCREASE?

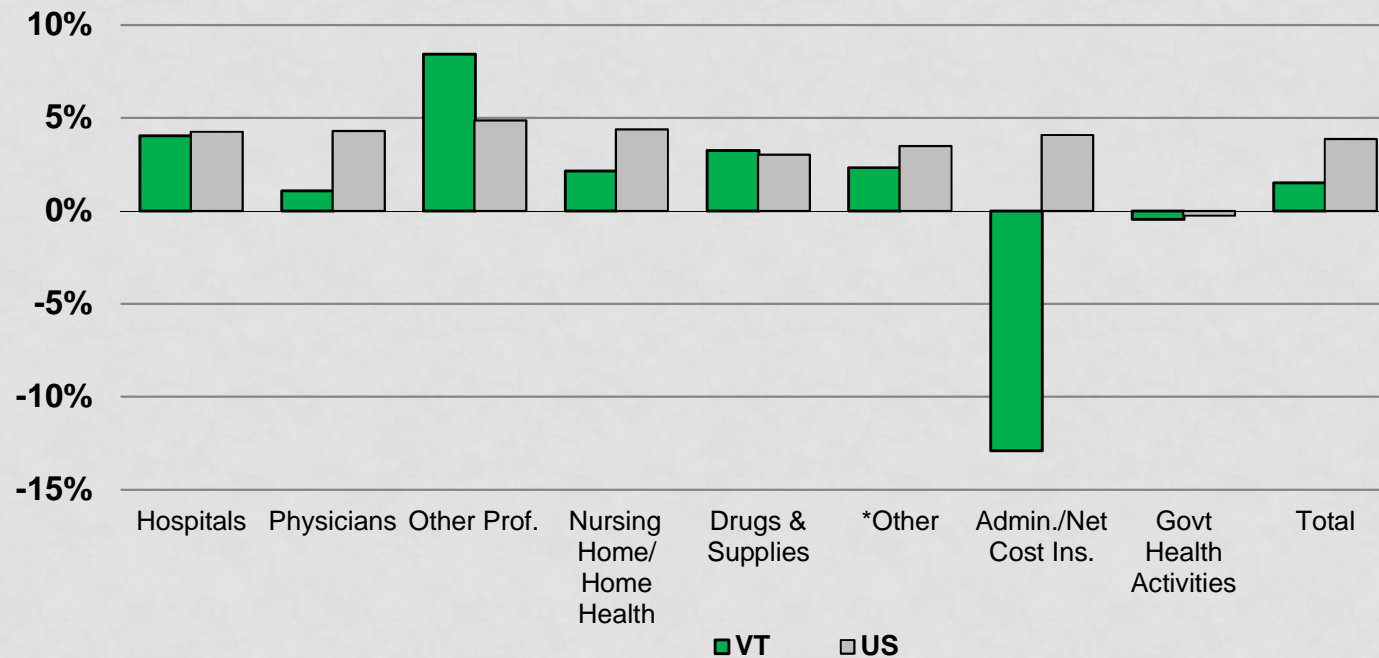
Vermont health care spending growth was low for all payers in 2011.

Medicare had the highest growth rate.



HOW DID COST INCREASES VARY BY PROVIDER SERVICE?

**Vermont Resident Health Care Expenditures
Growth by Provider Service Categories 2010-2011**



* Other includes services rendered by other unclassified professionals, medical equip. suppliers, vision providers, and other misc. providers

HEALTH CARE COVERAGE OF VERMONTERS

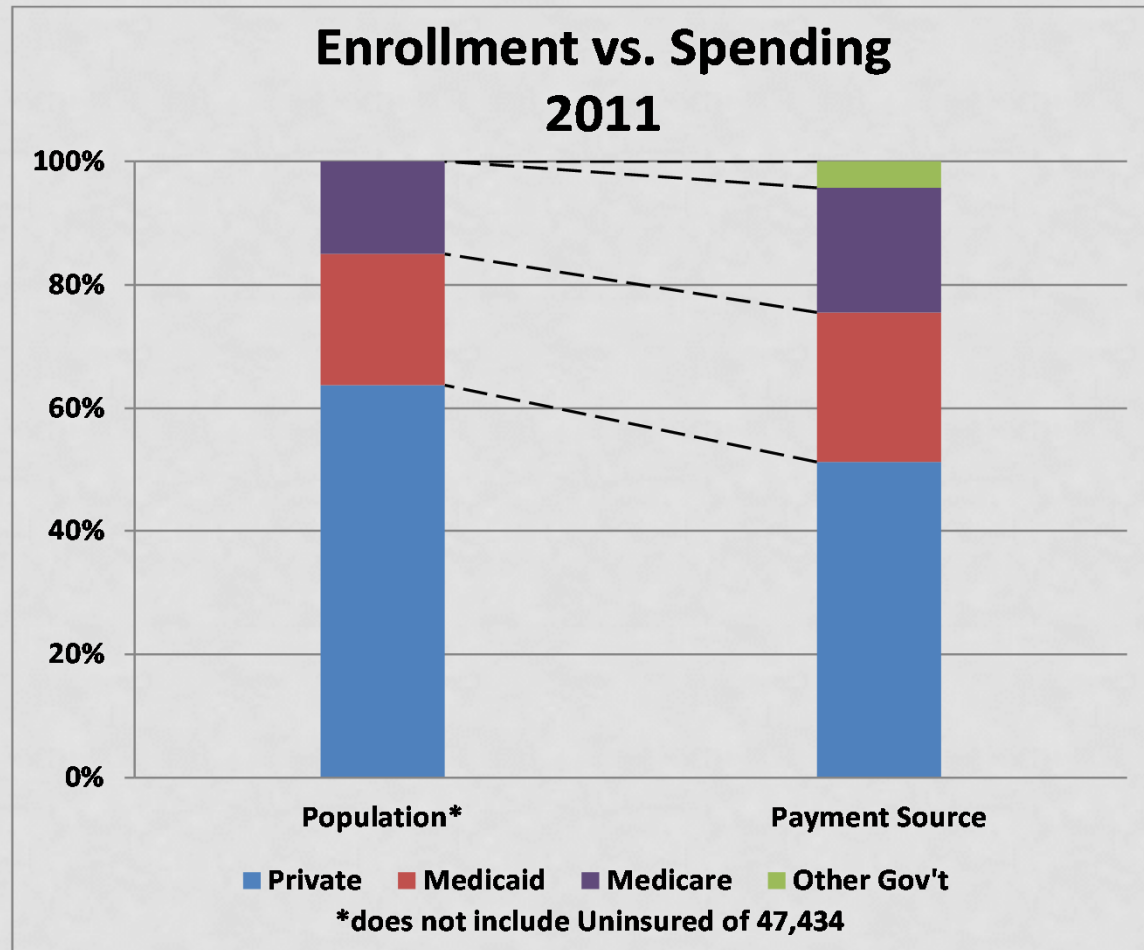
Health Insurance Coverage Profile Vermont Residents 2010-2012

Category	2010	2011	2012
Private Insured Market			
Non-group	4,872	4,466	4,014
Large Employer	62,120	64,849	63,859
Small Employer	23,688	27,000	22,829
Association	79,902	74,192	64,777
Insured Market Subtotal	170,582	170,507	155,479
Self-insured Employer Plans			
Self-insured Employer Plans	96,565	107,434	109,747
Federal Employees Health Benefit Plan & Military	27,929	25,760	31,273
Other			
VT residents covered under insurers situated outside VT	61,796	51,358	51,358
Catamount Health	12,607	13,900	14,069
Private Insured Market	369,479	368,959	361,926
Government Coverage			
Medicaid	122,096	123,263	113,891
Medicare	86,610	86,775	108,395
Government Coverage	208,706	210,038	222,286
Uninsured			
	47,556	47,434	44,568
Total Vermont Population	625,741	626,431	628,780

The changes in Gov't coverage are due to better data sources in 2012, not a shift in enrollees.

Note: 2012 reflects new updated sources not previously available

HEALTH CARE COVERAGE AND COSTS: ENROLLMENT VS. SPENDING



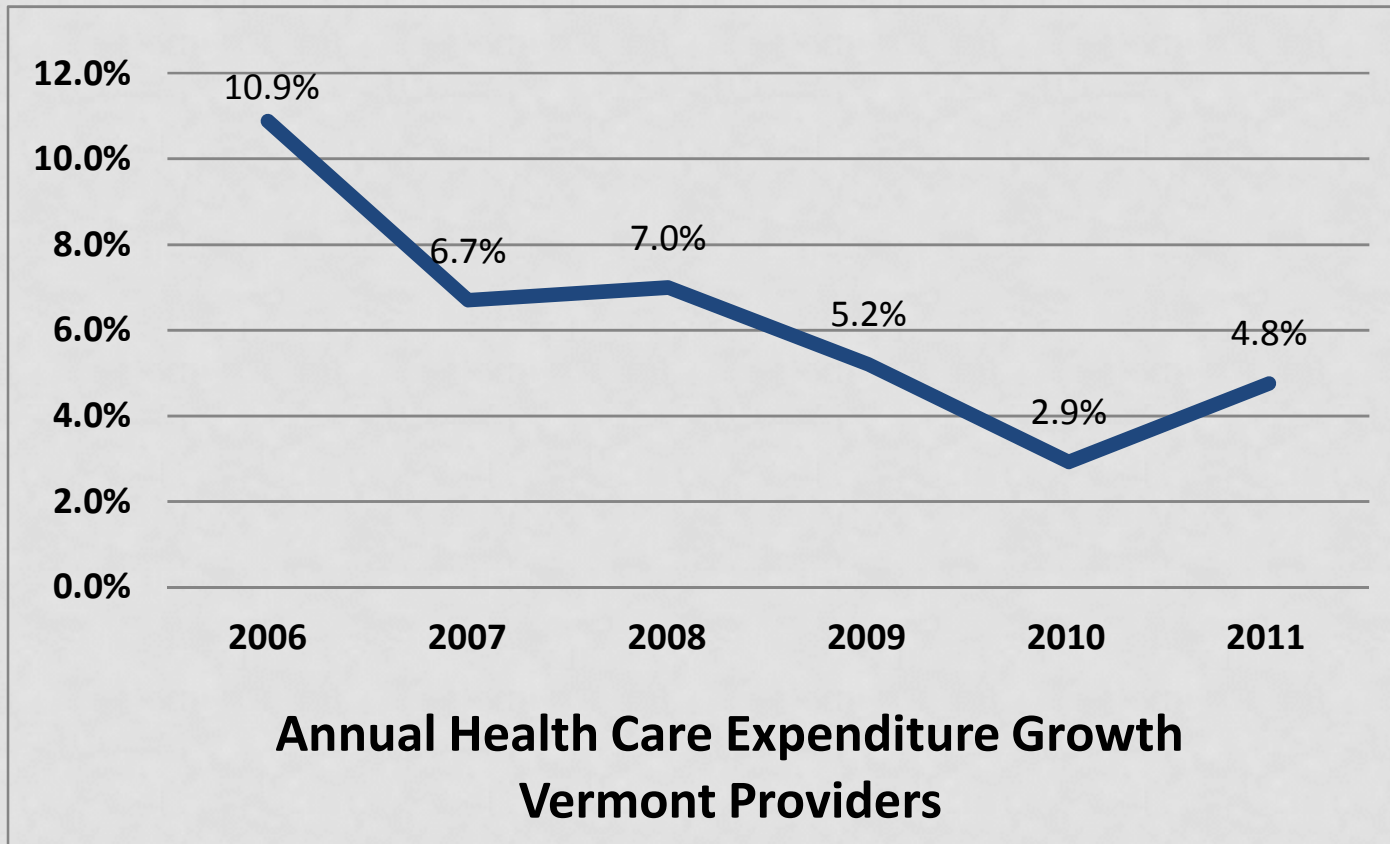
HIGHLIGHTS OF SPENDING ON VERMONT PROVIDERS

- Provider spending totaled \$5 billion in 2011.
- Vermont health care provider spending increased by 4.8% in 2011.
 - This compares with an increase of 2.9% in 2010 and an average annual rate of 5.3% from 2006 to 2011.
- Hospital and physician spending represents 55.8% of total provider spending in 2011.
- The number of hospital-employed physicians increased over the last several years.
 - Employed physicians spending is about 16% of community hospital spending.
- Fletcher Allen Health Care accounts for about half of the hospital spending in Vermont.

HIGHLIGHTS, CONTINUED

- Vermonters also rely heavily on Dartmouth Hitchcock Medical Center for hospital care.
 - Almost 8,000 Vermonters (15% of total Vermont discharges) use DHMC for inpatient care.
- When Vermonters go out of state for care, they tend to use more complex and expensive out-of-state hospital services.
 - An average adjusted care mix discharge is \$17,773 for out of state versus \$15,224 for Vermont.

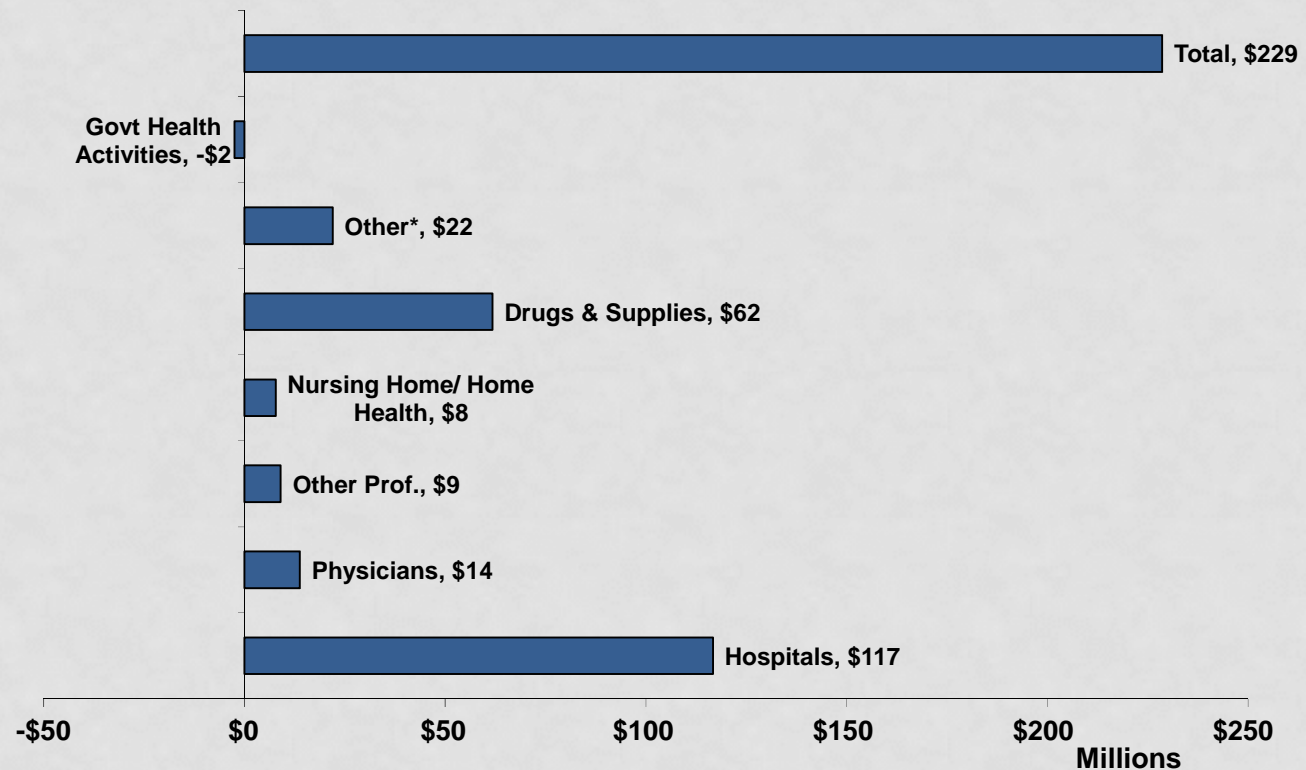
WHAT HAS BEEN VERMONT'S RATE OF GROWTH FOR PROVIDER HEALTH CARE EXPENDITURES?



WHAT ACCOUNTS FOR THE SPENDING INCREASE?

From 2010 to 2011 total provider spending increased \$229 million.

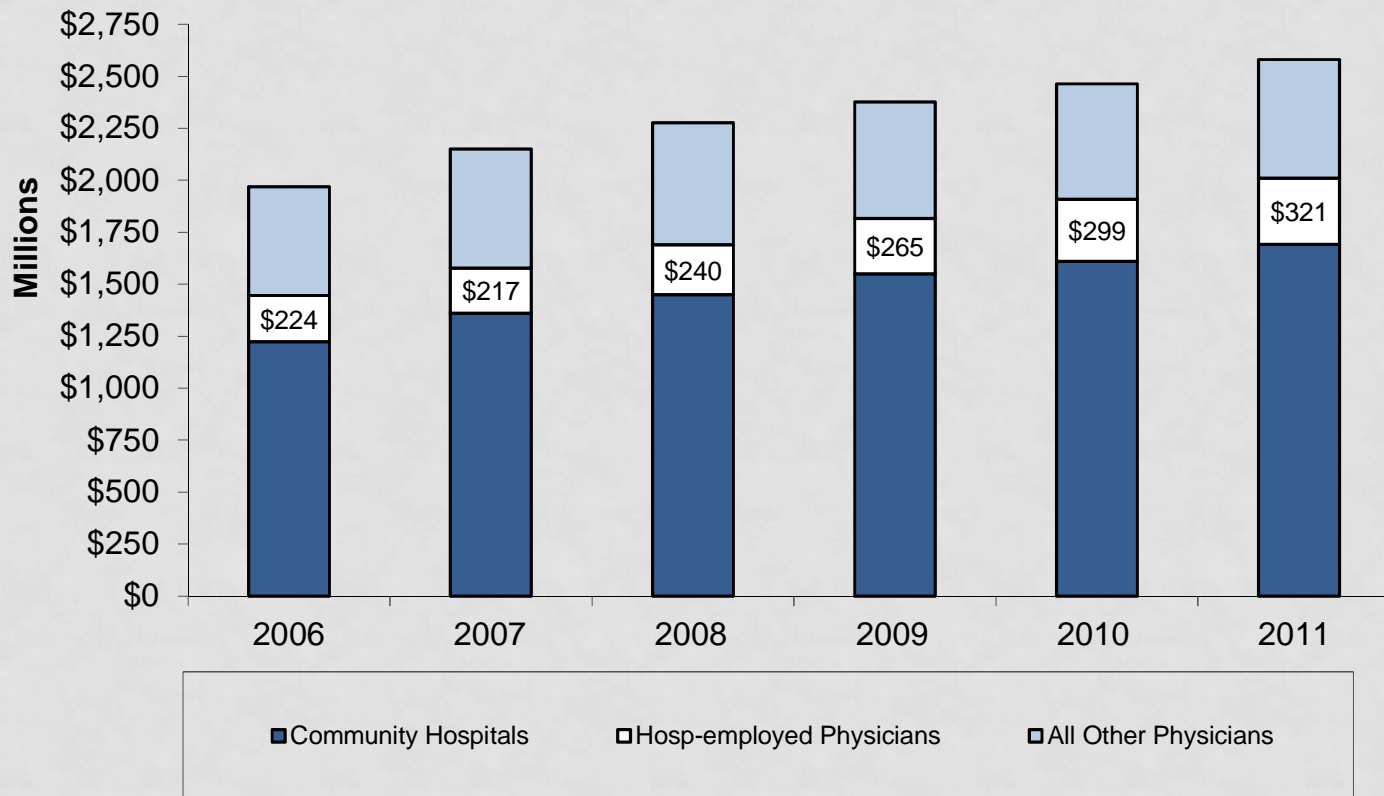
Hospitals expenditures account for the majority of the increase in spending.



* Other includes services rendered by other unclassified professionals, medical equip. suppliers, vision providers, and other misc. providers

THE INCREASE IN PHYSICIANS EMPLOYED BY HOSPITALS EXPLAINS SOME OF THE GROWTH IN HOSPITAL BUDGETS

Vermont Community Hospitals & Physician Expenditures

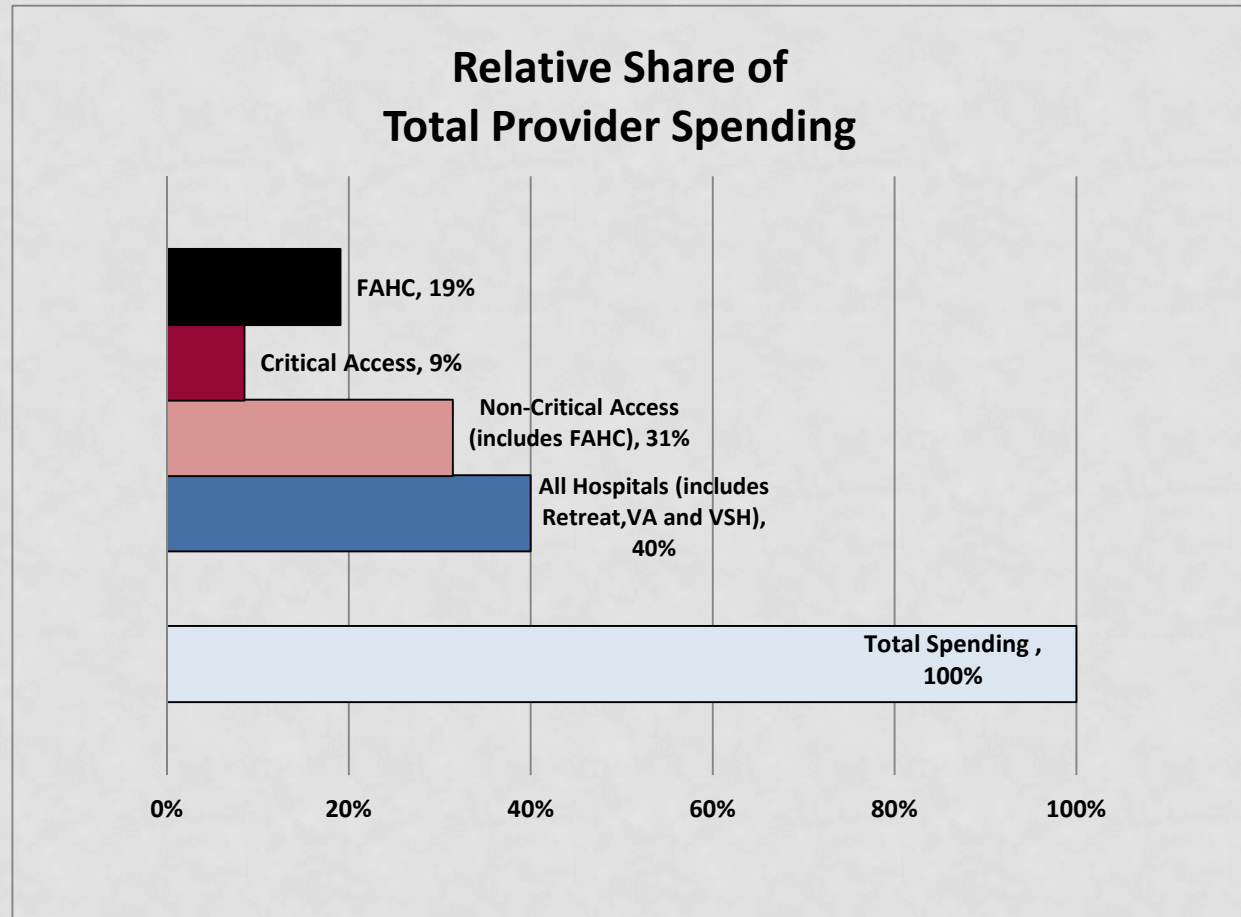


FLETCHER ALLEN HEALTH CARE (FAHC) ACCOUNTS FOR ABOUT HALF OF THE HOSPITAL SPENDING IN VERMONT

There are eight Critical Access Hospitals (CAH) in Vermont.

CAH is a Medicare reimbursement designation that recognizes small rural hospitals with less than 25 inpatients on any given day.

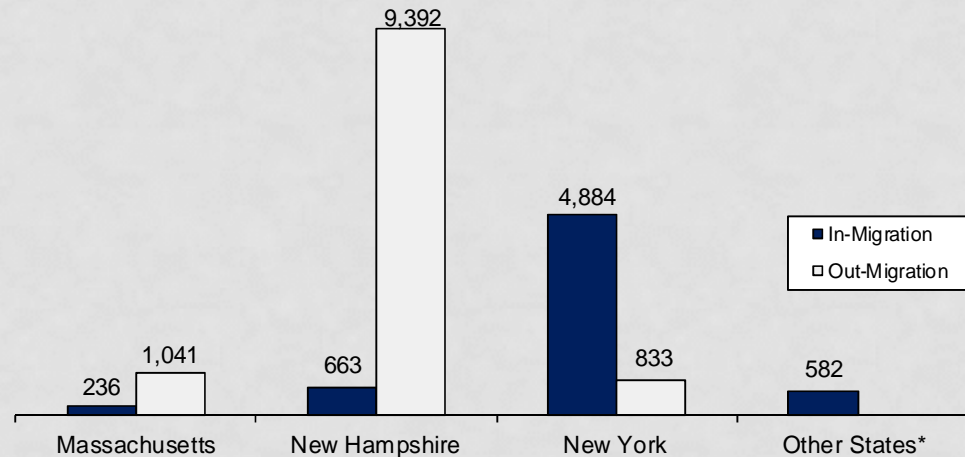
The Non-Critical Access category includes FAHC.



VERMONTERS SEEKING CARE IN NEW HAMPSHIRE RELY HEAVILY ON DARTMOUTH HITCHCOCK MEDICAL CENTER

In 2010, 22% of Vermont resident inpatient discharges were at out-of-state hospitals. 84% of the out-of-state discharges (9,392) were in New Hampshire. 7,969 of these were at Dartmouth Hitchcock Medical Center.

2010 Inpatient Discharges
In-Migration of Non-VT Residents to VT Hospitals
Out-Migration of VT Residents to Non-VT Hospitals



Source: 2010 Vermont Uniform Hospital Discharge Data Set

Notes: All figures exclude discharges from the VA hospital and records with missing charges

*VT residents use hospitals in other states in addition to NH, NY and MA, but reporting on this is currently unavailable.

TYPICALLY, SERVICES COST MORE FOR VERMONTERS
WHEN THEY GO OUT OF STATE, EVEN AFTER ADJUSTING
FOR SEVERITY OF ILLNESS

2010 Vermont Inpatient Hospital Migration

	Discharges	Total Charges	Average Charges	Average DRG Wt*	Ave. Chgs Care Mix Adj.
Total Vermont Residents in Vermont Hospitals	40,731	\$807,712,819	\$19,830	1.30	\$15,224
Total Out-Migration (Vermont Residents in Out-Of-State Hospitals)	11,266	\$418,775,118	\$37,172	2.09	\$17,773
Total In-Migration (Out-of-State Residents in Vermont Hospitals)	6,365	\$179,218,226	\$28,157	1.67	\$16,910
Net Out-Migration	4,901	\$239,556,891	\$48,879		

Source: 2010 Vermont Uniform Hospital Discharge Data Set (NH data not complete, used average of 2008 & 2009)
Does not include newborns.

* DRG weights indicate the relative costs for treating patients during the prior year. For example, a DRG with a weight of 2.0 means that charges were historically twice the national average whereas a DRG with a weight of 0.5 was half the national average.

DETAILED DATA TABLES

2006-2011 Vermont Resident Health Care Expenditures

All dollar amounts are reported in thousands - Multiply expenditures by 1,000 to arrive at the full expenditure amount.

PAYERS	2006	2007	2008	2009	2010	2011	2010-2011 Annual Change	2006-2011 Average Annual Change
Out-of-Pocket	\$493,986	\$579,321	\$595,542	\$693,932	\$701,454	\$715,787	2.0%	7.7%
Private Insurance	\$1,633,371	\$1,600,787	\$1,686,526	\$1,765,562	\$1,875,532	\$1,849,761	-1.4%	2.5%
Medicare	\$730,539	\$795,103	\$842,766	\$896,231	\$953,599	\$1,007,727	5.7%	6.6%
Medicaid	\$950,774	\$963,730	\$1,060,444	\$1,155,724	\$1,186,524	\$1,210,509	2.0%	4.9%
Other Government	\$173,952	\$169,878	\$195,086	\$190,379	\$207,693	\$215,195	3.6%	4.3%
TOTAL RESIDENT EXPENDITURES	\$3,982,622	\$4,108,819	\$4,380,364	\$4,701,828	\$4,924,802	\$4,998,980	1.5%	4.7%
Annual Percent Change	9.6%	3.2%	6.6%	7.3%	4.7%	1.5%		

PROVIDERS	2006	2007	2008	2009	2010	2011	2010-2011 Annual Change	2006-2011 Average Annual Change
Hospitals	\$1,351,601	\$1,361,322	\$1,517,122	\$1,733,474	\$1,832,195	\$1,906,281	4.0%	7.1%
Physician Services	\$601,545	\$615,694	\$642,458	\$634,075	\$660,083	\$667,129	1.1%	2.1%
Dental Services	\$124,531	\$191,607	\$201,372	\$209,458	\$213,659	\$212,744	-0.4%	11.3%
Other Professional Services	\$157,762	\$144,570	\$148,609	\$154,786	\$162,968	\$176,724	8.4%	2.3%
Home Health Care	\$87,949	\$94,895	\$102,553	\$97,124	\$95,541	\$97,358	1.9%	2.1%
Drugs & Supplies	\$561,870	\$510,746	\$530,779	\$566,076	\$588,175	\$607,303	3.3%	1.6%
Vision Products & DME	\$70,102	\$87,594	\$90,629	\$91,551	\$98,663	\$107,701	9.2%	9.0%
Nursing Home Care	\$216,337	\$239,902	\$255,318	\$268,927	\$270,909	\$276,951	2.2%	5.1%
Other/Unclassified Health Services	\$37,364	\$34,101	\$33,971	\$44,001	\$43,759	\$43,916	0.4%	3.3%
Admin/Net Cost of Health Insurance	\$320,484	\$379,695	\$347,516	\$367,042	\$414,746	\$361,246	-12.9%	n.a
Government Health Care Activities	\$453,075	\$448,693	\$510,037	\$535,313	\$544,102	\$541,626	-0.5%	3.6%
TOTAL RESIDENT EXPENDITURES	\$3,982,622	\$4,108,819	\$4,380,364	\$4,701,828	\$4,924,802	\$4,998,980	1.5%	4.7%
Annual Percent Change	9.6%	3.2%	6.6%	7.3%	4.7%	1.5%		

2006-2011 Vermont Provider Health Care Expenditures

All dollar amounts are reported in thousands - Multiply expenditures by 1,000 to arrive at the full expenditure amount.

PAYERS	2006	2007	2008	2009	2010	2011	2010-2011 Annual Change	2006-2011 Average Annual Change
Out-of-Pocket	\$538,686	\$590,953	\$612,581	\$719,639	\$702,831	\$742,190	5.6%	6.6%
Private Insurance	\$1,470,286	\$1,556,606	\$1,704,162	\$1,683,263	\$1,736,956	\$1,815,364	4.5%	4.3%
Medicare	\$735,045	\$850,144	\$870,462	\$941,964	\$1,015,080	\$1,074,087	5.8%	7.9%
Medicaid	\$922,722	\$926,767	\$995,428	\$1,073,904	\$1,078,417	\$1,119,484	3.8%	3.9%
Other Government	\$215,498	\$217,744	\$249,228	\$243,913	\$265,655	\$276,404	4.0%	5.1%
TOTAL PROVIDER EXPENDITURES	\$3,882,238	\$4,142,214	\$4,431,861	\$4,662,684	\$4,798,939	\$5,027,530	4.8%	5.3%
Annual Percent Change	10.9%	6.7%	7.0%	5.2%	2.9%	4.8%		

PROVIDERS	2006	2007	2008	2009	2010	2011	2010-2011 Annual Change	2006-2011 Average Annual Change
Hospitals	\$1,607,094	\$1,748,089	\$1,872,379	\$2,000,218	\$2,120,790	\$2,237,481	5.5%	6.8%
Physician Services	\$521,826	\$571,072	\$586,728	\$561,643	\$555,307	\$569,125	2.5%	1.8%
Dental Services	\$214,537	\$226,151	\$237,685	\$246,564	\$239,321	\$253,116	5.8%	3.4%
Other Professional Services	\$166,814	\$175,786	\$185,630	\$205,546	\$212,090	\$221,127	4.3%	5.8%
Home Health Care	\$96,280	\$97,632	\$100,440	\$102,802	\$108,655	\$109,822	1.1%	2.7%
Drugs & Supplies	\$504,254	\$543,165	\$584,477	\$646,021	\$634,813	\$696,553	9.7%	6.7%
Vision Products & DME	\$72,904	\$73,179	\$78,778	\$80,154	\$93,738	\$101,621	8.4%	6.9%
Nursing Home Care	\$218,373	\$228,356	\$244,732	\$252,566	\$257,348	\$263,972	2.6%	3.9%
Other/Unclassified Health Services	\$27,080	\$30,092	\$30,976	\$31,856	\$32,775	\$33,086	1.0%	4.1%
Admin/Net Cost of Health Insurance	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Government Health Care Activities	\$453,075	\$448,693	\$510,037	\$535,313	\$544,102	\$541,626	-0.5%	3.6%
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ACKNOWLEDGEMENTS

This report would not have been possible without the support of many individuals in government, private insurance, and health care provider organizations. The Green Mountain Care Board (GMCB) would also like to thank GMCB staff, staff of the Department of Financial Regulation (DFR) and all others who provided data and feedback in a timely manner. If you have questions about this report, please contact Michael Davis or Lori Perry at the GMCB (802) 828-2177.

Note: Many reported numbers are based upon federal fiscal year 2011 (Oct.1 through Sept. 30). But some data sources are based upon 2011 calendar year. This has been true since the report has been prepared. There is only a small amount of precision realized in adjusting for that quarterly timing difference. Therefore, we have not taken the effort to adjust for these differences.