Health Care Reform Savings

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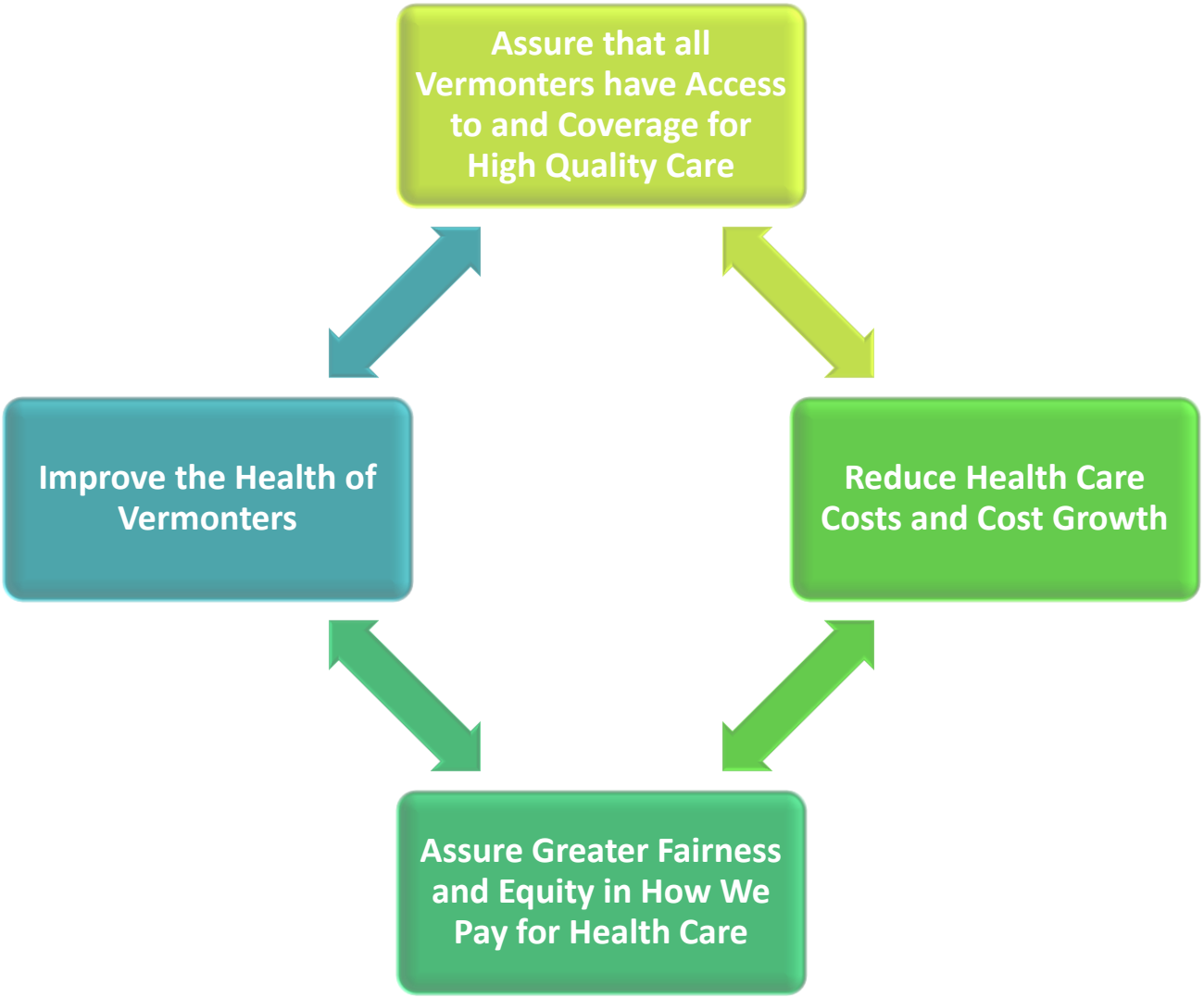
Agenda

- Introduction
- Health Care Reform Savings
- State Innovation Model Grant Assumptions

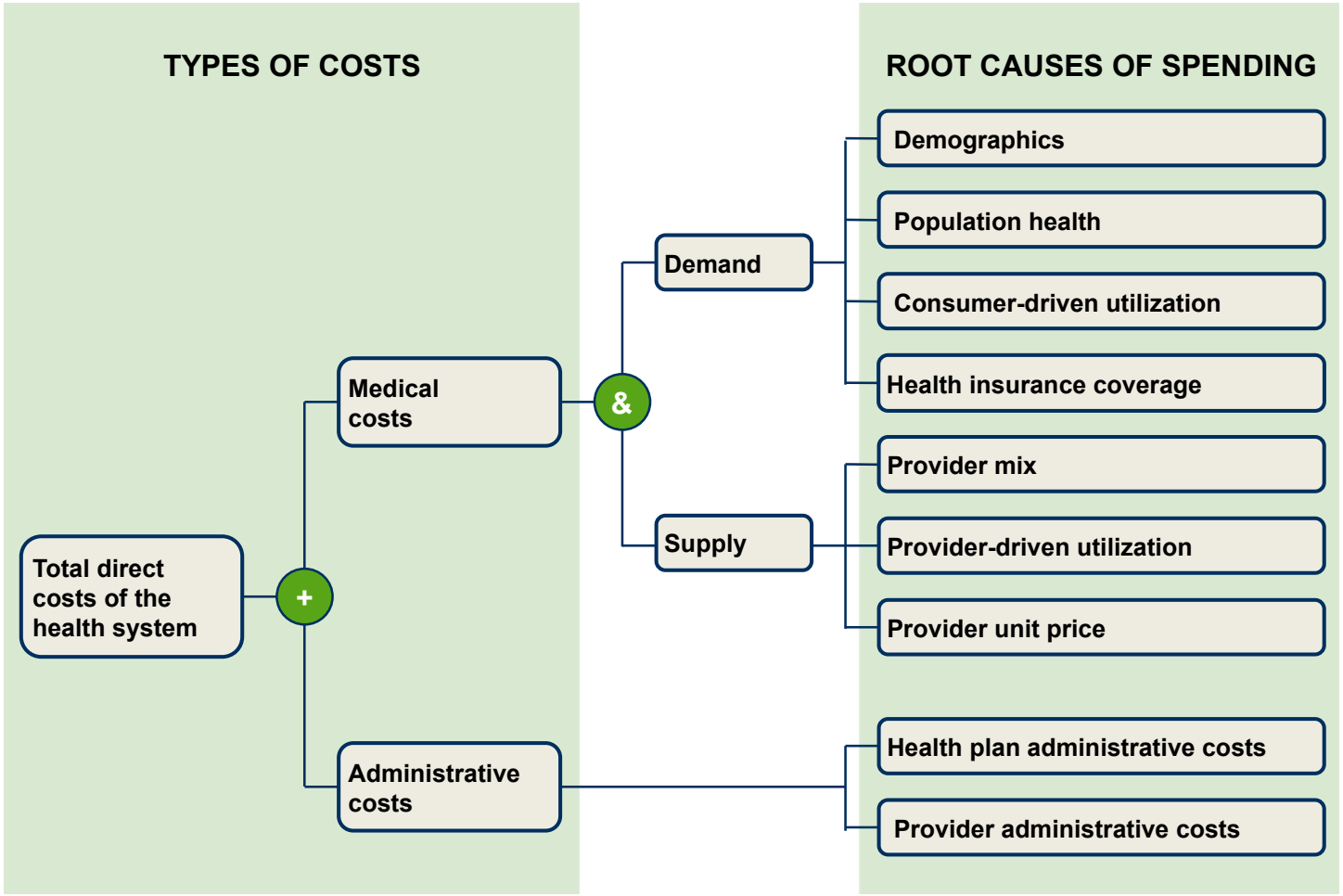
Vermont's Health Reform Goals



Health Care Reform Savings- Overview

- Questions we are addressing today:
  - How can we find and track health care reform savings?
  - What do we know we have saved through what effort?
  - If we don't know savings, when will we know?

Where might we find savings?



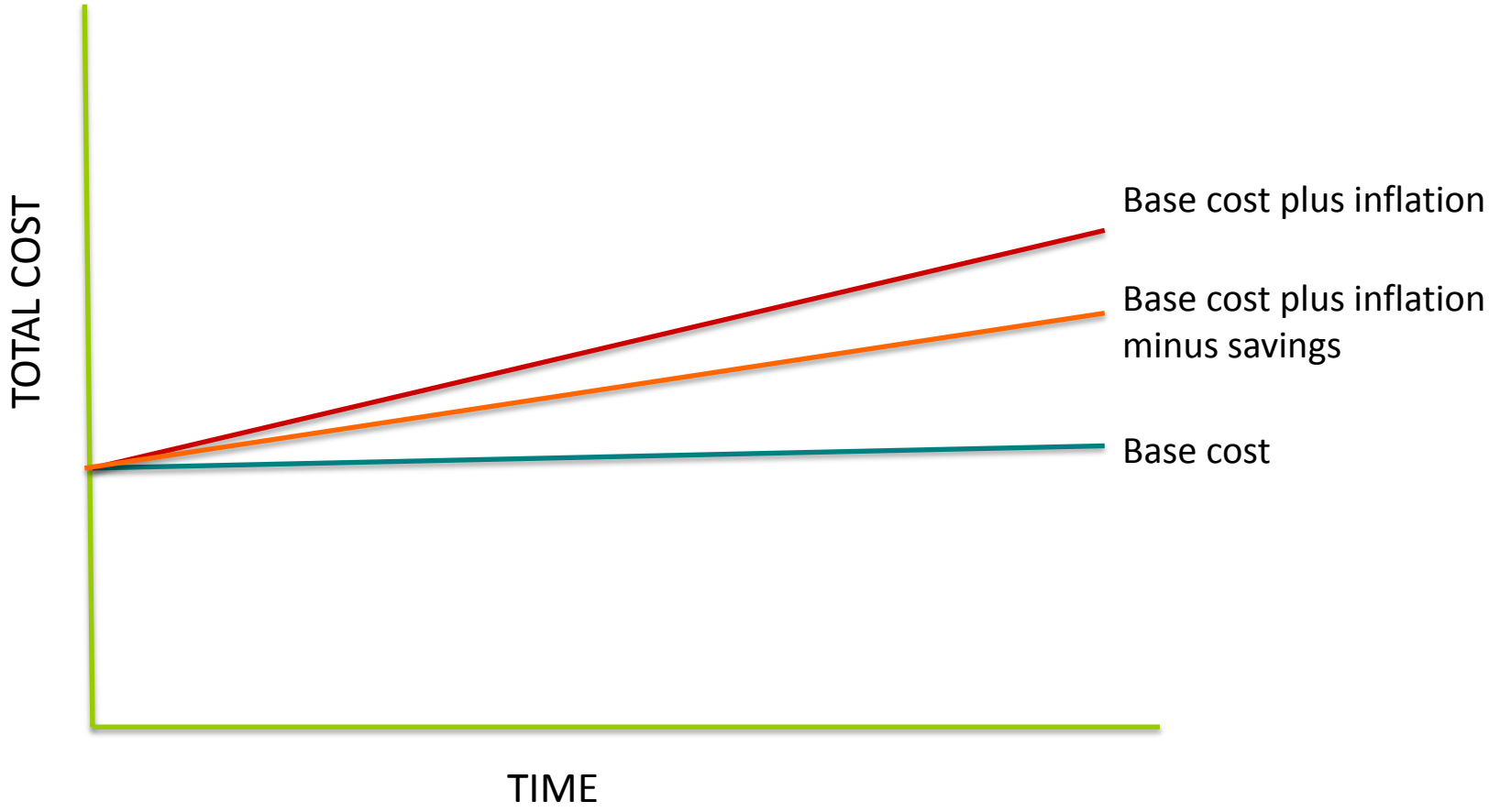
NOTE: This does not include some important considerations, like drug costs

How could we “capture” savings?

Revenue streams	Base cost, time 1 (C)	Inflation (I)	Cost without savings, time 2	Cost with savings, time 2	Mechanism for "capturing" savings
Providers	C_{prov}	I_{prov} (inflation in prices or in volume of services)	$C_{prov}+I_{prov}$	$(C_{prov}+I_{prov})$ Savings	Savings come out of normal inflation in provider rates
Payers	C_{pay}	I_{pay} (inflation in medical, drug and admin costs embedded in premiums)	$C_{pay}+I_{pay}$	$(C_{pay}+I_{pay})$ Savings	Savings come out of normal inflation in insurance premiums

The GMCB has the authority to do both of these, and used it in the past year

Another way to represent the same thing



Work to date on this issue

Revenue streams	Base cost, time 1 (C)	Inflation (I)	Cost without savings, time 2	Cost with savings, time 2	Mechanism for "capturing" savings
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2. GMCB is working to track those factors in one or both of these revenue streams and adjust pay-outs accordingly

1. GMCB and SIM project participants are working to quantify the costs, expected inflation and savings

VERMONT HEALTH REFORM

The challenges

- What is expected inflation?
- Can we reduce it due to reasonable assumptions about total savings, without attributing these savings to a specific source?
- Problems:
  - those who feel they "create" the savings want to get a share and this gets horribly complex
  - we need incentives for overall savings, not just savings from the component parts – achieving savings depends in large part on the components working well together
- GMCB/SIM participant work to address this: larger units of analysis for calculating savings, with clear incentives for savings to "trickle down"

SIM Savings Projections

SIM supports testing alternatives to straight fee-for-service

- Conservative savings projections based on the models being tested, assumption of number of Vermonters within each of those models and the payers participating in those models.

3 year estimated savings by payer: $49,890,898

Medicaid	6,452,518
Commercial	11,535,182
Medicare	31,903,198