# GREEN MOUNTAIN CARE, VERMONT'S UNIVERSAL AND UNIFIED HEALTH SYSTEM, AND THE FEDERAL WAIVER FOR STATE INNOVATION

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CONCEPT PAPER

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## INTRODUCTION

The purpose of this concept paper is to describe Vermont's approach towards establishing a universal, publicly financed health care system—Green Mountain Care (GMC)—by obtaining a federal State Innovation Waiver under Section 1332 of the Affordable Care Act. This paper will serve as a starting point for discussion on Vermont's proposed approach to the waiver among internal and external stakeholders, including the Center for Consumer Information and Insurance Oversight (CCIIO).

## EXECUTIVE SUMMARY

The Affordable Care Act expands coverage to most, but not all. Vermont can do better. Vermont will replace its current fragmented system--which is driving unsustainable health care costs-- with Green Mountain Care, the nation's first universal, publicly financed health care system, addressing the following goals:

- Assure greater fairness and equity in how we pay for health care
- Improve the health of Vermont's population
- Assure that all Vermonters have access to and coverage for high-quality health care
- Reduce health care costs and cost growth

Vermont will implement Green Mountain Care through the Affordable Care Act's State Innovation waiver. Green Mountain Care will meet the parameters of the waiver by:

- providing coverage that is at least as comprehensive as is defined in the ACA,
- providing coverage to all of its residents
- providing coverage that is as affordable or more affordable than the ACA
- not increasing the federal deficit

In order to implement Green Mountain Care, Vermont will apply to the federal government for a waiver from provisions of the ACA, including requirements relating to:

- Health Benefit Exchange requirement
- the large employer penalty requirement
- the individual mandate
- qualified health insurance plans
- the premium tax credit and cost sharing reduction

Going forward, Vermont will continue to engage with federal agencies in order to reach consensus on the financial components of Green Mountain Care and hold a comprehensive public process to optimize all input into the waiver and the program.

# VERMONT'S LEGISLATION AND PLAN FOR IMPLEMENTATION OF GREEN MOUNTAIN CARE

In 2011, the Vermont legislature passed Act 48, establishing a multi-year plan for a universal and unified system of health care coverage called Green Mountain Care. Green Mountain Care will provide universal coverage based on residency, replacing the current fragmented approach of private insurance tied to employment for some and public coverage for others. Green Mountain Care will ensure that every Vermont resident is covered for primary, preventive, and chronic care, as well as urgent care and hospital services. Act 48 does not require Vermonters to drop existing private coverage, nor does it prohibit Vermonters, including Vermont employers, from purchasing supplemental coverage if desired. Green Mountain Care will become the vehicle for providing Medicaid services to all Vermonters who qualify for Medicaid coverage.

Act 48 establishes a coordinated effort at the state and federal level for implementation of Green Mountain Care. At the state level, Vermont's administration, the legislature, and an independent board, called the Green Mountain Care Board, will work on all aspects of Green Mountain Care. The Green Mountain Care Board will review and approve the benefit package for Green Mountain Care, retain regulatory authority over health care entities and create a unified system of payment for health care providers. The Green Mountain Care Board also has the responsibility for setting a three-year budget for Green Mountain Care to ensure that there is accountability for costs and benefits in one entity. The Green Mountain Care Board is also charged with assuring that Green Mountain Care will meet certain minimum standards prior to implementation.[1] The Vermont legislature has the role of reviewing the Governor's funding

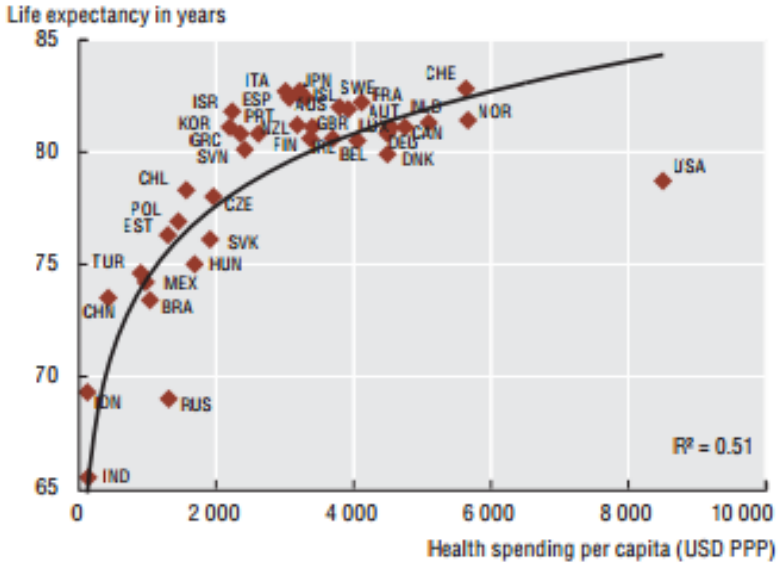
[1] 33 V.S.A. 1822 requires these standards are met:
(A) Each Vermont resident covered by Green Mountain Care will receive benefits with an actuarial value of 80 percent or greater.
(B) When implemented, Green Mountain Care will not have a negative aggregate impact on Vermont's economy. This determination shall include an analysis of the impact of implementation on economic growth.
(C) The financing for Green Mountain Care is sustainable, considering at least a five-year revenue forecast using the consensus process established in 32 V.S.A. § 305a, projections of federal and other funds available to support Green Mountain Care, and estimated expenses for Green Mountain Care for an equivalent time period.
(D) Administrative expenses in Vermont's health care system for which data are available will be reduced below 2011 levels, adjusted for inflation and other factors as necessary to reflect the present value of 2011 dollars at the time of the analysis.
(E) Cost-containment efforts will result in a reduction in the rate of growth in Vermont's per-capita health care spending without reducing access to necessary care or resulting in excessive wait times for services.
(F) Health care professionals will be reimbursed at levels sufficient to allow Vermont to recruit and retain high-quality health care professionals.

proposals and establishing funding for Green Mountain Care through taxes and other financing mechanisms. The administration will propose benefit packages and financing as well as contract for administration of GMC, such as claims processing, or coverage for residents who are temporarily out of state. At the federal level, the administration will work with CCIIO, CMS, OPM, and the Treasury on a State Innovation waiver that consolidates its Global Commitment waiver and integrates other federal programs with GMC to ensure maximum coordination of federal health care resources within Green Mountain Care.

**WHY CREATE A UNIVERSAL, PUBLICALLY FINANCED HEALTH CARE COVERAGE PROGRAM BASED ON RESIDENCY?**

Vermont views health care reform as a moral and economic imperative. Wages remain stagnant as profits are diverted to rising employer-based health insurance premiums.[2] The United States spends more than any other Organization for Economic Co-operation and Development (OECD) country on health care per capita, but its population has a lower life expectancy than countries that spend half that amount.

*Life Expectancy at birth and health spending per capita, 2011 (or nearest year)*

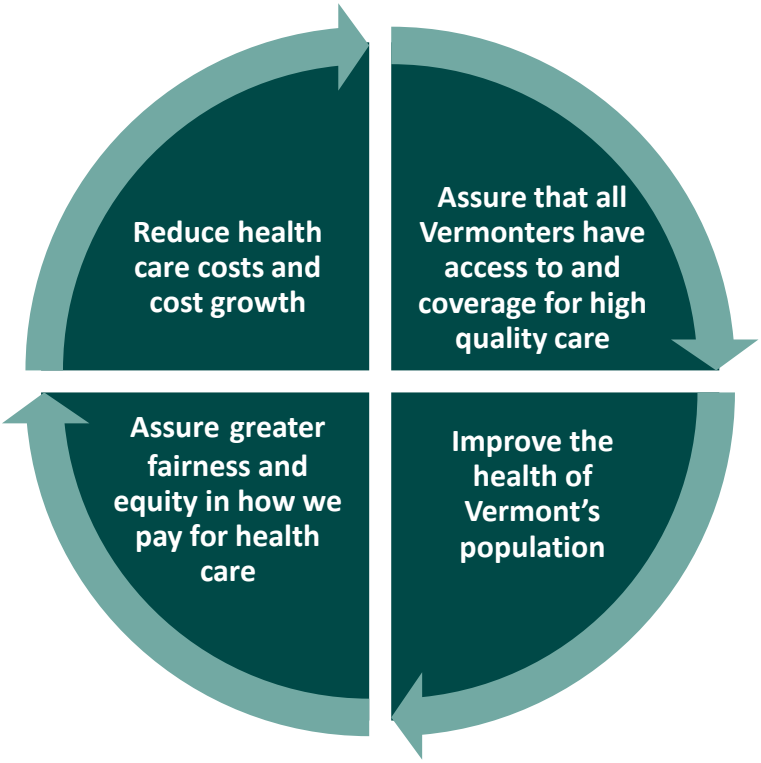



*Source: OECD Health Statistics 2013, http://dx.doi.org/10.787/health-data-en; World Bank for non-OECD countries*

With implementation of the Affordable Care Act, the United States is moving in the right direction. In fact, Vermont had many of the Affordable Care Act's reforms in place prior to its

[2] From 2000-2009, wages remained stagnant while health insurance premiums grew by 5.1 percent each year. Christina Romer & Mark Duggan, White House Council of Economic Advisers, *Exploring the Link between Rising Health Insurance Premiums and Stagnant Wages,* Mar. 12, 2010, http://www.whitehouse.gov/blog/2010/03/12/exploring-link-between-rising-health-insurance-premiums-and-stagnant-wages

passage,[3] resulting in a lower uninsured rate and better health and spending outcomes than the US average. [4] Despite these reforms, the Affordable Care Act was never designed to provide universal coverage. With Green Mountain Care, a universal, publicly financed health care coverage program, Vermont will meet the following goals:




*REDUCE HEALTH CARE COSTS AND COST GROWTH*

The current employer-based health insurance system fails to cover all Vermonters and simultaneously drives up health care costs at an unsustainable rate. Ten years ago, Vermont residents spent approximately $2.5 billion on healthcare. Today, that number is more than $5.015 billion. [5] In a state of just over 625,000 people, this increase in cost is unsustainable.

A publicly financed health care system such as Green Mountain Care will lower costs while providing greater coverage to more Vermonters. With the number of payers in the state reduced, Vermont can simplify and streamline administrative and claims processes to minimize

[3] Vermont had community rating, guaranteed issue, and an expanded Medicaid program for childless adults prior to the passage of the Affordable Care Act.

[4] In 2010, Vermont's life expectancy was 80.5 and spending per capita was $7,876. Henry J. Kaiser Family Foundation, State Health Facts, Life Expectancy at Birth (in years) 2010, http://kff.org/other/state-indicator/life-expectancy/ and Green Mountain Care Board Resident Analysis, http://gmcboard.vermont.gov/sites/gmcboard/files/GMCB%20Dashboard%20Costs%20and%20Expenditures.pdf.

[5] 2012 GMCB Expenditure Report, with Workers Compensation excluded.

overhead and enhance efficiency. Providers, who often cite administrative complexity as a challenge, will also benefit from Green Mountain Care's unified system. Furthermore, a unified system provides greater capacity to create changes in ongoing savings against trend compared to a system with many payers where implementation of payment and delivery system reforms is more complicated.

In the meantime, Vermont has several reform efforts that are operating to address health care costs and cost growth before Green Mountain Care is fully implemented. The Green Mountain Care Board, an independent 5 member board, currently oversees hospital budgets, certificates of need, and the insurer rate review process. This oversight helps ensure a more sustainable health care budget for the state and has allowed the state to make tangible progress in reducing the rate of growth for hospitals. Vermont is also implementing payment and delivery system reforms to encourage providers to reduce costs of care under the State Innovation Models Initiative. These health care and delivery payment reforms put Vermont on the road to reducing health care costs and cost growth under Green Mountain Care and establishing a new payment system based on value of care, not the volume of services provided.

Specific Vermont achievements in payment and delivery system reform, made with CMS support, include:

- Vermont has used its long-standing section 1115 waivers (the Global Commitment and Choices for Care) to fund Medicaid managed care investments and to shift services away from institutional care to community-based services;
- More than 80 percent of Vermonters are served by an Advanced Primary Care Medical Home that is part of the MACPAC all-payer demonstration;
- The vast majority of Vermont providers, including all of our hospitals and New Hampshire-based Dartmouth Hitchcock Medical Center (DHMC, a major provider of health care to Vermonters) are in one of three Vermont ACOs participating in the Medicare Shared Savings Program;
- DHMC also is in the Pioneer ACO program for New Hampshire;
- The majority of Vermont's federally-qualified health centers have formed a primary care-based ACO;
- Vermont received a State Innovation Model (SIM) grant, which has supported expansion of the shared savings program to Medicaid and commercial insurers. Three of our ACOs are participating in the commercial ACO program, while two are participating in the Medicaid program;
- The SIM grant also is supporting development of all-payer bundled payments and full build-out of Vermont's health information exchange infrastructure.

*ASSURE THAT ALL VERMONTERS HAVE ACCESS TO AND COVERAGE FOR HIGH-QUALITY HEALTH CARE*

All Vermont residents will be automatically enrolled in Green Mountain Care, giving all Vermont residents access to health care coverage. As a result, there will be no uninsured Vermonters. Green Mountain Care's covered services will, at minimum, include all of the Essential Health Benefits under the Affordable Care Act, including pediatric dental and pediatric vision care. Under Act 48 of 2011, the Vermont law enacting universal coverage, the Green Mountain Care planmust have an 80%-87% actuarial value level, which means the out-of-pocket coverage must be as least as generous as a gold plan offered under the Affordable Care Act but may be closer to a platinum plan. Vermont will also maintain more generous coverage of out-of-pocket costs for individuals who receive cost-sharing reduction subsidies or individuals who are on Medicaid. For individuals who have other coverage, such as those who are on Medicare or who have employer-sponsored insurance, Green Mountain Care may supplement whatever is not covered under those plans up to the Green Mountain Care plan level. Accordingly, Green Mountain Care will reduce the number of underinsured Vermonters.

In addition to affordable coverage for all of its residents, Vermont is also working to ensure that Vermonters have sufficient access to health care providers. Vermont has set up a health services workforce workgroup to assess the adequacy of Vermont's health care workforce and service availability and recommend specific steps to enhance and improve as needed.

*IMPROVE THE HEALTH OF VERMONT'S POPULATION*

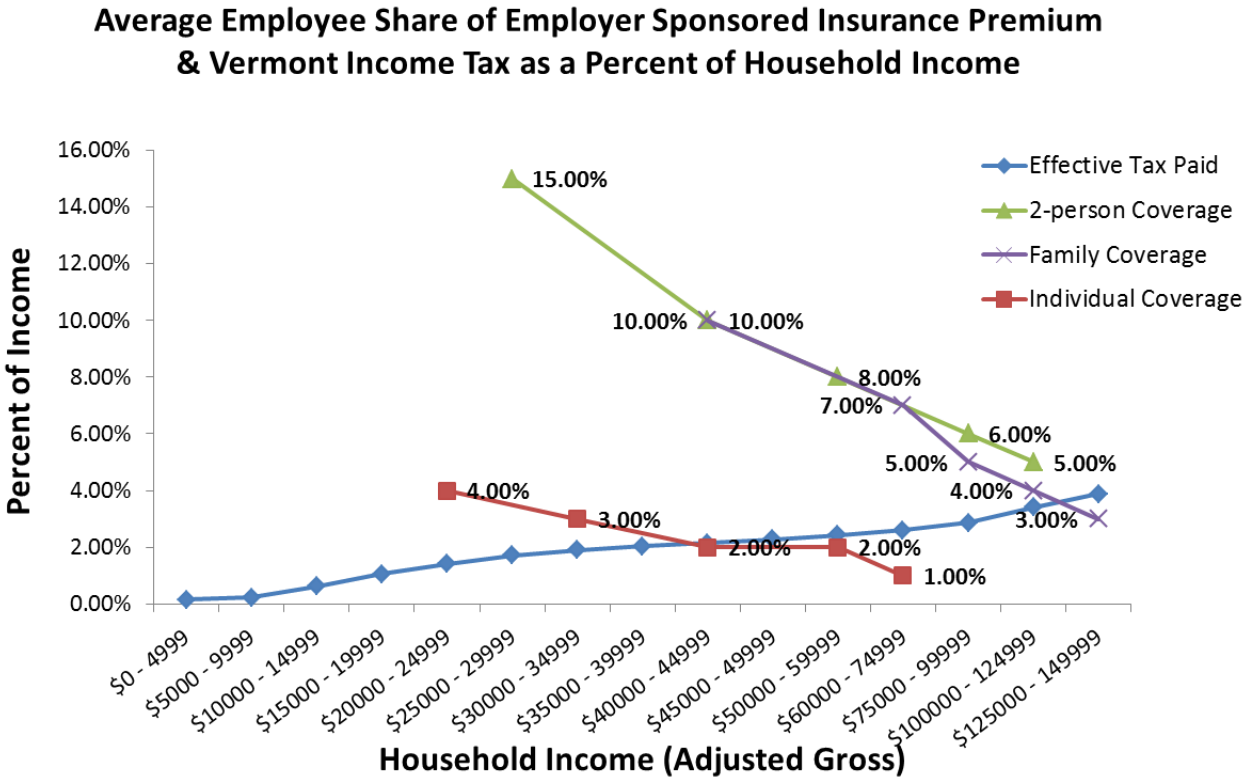
Vermont is frequently competing with Hawaii and New Hampshire for the title of "Healthiest State." Like the rest of our nation, however, Vermonters are challenged with rising rates of obesity and other health issues. The best way to improve health outcomes for Vermonters is to tackle small problems before they become more serious. To this end, Vermont is focusing on initiatives such as changing the way care is provided to Vermonters with chronic conditions, giving providers better access to patient medical information, providing incentives to encourage wellness and prevention, increasing the availability of health care providers, and promoting transparency and quality improvement across the health care system. These initiatives will improve the quality of life for Vermonters.

Vermont's Blueprint for Health initiative works with primary care providers to assist providers with becoming NCQA-certified advanced practice medical homes. In addition, the Blueprint facilitates local communities in establishing Community Health Teams, which work with the practices and provide wrap around services, such as nutrition counseling or mental health services. The Blueprint also facilitates the creation of self-management workshops to assist Vermonters in learning how to better care for themselves and manage their own care.

In addition, as part of the SIM initiative, the state has awarded approximately $3 million to fund health care providers with innovative delivery system reforms. The purpose of the provider grants is to support innovation in the delivery of care and ensure that providers are able to take transformative steps in how they treat patients.

*ASSURE GREATER FAIRNESS AND EQUITY IN HOW WE PAY FOR HEALTH CARE*

The current health care financing system creates significant financial inequities. Those with employer sponsored insurance pay based on the coverage and contribution choices of their employer. The employer sponsored system is regressive, as low wage and high wage employees contribute the same dollar amount for health care. Currently employers who provide health benefits compete against employers who do not offer health benefits. In many cases, employers who provide quality health coverage end up paying for coverage of other employers through family and dependent coverage. The chart below demonstrates this inequity by depicting the regressive nature of employee premium contributions as a percentage of income compared to the progressive curve of Vermont's income tax.




*Source: Health Care Reform Financing Plan: State of Vermont Health Care Financing Plan Beginning Calendar Year 2017, pg. xiii, http://hcr.vermont.gov/library*

The ACA employs an affordability standard for those without employer sponsored insurance through a progressive percentage of income up to 400% FPL. The 400% FPL limitation creates an affordability cliff, leaving the majority of Vermont residents who are above the median income level vulnerable to premium and out-of-pocket costs that are considered unaffordable under the ACA's own standards.[6]

Beyond promoting individual equity, a universal health care system would present an opportunity to allocate health care costs and coverage more evenly across employers. Right now, employers offering insurance may incur significant expense and in many cases subsidize businesses that choose not to offer insurance. A publicly financed system would allow Vermont to end inequities that exist between businesses.

Furthermore, a publicly financed system would allow Vermont to end the cost of health care's role as a hidden tax on businesses, which often contribute toward their employees' private health insurance. Costs to businesses have risen dramatically in recent years. In order to reverse this trend, Green Mountain Care will decouple health care from employment. That way, businesses in Vermont can concentrate on business instead of their employees' health care and the cost of health care will not be hidden in stagnant wages. Overall, Vermont's individuals and businesses pay a significant amount of money to fund the current insurance system. In 2012, Vermonters paid $1.886 billion in insurance premiums. By 2017, Vermonters are estimated to spend $2.228 billion in insurance premiums. The most recent estimates indicate that a publicly financed system would seek to replace private premiums with $1.765 to $2.175 billion of public revenue to cover all Vermonters under Green Mountain Care. Beyond providing universal coverage, Vermont's administration believes that this money can be raised in a manner that assures greater fairness and equity in how Vermonters pay for health care.

[6] See Appendix A.

# VERMONT'S WAIVER FOR STATE INNOVATION

Before Vermont can fully implement Green Mountain Care, it needs permission from the federal government to waive certain parts of the Affordable Care Act. The Affordable Care Act is a federal law that requires states to have Health Benefit Exchanges offering health insurance plans and administering federal subsidies to individuals to make the plans more affordable. Individuals pay a penalty if they do not have health care coverage. Large employers pay a penalty if they do not offer affordable and adequate health care coverage. Starting in 2017, the federal government can waive a state's obligation to any or all of the above provisions and allow the state to implement its own innovative health care coverage programs as long as its program maintains the following parameters:

- Coverage of the same amount or more people than under the ACA
    - Green Mountain Care will cover more people than the ACA because it will cover all Vermont residents.
- Coverage that is as comprehensive or more comprehensive than coverage under the ACA
    - Green Mountain Care will offer the same covered services as ACA plans.
- Coverage that is as affordable or more affordable than coverage under the ACA
    - At a minimum, Green Mountain Care will apply the ACA's premium tax credit and cost-sharing reduction sliding scale to a gold-level plan.
- A health care system that is deficit neutral for the federal government
    - Green Mountain Care will maintain reciprocal deficit neutrality for the federal government and the State of Vermont.

**GREEN MOUNTAIN CARE WILL COVER MORE VERMONTERS THROUGH WAIVERS OF THE HEALTH BENEFITS EXCHANGE; THE INDIVIDUAL MANDATE; AND THE LARGE EMPLOYER PENALTY.**

The ACA expanded health care coverage, but was never designed to provide universal coverage. Green Mountain Care will achieve universal coverage by having residency as its only eligibility requirement and eliminating barriers such as premium due dates and enrollment deadlines. In order to achieve this, Vermont will request a waiver from the Affordable Care Act's requirements around:

- Health Benefits Exchange
- Individual mandate
- Large employer penalty

*WAIVER OF HEALTH BENEFITS EXCHANGE*

The Affordable Care Act requires each state to have at least one Health Benefit Exchange through which individuals and small businesses can purchase qualified health plans from insurance companies or can access public coverage through Medicaid. Vermont, in compliance with the Affordable Care Act, started operating its Health Benefits Exchange, called Vermont Health Connect, on October 1, 2014. Vermont, like all other state-based exchanges, has had operational challenges in its start-up phase, but continues to work towards full and better operations for both individuals and small businesses.

Although Vermont's Health Benefit Exchange, once fully operational, will afford greater access to health care coverage and financial help to make coverage more affordable, it does not prevent loss of coverage. In a 2012 statewide survey, Vermonters most commonly cited the following reasons for losing coverage: affordability, job loss, waiting periods for coverage, eligibility issues, and problems with paperwork or late payments.[7] Many of these barriers continue to exist for Vermonters despite implementation of a Health Benefits Exchange. In order to provide coverage to all Vermonters, Vermont must move away from a complicated system of insurance-based health care and public coverage to a system based solely on residency. Accordingly, Vermont will ask CCIIO to waive the Affordable Care Act's requirement to have a state or federal Health Benefit Exchange.[8]

*WAIVER OF LARGE EMPLOYER PENALTY*

The Affordable Care Act furthers the traditional employer-sponsored health insurance model by instituting a penalty on large employers who do not offer health care coverage or who offer health care coverage that is unaffordable or inadequate. In Vermont, the traditional employer-based health insurance model has not led to universal coverage, with loss of job being the most cited reason for loss of coverage.[9] Although health insurance is available under the Health Benefit Exchange, individuals may experience gaps in coverage due to a misalignment of the qualified health plan start date or failure to sign up within the special enrollment period. As a result, the current employer-based health insurance model will not lead to universal coverage in Vermont.

By basing eligibility for Green Mountain Care solely on residency rather than the complicated mix of eligibility criteria based on income and employment, Vermont will ensure that its entire

[7] Vermont Department of Financial Regulation Insurance Division, 2012 Vermont Household Health Insurance Survey, Pg. 77, http://www.dfr.vermont.gov/sites/default/files/VHHIS_2012_Final_Report.pdf.
[8] Parts I & II of subtitle D in Title I of the Affordable Care Act.
[9] Vermont Department of Financial Regulation Insurance Division, 2012 Vermont Household Health Insurance Survey, Pg. 77, http://www.dfr.vermont.gov/sites/default/files/VHHIS_2012_Final_Report.pdf.

population receives continuous coverage. Because all Vermont residents will have Green Mountain Care, an employer penalty will be superfluous. Accordingly, Vermont will request that the Affordable Care Act's large employer penalty be waived.

*WAIVER OF INDIVIDUAL MANDATE*

As with the large employer penalty provision, Vermont will also request that the individual mandate be waived. All residents of Vermont will have Green Mountain Care, so all residents of Vermont will meet the Affordable Care Act's requirement of minimum essential coverage, making the individual penalty unnecessary.

The Health Benefits Exchange, large employer penalty, and individual mandate requirements under the Affordable Care Act bind individuals and small businesses to insurance-based coverage. Waiving these provisions will provide Vermont with the flexibility to achieve universal health care coverage through providing Green Mountain Care to all residents.

**VERMONT WILL ACHIEVE COMPREHENSIVE COVERAGE THROUGH A WAIVER OF THE QUALIFIED HEALTH INSURANCE PLAN.**

Vermont will ask CCIIO to waive the Affordable Care Act's requirements for qualified health benefits plans. The Affordable Care Act requires that qualified health insurance plans be offered at the bronze, silver, gold, and platinum levels.[10] This leaves some individuals at the silver or bronze level with higher out of pocket costs. Green Mountain Care will provide individuals with one plan that compares to a gold level or better, ensuring greater coverage for all Vermonters than is provided today.

In addition to better out of pocket coverage, Green Mountain Care will provide the same or more covered services than what is offered today. Green Mountain Care will have all of the Essential Health Benefits under the Affordable Care Act.[11] Additionally, Act 48 requires Vermont to design Green Mountain Care to address chronic care in the most effective way possible. Other benefits such as adult dental or adult vision must also be considered in designing Green Mountain Care's benefit plan. Vermonters who qualify for Medicaid coverage will continue to receive coverage through Green Mountain Care, including Medicaid benefits. Vermont will seek to integrate its current Section 1115 waiver Global Commitment to Health with the new permissions through Section 1332 of the ACA to ensure that Green Mountain Care will operate as a seamless, single system.

[10] Sec. 1332(c) of the Affordable Care Act.
[11] Sec. 1332(b) of the Affordable Care Act. Vermont's Essential Health Benefits are listed at https://www.cms.gov/CCIIO/Resources/Data-Resources/Downloads/vermont-ehb-benchmark-plan.pdf.

Waiving the Affordable Care Act's requirements around qualified health insurance plans will allow Green Mountain Care to provide the same or more covered services as well as greater coverage of out of pocket costs than many current qualified health insurance plans.

**VERMONT WILL ACHIEVE GREATER AFFORDABILITY THROUGH A WAIVER OF THE PREMIUM TAX CREDIT AND COST SHARING REDUCTIONS.**

In order to increase access to private insurance plans, the Affordable Care Act provides premium tax credits and cost-sharing reductions to eligible individuals.[12] The cost sharing reductions and the advance payment of the premium tax credits are paid directly to the insurers. The premium tax credits and the cost sharing reductions are not available to individuals with other sources of affordable, adequate coverage, such as employer-sponsored insurance or Medicare.

Before the Affordable Care Act was passed, Vermont had affordable health care programs for individuals up to 300% FPL. These programs had premiums and coverage that were more affordable to many Vermonters than subsidized insurance under the ACA. Vermont is trying to maintain the affordability standard it had before the ACA,[13] but despite these efforts, one of the most-cited barriers to individuals maintaining health care coverage is cost.[14] Green Mountain Care will eliminate cost as a barrier by breaking the direct link between monthly payment and health care coverage. All Vermont residents will receive health care coverage through Green Mountain Care. The coverage under Green Mountain Care will be publicly financed in an income-sensitized manner that maintains or improves upon Vermont's current subsidized structure for plans at an 80% actuarial value (AV) or greater, which equates to a gold level plan, ensuring that all Vermonters contribute in a way that maintains or surpasses the ACA's affordability standards.

To achieve public financing of Green Mountain Care, Vermont will request that CCIIO waive the Affordable Care Act's premium tax credit and cost sharing reductions as they are currently administered. Instead of going to health insurance companies, these funds will go directly to the state for purposes of equitably financing and administering Green Mountain Care to all Vermonters.

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[12] Parts I of subtitle E in Title I of the Affordable Care Act.
[13] See Appendix B.
[14] Vermont Department of Financial Regulation Insurance Division, 2012 Vermont Household Health Insurance Survey, Pg. 77, http://www.dfr.vermont.gov/sites/default/files/VHHIS_2012_Final_Report.pdf.

**GREEN MOUNTAIN CARE WILL COVER ALL VERMONTERS AND PROVIDE GREATER COVERAGE AT AFFORDABLE LEVELS WHILE MAINTAINING FEDERAL DEFICIT NEUTRALITY.**

In estimating the costs for Green Mountain Care, Vermont calculated the pass-through funding of the premium tax credit and cost-sharing reductions.[15] Vermont also took into consideration the elimination of the health insurer fee and the excise tax on high-cost health plans. Currently, Vermont is refining its calculations of the federal pass-through funding, including federal revenue resulting from Green Mountain Care's decoupling of health care coverage from employment. Vermont's understanding of federal deficit neutrality under the waiver is that Green Mountain Care will neither increase the federal deficit nor result in excess federal taxes paid in the aggregate by Vermonters. Accordingly, the federal pass-through contribution to Green Mountain Care will ensure that the goals of the Affordable Care Act are met or exceeded while maintaining federal deficit neutrality.

**GREEN MOUNTAIN CARE AND STATE INNOVATION WAIVER: NEXT STEPS**

In order to implement Green Mountain Care, Vermont will ask CCIIO to waive:

- the Health Benefit Exchange requirement[16]
- the large employer penalty requirement[17]
- the individual mandate[18]
- qualified health insurance plans[19]
- the premium tax credit and cost sharing reduction[20]

In addition, under the State Innovation waiver, states may coordinate and consolidate its Medicaid waiver and any other federal law relating to health care services.[21] Vermont has a long history of providing coverage to Vermonters through its Medicaid program. Vermont has used a variety of innovative demonstrations to expand coverage first to children and then to adults. Vermont currently operates its Medicaid program within the parameters of two large 1115 waivers called the Global Commitment to Health and Choices for Care. Through this process, Vermont is looking to consolidate its Medicaid waivers into Green Mountain Care, creating one program with multiple funding streams. Additionally, Vermont intends to coordinate the Section 1332 State Innovation waiver with the Medicare all-payer

[15] Health Care Reform Financing Plan: State of Vermont Health Care Financing Plan Beginning Calendar Year 2017, pg. 57, http://hcr.vermont.gov/library.
[16] Part 1 of Subtitle D of the Affordable Care Act.
[17] 26 U.S.C. § 4980H.
[18] 26 U.S.C. § 5000A.
[19] Part 2 of Subtitle D of the Affordable Care Act.
[20] Sec. 1402 of the Affordable Care Act and 26 U.S.C. § 36B.
[21] 42 U.S.C. 18052(a)(5).

demonstration waiver from the Center for Medicare and Medicaid Innovation, which will likely be obtained prior to the 1332 waiver being finalized. The Medicare all-payer waiver would keep Medicare benefits the same, but would allow Vermont to consolidate its delivery and payment reform efforts across all payers. Through consolidating Medicaid and coordinating with Medicare, Vermont will be able to ensure greater administrative simplification for health care delivery and payment reform efforts as well as more seamless coverage for Vermonters.

In January 2014, Vermont started discussing the waiver process during monthly meetings with CCIIO. In addition to CCIIO, Vermont is currently working with the Center for Medicaid and Chip Services (CMCS), Treasury, and the Office of Management and Budget (OMB). Going forward, Vermont will continue to work with these federal agencies to obtain consensus on components of Green Mountain Care such as pass-through federal funding of premium tax credits and cost-sharing reductions as well as the current tax treatment of employer-sponsored premiums. Vermont hopes to achieve certainty in these areas through a Memorandum Of Understanding (MOU) process to more accurately inform Vermont's legislature and the Green Mountain Care board. Vermont will also work with federal agencies to achieve administrative simplicity in the areas of:

- Eligibility
- Enrollment
- Enrollee communications
- Utilization management
- Claims payment
- Grievances and appeals

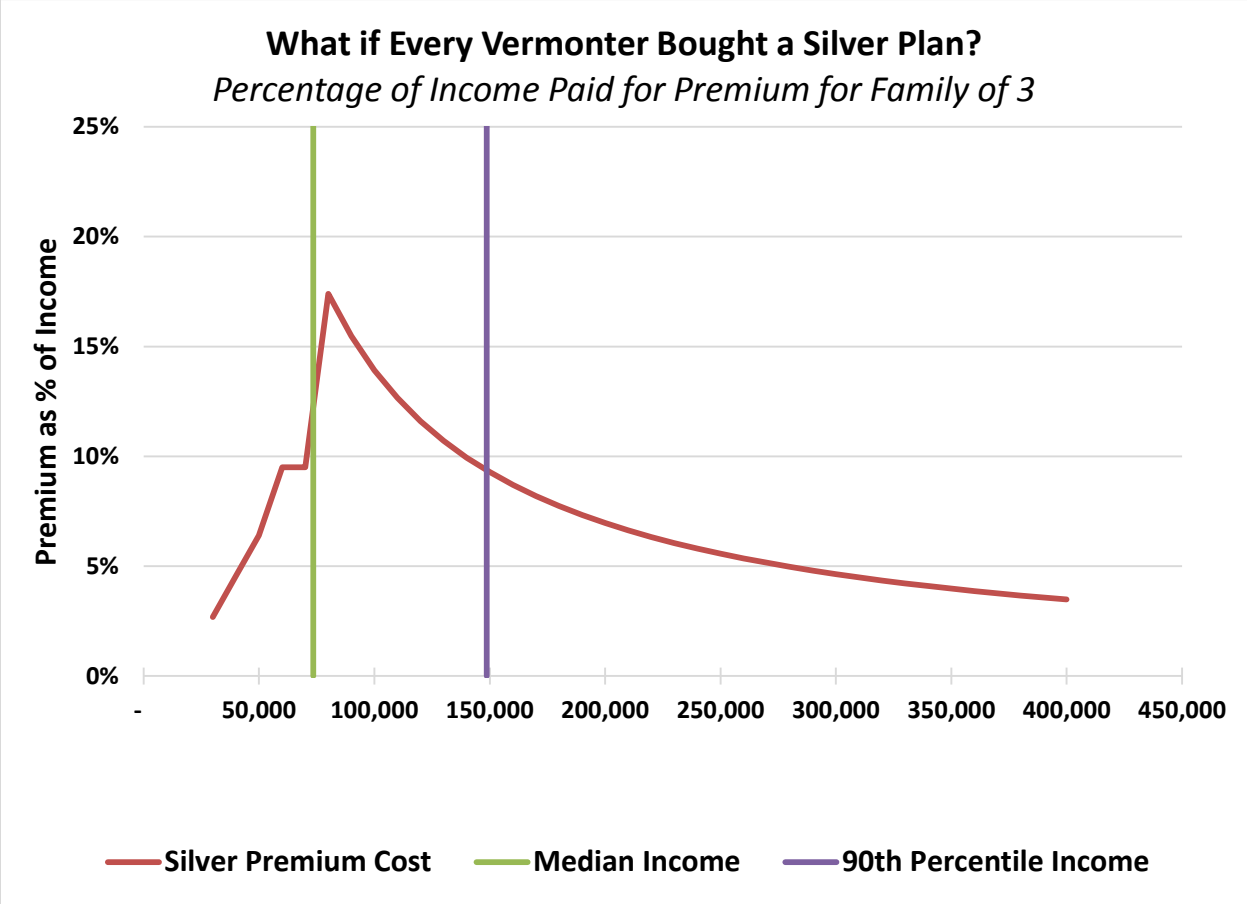
Once the waiver application is finalized, Vermont will lead a public process on the waiver similar to its public meeting and comment period for administrative rules. Vermont looks forward to engaging with CCIIO, the IRS, and its own residents on these issues.

**CONCLUSION**

The Affordable Care Act expanded health care coverage enormously, but was never designed to achieve universal health care coverage. Through the Affordable Care Act's State Innovation Waiver, Vermont will implement Green Mountain Care, a publicly-financed program that will provide affordable, comprehensive coverage to all Vermonters. Awarding this waiver to Vermont will not only allow Vermont to achieve better levels of health care outcomes and health care spending for its own residents, it will also serve as the linchpin to developing a replicable model of universal health care for all.

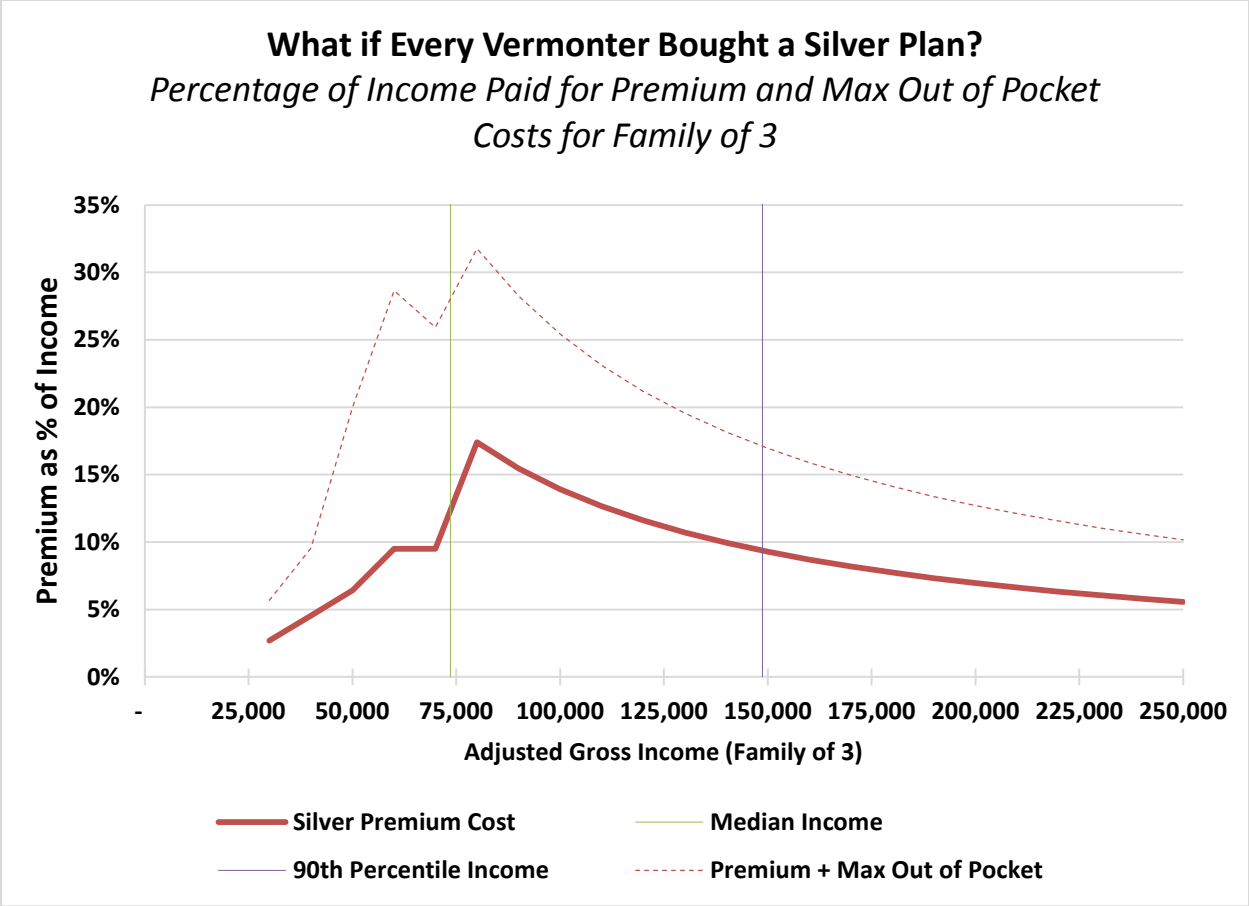
# APPENDIX A

The chart below demonstrates the limits of the ACA's affordability measures by depicting the distribution of payment as a percentage of income in a hypothetical situation where all families purchased a Silver Level Plan, the most popular plan purchased on Vermont's Health Benefits Exchange.




While an improvement, the enactment of the ACA still tolerates a regressive system where families with similar income and family size can and do pay radically different amounts for their health care coverage.

Beyond premium based inequities, the traditional insurance system may lead Vermonters who have commercial health insurance to experience unmanageable costs. Consider again the previous chart with maximum out of pocket costs added to it.




Underinsured Vermonters could have a catastrophic health event that may leave them bankrupt. This type of situation often has widespread detrimental effects upon families and communities. A publicly financed system, where contributions are universal and based on ability to pay, would allow this inequity to be addressed by adopting a higher actuarial value and better targeting cost sharing reductions. This way, Vermonters who face a catastrophic illness or have a low income or suffer from a chronic disease will not face devastating costs.

# APPENDIX B

In an effort to maintain the affordability of its health care programs prior to the ACA, Vermont further subsidized the premium tax credit and cost sharing reductions. For the premium tax credit, Vermont used matched funding from its Global Commitment waiver through CMS to reduce the applicable percentage by 1.5 percent for Vermonters up to 300%:

| Premium Tax Credit | | |
|---|---|---|
| **FPL** | **Federal Applicable %** | **Vermont Applicable %** |
| **Up to 133%** | 2.0%-2.0% | 0.5%-0.5% |
| **133%-150%** | 3.0%-4.0% | 1.5%-2.5% |
| **150%-200%** | 4.0%-6.3% | 2.5%-4.8% |
| **200%-250%** | 6.3%-8.05% | 4.8%-6.55% |
| **250%-300%** | 8.05%-9.5% | 6.55%-8.0% |
| **300%-400%** | 9.5%-9.5% | 9.5%-9.5% |

For cost sharing, Vermont used state funding to increase coverage, reducing out of pocket expenses for individuals between 200% and 300% FPL:

| Cost Sharing Reductions | | |
|---|---|---|
| **FPL** | **Federal AV** | **Vermont AV** |
| **Up to 150%** | 94% | 94% |
| **150%-200%** | 87% | 87% |
| **200%-250%** | 73% | **77%** |
| **250%-300%** | 70% | **73%** |
| **300%-400%** | 70% | 70% |

Despite this effort, Vermont has been unable to completely replicate the affordability of its former program.