



**Testimony on Governor Shumlin's
Proposal to Fix the Cost Shift**
House Ways & Means Committee
February 4, 2014

The Vermont Chamber of Commerce represents 1,500 businesses that employ approximately 45,000 Vermonters in all sectors of our economy. Our mission is to help business thrive and encourage and economic growth so businesses can grow by adding jobs, increasing wages and making capital investments.

We are focused and supportive of health care reform and we have a shared interest in

- Greater access to care
- Affordable health care for both businesses and our employees
- Quality care so our employees receive excellent care and maintain their health

We have the benefit of varying perspectives to inform our policy.

- Organization - Certainly, as a business advocacy organization we solicit and receive direct input from businesses of all sizes
- Employer - As an small business ourselves, we have 17 employees and we offer them health care as a benefit and pay approximately 75% of the premiums plus a significant share of each employee and their family's deductible and out of pocket maximum.
- VACE Insurance Administrator – The Vermont Chamber administers the VACE Dental, Vision, and Life Insurance Program which covers over 4,000 Vermont workers. We are responsible for all billing, collections, enrollment, disenrollment and participate in plan design and rate negotiation annually. We have a staff that interacts with this population on a daily basis helping them understand their plan benefits.
- Navigator - In 2014, we were the State's largest Navigator, transitioning 17,000 lives from the VACE health insurance program to the Exchange.

Our Goals

- Any new health care system must curtail the total cost of health care, not just change how care is paid for.
- Reliable and clearly defined benchmarks must be established to measure and evaluate any cost savings.
- Any new health care system should not unfairly target employers to fund or subsidize new programs and should include a mechanism so that everyone pays something.
- The system must be financially sustainable with existing public and private dollars and must not shift costs to businesses as is currently done

The Mullin Triggers

Additionally, we believe the “Mullin Triggers” put forth in Act 48 should apply to continued health care reform, which this proposal certainly is.

- All Vermonters must have insurance coverage that pays at least 80 percent of their medical costs.
- Green Mountain Care, the single payer structure, will not have a “negative” aggregate impact on Vermont’s economy.
- The financing for Green Mountain Care is sustainable.
- Administrative costs will be reduced.
- Cost containment will result in a reduction in the rate of growth of per-capita health care spending.
- Health care professionals will be reimbursed at levels sufficient to allow Vermont to recruit and retain high-quality health care professionals

Governor’s Proposal: The Good

The Governor’s proposal brings needed attention to the Medicaid cost shift, often discussed in budget hearings or health care committees, but now being discussed in broader circles. This is excellent progress. This proposal focuses on the problem: private insurance premiums are as much as 40% higher due to chronic government underfunding. We have seen attempts over the years to increase appropriations to address the cost shift, but it rarely is a lasting effort and even worse, progress is impeded by cuts, as recently happened this July. Recognition that businesses are paying more than their share and the renewed willingness to correct this is a good part of the Governor’s proposal.

Governor’s Proposal: The Bad

This proposal is lacking in several areas and key among them is the absence of any State appropriation in the proposal, which has been the problem all along. It also doesn’t correct the cost shift, it just makes it more transparent and forces employers to continue to pay more than their share, just through a different tax.

The Governor’s proposal to define a mechanism to return the \$90 million new tax to businesses is tenuous at best. The Chair of the Green Mountain Care Board cannot guarantee it, the Governor’s Health Care Chief has testified it’s a very complex system and while the hospitals and insurers have pledged to help, they’ve all acknowledged it’s quite difficult and can’t be tracked. There is much skepticism that this can be done in any meaningful way where employers will see a return on this tax. Asking employers to pay \$90 million more in any tax with the hope and promise of repayment is not fixing the cost shift, instead, it’s likely it will continue it and increase the burden of the cost of health care even more.

Governor’s Proposal: The Ugly

The implementation of a new payroll tax dedicated to health care is a scary prospect for many employers. Many employers have expressed their concern over the implementation of this new broad-based tax and a fear for future increases. And with good reason. This proposal does not fix the cost shift, does not have State funds in it, does not have a trusted mechanism for returning the revenue to businesses. Additionally, the State has a long history of underfunding provider payments and overspending on health care programs (Catamount, Exchange). Even in this proposal the Governor is suggesting supplanting ongoing spending with new revenues, increased

spending on the Green Mountain Care Board, increased spending on Medicaid programs, increased spending on VITL and the Blueprint. Rarely do we see health care costs and prices go down, which is the reason for health care reform.

Vermont Chamber Position

- Scrutinize the Proposal: The Legislature should continue to scrutinize this proposal with the same vigor that was promised of the Governor's financing plan for Green Mountain Care. Make sure this proposal fixes the stated goal of reducing the cost shift and bending the cost curve.
- Identify the savings: Since 2011, every health care discussion has discussed finding savings through the good work of the Green Mountain Care Board, the Blueprint, VITL and all of our health programs. Identify those savings and share them with those of us that have been overpaying for health care.
- Moratorium on spending: Regularly the State adjusts programs to allow greater eligibility, new benefits, additional subsidies, more regulatory and program staff, added tasks that take more resources. Commit to keeping State health care spending the same for a period of time.
- Prove Cost Containment Works: Put dollars from achieved cost savings into the cost shift instead of seeing them disappear into greater health care spending.

Questions

- How will the future increases be handled? When GMCB approves a 3% increase in hospital budgets, how will the State (Medicaid) afford their share without increasing the payroll tax or continuing the cost shift?
- Over the last two years, employers have been encouraged to drop health insurance and many have done so. What is the direction now?

Additional Problems with this Proposal

- There is no fix for the employer assessment which will make employers who don't offer health care pay twice.
- There is a concern about over reliance on federal funding, especially as the increase in provider reimbursement sunsets this year.

Alternatives

- Multi-year Plan – The State has been successful in reducing these types of funding issues in the past over a number of years. Create a JTOC-like plan for reducing the cost shift where there is a commitment in the budget process with an oversight committee to ensure its success.
- State Reallocation – Make the cost shift a priority and reallocate funding within the budget to address the cost shift.
- DVHA Savings - There should be savings in DVHA now that the State has decided not to pursue single payer. There was an increase in programs and staff for that course of action, there should be a subsequent downsizing.