
Alternative Health Care Finance Concepts: Considerations

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Universal Coverage via Additional State Subsidies

- Prompts two important questions:
 - What can be accomplished with additional state premium subsidies?
 - What is the most efficient way to leverage federal funds?

Additional State Subsidies

- What can be accomplished with additional state premium subsidies?
 - Claim: we can achieve universal coverage by 2015 with \$6 million in state subsidies.
 - Considerations:
 - Behavior. Unclear what subsidy level is needed to get uninsured or businesses to sign up without economic modeling. Current subsidy level is instructive.
 - Interaction. Any new state subsidy that makes health care more affordable must be spent on current subsidy recipients equally with new enrollees.
 - Full Freight. VT would pay full amount for subsidies above 400% FPL and will pay full freight for Vermont subsidies above 300%.
 - Holdouts. What do we mean when we say universal coverage? Getting the very last person to buy insurance is extremely difficult.
 - Population. Assumptions around number of uninsured are aggressive.

Leveraging Federal Funds

- Claim: The single most cost-effective use of any state funds is to maximize the drawdown of ACA premium subsidies.
 - Considerations:
 - Uncertainty. APTC is quite valuable, median \$4,300/mean \$5,160, but we don't know what it takes to draw down those dollars. APTC relies on business behavior, individual behavior, and family income to determine federal subsidy eligibility and amount.
 - Certainty. When VT spends \$1 for Medicaid we receive federal \$1.10.
 - Small Base. Only about 8-10k of the uninsured without ESI have incomes under 400% FPL. The remaining 13-16k are over income for a subsidy. There are over 100k people who receive Medicaid coverage.
 - Utility: Reducing overall federal premium subsidy growth does not harm Vermonters. In fact, reallocation of funds is likely a benefit.

Universal Primary Care Concept

- Concept: Provide all Vermonters with publicly financed primary care services.
- Considerations:
 - Definition and Cost: How do you define primary care?
 - Working through this with Dr. Richter, JFO, and Administration staff
 - Waiver: Uncertainty at federal level
 - Payment Model: Compatible with delivery system reform efforts underway

VWC Concepts

- Concept: Payment for our healthcare system must be separate from a person's use of care, and solely based on ability to pay.
 - Consideration
 - Cost: Is that 100% AV? If so, this added \$377 million to bottom line in GMC analysis.

VWC Concepts (2)

- Concept: Remove the Governor's proposed cap on income taxes for those earning over \$290K.
 - Considerations:
 - A Big Leap: Insurance today is a product and the price is largely invisible. Public financing makes the cost of health care transparent, and a general income tax will be quite large.
 - Small Base: In 2013, approximately 3,800 families earned more than 300,000. 2,800 if you exclude seniors. Concentrates tax and limits revenue potential.
 - Seniors: Are you including seniors? If not, excluding 1,000 tax filers above \$300,000 and more than 20% of revenue potential.

VWC Concepts (3)

- Concept: flatten the “on ramp,” i.e. lower the costs for those who earn the least.
 - Governor’s proposal and alternative financing scenarios show that same sensitivity to ability to pay.
- Concept: Review options for taxing unearned income and wealth.
 - Novelty: Administration’s proposal taxed non-wage income. Accordingly, are we talking about a new tax on wealth?

VWC Concepts (4)

- Concept: Help businesses by exempting the very smallest of businesses.
 - Base: Very small businesses in the aggregate have a meaningful % of payroll and an exemption narrows tax base.
 - Definition: how do you define small business?
- Concept: Calculate a sliding scale tax rate that increases with business size.
 - Competitiveness: What is a competitive tax rate?
 - Lock In: You will lock in large public payers, like SOV, Schools, and municipalities.

VWC Concepts (5)

- Concept: Link tax rate to the ratio of low and high wages a company pays.
 - Complexity: A complex system of firm specific tax rates that could change wildly from year to year.
 - Gaming: Wages are not the only form of compensation.
- Concept: GMC Admin savings were too low.
 - Timing: We projected significant savings through GMC; however, they accrued over time.
 - Dislocation: What does cutting \$500 million in year one mean for health care sector?
 - Risk: What if we get it wrong?

Vermont Leads Concept

- Concept: Re-evaluate GMC based on impact of Cadillac Tax and change policy parameters to exclude commuters, keep Provider Taxes, and find a third revenue stream.
- Considerations
 - Certainty: Understanding impact of Cadillac Tax would be extremely helpful.
 - Impact of new Policy Choices: Different policy choices would lead to different results and different experience for providers and border businesses.
 - Provider Tax: Agree that more analysis could be done.