

Testimony Regarding Health Care Initiatives and Funding

Vermont House Ways and Means Committee March 25, 2015

Jennifer Chiodo, PE, LEED
Managing Principal, Cx Associates; Board of Directors, VBSR

About Cx Associates

Cx Associates is an energy engineering consulting firm, founded in 1994 and based in Burlington, Vermont. The firm employs ten full time staff who focus on building energy performance. Cx Associates' services include:

- Building commissioning¹ of new and existing buildings
- Energy efficiency program consulting and evaluation
- Building energy retrofit studies and implementation

Cx Associates currently covers 100% of the cost of individual BCBS platinum health care premiums for employees and 50% of the family platinum premium. Our payroll puts us near the 90th percentile of Vermont firms by payroll size². Health care premiums represent over 12% of our annual payroll expense. We provide this level of health care coverage to help attract and retain engineers in a very competitive environment. In addition, some Cx Associates staff initially experienced very high out of pocket expenses due to the relatively low actuarial value of other plans available on the exchange. This created a hardship for employees and necessitated a substantial increase in the firm's investment in health care coverage. Cx Associates' per employee health care costs have increased 47% over the past 4 years.

Presenter Background

Jennifer Chiodo is the Managing Principal of Cx Associates. She spent her early career overseeing engineering systems design of major new buildings³ at the San Francisco offices of two leading consulting engineering firms. Chiodo has worked in energy efficiency in Vermont since her tenure at the VT Public Service Department in the mid-1990s. She joined Vermont Energy Investment Corporation (VEIC) in 1996 and was a

¹ Building commissioning is a quality assurance process used to ensure that complex building systems are designed, installed and operated to meet the building owner's needs.

² Slide 3 - Distribution of Proposed Payroll Tax. Cited data source: VT Dept. of Taxes [Payroll Tax Presentation - Office of Health Care Reform](#)

³ Chiodo's projects included Space Ship Earth and the Main Entrance Complex at EPCOT Center, the Monterey Bay Aquarium, the GSA Federal Building (1 million sq ft), university laboratories for Stanford and the UC System, several downtown San Francisco high rises, including 5 Fremont Center and more.

founding Director of Efficiency Vermont and oversaw the Business Programs for the first contract period. She has fostered Cx Associates into a thriving and well respected consulting engineering firm.

Chiodo is actively engaged in community service through her work on multiple Boards and the Charlotte Town Energy Committee. She is speaking today as a concerned business owner and member of the Vermont Businesses for Social Responsibility (VBSR) Board of Directors.

Purpose

The purpose of my testimony is to provide input on addressing the Medicaid cost shift in a transparent and equitable manner and improving access to primary care for all Vermonters.

Medicaid Cost Shift and Health Care Funding

The current reimbursement rate for Medicaid recipients is 40% of the cost of care. Responsible governance requires that when we as a society establish the need for a program, such as providing access to health care to those with limited means, we need to commit to pay for that program. Failure to adequately fund Medicaid reimbursements results in both a significant cost shift to those who pay insurance premiums and limited availability of primary care providers due to low reimbursement rates.

The Medicaid cost shift represents a hidden and inequitable tax. Businesses and individuals paying insurance premiums are paying for the shift which is embedded in the premiums we pay. While VBSR's position in general seeks more broadly based taxes to fund health care, we view a payroll tax to address the cost shift is a reasonable step in the right direction. A payroll tax of 0.7%, as originally proposed by the administration, would bring Medicaid reimbursement rates up to 80% and leverage a large pool of federal dollars. Addressing the cost shift in this way will contribute to bending the insurance premium cost curve improving the long term affordability of health care for businesses like mine. It will increase transparency and include all businesses in funding the cost of covering those on Medicaid.

VBSR and I are against eliminating the employer assessment on businesses that do not currently provide health care. Many of these businesses are paying wages low enough for their employees to qualify for Medicaid. That means that businesses like mine are subsidizing businesses that don't currently provide health care for their employees. While these businesses would contribute via the payroll tax, if you look at the math, in many cases these businesses would see a significant cost decrease if the employer assessment is eliminated while businesses like mine will likely see some increase in near term costs.

Keeping the current employer assessment for health care in place and adding a payroll tax to address the Medicaid cost shift will increase the transparency of Medicaid funding and equity between businesses.

Access to Health Care

The cost shift results in lack of access to primary care physicians for those on Medicaid. Private practitioners have little opportunity to recoup the costs of caring for patients insured through Medicaid. These professionals must make difficult decisions about whether they can personally afford to serve Vermonters on Medicaid and many are determining that they are unable to absorb the cost shift within their practice. Private physicians with a significant percentage of Medicaid patients are finding that the reimbursement covers overhead but not physician salaries making their prospects for continuing in business bleak unless the low reimbursement rate is corrected. If we want to continue to thrive as a community we must ensure that we have enough primary care physicians to serve our population.

Studying Universal Primary Care, as proposed in the current legislation, is important to ensuring all Vermonters have access to health care. Increasing access to low cost primary care without the burden of the high deductibles associated with many current health plans is a key to controlling long term health care costs. It has been proven that those who don't have access to primary care are more likely to use expensive services such as emergency room care.

I don't like taxes any more than the next person in the room. However, I believe we have a societal responsibility to honor our commitments and therefore we must address the current underfunding of Medicaid reimbursements with transparency and equity.

Thank you.