



January 12, 2018

Re: S.53, An act relating to a universal, publicly financed primary care system

Vermont Businesses for Social Responsibility believes the state can no longer depend on employer-sponsored insurance as its backbone. Since 1992, VBSR has argued that health care is an economic development issue. The fact that our businesses have coped with double-digit increases in health care premiums almost annually is proof. We call for decoupling health insurance from employment and for public financing based on ability to pay.

The current system that relies on business to be the provider of health insurance results in uneven coverage for employees and an uneven playing field for employers. We need a new path forward that puts the focus on expanding access, improving outcomes, reducing long-term costs, and divorcing health care from employment.

VBSR supports a health care system that:

- Supplies universal coverage of all Vermonters.
- Cuts unnecessary waste and spending from the system.
- Decouples employment and insurance.
- Is funded fairly and sustainably through progressive taxation.

What VBSR members are experiencing with health insurance costs: i

- Nearly 30% of members are paying upward of 10% of payroll for employee health insurance;
- Nearly 20% of members pay between 11-20% of payroll;
- More than 20% are paying 21-30% of payroll for employee health insurance

Nationally, the average annual health insurance premium for one employee is \$6,251 – workers pay on average \$1,071. The average annual family premium is \$17,545, with workers paying about \$4,955.ii

Employer-sponsored health insurance is unsustainable, unfair, and bad for our economy.

The employer-sponsored health insurance system is a product of the United States tax code during World War 2 – government wage controls led to businesses finding new tax-free ways of compensating employees.

Drawbacks of employer-sponsored health insurance system:

- Limits business entrepreneurship and employee mobility between jobs.
- High administrative costs for businesses providing the benefit.

- Inequitable sharing of costs between businesses.
- Large segments of the population remain uncovered.

“If we do nothing, our current system doesn’t crash all at once. Instead, employers, faced with no choice, gradually shift more and more of the cost onto our employees, and the employees slowly, one by one, across the whole state, stop buying health insurance and a) stop getting preventive care and b) start accessing care only through the ER, with all the negative consequences that follow.

Ending the practice of providing access to health insurance through employers, and access to healthcare through health insurance, is the best way to avoid those problems. Universal primary care is a great place to start. That way, even people who can’t afford insurance and don’t qualify for Medicaid get preventive care, which is one great way to keep cost out of the system.”

- Bram Kleppner, CEO, Danforth Pewter

Approximately 70% of United States residents were covered through employer plans during the 1960s.ⁱⁱⁱ 2015 RAND analysis suggests the same trend is occurring in Vermont.

- 307,032 Vermonters got health insurance through their jobs in 2012 (49% of residents).
- 285,345 Vermonters estimated will get health insurance through their jobs in 2017 (45% of residents).

VBSR supports creating a Universal Primary Care System in Vermont as the first step toward building a fair and sustainable Vermont health care system that achieves universal coverage, cost savings, and portability of health care that is not tied to an individual’s job.

- Universal Primary Care delivers a service to all Vermonters.
- Primary Care is a manageable piece of the health care system to focus initial reforms.
- Access to Primary Care is the foundation of a successful health care system.

Creating a successful Universal Primary Care system in Vermont is the first essential step toward broader health care reform. Each year the current system cracks further, leaving businesses and individuals with higher costs and fewer options for health insurance.

VBSR urges the Vermont Legislature to continue the state on the path to building a sustainable and more effective health care system – one with more predictable costs and outcomes.

This should not just be seen as a moral imperative, but also an economic one. Vermont businesses cannot expand operations, increase wages, or hire new workers when out of control health care costs swallow their profits.

VBSR looks forward to working with this committee to pass S.53 and put the state back on the road to health care reform.

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Investments in Primary Care Improve Public Health and Reduce Costs

2014 study on indigenous residents in Australia's Northern Territory
This study compared health outcomes and costs at different levels of primary care utilization for about 15,000 residents of this territory between 2002 and 2011. The study looked at high, medium, and low primary care utilization groups that had access to a hospital or rural health clinic.

Higher levels of primary care utilization populations saw reductions in avoidable hospitalizations, deaths, and years of life lost compared to the low level of utilization populations:

- avoidable hospitalizations reduced by 82-85%,
- deaths reduced by 72-75%,
- years of life lost reduced 78-81%.

Investing \$1 in primary care in remote Indigenous communities could save \$3.95-\$11.75 in hospital costs, in addition to health benefits for individual patients, the study found.

Source: Better health outcomes at lower costs: the benefits of primary care utilization for chronic disease management in remote Indigenous communities in Australia's Northern Territory; Yuejen Zhao Email author, BMC Health Services Research 2014.

Study abstract:
<https://bmchealthservres.biomedcentral.com/articles/10.1186/1472-6963-14-463>

Investments in Primary Care Pays Off – But it Takes a Few Years

2012 study matching data from a free community clinic providing primary care services versus a local hospital. The study found that non-urgent emergency room and inpatient costs at the hospital fell \$170 per

patient after enrollment at the clinic. However, the initial cost for enrollment is \$505 each year and the savings would need to be sustained over a three-year period to offset the initial cost increases associated with the new primary care patients.

Source: Benefits and costs of a free community-based primary care clinic. Fertig AR1, Corso PS, Balasubramaniam D. Abstract:
<https://www.ncbi.nlm.nih.gov/pubmed/22530286>

ⁱ VBSR 2016 Policy Survey

ⁱⁱ 2015 Employer Health Benefits Survey, Kaiser Family Foundation (2015): <http://kff.org/health-costs/report/2015-employer-health-benefits-survey/>

ⁱⁱⁱ The End of Employer-Sponsored Health Insurance?, Health Integrated blog (2016):
www.healthintegrated.com/news-and-events/blog/view/blog/2016/01/07/the-end-of-employer-sponsored-health-insurance