

**Excerpt from “Cost Estimates for Universal Primary Care” report**  
*Submitted to General Assembly by Agency of Administration on December 16, 2015*

#### **4. Recommended Future Analyses**

In order to implement a publicly financed universal primary care program for Vermont, a number of additional analyses need to be performed, similar to the analyses required for public financing of Vermont’s Green Mountain Care universal health care plan released in December of 2014. The following are recommendations for future analyses:

- Public Financing Plan
- Economic Analysis of Financing Plan
- Legal and Waiver Analysis
- Operational Plan
- Plan Design and Health Savings Accounts

##### **Public Financing Plan**

A system of universal primary care for all Vermont residents would require a public financing mechanism to cover its costs. Specifically, legislators would need to enact a set of taxes and/or fees sufficient to cover system costs. Generally, policymakers would need to consider three overall revenue sources: federal funds, existing state revenues that pay for primary care services, and new taxes and/or fees that replace the current spending on primary care services paid by current payers. Additionally, policymakers may want to consider the possibility of financing other costs that may occur due to an expansion of publicly financed health care obligations. These may include, but are not limited to, the acquisition of insurance reserves or reinsurance, budget reserves as the State’s financial obligations grow, and a strategy to evaluate and address the long term trend of annual health care growth outpacing annual tax revenue growth.

Policymakers will likely want to consider Medicaid spending and money spent on active and retired employee health benefits when evaluating existing state revenues that pay for primary care services.

If the state were to transition to the federal exchange technology, it would be difficult to successfully acquire this waiver as the federal exchange technology is not customizable.

##### **Economic Analysis of Financing Plan**

A system of universal primary care coverage and accompanying public finance plan would likely change the distribution of health care costs for Vermont employers and families. A micro-simulation model would provide economic analysis that would estimate the distribution of costs for Vermont employers and families. Specifically, economic analysis would likely reveal the change in costs by business size and type for employers compared to the status quo. Concurrently, the analysis would likely estimate the change in out-of-pocket spending, state and federal taxes, and income for families. Additionally, policymakers may choose to pursue macroeconomic modeling, which

would show what, if any, impact universal primary care and its accompanying financing plan would have on Vermont's overall economy and various business sectors.

### **Legal and Waiver Analysis**

A legal analysis is required to ensure compliance with federal law and to recommend changes to Vermont state law. The state would need to evaluate the need to obtain new federal waivers and align existing waivers in order to implement a universal primary care plan. For instance, the Affordable Care Act allows qualified health plans to contract with a primary care home plan to provide direct primary care, but it does not envision a state carving out primary care from qualified health plans. This could be accomplished with a Section 1332 ACA Waiver.

In addition, the Affordable Care Act requires that all health plans, including those in the large group market, offer preventive care at no cost to the patient. Carving out primary care, which includes some preventive care services, of large group insurance plans would require further analysis of federal law. A thorough Employee Retirement Income Security Act (ERISA) analysis should be performed in conjunction with the financing plan.

### **Operational Plan**

A universal primary care system will require an operational plan for implementing the program. The operational plan would include recommendations for the role of state government, the role of commercial insurers, the process for determining provider payment, and the process for determining the overall UPC budget. The operational plan would outline a framework for monitoring quality and providing financial and administrative oversight for the program. An operational plan for UPC would require analyses into four broad operational areas:

1. Program administration, including coordination of benefits
2. Financial administration
3. Capitated rate setting and provider payment
4. Plan design and Health Savings Accounts

#### *Program administration*

Administration of a universal primary care program will require Medicaid operational integration, as well as an administrative function for coordinating benefits with other third party payers as either the secondary or primary payer. Program administration will also include the following functions:

- Quality measurement requirements for the state agency administering the program
- Eligibility determination
- Enrollment
- Claims adjudication
- Coordination of benefits and subrogation
- Primary care provider selection and referral management

- Medical necessity determination
- Adjudicating out-of-state coverage for primary care
- Data analysis, reporting, and settlement with at-risk providers
- Hospital, physician, and other provider credentialing and network enrollment, including contracting a national network and covering services out of country
- Program integrity, including some fraud and abuse detection
- Customer service
- Overall evaluation of the performance of UPC in terms of costs, quality of care, and customer experience
- Appeals and grievances

#### *Financial administration*

In addition to the public financing plan and economic analysis, universal primary care will require financial administration for budgeting and budget/revenue reconciliation, as well as risk management. Financial administration will also include the following functions:

- One-time start-up operational costs
- The expected rate of increase in UPC expenditures for the coming year, taking into account cost pressures and revenue constraints
- Allowed administrative costs for the state agency administering the program
- Ongoing budget for medical and administrative costs related to the services paid for under UPC
- Financial management functions, including:
  - Reserving
  - Reinsurance
  - Cash flow management
  - Retroactive provider settlements
  - Actuarial analyses, projections, and reporting
  - Budgeting for UPC costs
  - Oversight of the total UPC budget and alignment of the budget with available state and federal funding.
  - Oversight of the financial health and adequacy of reserves.

#### *Capitated rate setting and provider payment*

The state will need to determine a system for paying providers for UPC services, not unlike the state's current Medicaid payment system. Further analysis will need to be done to determine how to execute the following functions in the UPC system:

- Provider reimbursement;
- Setting payment terms for covered services;
- Negotiating provider payments, including population based payments;
- Oversight of provider payment policy.

Further analyses may be required to refine the cost estimates based on plan design and operational decisions for universal primary care. Please see Appendix D for further analyses recommended by Wakely, including:

- Induced demand study;
- Study of administrative costs;
- Analysis of provider or insurer behavior changes, cost-shifting, up-coding, or leakage to and from non-primary care providers as a result of carving out primary care services;
- Impact of other provider payment or health care reforms.

### **Plan Design and Health Savings Accounts**

It should be noted that coverage by UPC will make Vermonters ineligible for Health Savings Accounts (HSAs). In order to be eligible for an HSA, federal law requires that the individual have a high deductible health plan and prohibits coverage under any additional health plan. In August, Senator Bill Cassidy introduced S. 1989, The Primary Care Enhancement Act, which would allow individuals to maintain the tax benefits of an HSA even while they have a separate primary care plan. Without further action from Congress or Treasury, however, Vermont's UPC program would likely make Vermonters ineligible for an HSA. If the legislature moves forward with UPC, this issue will need further analysis.