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US Health Care System Overview
&
History and Overview of the Vermont Health Care Reform

Robin Lunge, GMCB Board member

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January 21, 2025

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US Health System Overview

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Health Economics: A Primer

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Health Care Markets differ from other markets

And its uniqueness may justify the extent of government oversight through laws and regulation:

- Uncertainty
- Asymmetric Information (i.e., one party has more information than another in a transaction)
- Presence of Third-Party Payers
- Externalities
- Lack of competition

2024 Commonwealth Fund: US Ranks Last

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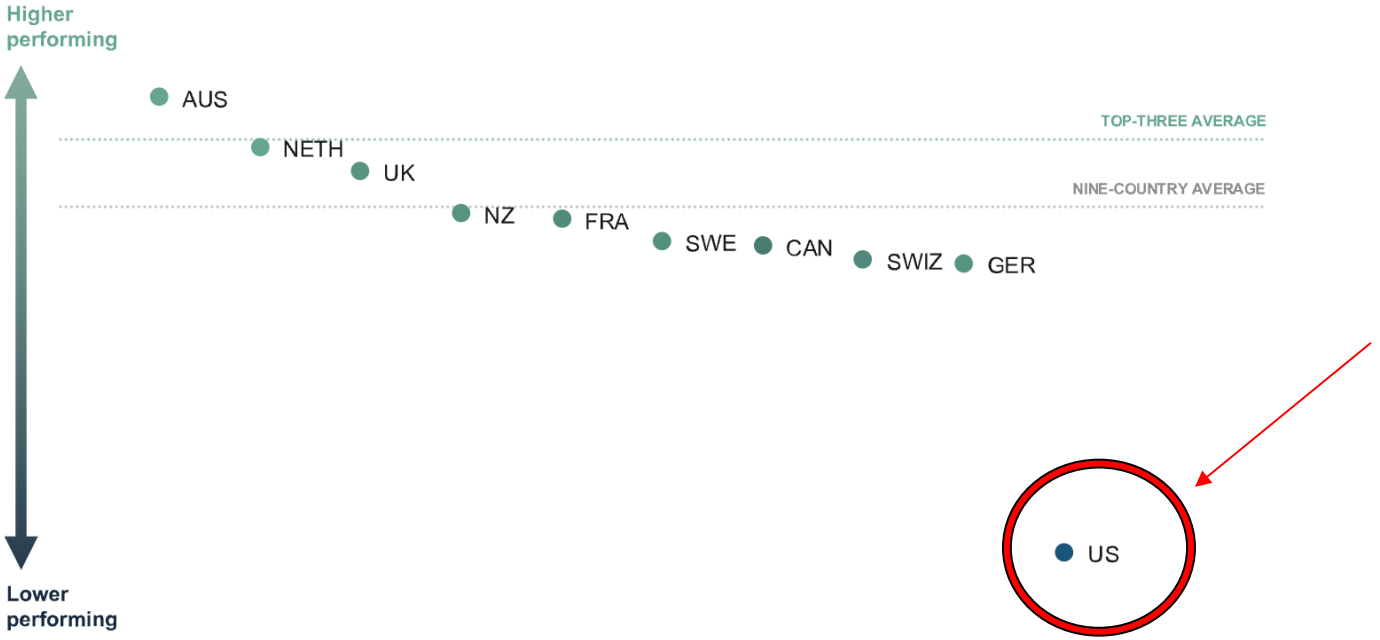
The United States lags its international peers considerably on health system performance.



Note: To normalize performance scores across countries, each score is the calculated standard deviation from a nine-country average that excludes the US. See "How We Conducted This Study" for more detail.

Data: Commonwealth Fund analysis.

Source: David Blumenthal et al., *Mirror, Mirror 2024: A Portrait of the Failing U.S. Health System — Comparing Performance in 10 Nations* (Commonwealth Fund, Sept. 2024). https://doi.org/10.26099/ta0g-zp66

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Taking the pulse of the US Health Care system

Those assessing the overall performance of a health care system focus on three key components ("Triple Aim")

- Access
- Cost
- Quality

Access: Health Insurance access varies by state

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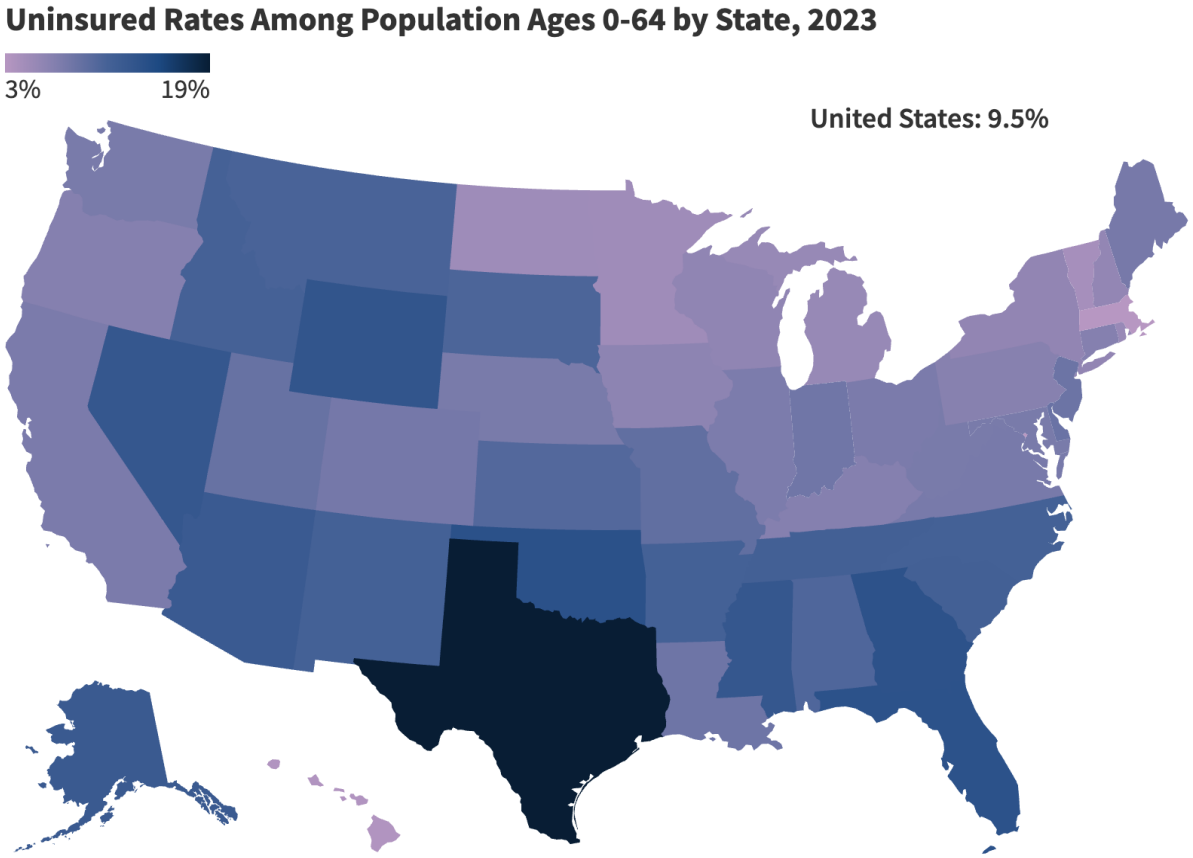

Note: As of December 2024, these states have not expanded Medicaid: Alabama, Florida, Georgia, Kansas, Mississippi, South Carolina, Tennessee, Texas, Wisconsin, and Wyoming.

Source: KFF analysis of 2023 American Community Survey 1-Year Estimates, and tracking and analysis of state actions related to adoption of the ACA Medicaid expansion. • Get the data • Download PNG

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Access: The Importance of Health Insurance

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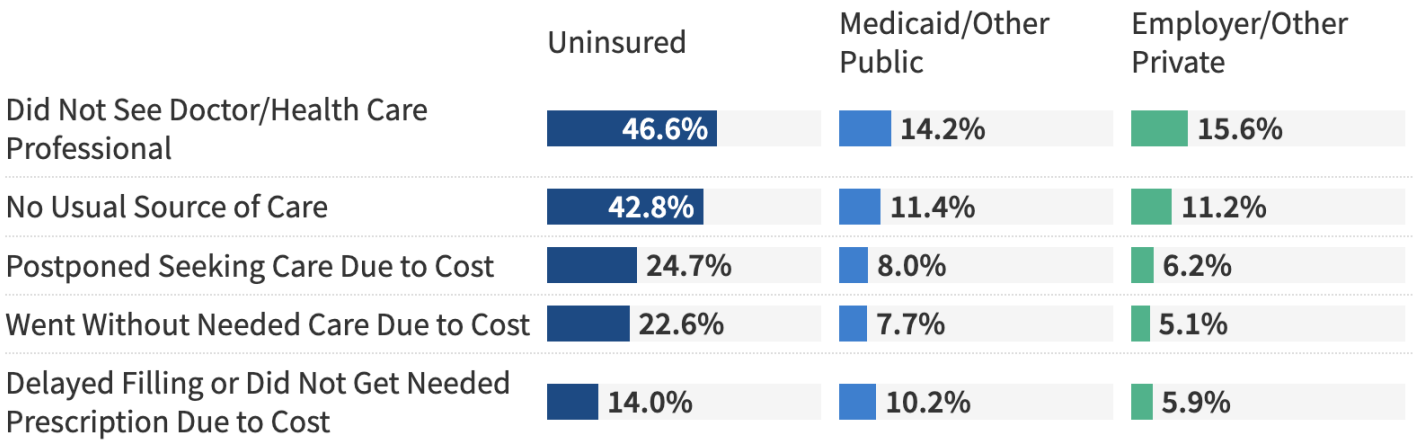
Figure 9

Barriers to Health Care Among Adults Ages 18-64 by Insurance Status, 2023

Select an age group:

Adults (18 to 64) | Children (0 to 17)



Note: Includes individuals ages 18 to 64. Includes barriers experienced in the past 12 months. Respondents who said usual source of care was the emergency room were included among those not having a usual source of care. All Medicaid/Other Public and Employer/Other Private are statistically different from Uninsured at the p<0.05 level.

Source: KFF analysis of 2023 National Interview Survey • Get the data • Download PNG

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Costs: Health Care Spending as a %GDP--US is an outlier

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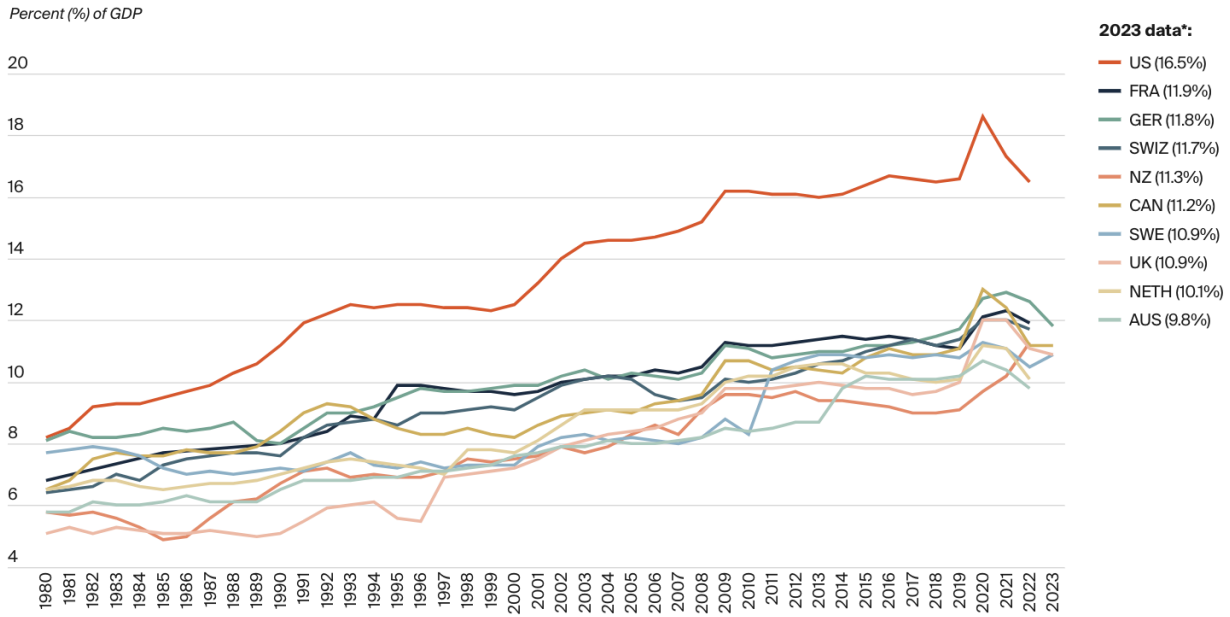
EXHIBIT 3 — *Health Care Spending*

Health Care Spending as a Percentage of GDP, 1980–2023



Notes: GDP = gross domestic product. Current expenditures on health. Based on System of Health Accounts methodology, with some differences between country methodologies.
* Data for CAN, GER, SWE, and the UK from 2023; data for AUS, FRA, NETH, NZ, SWIZ, and the US from 2022.

Data: OECD Health Data, July 2024.

Source: David Blumenthal et al., *Mirror, Mirror 2024: A Portrait of the Failing U.S. Health System — Comparing Performance in 10 Nations* (Commonwealth Fund, Sept. 2024).
https://doi.org/10.26099/ta0g-zp66

Costs: Growth in per capita health care spending over time

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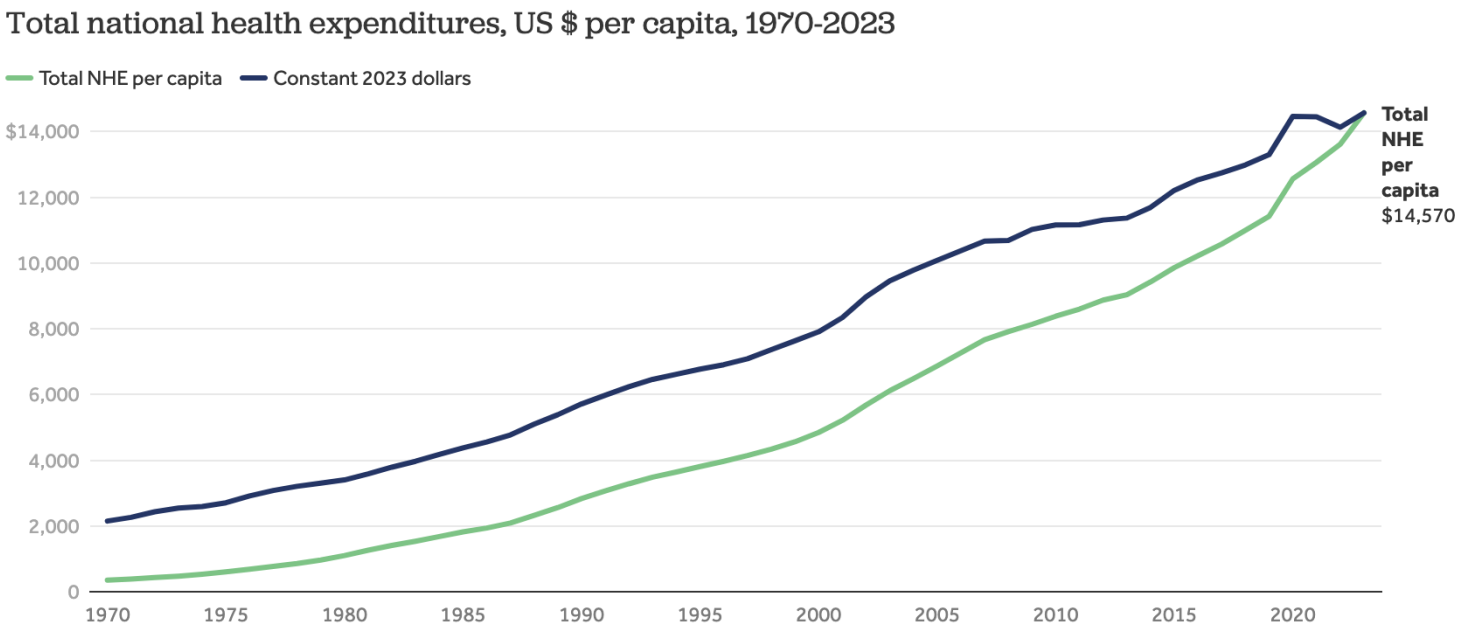

Costs: What is driving up health care spending generally?

- Growth of third-party payers (people shielded from true cost of care demand more care — “moral hazard”)
  - Fee for service reimbursement system (incentivizes volume not value)
- Technological growth
- Increased specialization
- Aging of population
- Income growth
- Price growth

Quality: Life Expectancy is lower in US than peer nations

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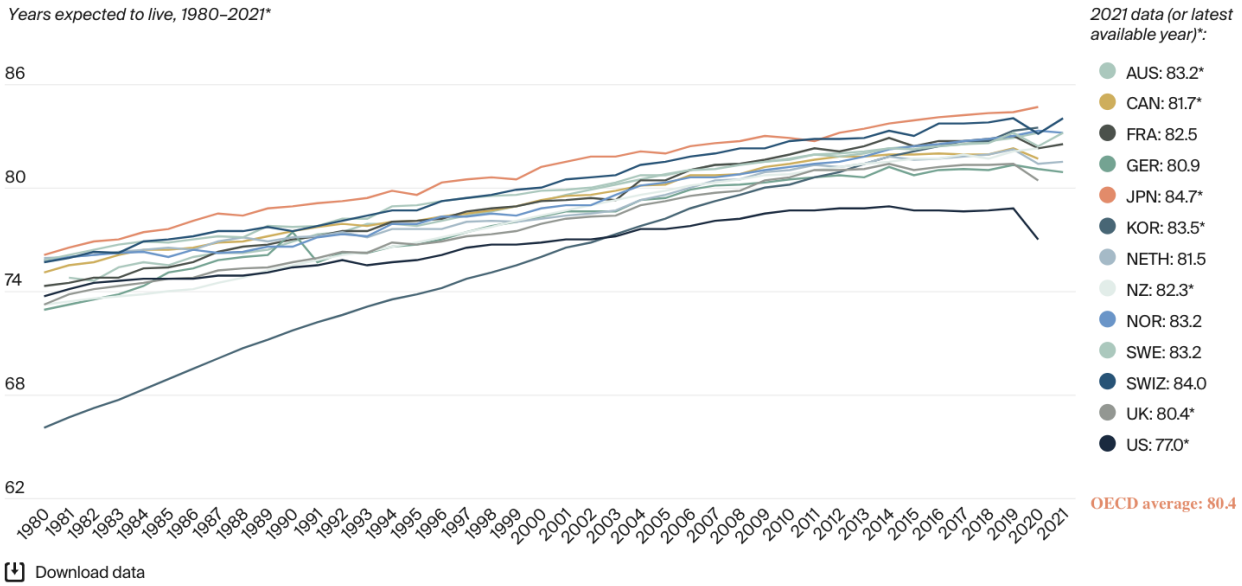
U.S. life expectancy at birth is three years lower than the OECD average.



Download data

Note: * 2020 data. Total population at birth. OECD average reflects the average of 38 OECD member countries, including ones not shown here. Because of methodological differences, JPN and UK data points are estimates.

Data: OECD Health Statistics 2022.

Source: Munira Z. Gunja, Evan D. Gumas, and Reginald D. Williams II, *U.S. Health Care from a Global Perspective, 2022: Accelerating Spending, Worsening Outcomes* (Commonwealth Fund, Jan. 2023). https://doi.org/10.26099/8ejy-yc74

Quality: How long you live…depends on where you live.

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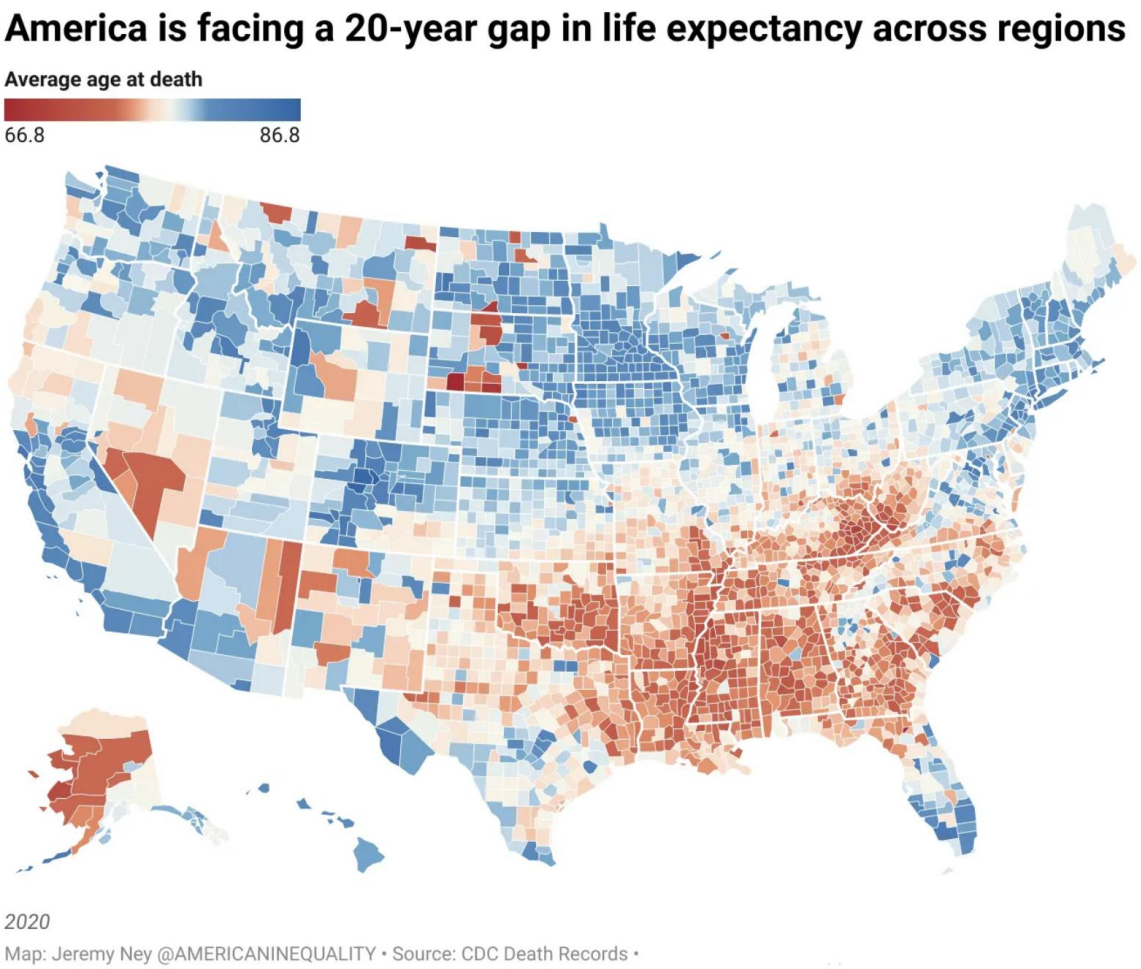

America is facing 20 year gap in life expectancy across the country Credit to Jeremy Ney @ AmericanInequality

Performance vs Spending
US is an outlier

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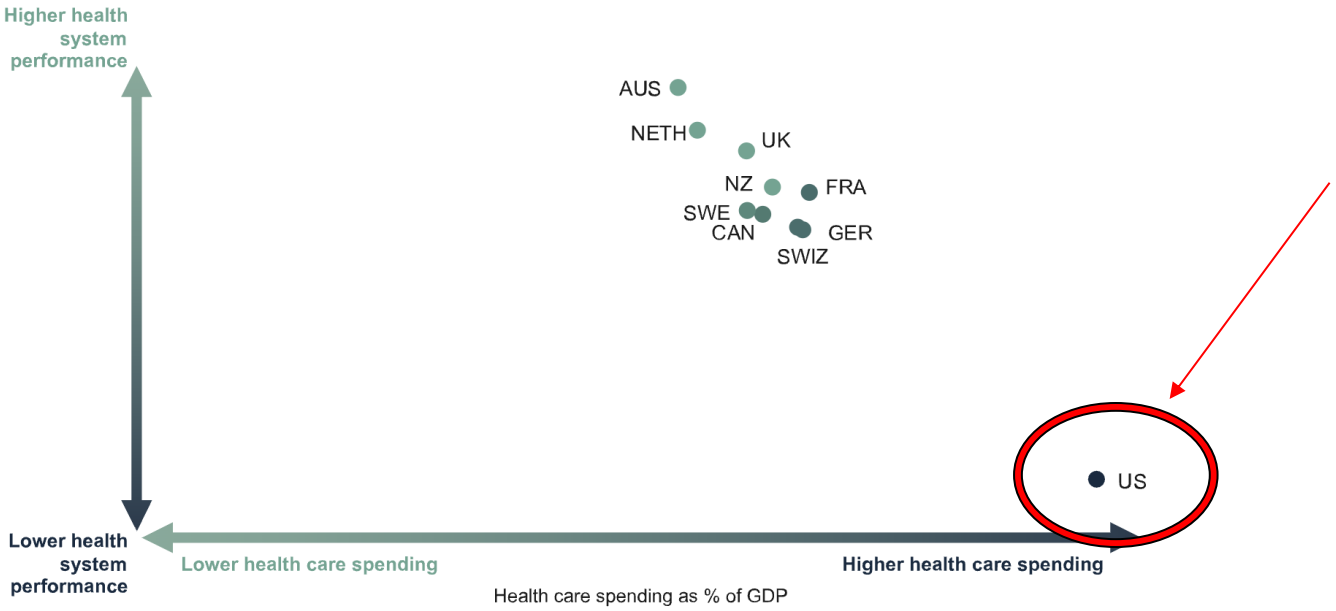
EXHIBIT 4 — *Performance vs. Spending*

Health Care System Performance Compared to Spending



Notes: GDP = gross domestic product. Health care spending as a percentage of GDP. Performance scores are based on standard deviation calculated from the nine-country average that excludes the US. See "How We Conducted This Study" for more detail.

Data: Spending data are from OECD for the year 2022 and 2023 (updated in July 2024).

Source: David Blumenthal et al., *Mirror, Mirror 2024: A Portrait of the Failing U.S. Health System — Comparing Performance in 10 Nations* (Commonwealth Fund, Sept. 2024).

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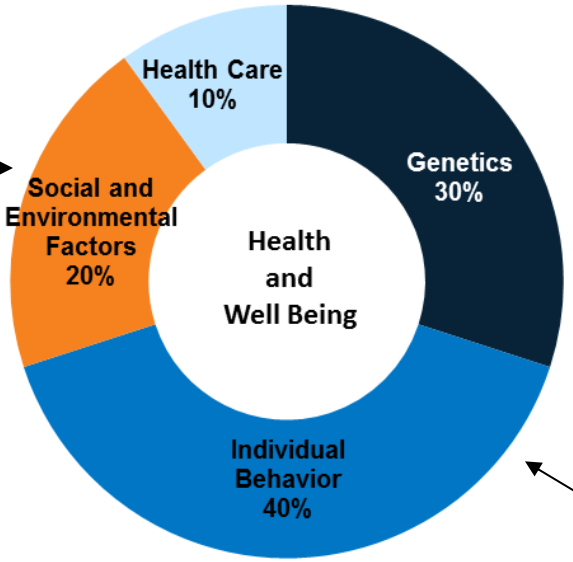
Determinants of Health

Figure 2

Impact of Different Factors on Risk of Premature Death

Housing, Education, Transportation, Environment



Nutrition, Exercise, Substance Use

SOURCE: Schroeder, SA. (2007). We Can Do Better — Improving the Health of the American People. *NEJM*. 357:1221-8.

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Purposes of Government Policy & Regulation

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- **Access Examples**
  - public coverage programs for the poor, elderly and children
  - support to buy private coverage for the middle income
  - increase modalities of care (e.g. telehealth via video or phone)

- **Cost Containment Examples**
  - limit supply of facilities through Certificates of Need
  - increase competition or reduce monopoly power through antitrust laws
  - cap revenues of hospitals

- **Consumer Experience/Quality**
  - "health and safety" by limits on supply of professionals through licensing
  - restrictions on sale of drugs and supplies until approved

Recent History of Vermont Health Care Reform

- **2005:** VT first approved for federal 1115 Global Commitment Waiver for Medicaid, providing flexibility to expand insurance coverage, implement innovative care models, accelerate payment models, and strengthen care coordination and population health management to encompass the full spectrum of health-related services and supports
- **2007:** VT expanded insurance coverage through Catamount Health, affordable individual health insurance for qualified Vermonters without access to employer insurance
- **2008:** Medicaid pilots VT Blueprint for Health care delivery reform model establishing integrated health and human services and advanced primary care; commercial insurers joined in 2010; Medicare in 2011
- **2011:** Act 48 establishes Green Mountain Care Board and calls for a publicly financed health care system to provide coverage for all Vermont residents
- **2013:** Vermont Health Connect launched in response to the federal Affordable Care Act to provide eligible Vermonters with health insurance and premium assistance
- **2016:** Current Vermont All-Payer Model Agreement signed between state leaders and the federal Centers for Medicare & Medicaid Services
- **2020:** Rural Health Services Task Force Report provides recommendations
- **2022:** Act 167 establishes funding for community engagement and work on hospital global budgets
- **2024:** Hospital Community Engagement meetings held and recommendations provided by contractor
- **2025:** State of Vermont signs state agreement with CMMI for Cohort 2 of the AHEAD model

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Vermont's Health Care Reform Efforts

Brendan Krause, Director of Health Care Reform
Vermont Agency of Human Services

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Health Care Reform Vision

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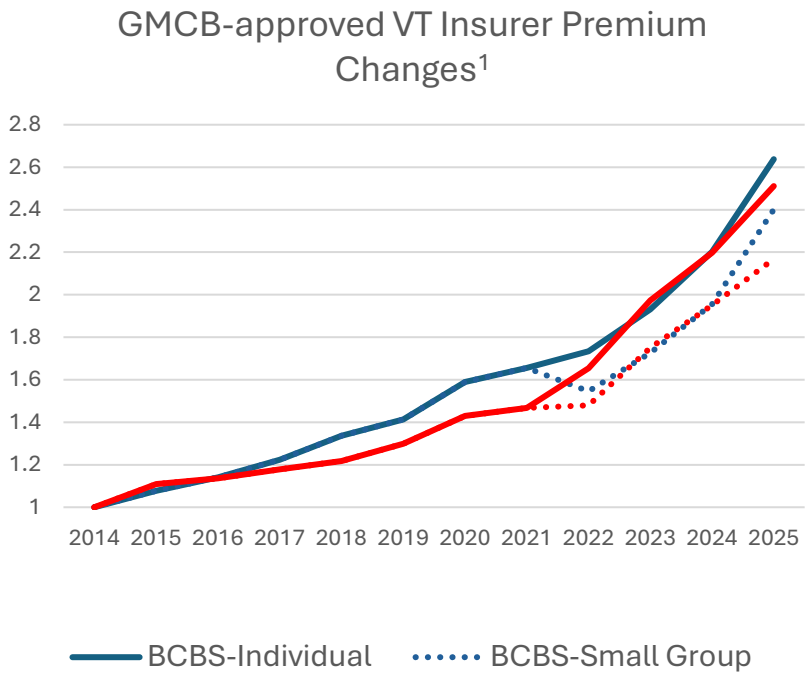
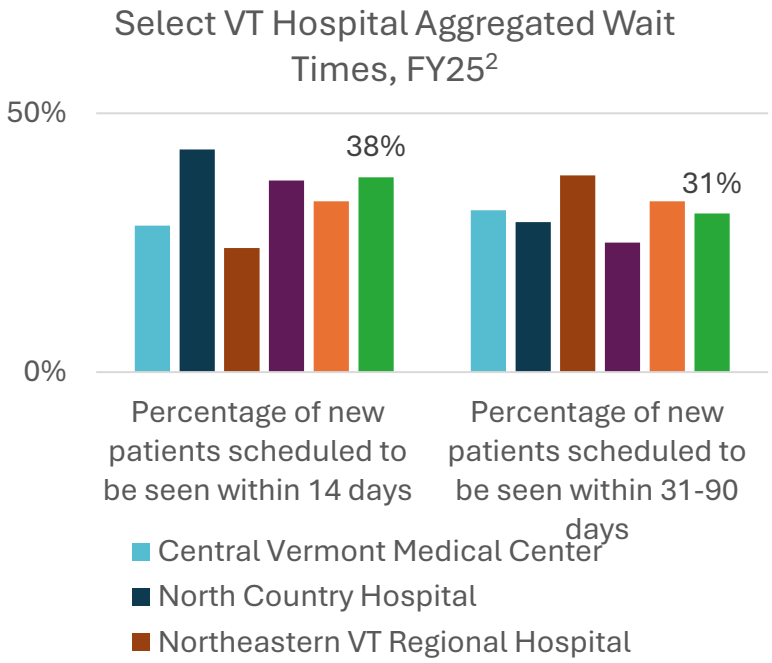
Context for Reform: VT's Current Health Care System

- Vermont's health care system faces challenges in affordability, sustainability, access, and equity
  - Health insurance premiums and out-of-pocket maximums have risen dramatically in the past 5-10 years
  - More than half of the state's hospitals are operating at a loss
  - Vermont's health insurers are facing financial sustainability issues
  - Vermonters are experiencing long wait times for primary and specialty care
  - Gaps in community-based care results in increased use of hospitals
  - Low-income populations in rural areas face significant health-related social needs barriers to receiving care (e.g., housing, transportation)
- Demographics - Simultaneously, Vermont's population is aging while the working age population declines

VT's Current Health Care System: Insurance Premiums & Wait Times





[1] Green Mountain Care Board, rate changes over time.; [2] Green Mountain Care Board, analysis of hospital global budget submissions

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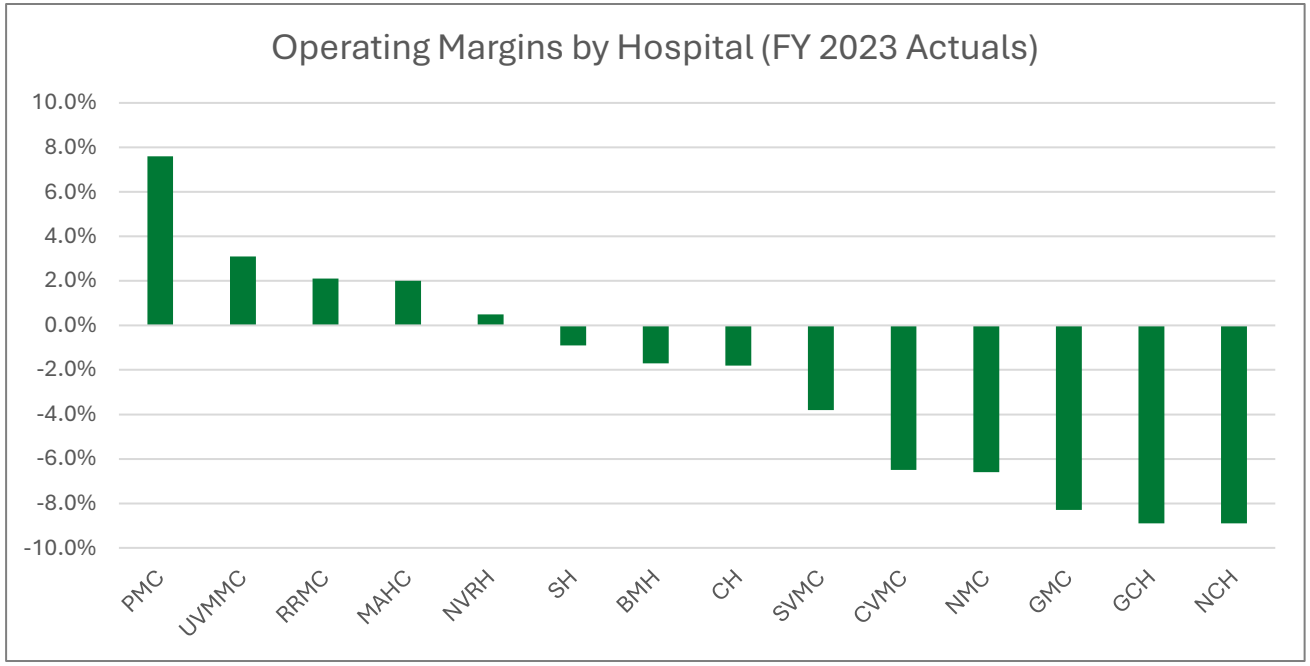
VT's Current Health Care System: Hospital Operating Margins



Source: Green Mountain Care Board

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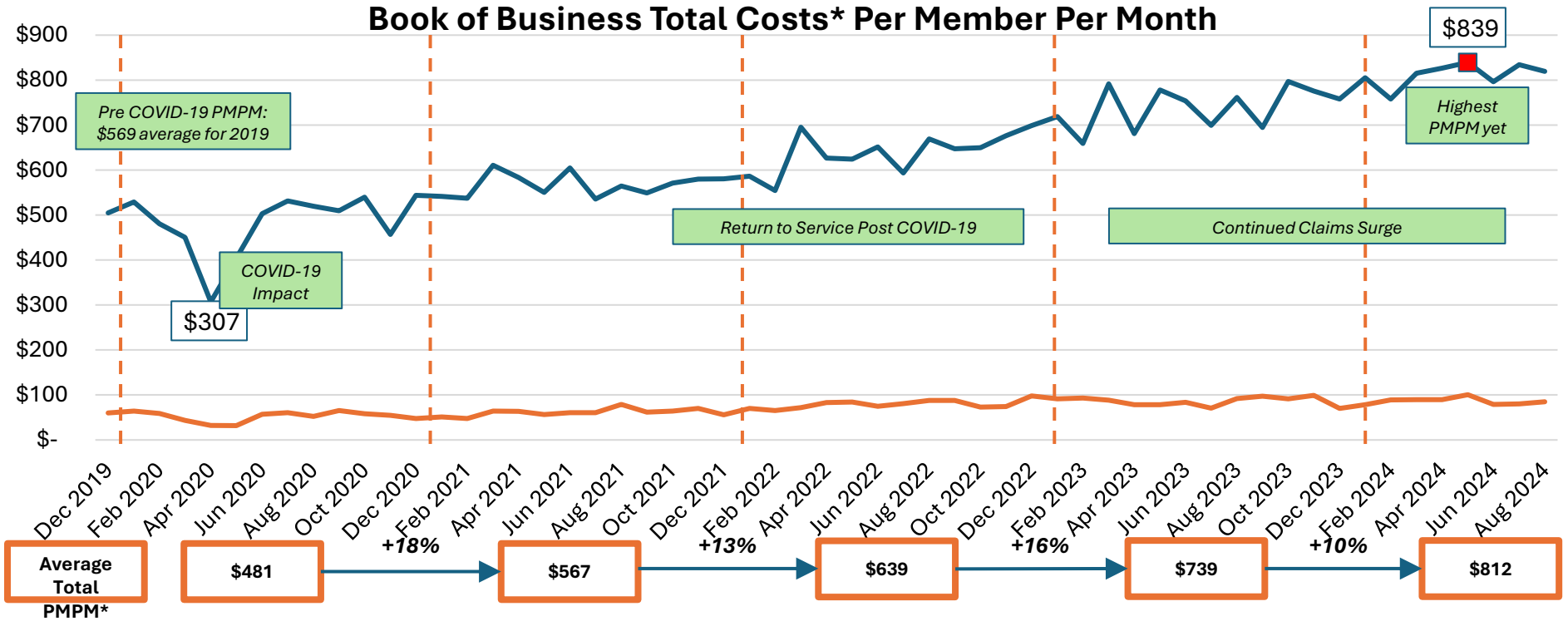
Average annual per member per month medical and pharmacy costs have increased from $481 to $812 since 2020 for local claims only, excluding Medicare primary and FEP. Blue Card claims trend does not exhibit the same escalation.



Blue Card claims represent 12% of total medical claims in 2024 year to date.

**EXCLUDES BLUE CARD, FEP, MEDICARE PRIM*
INCURRED CLAIMS BASIS
CURRENT PERIOD = INCURRED CLAIMS JAN-AUG 2024, PAID THROUGH OCT 2024

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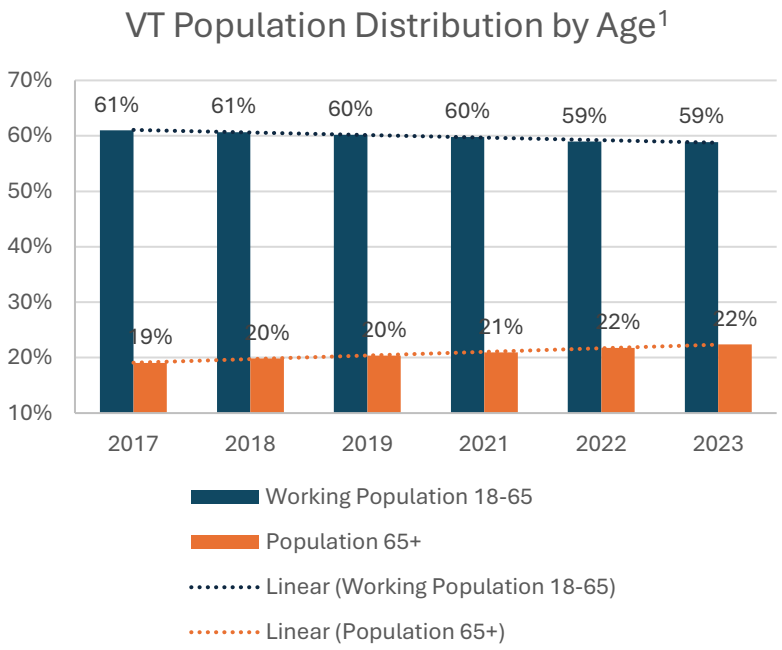
VT's Current Health Care System: Aging Demographics and Health-related Social Needs



14% of Vermonters spend half or more of their income on housing[2]

14% of Vermonters lack access to broadband[2]

9% of Vermonters are food insecure[2]

[1] KFF estimates based on the 2008-2023 American Community Survey, 1-Year Estimates. The American Community Survey did not release the 1-year estimates for 2020 due to significant disruptions to data collection brought on by the coronavirus pandemic..; [2] County Health Rankings data, 2024

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Vermont's Current All-Payer Model

- Vermont's current All-Payer Model: Agreement with federal government that **allows Medicare**, Medicaid, and commercial insurers **to pay for health care differently.**
- Holds State accountable for **reducing cost growth, improving quality, and improving the health of Vermonters**.
- Shifts from payment for each service ("fee-for-service") to **predictable payments** linked to quality ("value-based").
- Relies on accountable care organization (OneCare Vermont) to support providers that agree **to take responsibility for the quality and cost of care** for their patients.
- Ends on 12/31/2025.
- Looking to the future: CMS is now offering only **models that can operate in multiple states**, rather than individual state-specific models like Vermont's.

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Act 167

Actions
Sections 1 to 3

Propose Federal Model for Multi-Payer Payment Model	Design Hospital Global Budget	Stakeholder Engagement: Hospital System Transformation	*Added Later via Act 51:* Hospital System Transformation Planning and Projects

Act 167 also included sections on Health Information Exchange (HIE), Blueprint, options to support those with moderate needs, GMCB reporting, Medicaid primary care reimbursement, and prior authorization reporting.

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Act 167: Federal Multi-Payer Payment Model

Actions
Sections 1 to 3

- Propose Federal Model for Multi-Payer Payment Model
- Design Hospital Global Budget
- Stakeholder Engagement: Hospital System Transformation
- *Added Later via Act 51:* Hospital System Transformation Planning and Projects

Federal Model Requirements

- Total Cost of Care Target
- Global Payment Model/Hospital Global Budget
- Strategies & Investments in Continuum of Care
- Reduce Health Inequities & Invest in SDOH
- Future for ACO

Act 167 also included sections on Health Information Exchange (HIE), Blueprint, options to support those with moderate needs, GMCB reporting, Medicaid primary care reimbursement, and prior authorization reporting.