Comprehensive Health Care Reform in Vermont:

The Policy and Politics

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I. Policy Context

- Vermont is “Unique”
  - Higher than average rankings in public health and quality measures
  - 9.8% of Vermont’s population of 620,000 is uninsured, compared to a national average of 15.7%
  - Vermont ranks 38th in GDP per Capita
Vermont is Not So “Unique”
- Vermont health care costs are rising faster than the national average
- Obesity, smoking, and substance abuse are major drivers in Vermont’s health care costs
- Vermont’s uninsured rate is rising
- Higher deductible plans and HSA plans are increasingly attractive to Vermont small businesses struggling to offer coverage
- Vermont’s Medicaid program is facing fiscal sustainability problems
Figure 1: Uninsured in Vermont by Income Level, 2005

- 14% of uninsured are in the 200-299% income bracket.
- 12% are in the 300% + bracket.
- 9% are in the 100-199% bracket.
- 5% are in the < 100% bracket.
• Vermont’s Uninsured Population
  – The uninsured rate for Vermont children is less than 5%
  – 50% of the uninsured population is between 18 and 24
  – 4 out of 5 uninsured Vermonters are employed
  – 3 out of 5 uninsured Vermonters work for a small employer (1-25 employees)

Source: Vermont Family Health Insurance Survey, 2005
II. Politics of Health Reform

- Consensus on the Goals of Health Care Reform
  - Universal access to affordable health care coverage for all Vermonters
  - Better management of chronic conditions through the Blueprint for Health
  - Build on employer-sponsored insurance
  - Enroll the Medicaid-eligible uninsured
  - Reduce the Medicaid and uncompensated care cost shift
  - Cost containment and quality improvement through health systems reform
  - Promotion of healthy behavior and disease prevention across the lifespan of Vermonters
  - Finding common ground: public vs. private solutions
The Goals of Health Care Reform are Inter-Related

- Covering the uninsured reduces uncompensated care cost shifting, with an anticipated positive impact on the private health insurance market.
- Addressing rising health care costs improves the ability of employers and public programs to cover the uninsured.
- A healthier population is less likely to need expensive health insurance coverage and treatment.
• Political Context of Health Reform
  – Democratically controlled legislature vs. the Republican administration of Governor Douglas
  – 2005 Legislature adopts expansion of public insurance programs, financed through payroll taxes
  – Republican Governor Douglas vetoes legislation
• **Key Areas of Disagreement**
  – Enrollment of the uninsured in public versus private coverage
  – Establishment of state premium assistance programs for covering those with employer sponsored coverage
  – Financing through payroll taxes
  – Financing through an employer assessment
  – Source of Data for policy making: CPS versus Vermont Household Insurance Survey
• Key Compromises
  – Reliance on private insurance through Catamount Health, but with public subsidies
  – Establishment of premium assistance program that will be reviewed by legislature
  – Imposition of employer assessment
  – Interim goal of increasing the number of insured to 96% rather than moving directly to universal coverage
IV. Program Components

• Financing
  – Increases in tobacco taxes: 60 cents per pack
  – Matching federal dollars via Global Commitment 1115 Medicaid waiver
  – State General Fund appropriations
  – Employers pay an assessment (fee) based on number of uncovered employees
  – Catamount Health Plan: Individuals pay sliding scale premiums based on income
• Medicaid Access Initiatives
  – Premiums for children will be reduced by 50%
  – Premiums for VHAP adults will be reduced by 35%
  – Education, outreach, and marketing to Medicaid eligible
• Premium Assistance Program
  – Uninsured Vermonters with income less than 300% of the Federal Poverty Level (FPL) may apply for assistance with employer-sponsored insurance (ESI) premiums
  – ESI plans must offer comprehensive benefits in order for the individual to receive premium assistance
• **Catamount Health**
  - Vermonters who qualify for Catamount Health with income less than 300% of Federal Poverty Level* may receive premium assistance from the state
  - A non-group insurance product for uninsured Vermont residents with comprehensive benefits
  - Offered as a Preferred Provider Organization (PPO) Plan by private insurers beginning October 1, 2007
  - Individuals may choose which insurer they would like to use

*300% of FPL is ($30,630 for one person and $61,950 for a family of four)
• **Employer Contribution**
  – Employers who do not contribute to the cost of employee insurance must pay a fee for all employees
  – Employers who have coverage must pay a fee for:
    • Workers who are ineligible to participate in their employer plan
    • Workers who refuse the employer’s coverage and do not have coverage from another source
  – $365 / year Fee per uninsured FTE (2007)
• Improving Chronic Care Management
  – Expansion of Blueprint for Health- the State’s Chronic Care Plan
  – Establishment of OVHA Chronic Care Management Program (CCMP) and Medicaid Reimbursement Incentives for participation in CCMP
  – Alignment of State Employee Health Benefits Program with Blueprint for Health
• Wellness Promotion
  – Free Immunizations
  – CHAMPPS (Coordinated Healthy Activity, Motivation, and Prevention Program)
  – Prevention services in Catamount Health Plan Care
  – Healthy Choices Insurance Discount
  – Governor’s Commission on Healthy Aging
• Similarities in MA and VT Reforms
  – Substantial numbers of Medicaid uninsured that can be enrolled in existing state programs
  – Encouragement of enrollment in employer sponsored coverage
  – Provide subsidies for the uninsured below 300% FPL to obtain coverage from private insurers
  – Institution of an employer fee for those who do not provide coverage
• Differences in MA and VT Reforms
  – Vermont did not adopt an individual mandate, though the legislature maintained the option if progress towards universal coverage is not adequate
  – Both states are committed to improving chronic care management and promoting health and wellness, but Vermont has specific programs in its health reform legislation
  – The individual mandate in Massachusetts is likely to expand the number of insured over voluntary programs at substantial costs to the state
• Implementation Challenges

– Comprehensive, affordable coverage for the individual vs. financial sustainability of public programs.
– Cost of Catamount Health vs. the cost of a typical Vermont benefit plan.
– Federal financial participation and Vermont’s Global Commitment.
• Implementation Challenges
  – Defining the “uninsured”.
  – Adequacy of enrollment “carrots”.
  – Finding common ground: public versus private solutions.
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