

## Questions and Answers about H. 202

March 23, 2011

### General questions

#### **Q: Why do we need health care reform?**

A: Health care costs in Vermont are rising at a rate far faster than growth in the economy, and faster than the national average. As a result, we are giving up other priorities to maintain health care. Despite the fact that we pay so much, 47,000 Vermonters are uninsured and another 160,400 Vermonters are underinsured, meaning they have health insurance but still face astronomical out-of-pocket costs. Moreover, we know we are not getting the best possible value for our money. We spend too much on administration, too much on avoidable hospital care and duplicate testing, and not enough on preventive care.

#### **Q: Are we moving too fast?**

A: No. H.202 creates a responsible plan for solving the health care crisis. Doing nothing is far too expensive. If we do nothing, we will spend an additional \$1.6 billion per year on health care in Vermont in 2015. That's another \$2500 for every man, woman and child in the state, and the cost likely will fall disproportionately on private employers, who already are struggling under the high cost of health insurance. We can't afford to wait.

#### **Q: What are the major parts of the bill?**

A: There are three major parts to the bill:

- **The Green Mountain Care Board**
  - Designs a more sensible way of paying health care providers – we pay for value and health outcomes, and providers have an incentive to manage costs and keep people healthy
  - Controls the overall rate of health care cost growth to align more closely with our ability to pay
  - Recommends a benefit package that will be covered for all Vermonters
  
- **The Vermont Health Benefit Exchange**
  - Provides one-stop shopping for health insurance, with apples-to-apples comparisons of plans
  - Simplifies health insurance administration for patients, providers and employers

- Acts as the “engine” of health care reform – implements payment reform and administrative simplification for as much of the market as possible
- **Green Mountain Care**
  - Provides universal access to essential benefits for all Vermonters
  - Maximizes cost savings by reducing complexity in the health care system
  - The bill requires two versions of a specific financing plan (single exchange and Green Mountain Care)
  - Financing must maximize federal funds and spread costs fairly

## Questions about the Exchange

**Note: H. 202 creates an Exchange for purchasing health insurance beginning in 2014. The exchange is the foundation for Green Mountain Care, but the state will have to ask for federal permission to convert the Exchange to Green Mountain Care after 2014.**

### **Q: What is an Exchange?**

A: The federal health reform bill requires every state to either create a Health Benefit Exchange or “fall back” to a federal Exchange. H. 202 creates a state Exchange. The federal law also provides new tax credits for uninsured people up to 400% of the poverty level to purchase health insurance. These tax credits are available ONLY if you purchase coverage through the Exchange. Employer groups also can purchase coverage through the Exchange. The Exchange is like an Orbitz of health insurance – it provides simple comparisons, through a website, of standardized plans from health insurance companies. The Exchange also provides for simple determination of any eligibility for the federal tax credits, calculation of the overall cost of insurance, and enrollment once you choose a health plan.

### **Q: Who is eligible for coverage through the Exchange?**

A: Individual Vermont residents can purchase health insurance in the exchange beginning in 2014 if their employer does not offer insurance. Also, small employers can purchase insurance for their employees in the exchange. This applies to small Vermont businesses for ALL their employees, and out-of-businesses for their Vermont employees.

**Q: How will my coverage change if I purchase through the Exchange?**

A: You will choose from easy-to-compare private insurance products that meet state standards for covered benefits and quality. Purchasing insurance should be much easier, but your coverage will be very much like what you can purchase today.

**Questions about Green Mountain Care**

**Q: Why should we implement H.202 in Vermont and is it the right thing to do?**

A: The Green Mountain Care plan makes sense because it will minimize costs, minimize administrative waste, guarantee that everyone always has coverage, and get health insurance off the backs of employers.

**Q: Are we committing to too much this year?**

A: No. H.202 takes the first steps of a multi-year process of reforming our health care system. The House Health Care (HHC) committee’s amendment includes “toll booths” along the road to reform. This allows the general assembly to make sure reform is headed in the right direction, at the right speed and does not go further without future legislative action. Some of the toll booths include:

- Reports to the general assembly for major decisions, like the level of benefits to be guaranteed to all Vermonters
- Requires further legislative action on important issues, like any changes to insurance markets or financing of universal coverage
- Approval by the general assembly of budgets and any taxes used to finance coverage
- Approval of financing plan
- Approval of budget

This is a multi-year process, with appropriate legislative oversight and accountability to the public built in.

**Q: Will the new system cost more?**

A: The State currently spends 20% of its economy on health care costs. We believe this is more than enough money to achieve desirable health care outcomes for all Vermonters. In fact, Vermont spends more of its economy on health care than most other states. The goal of Green Mountain Care is to reduce the rate of health care cost growth so that we pay less than we would without reform. Additionally, most individuals and businesses will pay less into Green Mountain Care than they

currently do on health care premiums. Estimates suggest the average business will save about \$160 per employee annually under this new plan.

**Q: Vermonters like the quality of care they receive. Will this change?**

A: This plan will open the door to support doctors in their efforts to keep their patient at the center of care by freeing them from the burden of complicated insurance bureaucracies. Patients will have the freedom to choose their providers who, in turn, will have more time to spend with their patients under Green Mountain Care. Additionally, The Green Mountain Care Board will monitor health outcomes and will work with providers in a shared mission to improve the health of all Vermonters.

**Q: Are we closing off our options?**

A: No. The existing system, with all of its flaws, will remain intact until all required work is completed to implement Green Mountain Care. The health benefit exchange (which is required to be set up under federal law or the feds will set it up for the state) will be set up beginning in 2014 to provide individuals and employers with private insurance options in an "Orbitz"-like format, so consumers can choose apples to apples between insurance products.

**Q: What is different in the House Health Care Committee version (compared with the bill as introduced)?**

A: There are three main differences:

- The Green Mountain Care board is more accountable and more independent in the HHC version.
- The process for moving forward is more clearly defined and has clearer "toll booths" and check-ins.
- More public input is required by the Green Mountain Care board in designing system reform, including the financing plan and the Green Mountain Care benefit package.

**Q: How will my coverage change once Green Mountain Care is available?**

A: Under Green Mountain Care, all Vermont residents will have coverage by virtue of their residency. Coverage will not be linked to an employer, and coverage will be publicly-financed, rather than paid for through private insurance premiums.

**Q: Who is eligible for Green Mountain Care?**

A: All Vermont residents are eligible for Green Mountain Care. There are penalties spelled out in the bill for lying about residency.

**Q: Will I still be able to choose my own doctor?**

A: Yes, Green Mountain Care preserves patient choice and improves the quality of health care by freeing up doctors to spend more time with patients, because they will have less paperwork to do.

**Q: How do you address cross-border issues?**

A: The Secretary of Administration is required to look at these issues for Green Mountain Care and report back to the general assembly January 15, 2012 with recommendations. Cross-border issues to be considered include:

- Young adults under age 26 whose parents live in Vermont
- College students going to school in Vermont
- How to get health care when you are out-of-state
- What type of out-of-state provider networks are available to Vermonters

**Q: How does Green Mountain Care impact...**

**Retirement benefits?**

A: Green Mountain Care does not require employers to change their practices. But Vermont retirees would be eligible for Green Mountain Care regardless of whether their employer offers benefits.

**Medicare?**

A: Medicare benefits are not touched.

**Union-negotiated benefits?**

A: Employers and unions may continue to bargain to offer benefits if they choose to.

**Medicaid?**

A: Medicaid and Dr. Dynasaur will not be changed by H. 202.

**Both Medicare and Medicaid will be included in efforts to improve care coordination and quality of care for all Vermonters under the bill.**

**Q: Will teachers be covered in the same plan as everyone else?**

A: Yes, teachers will be included in the same system as all other Vermonters.

**Q: What happens if I get sick out of state? Do I have to make up the difference in what VT pays doctor or hospital?**

Currently all private insurers and Medicaid have to make provisions for people covered under their plans to receive care out of state. Often this happens through a contract with a national provider network. Beginning in 2014 insurers selling coverage through Vermont's Health Benefit Exchange would have to provide such out-of-state coverage. If Vermont implements the Green Mountain Care plan later, the state will have to make similar arrangements. Usually such arrangements stipulate that doctors and hospitals can not bill patients above and beyond the negotiated provider payment level.

## **Questions on Cost Control**

**Q: How does H.202 control costs?**

A: H. 202 controls health care costs in several ways:

- By increasing public transparency and input in the rate review process by having insurers provide consumers with plain language summaries of rate increases over 5 percent and by giving consumers a way to comment to BISHCA when their insurance rates go up.
- By creating the Green Mountain Care Board, which will reform payment so we are paying for quality of care, not quantity of care like we are now in fee-for-service.
- By creating Green Mountain Care, which will reduce unnecessary administrative costs.
- By creating a health benefit exchange to create more uniformity in the health insurance markets and by reducing administrative costs.

**Q: How does Green Mountain Care control costs?**

A: It controls costs in two ways. Green Mountain Care reduces unnecessary administrative costs that don't make people healthier or better, like billing. The second way is by changing the way we pay for health care, so that we are paying for quality of care, not the quantity of care like we are now in fee-for-service.

## Questions about how we will finance health reform

### **Q: Why isn't a specific financing mechanism proposed in the bill?**

It is more important to get the financing right than to rush into specifying how we will pay for Green Mountain Care. We know the projected cost of a reformed system will be less than the projected cost of our system without reform. We need to get better information about:

- The benefit package
- The federal funding available for our plan
- Provider rates
- Likely savings

H. 202 proposes a deliberate process for gathering this information and developing valid cost estimates. The bill also proposes a public engagement process that will allow the public input into decisions about financing Green Mountain Care.

### **Q: How will the unemployed pay into the system? What about those with no W-2 income?**

A: H. 202 requires that the Secretary of Administration report back to the legislature in 2013 with a full plan for financing coverage of all Vermonters. That plan will address such issues as how to assure that everyone pays into the system if they are able, and how to pay for coverage for those who are not able. In the meantime, the proposed plan would not change the fact that low-income Vermonters have access through Medicaid and Catamount Care to insurance coverage at reduced costs.

## Questions about residency requirements

### **Q: How do we pay for those who come to Vermont to establish residency?**

A: The bill requires that people applying for coverage in Vermont prove that they are residents of Vermont with the intent to remain in the state. People moving into Vermont would have to pay for coverage on the same terms as any other Vermonter.

## Questions about the potential impact of reform on businesses

### **Q: How will this plan affect employers?**

A: If employers leave the state and their employees remain in Vermont, the employees will still be eligible for coverage. Beginning in 2014 that coverage would be available through the Health Benefits Exchange.

One of our goals in designing a financing mechanism for the Mountain Care plan will be to assure that the new system does not create a competitive disadvantage for Vermont employers. We think it could create an advantage. Employers in Vermont who provide insurance are paying an average of 11.3% of payroll for coverage currently, and that amount is increasing each year. We think we can do better than that under a reformed system.

Nothing in H. 202 changes or undermines the protections afforded to self-insured employers under ERISA. We look forward to working with self-insured employers to design a plan that benefits them.

### **Q. How is this good for employers?**

Green Mountain Care provides health benefits to all Vermonters – regardless of whether their employer chooses to offer insurance. Green Mountain Care gives employers another option for their employees. The bill does not tell employers what to do or what they have to offer for benefits.

## Questions about waivers

### **Q: How many waivers does Vermont need to implement this plan?**

A: Vermont only needs one waiver to implement Green Mountain Care: an Affordable Care Act waiver. To maximize savings, we would also seek a continuation of the state's Medicaid waiver, and a Medicare waiver to include Medicare in payment reforms and delivery system improvements.

### **Q: Why would the federal government give Vermont an exemption from the federal Affordable Care Act (ACA)?**

A: Vermont would not apply for an exemption from the ACA, as there is no such thing. We would apply for a waiver of certain provisions of the ACA. A waiver

allows a state to some, but not all, provisions of the ACA as long as they meet the goals of the law in terms of expanding coverage and other important standards.

**Q: If Vermont gets a waiver, how do I get my money back, since I am not receiving benefits?**

A: Under the Green Mountain Care plan you would still receive the benefits of the ACA. The ACA is estimated to bring \$340 million in new federal funds into the state annually. This federal money still would be available to the state if we received a waiver, but it would be used to finance coverage through the Green Mountain Care plan rather than through multiple private insurance plans.

## **Questions about proposed provider cuts in the budget**

**Q: Isn't there an inconsistency between what is proposed in H. 202 and what is proposed in the Governor's budget?**

A: Reducing provider payments for Medicaid appears inconsistent with a health reform proposal that promises to pay providers fairly and assure that all Vermonters get the high quality care they need. We understand this, but the only tools currently available to us to budget Medicaid are cuts in eligibility, cuts in benefits and cuts in provider fees. This is why we need to move away from this type of budgeting. The fact that the budget proposals are causing so much stress in the physician community only underscores the need to find a new way to pay health care providers – one that spreads costs fairly, spreads payments to providers fairly and pays for the value of health care, not the volume of services. Additionally, the House Ways and Means and Appropriations Committees have proposed reducing the impact of the proposed provider cuts and fee increases.

## Additional Questions About Single Payer Health Care

**Q: Government run health care in Canada has led to long waiting lines, declining quality of care, maddening bureaucracies, shabby facilities, demoralized doctors and nurses, obsolete technology, province-mandated rationing, and even-higher taxes. How will the proposed Green Mountain Care plan avoid these unhappy consequences?**

A: By presenting a distorted picture of the Canadian system, one deflects attention from the crisis faced by Vermont, which is a health care system engaged in binge spending at a runaway rate.

Total health care spending in Vermont has grown from \$2 billion in 1999 to \$5 billion in 2010. Vermont now spends nearly 20% of its economy on health care. This is above the national average and by this standard is among the most expensive system in the world. Canada spends less than 10% of GDP. Despite spending \$3 billion more per year now than we did a decade ago, we still don't insure everyone, and in terms of outcomes, the World Health Organization rates the US health care system as 37<sup>th</sup> in the world.

The truth about the Canadian system was summed up by noted Princeton economist Uwe Reinhardt who observed "It's a high performance system. Canadians spend half as much on health care as we do in the U.S. If you go there, sure, you have to wait for some MRI images or some heart procedures, but overall the system produces very good health outcomes. People are more satisfied with their care than Americans are with theirs. So if you diagnosed it like a physician, you'd give that system an A, and you'd have a hard time giving more than a B to ours."

**Q: The proposed system would require tax revenues to replace \$3 billion in private out of pocket spending and premium costs. What effect would \$3 billion in new payroll taxes (at a total rate of 14.5%) have on our family budgets? On our businesses (even after subtracting their insurance premium costs)? On their ability to compete? On their capacity for job creation? On their willingness to stay in Vermont.**

A: Total private health insurance premiums in Vermont in 2010 (excluding workers' comp) were about \$1.75 billion, not \$3 billion. The essential benefit plan would not change the average level of out-of-pocket spending because it would be the average level of coverage now enjoyed by privately insured Vermonters.

Dr. Hsiao's report estimates that a single payer would reduce this premium cost by about \$250 million in the first year, and over \$500 million in the second year. While

some are skeptical about these estimates, we know that this plan creates huge savings. In addition his report estimates that there is some \$400 million in available business and individual tax credits available under the new federal health care law. Combined, they present possibly the biggest economic opportunity in Vermont history. The effect of reduced costs would be to help family budgets, provide relief to our businesses, enhance their ability to compete, increase their capacity to create jobs, and provide a tremendous incentive to stay in Vermont.

This is an opportunity Vermont simply cannot afford to overlook.

**Q: What happens when the state’s “global budget” allocation runs out of tax dollars while people are in need of essential care? Will they have to wait for the next fiscal year?**

A: Health care budgeting is not new. Hospitals have been subject to annual budgets set by the Commissioner of Banking, Insurance, Securities and Health Care Administration (BISHCA) since 1992. The statute provides that a budget may be adjusted based upon exceptional or unforeseen circumstances.

**Q: Under the present State-run Medicaid program doctors are significantly underpaid. To survive they shift the cost of the underpayment to private premium payers. When the Green Mountain Care plan abolishes private premiums, why won’t doctors and dentists be even more underpaid when the government runs short of tax dollars? Why will doctors and dentists want to come or continue to practice in Vermont?**

A: Cost shifting is precisely why we are proposing the Green Mountain Care plan; there is no advantage to this type of cost shifting because there is no “other guy” to shift the cost onto. An essential objective of the reform is to eliminate this disparity in reimbursement rates by establishing fair reimbursement rates for all medical services regardless of who pays for them, especially Medicaid.

**Q: If Dartmouth-Hitchcock, Albany Medical Center and other out of state hospitals decline to accept patients at Vermont reimbursement rates that the Green Mountain Care plan offers them, will Vermonters have to pay the difference out of pocket? Or buy additional private insurance to cover care in another state?**

A: Reimbursements for out of state hospitals treating Vermont residents will be negotiated just as they are now. Dartmouth Hitchcock – for whom Vermonters account for 40% of its business – has expressed support for our reform initiative. These hospitals must now interface with over 600 separate insurers, each with separate coverage, reimbursement rates, co-pays and deductibles at tremendous and unnecessary administrative expense—they are excited that our plan will simplify the burden and make us more friendly to do business with.

**Q: Will the Green Mountain Care plan's global budget force medical providers to ration or delay care, will aggrieved patients have any right to sue the state government for damages?**

A: Our problem is binge spending, not rationing. The reimbursement system rewards increasing the volume of services provided to patients regardless of cost and irrespective of whether they result in better health outcomes. There is no need for – or place for -- delayed care or rationing in a society that spends 20% of its economy on health care. Most other systems pay less and get more. Vermont can be among them.

**Q: Will the Green Mountain Care plan take away the high-value insurance coverage enjoyed by teachers, state and municipal employees, and other organized workers? Or will this plan create a two-tiered system, with the taxpayers financing both the gold-plated benefits of government workers, and a poorer system for themselves.**

A: The essential benefit plan coverage will equal that enjoyed by the average privately insured Vermonter. By definition, half of Vermonters enjoy better coverage. That coverage is often negotiated as a part of a collective bargaining package, including both public and private sector workers, but more often is simply offered as part of an enhanced benefit or flexible spending plan offered by employers. They will therefore be free to supplement their coverage akin to private Medicare supplemental plans.

This is already the practice internationally. The United States is the only industrialized country without a national universal coverage program. Employers who operate in the rest of the industrialized world offer supplemental benefit plans. IBM Canada typifies this as outlined on their website. We anticipate that the establishment of Green Mountain Care would make the practice by employers here in Vermont consistent with that elsewhere in the industrialized world.

**Q: How will the Green Mountain Care system achieve its claimed efficiency benefits, when providers still have to bill Medicare, insurance carriers offering privately paid supplementary coverage, the insurance plans of non-Vermonters, and perhaps carriers of high-value insurance for teachers and municipal employees?**

A: The efficiency estimates have taken all these factors into consideration. The Green Mountain Care plan does not propose to take over Medicare; it will remain a separate and distinct federal program. Therefore Medicare's administration costs are part of Medicare's budget and cost structure, and not that of the Green Mountain Care plan. The same is true of non-residents who come to Vermont for care. For example a large number of New Yorkers come to FAHC for care. They will have higher administrative costs because they are not in our Green Mountain Care plan, but those costs will be paid by the insurers of these out-of-state patients, and not be

part of the Green Mountain Care budget.

**Q: Who will comprise the “independent board” created to make all key decisions about the proposed Green Mountain Care plan? How will this super government of powerful “stakeholders” be held accountable?**

A: The key decisions about the proposed Green Mountain Care plan will still be generated by the Legislature and the Governor, through the democratic process. Once Green Mountain Care is established, the independent board will have oversight and supervision of its operation, functioning in much the same way the Vermont Public Service Board does with respect to public utility service.

**Q: What will keep chronically sick people from flocking to Vermont to become “residents” to take advantage of our “free” health care? What would the influx of such individuals do to the quality of care and waiting lines here in Vermont, and to the already high tax burden on Vermont taxpayers?**

A: First, there will be a residency requirement for Green Mountain Care. People will have to prove that they live in Vermont, and intend to stay here, to receive benefits. Secondly, Green Mountain Care will hardly be “free,” as the earlier questions acknowledge. It is an insurance program. Recipients will be subject to an assessment as is the case in any insurance program. Thirdly, the coverage offered will not be gold plated. It will be equal to the average level of coverage enjoyed currently by privately insured Vermonters.