

Vermont

A Health System for the 21st Century

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Existing Major Problems

- A broken health system leads to:
 - 32,000 Vermont residents remaining uninsured even after the implementation of the Patient Protection Affordable Care Act.
 - Another 15% Vermont residents without adequate health insurance.
 - Rapid escalation of health care costs that strains employer, household and government budgets.
 - Higher rate of cost escalation in Vermont than the national average.

What were we commissioned to do?

- Develop options for new health system that would:
 - Provide universal coverage with common benefit package
 - Significantly reduce the waste and inefficiencies in the current system.
 - Contain health cost escalation
 - Move to an integrated delivery system
- Design and evaluate the options

Three Options

- **Option 1**
 - 1A--Government-run Single Payer system with comprehensive benefit package
 - 1B—Government-run Single Payer system with essential benefit package
- **Option 2—Public Option**
- **Option 3 (Public-Private Single Payer) –**
Essential benefit package, Independent board, third party manages provider relations and claim adjudication/processing

Major Goals in Act 128

- Universal coverage
- Every resident covered at least with an adequate standard benefit package and reasonable, equal access to health care.
- Control health cost escalation
- Establish community-based preventive and primary care and move to an integrated health care delivery system

What is Single Payer?

It's a system that provides insurance to every Vermont resident with a common benefit package and channels all payments to providers through a single pipe with uniform payment rates and common claim processes and adjudication procedures.

Our Analysis

- Fiscal condition of the state government
- Laws and regulations governing Medicare, Medicaid, PPACA and ERISA
- Adequate supply of services
- Financial conditions of physicians and hospitals
- Stakeholder analysis
- Infrastructure to manage and operate a single payer system

Findings from our Analysis: **15 HURDLES**

- At least 15 major fiscal, legal, political and operational barriers to achieve the goals.
- Fiscal: No additional overall spending for health care.
- Legal: Medicare, Medicaid, ERISA, PPACA
- Political: Major stakeholders' positions.
- Operational: Smart card, uniform electronic operational systems, common procedures.



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Our Overall Strategy

- A single payer system can:
 - Provide universal coverage with a standard benefit package.
 - Produce significant savings to fund the uninsured and under-insured.
 - Control health cost escalation
 - Move Vermont toward an integrated health care delivery system.
- Payroll contribution can be a more equitable to fund the single payer insurance benefits.

Six Major Design Parameters

- Lock-in the federal funds for Vermont.
- No overall increase in health spending — funds needed have to come from savings.
- No overall increase of spending for employers and workers.
- No reduction in overall net income for physicians, hospitals and other providers.
- Payment method change as the strategic entry point to establish integrated delivery.
- No change for the Medicare beneficiaries.

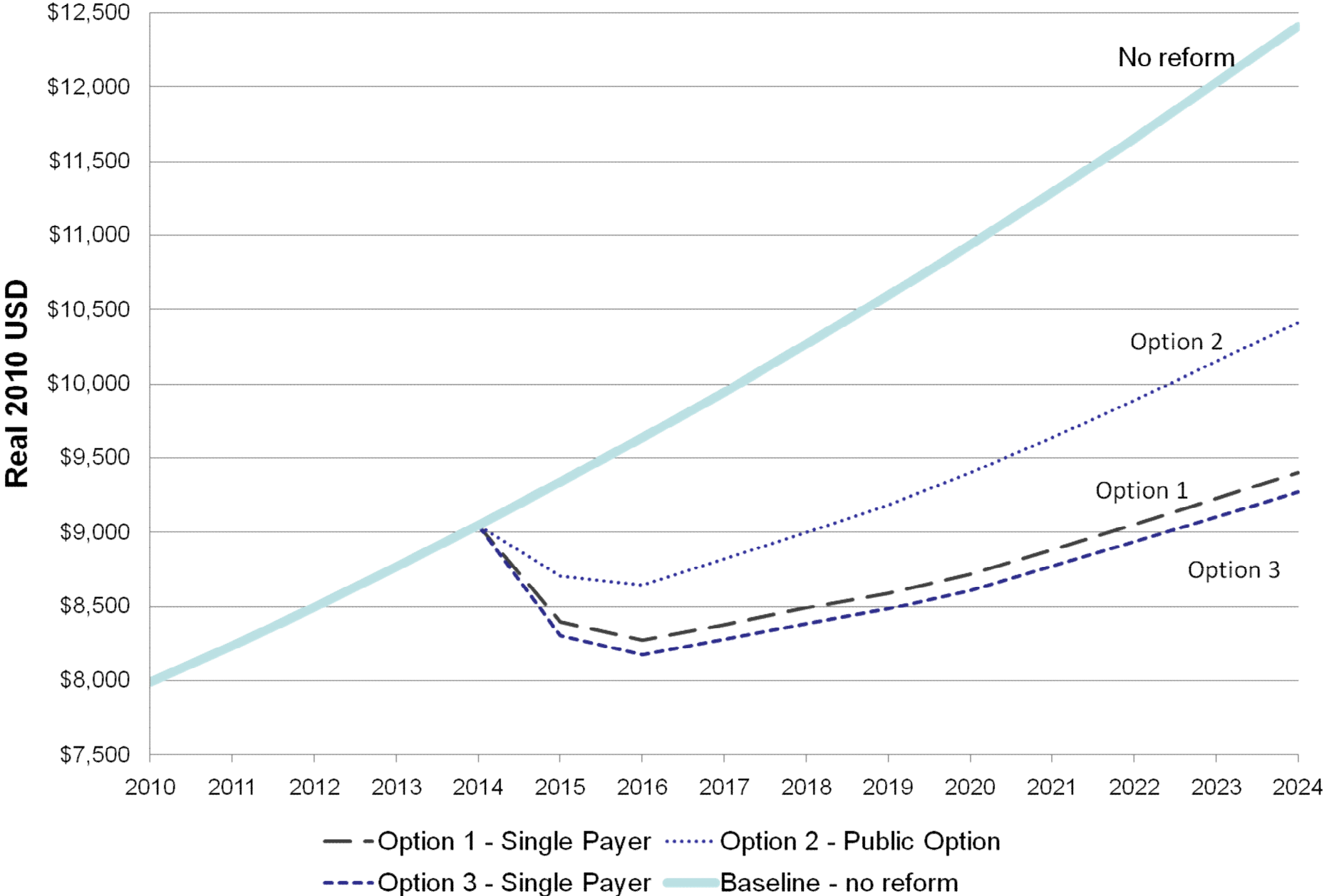
Reform and Integrate Health System Structural Components

- Change to a Single Payer system to reduce:
 - Administrative costs
 - Waste in health care delivery
- Tort reform
- Blueprint and medical homes
- Financing—introduce payroll contribution
- Payment—incentive structure for providers.
- Change in delivery system--ACOs, integrated delivery
- Regulations

Savings that can be produced from a single payer system

- Sources of savings
 - Administrative
 - Reduce waste and abuse
 - Blueprint and medical homes
 - Tort Reform
 - Integrated delivery system
 - Governance structure and operational
- Estimates
 - Uncertainty and assumptions of estimates
 - Some accrue immediately and some over time

Comparison of Vermont Health Expenditure per Person under Different Options (in real terms), 2010 - 2024



Savings Estimations (excluding Medicare savings)

	Percent of total health spending from 2015 to 2024	Absolute savings in 2010 Dollars		
		2015	2019	2024
Option 1	24.3%	\$530 million	\$1,280 million	\$2,000 million
Option 2	16.1%	\$330 million	\$870 million	\$1,300 million
Option 3	25.3%	\$590 million	\$1,350 million	\$2,100 million

Margin of Error \pm 15%

Use of savings

- Cover remaining 32,000 uninsured Vermonters.
- Bring all Vermonters up to standard, essential benefit package
- Provide some additional vision and dental coverage for all Vermonters
- \$50 million for increased supply of primary care workforce and upgrades of community hospitals

Recommended Use of the Savings Under Different Options (in 2010 Dollars)

	Essential benefit package (Same for Options 1 and 3)	Comprehensive benefit package
To cover uninsured	\$189 million	\$217 million
To increase benefits for underinsured	\$69 million	\$141 million
Investments in primary care and community hospitals	\$50 million	\$50 million
Additional dental and vision benefits	\$106 million	\$314 million
Long-term care benefits	-	\$215 million

Margin of Error \pm 15%

No Change for Medicare Population

- We recommend no changes for Medicare benefits at present.
- Difficult to align the varied supplementary coverage and complicated financing.

Financing the Single Payer Options

- Finance by a payroll contribution, with exemption for low wage employers and workers.
- No additional cost to most employers and workers.
- Incentive for employer to establish preventive programs
- Experiment with incentives for people to adopt healthier lifestyles

Payment of Providers

- Current methods and rates — highly varied, chaotic and complex.
- Establish uniform payment method and rates for all payers
- Move to capitation plus pay-for-performance wherever possible to promote integrated delivery

Move Toward Accountable Care Organizations (ACOs)

- Allow several options of ACOs — bottom up, community-level and top-down.
- Rigorously evaluate which form is best for specific community environments.
- Create competition among ACOs wherever possible.



Design of Benefit Packages

Comprehensive Benefit Package

- Principles:
 - Reduce financial barrier to provide easy access to all health services, including nursing home and homecare.
 - Cover dental, nursing home and homecare.
 - Emphasis prevention and primary care
 - Financial risk protection against health expenditure caused impoverishment.
- **Services covered:** Prevention, medical, mental health, other professionals, drugs, dental, vision, nursing home, and homecare.
- **Cost sharing by patients:** Very small copayments to discourage improvident demand while not impede access.

Essential Benefit Package

- **Principles:**

- Cover every resident with at least 87% of medical and 77% of drug expenses (as the average private health insurance now covers)
- Expand coverage for dental and vision care.
- Exclude nursing home and homecare.
- Emphasize prevention and primary care
- Financial risk protection against health expenditure that causes impoverishment by capping out-of-pocket cost.
- Availability of supplemental coverage in addition to the essential benefit package with private insurance.

- **Services covered:** Prevention, medical, mental health, other professionals, drugs, some dental and vision.

- **Cost sharing by patients:** Modest copayments for outpatient services (no copayment for preventive services), and deductible and coinsurance for inpatient hospital services.



Results and Impacts

Impacts of PPACA compared to no reform

	No reform		PPACA		Impact	
	2015	2019	2015	2019	2015	2019
Number of uninsured individuals	50,000	53,000	32,000	31,000	-18,000	-22,000
Federal funds into Vermont (in 2010 dollars)	\$400 million	\$460 million	\$640 million	\$880 million	\$240 million	\$420 million
Number of jobs created	-	-	1,700	2,300	1,700	2,300

Margin of Error \pm 15%

Payroll premium contribution estimates

		Premium as % of payroll under PPACA	Impact compared to PPACA			
			Option 1 – Essential BP	Option 1 – Comprehensive BP	Option 2	Option 3
Total	2015	17.5%	-2.8%	1.8%	0.0%	-3.0%
	2019	18.5%	-6.4%	-2.2%	0.0%	-6.6%
Employer Contribution	2015	12.0%	-0.9%	2.5%	0.0%	-1.1%
	2019	12.9%	-3.8%	-0.7%	0.0%	-4.0%
Employee Contribution	2015	5.5%	-1.8%	-0.7%	0.0%	-1.9%
	2019	5.6%	-2.6%	-1.5%	0.0%	-2.6%

Margin of Error ± 15%

Incremental impacts of the three reform options as compared to PPACA

		Option 1		Option 2	Option 3
Benefits package		Essential	Comprehensive	Multiple	Essential
Number of uninsured individual	2015	-32,000	-32,000	-2,000	-32,000
	2019	-31,000	-31,000	-3,000	-31,000
Total employer spending*	2015	-\$50M	\$340M	-\$100M	-\$75M
	2019	-\$190M	\$225M	-\$140M	-\$215M
Per employee health spending*	2015	-\$101	\$855	-\$264	-\$159
	2019	-\$450	\$566	-\$356	-\$507
Number of jobs created	2015	5,000	8,500	-1,200	5,000
	2019	4,000	7,000	-3,000	4,000
Number of individuals migrating into Vermont	2015	1,000	2,000	-500	1,000
	2019	3,700	7,000	-2,200	3,500
Gross State Domestic Product Change*	2015	\$190M	\$340M	-\$90M	\$180M
	2019	\$130M	\$250M	-\$230M	\$110M

*in 2010 Dollars

Margin of Error ± 15% and some job creation could be ± 20%

Our Recommendations

- Option 3 — Public-Private Single Payer
- Most likely to be acceptable to major stakeholders.
- Produce most savings
- Rely on market when possible
- Minimize political interference
- Transparency and accountability

Who Will Benefit?

- The uninsured
- The under-insured.
- All Vermonters will have some dental and vision benefits.
- Most employers and workers will pay less.
- Most primary care physicians and practitioners will receive more net income.

Who Will Bear the Burden?

- Private Health Insurance organizations, especially ones outside of Vermont.
- Sales, marketing and underwriting personnel.
- Staff employed by hospitals and clinics for billing and claims.
- Employers who do not offer insurance now or offer very shallow health insurance (exempt salary <200% FPL).
- Two high earners in a single household.

Overall Effects

- Control health cost escalation
- Every Vermont resident covered with essential benefit package
- Increase in employment
- Higher economic output
- Bring in new workers due to higher wage
- Vermonters enjoy better health

Conclusions

- Vermont can fix its broken health system.
- A new system can control health cost escalation while providing universal coverage with essential benefits.
- A single payer system can reduce 8-12% of the health care cost immediately upon implementation and additional 12-14% over time.
- A single payer plan is an effective instrument to establish integrated delivery of health care.
- Vermont can show the way forward for the USA.