

Consensus Cost and Revenue Update
October 28, 2014 - HROC Discussion DRAFT

1. In February 2014, the Administration and the Joint Fiscal Office developed a consensus estimate of the cost and revenues of Green Mountain Care financing.

A. The estimate was built on a system cost estimate of \$5.916 billion for 2017.

- That consensus estimated the range of public financing to be \$1.766 billion to \$2.175 billion.
- In addition, this amount assumed an estimated \$89 million was needed to support existing State Medicaid commitments. Over one-half the need was in FY16. The remainder assumed FY16 need is solved in a base/ongoing manner.

2. To prepare for the session, the Administration and the Joint Fiscal Office are reviewing the February 2014 numbers and changes to the presentation format (see attached JFO doc).

3. The key areas of potential change are:

A. The overall cost of Vermont's health care spending. Has the \$5.916 billion projection for 2017 changed based on changing health care cost inflation trends?

B. Changes in the amount of State funds to support existing Medicaid commitments. Overall the need is less. This is due to better FMAP expectations, lower utilization, and no projected provider increases. However, one-third of the 2016 budget gap is due to Medicaid financing need.

C. Has the amount to be publically financed changed due to:

- **Medicaid changes** - Reductions in federal Medicaid participation (FMAP)
- **Changes in the revenues supporting the health care system** such as the future of the employer assessment, claims assessment, provider tax, and other dedicated revenues.
- **Changes in the need for reserves** - both for initial system start up and the long term
 - Claims reserves coverage which can be offset with reinsurance
 - Revenue or premium reserves.
 - Implications for existing State reserve funds - With the changes in health care revenue, increased estimation error and volatility in other state revenues are more likely. Do we need to address reserve levels in the General Fund and elsewhere?
- **Other changes** - including clarity in implementation start up, transition and revenue timing, provider reimbursement rates, and actuarial value of GMC.

D. Concern about loss of underlying federal tax subsidies and indirect federal participation.

Depending on the plan parameters, the role and level of employer insurance, and the way that it is financed, the Vermont health care system may see a reduction in federal subsidies.

- Vermont's public and private health care system as well as Vermont taxpayers benefit from several federal subsidies through tax expenditures, including:
 - The exclusion of employer sponsored insurance from income and payroll taxes, with implications for Social Security and Medicare
 - Deductions from income taxes for individual medical costs over a threshold, HSA and HRA contributions, premiums for health insurance for the self-employed, and various business expenses

Draft Consensus Cost and Revenue Estimate: Green Mountain Care (GMC) Public Financing

UMASS/Wakely Estimates + Adjustments & Implementation Costs + or - Policy Levers = GMC Public Financing

UMASS/Wakely GMC Cost and Revenue Estimates: The sheet summarizes the staff’s consensus modifications to the initial UMASS/Wakely estimates. These serve as a set of shared assumptions to guide future work and discussion. This is an ongoing process which will involve further revisions as new information and updates to revenue and expense estimates occur.

CY 2017 UMASS/Wakely GMC System Cost & Revenue Estimates (All estimates in Millions)		Cost	Revenue
Total System Costs		5,916	
Revenue Sources			
Federal: Medicare			1,613
Federal: Medicaid Match			1,247
Federal: ACA			267
Federal: Other			209
Assumed Level of State Medicaid Funding			637
Individuals and Employers (Non-GMC)			332
Amount to be Publicly Financed			1,611
Total Revenue			5,916

Adjustments & Implementation Considerations: Adjustments and implementation costs are issues that must be addressed prior to GMC financing proposal.

Cost of Care and Implementation Estimates	Low Estimate	High Estimate	Notes
UMASS /Wakely Public Financing Estimate	1,611	1,611	
★ FMAP Adjustment	21	36	Low estimate based on 20-year trend of FMAP (Federal Medical Assistance Percentage) changes. High based on 10-year trend.
★ Provider Tax	0	157	Provider Tax may not continue in GMC. Considered a low to moderate risk.
★ Other Medicaid Revenue	51	51	Claims assessment and employer assessment may be eliminated or reduced in GMC. Based on Governor’s recommended budget. Considered high risk.
★ Reserves	0	125	Reserves calculated as 5% of approximate non-federal costs. Need for and amount of reserves subject to further analysis. See UMASS/Wakely report page 73.
Implementation, Start Up, and Transition	50	150	Operations budget for GMC implementation. See UMASS/Wakely report page 74.
Ongoing Investments	33	45	GMC may have ongoing technology, consultant, and staff needs.
Revenue Timing	Unknown	Unknown	First year revenue collection and revenue need may be out of sync. See UMASS/Wakely report page 73.
Range to be Publicly Financed Based on UMASS Report Baseline and Adjustments.	1,766	2,175	Updated data and policy choices can and will move this number up and down.

Policy Levers: Policy decisions could either reduce or increase costs for Green Mountain Care.

Policy Levers	Notes
Actuarial Value/Plan Metal level	Actuarial value is the proportion of medical expenses an insurance plan is expected to cover. The ACA created metal levels for plans: Platinum (90% AV) , Gold (80% AV), Silver (70% AV), and Bronze (60% AV). Report assumed 87% AV and modeled 80% AV and 100% AV.
Provider Reimbursement Rates	Policymakers may choose to pay higher or lower provider reimbursements than the assumptions in the UMASS/Wakely report.
Populations Covered/Secondary Coverage	Policymakers may choose to exempt some populations, such as Medicare recipients or federal employees.
Benefit Changes	Policymakers may change benefits covered. (vision, dental, or other)
Changes in Cost Sharing Subsidies	Policymakers may revise cost-sharing assistance that helps with out-of-pocket expenses.
Buy-in options	Policymakers may choose to allow nonresidents employed by VT businesses to purchase GMC coverage.
Workers’ Compensation	Policymakers may choose to merge Workers’ Compensation system into Green Mountain Care.