Vermont
A Health System for the 21st Century

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& Team of 20

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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:
  ➢ Provider 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.
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

- Option 1 - Single Payer
- Option 2 - Public Option
- Option 3 - Single Payer
- Baseline - no reform
## Savings Estimations
(excluding Medicare savings)

<table>
<thead>
<tr>
<th>Percent of total health spending from 2015 to 2024</th>
<th>Absolute savings in 2010 Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td>Option 1</td>
<td></td>
</tr>
<tr>
<td>24.3%</td>
<td>$530 million</td>
</tr>
<tr>
<td>Option 2</td>
<td></td>
</tr>
<tr>
<td>16.1%</td>
<td>$330 million</td>
</tr>
<tr>
<td>Option 3</td>
<td></td>
</tr>
<tr>
<td>25.3%</td>
<td>$590 million</td>
</tr>
</tbody>
</table>

Margin of Error ± 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)

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

Margin of Error ± 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

<table>
<thead>
<tr>
<th></th>
<th>No reform</th>
<th>PPACA</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of uninsured individuals</td>
<td>50,000</td>
<td>53,000</td>
<td>32,000</td>
</tr>
<tr>
<td>Federal funds into Vermont</td>
<td>$400 million</td>
<td>$460 million</td>
<td>$640 million</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of jobs created</td>
<td>-</td>
<td>-</td>
<td>1,700</td>
</tr>
</tbody>
</table>

Margin of Error ± 15%
## Payroll premium contribution estimates

<table>
<thead>
<tr>
<th></th>
<th>Premium as % of payroll under PPACA</th>
<th>Impact compared to PPACA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Option 1 – Essential BP</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>17.5%</td>
<td>-2.8%</td>
</tr>
<tr>
<td>2019</td>
<td>18.5%</td>
<td>-6.4%</td>
</tr>
<tr>
<td><strong>Employer Contribution</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>12.0%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>2019</td>
<td>12.9%</td>
<td>-3.8%</td>
</tr>
<tr>
<td><strong>Employee Contribution</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>5.5%</td>
<td>-1.8%</td>
</tr>
<tr>
<td>2019</td>
<td>5.6%</td>
<td>-2.6%</td>
</tr>
</tbody>
</table>

Margin of Error ± 15%
### Incremental impacts of the three reform options as compared to PPACA

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

*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.