Contract # 18094

VERMONT GENERAL ASSEMBLY

CONTRACT FOR PERSONAL SERVICES

Parties: This contract is between William C. Hsiao ("consultant"), 36 Foster Street, Cambridge, MA 02138, and the Vermont Legislative Joint Fiscal Committee ("JFC"), One Baldwin Street, Montpelier, VT 05633 acting on behalf of the Vermont Commission on Health Care Reform ("Commission). The JFC will be administering this contract.

Background: Act 128 of 2010 specified that "by February 2011, one or more consultants of the joint legislative commission on health care reform established in chapter 25 of Title 2, shall propose to the general assembly and the governor at least three design options, including implementation plans, for creating a single system of health care which ensures all Vermonters have access to and coverage for affordable, quality health services through a public or private single-payer or multi-payer system and that meets the principles and goals outlined in Sec. 2 and 3" of the act. Language from Act 128 of 2010 can be found in Attachment A.

Scope of services: The consultant is expected to provide the services outlined in the June 21, 2010 request for proposal response titled "The Vermont Option: Achieving Affordable Universal Health Care" ("proposal") submitted by William C. Hsiao, Ph.D, FSA (Cambridge, MA), Steven Kappel, MPA (Montpelier, VT), and Jonathan Gruber, Ph.D (Cambridge, MA) and the Request for Proposals for a "Health Care System Design and Implementation Plan," issued 5/27/2010 ("RFP"). These two documents are incorporated by reference and shall be considered part of the contract. The proposal response has been clarified by mutual agreement by the letter from the Health Care Reform Commission dated July 12, 2010 and can be found in Attachment C.

Any work product developed by the Consultant pursuant to this contract shall be the intellectual property of the consultant. The consultant shall provide at no further charge, to the State of Vermont for any purpose, through the Joint Fiscal Committee, unlimited access to and unlimited utilization of all data and analysis produced by the consultant pursuant to this contract, except that the consultant is not obligated to provide specific information collected on a confidential basis (such as individually identifying information or data obtained in an interview or survey). It is noted that the proposal stated clearly the consultant has to prioritize the works specified in the Request for Proposal because of the tight time schedule and a limited budget.

This contract is also subject to the Customary State Contract Provisions contained in the Attachment B.

Term of agreement: This agreement commences on July 15, 2010 and terminates March 4, 2011. It may be extended by mutual agreement of the parties. The contract may be cancelled by either party by giving written notice at least 30 days in advance of said cancellation, and in case of cancellation, the compensation under this contract shall be accordingly adjusted.

Confidentiality: The Commission, the Joint Fiscal Committee, or an agency, department, or other entity of the State of Vermont shall provide the consultant all requested public information as provided for by the Public Records Act, 1 V.S.A. chapter 5, or by the House or Senate Rules. If the consultant is provided any confidential information or data from the Commission, the Joint Fiscal

Committee, or an agency, department, or other entity of the State of Vermont, the entity providing the information or data shall designate it as confidential. The consultant shall execute a confidentiality agreement if required by the Commission, the Joint Fiscal Committee, or the agency, department, or other entity of the State of Vermont. If requested by the Commission, the Joint Fiscal Committee, or an agency, department, or other entity of the State of Vermont, the consultant shall delete from all computers any data or information received from the Commission, the Joint Fiscal Committee, or an agency, department, or other entity of the State of Vermont.

Compensation: The value of this contract is $300,000. Compensation will be paid to William C. Hsiao ("consultant"), 124 Mt. Auburn Street, Suite 410S, Cambridge, MA 02138 in five payments:

1. Upon contract signing and no later than July 31 $50,000
2. Due the first of September, October, November, December, and January, each month $40,000
   - These payments shall be subject to consultant accomplishing timelines and product delivery consistent with the proposal submitted.
3. Upon satisfactory completion $50,000

Signatures:

William C Hsiao
William C. Hsiao, Ph.D, FSA

7/19/2010
Date

Jane Kitchel
Senator Jane Kitchel
Co-Chair, Commission on Health Care Reform

7/15/10
Date

Steven B. Maier
Representative Steve Maier
Co-Chair, Commission on Health Care Reform

7/20/10
Date

Michael J Obuchowski
Representative Michael Obuchowski
Chair, Joint Fiscal Committee

7/15/10
Date

Ann Cummings
Senator Ann Cummings
Vice Chair, Joint Fiscal Committee

7/15/2010
Date

Attachment A:
Language from Act 128 (sections 2, 3, and 6)

The complete text of Act 128 is available on the State of Vermont Legislature bill tracking system at http://www.leg.state.vt.us/DOCS/2010/ACTS/ACT128.PDF

* * * HEALTH CARE SYSTEM DESIGN * * *

Sec. 2. PRINCIPLES FOR HEALTH CARE REFORM

The general assembly adopts the following principles as a framework for reforming health care in Vermont:

(1) It is the policy of the state of Vermont to ensure universal access to and coverage for essential health services for all Vermonters. All Vermonters must have access to comprehensive, quality health care. Systemic barriers must not prevent people from accessing necessary health care. All Vermonters must receive affordable and appropriate health care at the appropriate time in the appropriate setting, and health care costs must be contained over time.

(2) The health care system must be transparent in design, efficient in operation, and accountable to the people it serves. The state must ensure public participation in the design, implementation, evaluation, and accountability mechanisms in the health care system.

(3) Primary care must be preserved and enhanced so that Vermonters have care available to them; preferably, within their own communities. Other aspects of Vermont's health care infrastructure must be supported in such a way that all Vermonters have access to necessary health services and that these health services are sustainable.

(4) Every Vermonter should be able to choose his or her primary care provider, as well as choosing providers of institutional and specialty care.

(5) The health care system will recognize the primacy of the patient-provider relationship, respecting the professional judgment of providers and the informed decisions of patients.

(6) Vermont's health delivery system must model continuous improvement of health care quality and safety and, therefore, the system must be evaluated for improvement in access, quality, and reliability and for a reduction in cost.

(7) A system for containing all system costs and eliminating unnecessary expenditures, including by reducing administrative costs; reducing costs that do not contribute to efficient, quality health services; and reducing care that does not improve health outcomes, must be implemented for the health of the Vermont economy.

(8) The financing of health care in Vermont must be sufficient, fair, sustainable, and shared equitably.

(9) State government must ensure that the health care system satisfies the principles in this section.

Sec. 3. GOALS OF HEALTH CARE REFORM

Consistent with the adopted principles for reforming health care in Vermont, the general assembly adopts the following goals:

(1) The purpose of the health care system design proposals created by this act is to ensure that individual programs and initiatives can be placed into a larger, more rational design for access to, the delivery of, and the financing of affordable health care in Vermont.

(2) Vermont's primary care providers will be adequately compensated through a payment system that reduces administrative burdens on providers.

(3) Health care in Vermont will be organized and delivered in a patient-centered manner through community-based systems that:

(A) are coordinated;

(B) focus on meeting community health needs;

(C) match service capacity to community needs;

(D) provide information on costs, quality, outcomes, and patient satisfaction;

(E) use financial incentives and organizational structure to achieve specific objectives;

(F) improve continuously the quality of care provided; and

(G) contain costs.

(4) To ensure financial sustainability of Vermont's health care system, the state is committed to slowing the rate of growth of total health care costs, preferably to reducing health care costs below today's amounts, and to raising revenues that are sufficient to support the state's financial obligations for health care on an ongoing basis.

(5) Health care costs will be controlled or reduced using a combination of options, including:

(A) increasing the availability of primary care services throughout the state;

(B) simplifying reimbursement mechanisms throughout the health care system;

(C) reducing administrative costs associated with private and public insurance and bill collection;

(D) reducing the cost of pharmaceuticals, medical devices, and other supplies through a variety of mechanisms;

(E) aligning health care professional reimbursement with best practices and outcomes rather than utilization;

(F) efficient health facility planning, particularly with respect to technology; and

(G) increasing price and quality transparency.

(6) All Vermont residents, subject to reasonable residency requirements, will have universal access to and coverage for health services that meet defined benefits standards, regardless of their age, employment, economic status, or town of residency, even if they require health care while outside Vermont.

(7) A system of health care will provide access to health services needed by individuals from birth to death and be responsive and seamless through employment and other life changes.

(8) A process will be developed to define packages of health services, taking into consideration scientific and research evidence, available funds, and the values and priorities of Vermonters, and analyzing required federal health benefit packages.

(9) Health care reform will ensure that Vermonters' health outcomes and key indicators of public health will show continuous improvement across all segments of the population.

(10) Health care reform will reduce the number of adverse events from medical errors.

(11) Disease and injury prevention, health promotion, and health protection will be key elements in the health care system.

...

Sec. 6. HEALTH CARE SYSTEM DESIGN AND IMPLEMENTATION PLAN

(a)(1)(A) By February 1, 2011, one or more consultants of the joint legislative commission on health care reform established in chapter 25 of Title 2 shall propose to the general assembly and the governor at least three design options, including implementation plans, for creating a single system of health care which ensures all Vermonters have access to and coverage for affordable, quality health services through a public or private single-payer or multi-payer system and that meets the principles and goals outlined in Section 2 and 3 of this act. The proposal shall contain the analysis and recommendations as provided for in subsection (g) of this section.

(B) By January 1, 2011, the consultant shall release a draft of the design options to the public and provide 15 days for public review and the submission of comments on the design options. The consultant shall review and consider the public comments and revise the draft design options as necessary prior to the final submission to the general assembly and the governor.

(2)(A) One option shall design a government-administered and publicly financed "single-payer" health benefits system decoupled from employment which prohibits insurance coverage for the health services provided by this system and allows for private insurance coverage only of supplemental health services.

(B) One option shall design a public health benefit option administered by state government, which allows individuals to choose between the public option and private insurance coverage and allows for fair and robust competition among public and private plans.

(C) A third and any additional options shall be designed by the consultant, in consultation with the commission, taking into consideration the principles in Sec. 2 of this act, the goals in Sec. 3, and the parameters described in this section.

(3) Each design option shall include sufficient detail to allow the governor and the general assembly to consider the adoption of one design during the 2011 legislative session and to initiate implementation of the new system through a phased process beginning no later than July 1, 2012.

(b)(1) No later than 45 days after enactment, the commission shall propose to the joint fiscal committee a recommendation, including the requested amount, for one or more outside consultants who have demonstrated experience in designing health care systems that have expanded coverage and contained costs to provide the expertise necessary to do the analysis and design required by this act. Within seven days of the commission's proposal, the joint fiscal committee shall meet and may accept, reject, or modify the commission's proposal.

(2) The commission shall serve as a resource for the consultant by providing information and feedback to the consultant upon request, by recommending additional resources, and by receiving periodic progress reports by the consultant as needed. In order to maintain the independence of the consultant, the commission shall not direct the consultant's recommendations or proposal.

(c) In creating the designs, the consultant shall review and consider the following fundamental elements:

(1) the findings and reports from previous studies of health care reform in Vermont, including the Universal Access Plan Report from the health care authority, November 1, 1993; reports from the Hogan Commission; relevant studies provided to the state of Vermont by the Lewin Group; and studies and reports provided to the commission.

(2) existing health care systems or components thereof in other states or countries as models.

(3) Vermont's current health care reform efforts as defined in 3 V.S.A. § 2222a.

(4) the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Reconciliation Act of 2010; Employee Retirement Income Security Act (ERISA); and Titles XVIII (Medicare), XIX (Medicaid), and XXI (SCHIP) of the Social Security Act.

(d) Each design option shall propose a single system of health care which maximizes the federal funds to support the system and is composed of the following components, which are described in subsection (e) of this section:

(1) a payment system for health services which includes one or more packages of health services providing for the integration of physical and mental health; budgets, payment methods, and a process for determining payment amounts; and cost reduction and containment mechanisms;

(2) coordinated regional delivery systems;

(3) health system planning, regulation, and public health;

(4) financing and estimated costs, including federal financings; and

(5) a method to address compliance of the proposed design option or options with federal law.

(e) In creating the design options, the consultant shall include the following components for each option:

(1) A payment system for health services.

(A)(i) Packages of health services. In order to allow the general assembly a choice among varied packages of health services in each design option, the consultant shall provide at least two packages of health services providing for the integration of physical and mental health as further described in subdivision (A)(ii) of this subdivision (1) as part of each design option.

(ii)(I) Each design option shall include one package of health services which includes access to and coverage for primary care, preventive care, chronic care, acute episodic care, palliative care, hospice care, hospital services, prescription drugs, and mental health and substance abuse services.

(II) For each design option, the consultant shall consider including at least one additional package of health services, which includes the services described in subdivision (A)(ii)(I) of this subdivision (1) and coverage for supplemental health services, such as home- and community-based services, services in nursing homes, payment for transportation related to health services, or dental, hearing, or vision services.

(iii)(I) For each proposed package of health services, the consultant shall consider including a cost-sharing proposal that may provide a waiver of any deductible and other cost-sharing payments for chronic care for individuals participating in chronic care management and for preventive care.

(II) For each proposed package of health services, the consultant shall consider including a proposal that has no cost-sharing. If this proposal is included, the consultant shall provide the cost differential between subdivision (A)(iii)(I) of this subdivision (1) and this subdivision (II).

(B) Administration. The consultant shall include a recommendation for:

(i) a method for administering payment for health services, which may include administration by a government agency, under an open bidding process soliciting bids from insurance carriers or third-party administrators, through private insurers, or a combination.

(ii) enrollment processes.

(iii) integration of the pharmacy best practices and cost control program established by 33 V.S.A. §§ 1996 and 1998 and other mechanisms to promote evidence-based prescribing, clinical efficacy, and cost-containment, such as a single statewide preferred drug list, prescriber education, or utilization reviews.

(iv) appeals processes for decisions made by entities or agencies administering coverage for health services.

(C) Budgets and payments. Each design shall include a recommendation for budgets, payment methods, and a process for determining payment amounts. Payment methods for mental health services shall be consistent with mental health parity. The consultant shall consider:

(i) amendments necessary to current law on the unified health care budget, including consideration of cost-containment mechanisms or targets, anticipated revenues available to support the expenditures, and other appropriate considerations, in order to establish a statewide spending target within which costs are controlled, resources directed, and quality and access assured.

(ii) how to align the unified health care budget with the health resource allocation plan under 18 V.S.A. § 9405; the hospital budget review process under 18 V.S.A. § 9456; and the proposed global budgets and payments, if applicable and recommended in a design option.

(iii) recommending a global budget where it is appropriate to ensure cost-containment by a health care facility, health care provider, a group of health care professionals, or a combination. Any recommendation shall include a process for developing a global budget, including circumstances under which an entity may seek an amendment of its budget, and any changes to the hospital budget process in 18 V.S.A. § 9456.

(iv) payment methods to be used for each health care sector which are aligned with the goals of this act and provide for cost-containment, provision of high quality, evidence-based health services in a coordinated setting, patient self-management, and healthy lifestyles. Payment methods may include:

(I) periodic payments based on approved annual global budgets;

(II) capitated payments;

(III) incentive payments to health care professionals based on performance standards, which may include evidence-based standard physiological measures, or if the health condition cannot be measured in that manner, a process measure, such as the appropriate frequency of testing or appropriate prescribing of medications;

(IV) fee supplements if necessary to encourage specialized health care professionals to offer a specific, necessary health service which is not available in a specific geographic region;

(V) diagnosis-related groups;

(VI) global payments based on a global budget, including whether the global payment should be population-based, cover specific line items, provide a mixture of a lump sum payment, diagnosis-related group (DRG) payments, incentive payments for participation in the Blueprint for Health, quality improvements, or other health care reform initiatives as defined in 3 V.S.A. § 2222a; and

(VII) fee for service.

(v) what process or processes are appropriate for determining payment amounts with the intent to ensure reasonable payments to health care professionals and providers and to eliminate the shift of costs between the payers of health services by ensuring that the amount paid to health care professionals and providers is sufficient. Payment amounts should be in an amount which provides reasonable access to health services, provides sufficient uniform payment to health care professionals, and assists to create financial stability of health care professionals. Payment amounts shall be consistent with mental health parity. The consultant shall consider the following processes:

(I) Negotiations with hospitals, health care professionals, and groups of health care professionals;

(II) Establishing a global payment for health services provided by a particular hospital, health care provider, or group of professionals and providers. In recommending a process for determining a global payment, the consultant shall consider the interaction with a global budget and other information necessary to the determination of the appropriate payment, including all revenue received from other sources. The recommendation may include that the global payment be reflected as a specific line item in the annual budget.

(III) Negotiating a contract including payment methods and amounts with any out-of-state hospital or other health care provider that regularly treats a sufficient volume of Vermont residents, including contracting with out-of-state hospitals or health care providers for the provision of specialized health services that are not available locally to Vermonters.

(IV) Paying the amount charged for a medically necessary health service for which the individual received a referral or for an emergency health service customarily covered and received in an out-of-state hospital with which there is not an established contract;

(V) Developing a reference pricing system for nonemergency health services usually covered which are received in an out-of-state hospital or by a health care provider with which there is not a contract.

(VI) Utilizing one or more health care professional bargaining groups provided for in 18 V.S.A. § 9409, consisting of health care professionals who choose to participate and may propose criteria for forming and approving bargaining groups, and criteria and procedures for negotiations authorized by this section.

(D) Cost-containment. Each design shall include cost reduction and containment mechanisms. If the design option includes private insurers, the option may include a fee assessed on insurers combined with a global budget to streamline administration of health services.

(2) Coordinated regional health systems. The consultant shall propose in each design a coordinated regional health system, which ensures that the delivery of health services to the citizens of Vermont is coordinated in order to improve health outcomes, improve the efficiency of the health system, and improve patients' experience of health services. The consultant shall review and analyze Vermont's existing efforts to reform the delivery of health care, including the Blueprint for Health described in chapter 13 of Title 18, and consider whether to build on or improve current reform efforts. In designing coordinated regional health systems, the consultant shall consider:

(A) how to ensure that health professionals, hospitals, health care facilities, and home- and community-based service providers offer health services in a coordinated manner designed to optimize health services at a lower cost, to reduce redundancies in the health system as a whole, and to improve quality;

(B) the creation of regional mechanisms to solicit public input for the regional health system; conduct a community needs assessment for incorporation into the health resources allocation plan; and plan for community health needs based on the community needs assessment; and

(C) the development of a regional entity, organization, or another mechanism to manage health services for that region's population, which may include making budget recommendations and resource allocations for the region; providing oversight and evaluation regarding the delivery of care in its region; developing payment methodologies and incentive payments; or other functions necessary to manage the region's health system.

(3) Health system planning, regulation, and public health. The consultant shall evaluate the existing mechanisms for health system and facility planning and for assessing quality indicators and outcomes and shall evaluate

public health initiatives, including the health resource allocation plan, the certificate of need process, the Blueprint for Health, the statewide health information exchange, services provided by the Vermont Program for Quality in Health Care, and community prevention programs.

(4) Financing and estimated costs, including federal financing. The consultant shall provide:

(A) an estimate of the total costs of each design option, including any additional costs for providing access to and coverage for health services to the uninsured and underinsured; any estimated costs necessary to build a new system; and any estimated savings from implementing a single system.

(B) financing proposals for sustainable revenue, including by maximizing federal revenues, or reductions from existing health care programs, services, state agencies, or other sources necessary for funding the cost of the new system.

(C) a proposal to the Centers on Medicare and Medicaid Services to waive provisions of Titles XVIII (Medicare), XIX (Medicaid), and XXI (SCHIP) of the Social Security Act if necessary to align the federal programs with the proposals contained within the design options in order to maximize federal funds or to promote the simplification of administration, cost-containment, or promotion of health care reform initiatives as defined by 3 V.S.A. § 2222a.

(D) a proposal to participate in a federal insurance exchange established by the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Reconciliation Act of 2010 in order to maximize federal funds and, if applicable, a waiver from these provisions when available.

(5) A method to address compliance of the proposed design option or options with federal law if necessary, including the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Reconciliation Act of 2010; Employee Retirement Income Security Act (ERISA); and Titles XVIII (Medicare), XIX (Medicaid), and XXI (SCHIP) of the Social Security Act. In the case of ERISA, the consultant may propose a strategy to seek an ERISA exemption from Congress if necessary for one of the design options.

(f)(1) The agency of human services and the department of banking, insurance, securities, and health care administration shall collaborate to ensure the commission and its consultant have the information necessary to create the design options.

(2) The consultant may request legal and fiscal assistance from the office of legislative council and the joint fiscal office.

(3) The commission or its consultant may engage with interested parties, such as health care providers and professionals, patient advocacy groups, and insurers, as necessary in order to have a full understanding of health care in Vermont.

(g) In the proposal and implementation plan provided to the general assembly and the governor as provided for in subsection (a) of this section, the consultant shall include:

(1) A recommendation for key indicators to measure and evaluate the design option chosen by the general assembly.

(2) An analysis of each design option, including:

(A) the financing and cost estimates outlined in subdivision (e)(4) of this section;

(B) the impacts on the current private and public insurance system;

(C) the expected net fiscal impact, including tax implications, on individuals and on businesses from the modifications to the health care system proposed in the design;

(D) impacts on the state's economy;

(E) the pros and cons of alternative timing for the implementation of each design, including the sequence and rationale for the phasing in of the major components; and

(F) the pros and cons of each design option and of no changes to the current system.

(3) A comparative analysis of the coverage, benefits, payments, health care delivery, and other features in each design option with Vermont's current health care system and health care reform efforts, the new federal insurance exchange, insurance regulatory provisions, and other provisions in the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Reconciliation Act of 2010. The comparative analysis should be in a format to allow the general assembly to compare easily each design option with the current system and efforts. If appropriate, the analysis shall include a comparison of financial or other changes in Medicaid and Medicaid-funded programs in a format currently used by the department of Vermont health access in order to compare the estimates for the design option to the most current actual expenditures available.

(4) A recommendation for which of the design options best meets the principles and goals outlined in Secs. 2 and 3 of this act in an affordable, timely, and efficient manner. The recommendation section of the proposal shall not be finalized until after the receipt of public input as provided for in subdivision (a)(1)(B) of this section.

(h) After receipt of the proposal and implementation plan pursuant to subdivision (g)(2) of this section, the general assembly shall solicit input from interested members of the public and engage in a full and open public review and hearing process on the proposal and implementation plan.

Attachment B
Customary State Contract Provisions

1. Entire Agreement: This contract represents the entire agreement between the parties on this subject matter. All prior agreements, representations, statements, negotiations, and understandings have no effect.

2. Applicable Law: This contract will be governed by the laws of the State of Vermont.

3. Appropriations: If this contract extends into more than one fiscal year of the state (July 1 to June 30), and if appropriations are insufficient to support this contract, the State may cancel at the end of the fiscal year, or otherwise upon the expiration of existing appropriation authority.

4. No Employee Benefits for Contractor: The Contractor understands that the State will not provide any individual retirement benefits, group life insurance, group health and dental insurance, vacation and sick leave, worker's compensation or other benefits or services available to state employees, nor will the State withhold any federal or state taxes, except as required under applicable tax laws, which shall be determined in advance of execution of the contract. The Contractor understands that all tax returns required by the Internal Revenue Code and the State of Vermont, including but not limited to income, withholding, sales and use, and rooms and meals, must be filed by the Contractor, and information as to contract income will be provided by the State of Vermont to the Internal Revenue Service and the Vermont Department of Taxes.

5. Independence, Liability: The Contractor will act in an independent capacity and not as officers or employees of the State. The Contractor shall indemnify, defend and hold harmless the State and its officers and employees from liability and any claims, suits, judgments, and damages arising as a result of the Contractor's acts and/or omissions in the performance of this contract.

6. Reliance by State on Representations: All payments by the State under this contract will be made in reliance upon the accuracy of all prior written representations by the Contractor, including but not limited to bills, invoices, progress reports and other proofs of work.

7. Records Available for Audit: The Contractor will maintain all books, documents, payrolls, papers, accounting records and other evidence pertaining to costs incurred under this agreement and make them available at reasonable times during the period of this contract and for three years thereafter for inspection by any authorized representatives of the State or Federal Government. If any litigation, claim or audit is started before the expiration of the three year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved. The State, by an authorized representative, shall have the right at all reasonable times, to inspect or otherwise evaluate the work performed or being performed under this contract.

8. Fair Employment Practices: The Contractor agrees to comply with the requirements of Title 21 VSA, Chapter 5, and Subchapter 6, relating to fair employment practices, to the full extent applicable. Contractor shall also ensure, to the full extent required by the Americans with Disabilities Act of 1990, that qualified individuals with disabilities receive equitable access to the services, programs, and activities provided by the Contractor under this contract. Contractor further agrees to include this provision in all subcontracts.

9. Set Off: The State may set off any sums which the Contractor owes the State against any sums due the Contractor under this contract; provided, however, that any set off of amounts due the State of Vermont as taxes shall be in accordance with the procedures more specifically provided hereinafter.

10. Taxes Due to the State:
a. Contractor understands and acknowledges responsibility, if applicable, for compliance with State tax laws, including income tax withholding for employees performing services within the State, payment of use tax on property used within the State, corporate and/or personal income tax on income earned within the State.

b. Contractor certifies under the pains and penalties of perjury that, as of the date the contract is signed, the Contractor is in good standing with respect to, or in full compliance with, a plan to pay any and all taxes due the State of Vermont.

c. Contractor understands that final payment under this contract may be withheld if the Commissioner of Taxes determines that the Contractor is not in good standing with respect to or in full compliance with a plan to pay any and all taxes due to the State of Vermont.

d. Contractor also understands the State may set off taxes (and related penalties, interest and fees) due to the State of Vermont, but only if the Contractor has failed to make an appeal within the time allowed by law, or an appeal has been taken and finally determined and the Contractor has no further legal recourse to contest the amounts due.

11. Child Support: Contractor states that, as of the date of the contract is signed, he:
a. is not under any obligation to pay child support; or
b. is under such an obligation and is in good standing with respect to that obligation; or
c. has agreed to a payment plan with the Vermont Office of Child Support Services as is in full compliance with that plan.

Contractor makes this statement with regard to support owed to any and all children residing in Vermont. In addition, if the Contractor is a resident of Vermont, Contractor makes this statement with regard to support owed to any and all children residing in any other state or territory of the United States.

12. Subcontractors: The Contractor shall not assign or subcontract the performance of this agreement or any portion thereof to any other contractor without the prior written approval of the State. Contractor also agrees to include in all subcontract agreements a tax certification in accordance with paragraph ten above.

12. No Gifts or Gratuities: Contractor will not give title or possession of any thing of substantial value (including property, currency, travel and/or education programs) to any officer or employee of the State during the term of this contract.

13. Copies: All written reports will be printed using both sides of the paper.

-- Nothing Follows --

Attachment C: Letter Clarifying Scope of Work

14-16 BALDWIN STREET
MONTPELIER, VT 05620
TEL: (802) 828-1108
FAX: (802) 828-2424

STATE OF VERMONT
GENERAL ASSEMBLY
HEALTH CARE REFORM COMMISSION
July 12, 2010

William Hsiao
K. T. Li Professor of Economics
Harvard School of Public Health
124 Mt Auburn St. Suite 410 South
Cambridge MA 02138

Dear Bill,

As we discussed on the phone last week, we would like to clarify a few points in the scope of work you submitted in your proposal of 6/21/10 titled "The Vermont Option: Achieving Affordable Universal Health Care". As you point out in that proposal, the scope of the RFP was quite broad and the limited time and resources available for the design necessitate prioritizing the multiple tasks. Ultimately, the responsibility and authority for setting these priorities must be yours. However, while lower priority items will receive less attention, they will still have as much effort as time/staffing permit. We will work with you to further prioritize the lower priority items which you identified in the proposal, e.g., compliance with federal law is very low because Vermont staff have good expertise in this area. Also, the primary care workforce assessment you proposed should be shifted to very low priority because of AHEC and DVHA initiative in ACT 128.

Regarding the analysis of three options, we wanted to clarify that the design of the third option is completely up to consultant and does not necessarily have to be a single payer model. Also, while some options may be analyzed in greater depth, our understanding is that you will conduct an equivalent basic analysis of the strengths and weaknesses of all three designs, including applying findings of stakeholder analysis to assessing options 1 & 2

We are very excited about your proposal and the team you have assembled. We look forward to working with you and them.

Sincerely,

Jim Hester
Director

VERMONT GENERAL ASSEMBLY
CONTRACT FOR PERSONAL SERVICES
BETWEEN WILLIAM C. HSIAO AND JOINT FISCAL COMMITTEE
AMENDMENT #1

Parties: This agreement amends the contract between William C. Hsiao ("Consultant"), 36 Foster Street, Cambridge, MA 02138, and the Vermont Legislative Joint Fiscal Committee ("JFC"), One Baldwin Street, Montpelier, VT 05633 which was dated July 15, 2010 (Contract).

Background: Act 128 of 2010 specified that "by February 2011, one or more consultants of the joint legislative commission on health care reform established in chapter 25 of Title 2, shall propose to the general assembly and the governor at least three design options, including implementation plans, for creating a single system of health care which ensures all Vermonters have access to and coverage for affordable, quality health services through a public or private single-payer or multi-payer system." The Contract established the original scope of services and compensation for the Consultant to complete this study. The Health Care Reform Commission has been awarded a grant of $48,020 from the Commonwealth Fund to support enhanced modeling in the study. This agreement modifies the Contract to reflect the changes needed to incorporate the Commonwealth Fund grant.

Scope of services: The scope of services is amended to include the tasks specified in Attachment A. The Contract is also amended to incorporate the terms and conditions of the Commonwealth Fund Grant as described in Attachment B. The terms and conditions in Attachment B apply only to the products and work supported by the Commonwealth Fund grant as defined in Attachment A. In addition the parties have discussed that the legislative process is likely to result in changes to the proposed designs which will be submitted by the consultant. These will require additional analyses and the consultant agrees to construct the models, to the extent possible, in a manner which would facilitate future analyses. The parties also recognize that the additional work involved in expanding the scope of services, combined with the delays in both obtaining the essential VHCURES data set and complying with the requirement for prior approval of the release of reports using that data set may require extending the due date for the draft report and the final report to the legislature. If changes in these dates are approved by mutual consent of both parties , the schedule of deliverables and payments in Attachment B and the dates in RFP response that was incorporated by reference in the original contract would be modified accordingly.

Compensation: The value of this contract is increased to $348,020. The payment schedule is modified to incorporate the payments from the Commonwealth Fund as specified in Attachment B.

Signatures:

William C. Hsiao — 12/7/2010

William C. Hsiao, Ph.D, FSA — Date

Jane Kitchel — 12/3/10

Senator Jane Kitchel
Co-Chair, Commission on Health Care Reform — Date

Mark Larson — 12.14.10

Representative Mark Larson
Co-Chair, Commission on Health Care Reform — Date

Michael Obuchowski — 12/6/10

Representative Michael Obuchowski
Chair, Joint Fiscal Committee — Date

Ann Cummings — 12/14/10

Senator Ann Cummings
Vice Chair, Joint Fiscal Committee — Date

Attachment A: Scope of Services

Project Description

This amendment adds two enhancements to the planned economic modeling. Dr Hsiao would be the Principle Investigator for the enhancements and ensure that they were coordinated with each other and integrated effectively into the overall design.

1. **Enhanced modeling of baseline case**: The impacts of the three proposed design options will be compared to a baseline case which continues the existing Vermont health reform initiatives and phases in the federal health care reforms in the Affordable Care Act (ACA). Because of funding limitations, the Dr. Hsiao was not able to use the Gruber Microsimulation Model (GMSIM) for this analysis of the baseline case and instead planned to make subjective estimates using state and national experts. This funding is to expand Dr. Hsiao's subcontract to Dr. Gruber to add a fourth, baseline case to the GMSIM simulations so that we could have a more accurate estimate of the state's starting point. In addition, this baseline analysis would be extremely valuable to the state agencies which are planning for the implementation of ACA and need to estimate its effect on total costs, the state's share of those costs, insurance coverage and distributional impacts. Approximately 150,000 residents, or 23% of the state's population, are currently enrolled in state funded health insurance programs and ACA should have a significant impact on both enrollment and the state's costs.
2. **Macroeconomic modeling**: One of the major concerns about the impact of health care reform and changes in the financing of health care coverage is the potential impact on the state's economy. Assessing these impacts requires a macro-economic model of the economy which is completely different from a micro-economic model such as GMSIM. Due to budget constraints, Dr. Hsiao's original contract explicitly precluded a macro-economic analysis and instead relied on general qualitative estimates of possible effects. The amendment adds analyses based on a macro-economic model of the economy which is completely different from a micro-economic model such as GMSIM. Dr. Hsiao will subcontract for the services of Thomas Kavet and Dr. Nicolas Rockler, principals at Kavet, Rockler & Associates, LLC (KRA). Dr. Hsiao will collaborate with Mr. Kavet and Dr. Rockler to select an appropriate model, ensure that it was calibrated consistently with Dr. Gruber's GMSIM and develop the appropriate specifications to test two of the proposed design options.

Products

The products would be two supplementary chapters in the final report that would be based on the two modeling enhancements in this amendment.. Dr Hsiao will have the primary responsibility for writing these two chapters.

Budget

The total additional funds for the contract will be paid for through a combination of Commonwealth Fund grant dollars and general fund. The main components of the requested support are as follows:

Baseline analysis using GMSIM (Gruber)	$20,000
Macro-economic modeling (Kavet & Rockler)	$20,000
Supervision and project mgt (Hsaio/Gosline)	$8.020
Total	$48,020

However it is understood that the exact allocations above may change as the project moves toward completion.

Contract #18094

VERMONT GENERAL ASSEMBLY

EXTENSION OF CONTRACT FOR PERSONAL SERVICES

Parties: This agreement further extends Contract 18094 between William C. Hsiao ("consultant"), 36 Foster Street, Cambridge, MA 02138, and the Vermont Legislative Joint Fiscal Committee ("JFC"), One Baldwin Street, Montpelier, VT 05633 acting on behalf of the Vermont Commission on Health Care Reform ("Commission).

Scope of services: In response to the final report by Dr. Hsiao delivered under this contract, the governor and legislature are developing proposed legislative language that will redesign Vermont's health care system. Catherine Benham will be the contact person for the JFC and will authorize the work for Dr. Hsiao. In addition to the amended contract's existing Scope of Services, Consultant will provide additional services under this extension, as follows:

- General reviews of various proposals.
- Technical consultations such as answering questions or providing additional information about the report and its contents.
- Consultations may be done through direct phone-calls or call-in testimony or by working with other staff on technical documents.
- There will be a limit of 6 consultations or engagements, including technical consultations.
- Additionally, this assumes that one of Dr. Hsiao's staff will stay abreast of the Vermont legislative process and discussions via email and phone conversations with legislative staff and others.

Term of agreement: This extension moves the termination of the contract to June 30, 2011. It may be extended by mutual agreement of the parties. The contract may be cancelled by either party by giving written notice at least 30 days in advance of said cancellation, and in case of cancellation, the compensation under this contract shall be accordingly adjusted.

Compensation: The value of this contract extension is a maximum of $15,600. The total maximum value of the contract is $363,620. For services pursuant to this extension, Consultant shall be paid:

Base Fee: $6,000 which includes funding for Dr. Hsiao ~~and his~~ staff to stay abreast of Vermont health care discussions WSH 3/7/2011

Consultations: $1,600 per consult

The base fee will be paid May 1, 2011 and consultation fees will be paid within 30 days of receiving an invoice.

Signatures:

William C. Hsiao — 3/17/2011

William C. Hsiao, Ph.D, FSA — Date

Jane Kitchel — 3/22/11

Senator Jane Kitchel
Co-Chair, Commission on Health Care Reform — Date

3.22.11

Representative Mark Larson
Co-Chair, Commission on Health Care Reform — Date

3/22/11

Senator Ann Cummings
Chair, Joint Fiscal Committee — Date

Martha P. Heath — 3/22/11

Representative Martha Heath
Vice Chair, Joint Fiscal Committee — Date

Consulting Agreement

Parties: This consulting agreement is between William C. Hsiao (the client) and Kavet, Rockler & Associates, LLC ("the contractor"), in their capacity as State Economist and Principal Economic Advisor to the Vermont Legislature.

The contractor is an independent company and is responsible to establish its own office and pay all applicable taxes and fees as required by law.

Term of Agreement: The term of agreement is from November 15, 2010 through February 28, 2011.

Scope of Work: Contractor will utilize the REMI (Regional Economic Models, Inc.) and other economic tools to analyze the macro-economic impacts of three options that the client will design to meet the specifications stated in Vermont Act 128. As shown in the State of Vermont's grant application to Commonwealth Fund to support the contractor's work, the contractor expects to spend a total of 227 hours on this project, including writing-up a report and giving presentations. The exact scope of work and the details of outputs are to be developed between the contractor and the client to meet the needs of the State of Vermont. The time schedule will be developed by mutual agreement to meet the deadline set by the State of Vermont on the client as to when a final report is due.

Compensation: This is a fixed price contract and the client will pay the contractor a total of $20,000. One half to be paid one week after the client has received a payment from the State of Vermont for the macro-economic analysis. One half will be paid upon the acceptance of the final report by the client.

Confidentiality: Any data or information provided by the client shall remain the property of the client unless otherwise specified. Reports and other work products developed by the contractor under this contract shall be the property of the client, and will not be released in any form by the contractor without permission from the client.

Additional terms: The terms and conditions of the Commonwealth Fund grant (Appendix A) are incorporated into this agreement.

William Hsiao

William C. Hsiao

Dated 12/7/2010

Thomas E. Kavet, President
Kavet, Rockler & Associates, LLC

Dated 11/30/10