



STATE OF VERMONT
JOINT FISCAL OFFICE

MEMORANDUM

To: Joint Fiscal Committee Members
From: Nathan Lavery, Fiscal Analyst
Date: November 4, 2010
Subject: Grant Request

Enclosed please find one (1) request that the Joint Fiscal Office has received from the administration. This request includes the establishment of one (1) limited service position.

JFO #2468 — \$1,000,000 grant from the U.S. Department of Health and Human Services to the Department of Vermont Health Access. This grant will be used to help determine if a health insurance exchange should be established in Vermont, and to support the planning activities for the development of an exchange. One (1) limited service position is associated with this request. **Expedited review of this item has been requested. Joint Fiscal Committee members will be contacted by November 12 with a request to waive the statutory review period and accept this item.**

[JFO received 10/28/10]

In accordance with the procedures for processing such requests, we ask you to review the enclosed and notify the Joint Fiscal Office (Nathan Lavery at 802-828-1488; nlavery@leg.state.vt.us) if you have questions or would like an item held for Joint Fiscal Committee review.

cc: James Reardon, Commissioner
Susan Besio, Commissioner

Grant #2468 2.2.II

Joint Fiscal Committee meeting, 11/15/10, DVHA & BISHCA testimony on Exchange planning grant
WHY VERMONT SHOULD MOVE FORWARD ON EXCHANGE DEVELOPMENT

- Regardless of how Vermont chooses to design its Exchange, federal law requires us to have one. If we don't build a Vermont Exchange, the federal government will step in and design an Exchange that may not serve Vermont's needs.
- The planning grant and development of an Exchange will benefit Vermont financially:
 - It provides federal Exchange grant money (initial planning grant of \$1 million) to do research that will inform any decision Vermont might make about the future of our health care system.
 - Beginning to build an Exchange now will allow us to use federal dollars to build functionality that will be useful no matter what direction Vermont takes. For example, we have to replace our eligibility IT infrastructure no matter what direction we take; replacing it within the context of building an Exchange will allow us to receive enhanced federal match (in addition to any Exchange grants) funding.
 - Tax credits for people enrolled in health plans will be available only through the Exchange. Vermont and Vermonters will benefit from these federal premium subsidies.
 - We will not be positioned to ask for the next round of grant funds for FFY 12 unless we make significant progress on designing Vermont's Exchange in FFY 11.
- This planning grant allows for work that is complimentary to the Hsiao study – data collection, model building, single eligibility system, etc.
 - There is nothing in the ACA that would prevent Vermont from offering one plan on the Exchange and prohibiting the sale of plans outside the Exchange.
 - The Exchange could be a powerful tool to promote quality and reduce costs.
 - The Exchange will have functionality that we will need regardless. Examples:
 - On-line application for coverage and to choose benefit plan
 - Easy to understand description and comparison of benefit plans/packages
 - Calculation of eligibility for federal subsidies/tax credits
 - Navigator support for consumers
- In fact, Vermont Act 128 specifically contemplates that these two activities are complementary, in that it directs us to pursue these federal opportunities at the same time as the design study (which was also contained in Act 128):

Act 128 of 2010

Sec. 10. IMPLEMENTATION OF CERTAIN FEDERAL HEALTH CARE REFORM PROVISIONS

(a) From the effective date of this act through July 1, 2011, the commissioner of health shall undertake such planning steps and other actions as are necessary to secure grants and other beneficial opportunities for Vermont provided by the Patient Protection and Affordable Care Act of 2010, Public Law 111-148, as amended by the Health Care and Education Reconciliation Act of 2010, Public Law 111-152.

(b) From the effective date of this act through July 1, 2011, the commissioner of Vermont health access shall undertake such planning steps as are necessary to ensure Vermont's participation in beneficial opportunities created by the Patient Protection and Affordable Care Act of 2010, Public Law 111-148, as amended by the Health Care and Education Reconciliation Act of 2010, Public Law 111-152.

Exchange Planning Grant: Project Abstract

The State of Vermont has a long history of proactively addressing health care delivery and health care system financing. In 1992 the Vermont General Assembly mandated that the individual and small group health insurance markets be community rated and sold on a guaranteed issue basis. Vermont's public programs likewise provide high-quality, affordable health care to a wide range of its citizens. The Dr. Dynasaur program serves children in families with income below 300% FPL, and the Vermont Health Access Plan (VHAP) provides coverage for childless adults up to 150% FPL and adults with children up to 185% FPL.

In 2006 the General Assembly passed comprehensive health care reform legislation that created the Catamount Health program. Catamount Health, a private insurance product offered by two Vermont non-profit insurance carriers, is available to Vermonters who have been uninsured for 12 or more months. For individuals with incomes below 300% FPL, a premium subsidy is available. Implementation of Catamount Health was the culmination of a highly successful partnership among several state agencies (including the Department of Vermont Health Access (DVHA) and the Department of Banking, Insurance, Securities, and Health Care Administration (BISHCA)), private insurance carriers, and many community organizations. This strong working partnership still exists today and puts Vermont in an excellent position to create an American Health Benefit Exchange pursuant to the Affordable Care Act of 2010.

This grant application is the result of the collaborative effort of DVHA and BISHCA. Under this grant, Vermont is proposing to accomplish the following tasks:

- Develop a roadmap for planning for the Exchange
- Analyze data from a 2009 Vermont household health insurance survey to gain a better understanding of the uninsured population
- Analyze the current insurance market to determine the quality and type of health insurance coverage, the appropriate regulatory environment for implementing the Exchange, and the potential impacts on the market of various options.
- Conduct focus groups to obtain stakeholder input on the goals for the Exchange
- Assess current programs and integration opportunities in both the public and private sectors
- Analyze the effects of "churning" in current programs and strategies for decreasing the churn rate
- Assess various Exchange organizational models and the policy and fiscal implications of each, as well as resources needed to operate the Exchange
- Model potential funding mechanisms to achieve Exchange sustainability
- Develop proposed legislation for the 2011 and 2012 sessions
- Create an implementation plan for the chosen Exchange design.

The budget for the tasks described above for the first planning year is estimated to be \$1 million. We are confident that Vermont can build on its existing program and market infrastructure to create a successful American Health Benefit Exchange.