The *Vermont Preferred* Plan

Adding certainty in uncertain Times: A path to achieving universal coverage, cost containment, and quality in Vermont's Health Care System

Conceptual Framework (Draft 4/10/14)

Key Goals:

- **Access for all** - *All Vermonters have access to comprehensive and affordable health coverage*

- **Quality Health Care** – *Continuing to improve the quality of care for all Vermonters by further investing in programs like the Blueprint for Health while maintaining key partnerships with the provider community, Medicare, Medicaid, and private insurers.*

- **Contain Costs** - *Significant cost-containment can still be achieved without the implementation of Green Mountain Care.*

Access

All Vermonters have access to comprehensive and affordable health coverage

Structure

Encourage a robust and voluntary insurance market while reducing disruption and uncertainty for families, small businesses, and consumers.

- Maintain private insurance market with voluntary participation in the Health Exchange
  - Voluntary for individuals and small businesses with 100 or fewer to purchase insurance through the exchange, through an agent or directly from the insurers.
  - In 2017, would become voluntary to large businesses as well (when allowable under the Affordable Care).
- Maintain premium-based system (in lieu of a publicly financed system).
- No federal waiver (Sec. 1332 of the ACA) from the exchange required.

Access

Pros:	Cons:
▪ No disruption of the system. ▪ Reduces uncertainty for families, small businesses, and consumers. ▪ Will not require as financing as Green Mountain Care (only have to finance smaller initiatives). ▪ No major transitions issues	▪ Does not de-couple insurance from employment, which many feel is a part of the problem. ▪ Less opportunities/potential to achieve administrative savings. ▪ Unlikely to achieve 100% universal coverage.

Affordability

Promote affordability by expanding existing cost-sharing subsidies, maintaining commitment to premium tax credits for individuals, and extending small business tax credits for two additional years after federal tax credits expire.

- *Cost-sharing Subsidies*: Further Expand upon existing Federal and State cost-sharing subsidies for individuals up to 400% FPL who purchase through the exchange.
    - SEE ATTACHMENT 1
    - Federal Gov't (ACA) – Cost sharing subsidies available up to 250% FPL.
    - State currently provides additional cost-sharing subsidies up to 300% FPL for approximately 15,000 Vermonters
    - Expanding up to 400% FPL would expand cost-sharing subsidies for an additional 9,500 people.

Cost-sharing Subsidy	# People
Current subsidy (up to 300% FPL)	15,000 (approx.)
Expanding subsidy up to 400% FPL	9,500 (est.)
Estimated total with expansion	*25,000*

    - Cost will range from **$10-16 million** (annualized) depending on level of cost-sharing and would be all state dollars (no federal match available).

- *Premium Tax Credits*: Maintain the state's commitment to making premiums more affordable for low-income individuals who purchase on the exchange, but continuing to support the state-sponsored premium tax credits. Current premium tax credits:
    - Federal Gov't:
        - Premium tax credits up to 400% FPL.
        - Premium cannot exceed between 3% - 9.5% of modified adjusted income (MAGI) based on FPL.
    - State
        - Provides additional premium tax credit up to 300% FPL.
        - Reduces maximum amount of income spent on premiums by an additional 1.5%
        - For instance – a beneficiary at 150% FPL would not pay more than 4% with the federal subsidy. That state

subsidy reduces it by an additional 1.5% to a subsidy of 2.5% of income.
    - State gets federal match for the costs under current Medicaid (Global Commitment) waiver
    - The state currently spends approx. $6M (state) / $14M (gross) and covers just over **41,000 people**.

- *Small Business Tax Credits*: State would invest $2 million towards extending federal small business health care tax credits beyond the two consecutive years under the ACA.
    - ACA currently offers small business tax credits for eligible employers for two consecutive years. This would extend that (at 100% state cost) for 2 years.
        - To be eligible, employers must:
            - Cover at least 50% of cost of single (not family) health coverage for each of its employees
            - Have fewer than 25 full-time equivalents (FTEs)
            - Have an average employee wage of less than $50,000 per year.
            - Purchase it's insurance through the exchange
    - Plan invests **$2 million** per year for two additional years towards small business tax credits.
    - Current number of businesses taking advantage of this tax credit is not available from IRS, and therefore unknown.

Affordability

Pros:	Cons:
▪ Maintains state's commitment to keeping premiums affordable for lower income individuals ▪ Increases affordability by further reducing out-of-pocket costs for low-income individuals ▪ Extends the option for tax credits for small businesses	▪ Will require additional revenue. ▪ Uncertainty as to how many businesses are taking advantage of small business tax credits. This raises the question of whether businesses will even benefit from an extension. ▪ Provides no benefits to other small and large businesses.

<u>Universality</u>

It is anticipated that by the end of 2014, the uninsured rate will drop from 7% to 3%. While, the Affordable Care Act put in place an individual mandate requiring all American's to have health insurance, further measures can be taken to achieve the goal of true universality in which everyone participates.

- Further encourage the goal of universal coverage by requiring proof of health insurance when renewing driver's licenses.

- NOTE: Driver's licenses are renewed every 4 years.

➢ May also consider requiring proof of health insurance when filing state income taxes.

➢ Continue intensive enrollment strategies by **investing an additional $1M for outreach**.

Universality

Pros:	Cons:
▪ Would further decrease the need for free/charity care at hospitals (currently around $27 million/yr) since more people would have insurance coverage. ▪ Would further reduce hospital bad debt (currently around $40 million/yr). ▪ Both of the above further reduce the cost shift.	▪ Could result in some "induced utilization" where people use more services because they have more access to it. ▪ Will likely get push back from various constituencies. ▪ Drivers are renewed every 4 years and not every year so this may not have the intended enrollment effect.

<u>Access to Providers</u>

➢ Recruitment and retention of Vermont's high quality and talented medical workforce (doctors, nurses, dentists, other Practitioners).
  - While the state does have small incentives (such as loan repayment programs) they are minimal and uncompetitive relative to what they can receive in other states.
  - State budgets $870,000 for provider loan repayments and has been level funded since FY'10.
  - **Invest up to $5M/year** in Vermont's Loan Repayment program
  - This plan would make Vermont more competitive in the recruitment and retention of health care providers.
  - Providers receiving loan repayment dollars would have to make a commitment to provide care in Vermont for a specified period of time (TBD).
  - SEE ATTACHMENT 2.

Quality

➢ <u>Blueprint v.2</u>:
Commit additional investments into the Blueprint for Health that supports robust provider participation and maintains a strong multi-payer approach.
  - Community Health Teams and Medical Homes would be expanded in three ways:
    I. New providers (specialized providers and ACOs)

II. New populations (such as duals, etc.)
III. Expanded functions and capabilities.
    - This includes linking the CHTs with disability and long-term services and support functions
    - Would also add pharmacists to the teams to provide comprehensive medication management and therapy.
    - Would also assure the transitional care models in place are best practice (such as the *Coleman Model*)
        a. The *Coleman Model* is a health coaching model that's been shown to reduce readmission rates.
- Work with payer to increase Blueprint Payments to keep pace and maintain strong multi-payer approach
    - Increase transformation payments to health care providers for participation in the Blueprint (by an average of $2.50 per patient per month).
    - Increase capacity payments to the community health teams (from $1.50 to $3.00 per patient per month).
    - Create outcome based payment to health care providers for providing high-quality coordinated care (average per member per month of $5.00).
- Broaden and standardize community health teams to improve outcomes and maximize return on investment while maintaining local control.
- Take further advantage of 90/10 match (for 2 years) under section 2703 of the ACA to maximize Blueprint expansion.
- Expansion will be done in conjunction with other payment and delivery system reforms.
- **Estimated costs ($5M state / $11M gross)**.

- Maintain the states commitment into the statewide deployment of Electronic Medical Records in every hospital and medical practice in unified and functional way.

- Recruitment and retention of Vermont's high quality and talented medical workforce (doctors, nurses, dentists, other Practitioners).
    - As highlighted above under ACCESS.

Contain Costs

Significant cost-containment can still be achieved without implementing Green Mountain Care, much of which the state is already working on.

- Integrate lessons learned from the State Innovation Model (SIM) grant pilot projects on payment reform (moving away from fee for service).

- Encourage global budgets in hospitals - will not only contain costs, but will provide certainty for hospitals and the communities they serve.

- Address the Medicaid cost-shift:
    - Paying adequate Medicaid reimbursement to health care providers
    - Reducing levels of uncompensated care (through proposals above concerning increasing access to coverage)
    - **Estimate cost $6-10M/year** (state share before federal match). Each year it will be added to the base spending.
    - Would be an annual commitment tied to medical inflation to ensure not only that rates keep pace, but that the cost shift doesn't continue to grow.

- Blueprint for Health Expansion
    - As mentioned above in "Quality" section
    - Longitudinal approach to "bending the curve"

- Wellness programs and incentives
    - Facilitate the creation of a round-table or working group, consisting of businesses (both large and small), trade groups, associations, insurance companies, and other interested parties for the purpose of consolidating efforts and creating wellness programs and incentives, addressing chronic diseases (such as diabetes) and other workplace wellness initiatives.
        - Work with organizations such as the YMCA which already has a diabetes prevention program which is an intensive lifestyle program available through most of the state.

Contain Costs

Pros:	Cons:
▪ Much of the initiatives being pursued can still be done in the absence of Green Mountain Care	▪ Unlikely to achieve cost savings from reduction in administrative expenses. ▪ Upfront investment by the state required to achieve potential system-wide savings down the road. But this is the case with or without GMC.

SUMMARY OF COSTS

The following is summary of potential costs as laid out above. This does not include any potential savings. Numbers are preliminary are subject to change.

Heath Care Reform - Conceptual Framework DRAFT

Potential costs of initiatives

Initiative ($ millions)	Low	High	Notes
Cost-sharing subsidies	$11	$12	All state dollars
Small business tax credits	$2	$2	All state dollars
Blueprint for Health	$5	$5	Fed match available.
Educational Loan Repayment Progam	$5	$5	All state dollars
Cost shift - Increase Medicaid Reimbursements	$6	$10	Fed match available.
Outreach	$1	$1	All state dollars
	$30	$35	

Revenues

Health Care Benefits Tax – tax beneficiaries on the value of the employer-sponsored health benefits they receive.

- Institute a 2.7% tax on the value of the employers' share of the premium paid by their employer for their health insurance.
- Est. 2017 Revenues = $42.5M

Revenues

Pros:	Cons:
▪ Grows at the rate of health care costs. ▪ Base is directly related to the spending. ▪ Easy to administer (will be included in federal income reporting).	▪ May be regressive (unable to do full analysis at this point). ▪ Limited ways to increase progressivity.

Sustainability

Heath Care Reform Conceptual Framework - Sustainability DRAFT

Potential costs of initiatives (Mid-Range Estimates)

Potential Costs of initiatives ($Millions)	2017	2018	2019	2020	2021
Cost-sharing subsidies	$11	$12	$12	$13	$13
Small business tax credits	$2	$2	----	----	----
Blueprint for Health	$5	$5	$5	$5	$5
Educational Loan Repayment Progam	$5	$5	$5	$5	$5
Cost shift - Increase Medicaid Rates	$8	$16	$25	$34	$43
Outreach	$1	$1	$1	$1	$1
	$32	$41	$48	$57	$67
Est. Revenues (Millions)					
Health Care Benefits Tax	$43	$45	$47	$49	$52
Balance	$11	$4	($1)	($8)	($15)

ATTACHMENT 1
COST SHARING SUBSIDIES

ALTERNATIVE COST-SHARING SUBSIDY PROPOSALS - DRAFT

Cost-Sharing Subsidies Actuarial Values

** Based on the 2nd lowest cost Silver Plan*

*** Deductibles below do not include Rx deductibles and Rx OOP Max*

FPL%	ACA	Current Law	Proposal
100-150%	94%	Same	Same
Deductible	$100 / $200		
OOP Max	$500 / $1000		
150-200%	87%	Same	Same
Deductible	$750 / $1500		
OOP Max	$1250 / $2500		
200-250%	73%	**77%**	**87%**
Deductible	$1900 / $3800	$1500 / $3000	$750 / $1500
OOP Max	$4000 / $8000	$3000 / $6000	$1250 / $2500
250-300%	70%	**73%**	**77%**
Deductible	$1900 / $3800	$1900 / $3800	$1500 / $3000
OOP Max	$5100 / $10,200	$4000 / $8000	$3000 / $6000
300-400%		70%	**73%**
Deductible		$1900 / $3800	$1900 / $3800
OOP Max		$5100 / $10,200	$4000 / $8000

Note: Many of the deductibles and OOP Max's listed are subject to change.

They also do not include Rx deductibles and OOP max.

Cost est. - All State Funds

SFY'15

Budgted 2015	3,117,368
Proposal Cost	11,054,227
Add'l need (annualized)	7,936,859
Add'l need (Jan. 1 Start - half year)	**3,968,430**

SFY'16 (estimate)

Budgted 2015	3,273,236
Proposal Cost	11,606,938
Add'l need (annualized)	**8,333,702**

ATTACHMENT 2
LOAN REPAYMENT

All data below provided by the Area Education Centers (AHEC) Program at UVM which administers the Vermont ELR program.

Vermont's Education Loan Repayment (ELR) program – 2013 Snapshot

2013 Snapshot (as of 2/28/13)	Allocation	# of Apps Received	# Awarded	Avg award
Primary Care	$445,000	165	125	$3,560
Dentists	$125,000	30	21	$5,952
Nurses	$255,000	254	111	$2,297
Nurse Educators / Faculty	$45,000	14	12	$3,750
TOTAL	$870,000	463	269	

** Data provided by Area Health Education Centers program (AHEC) at UVM, which administers the ELR program*

Review of State Ed Loan Repayment + National Health Services Corps

- Most programs have higher maximum awards than VT ELR
- Many guarantee 2 years of funding and up to $25,000/year
- Some programs are as high as $50,000
    - North Dakota = $90,000 for 2 years
    - New Hampshire = $75,000 for 3 years
    - Nebraska = $40,000/yr
    - South Dakota = $138,328 for 3 years
    - Massachusetts = $25,000
    - New York = $150,000 over 5 years

National Health Services Corp (NHSC)

- Is a program of the US Department of Health & Human Services designed to address the shortage of primary care. It does so by providing financial resources to offset educational costs in exchange for a commitment to work in underserved communities for at least 2 years.
- Unfortunately, the way its "scored" results in limited NHSC benefit in VT.

ATTACHMENT 3
FPL CHART

Percentage of Federal Poverty Level (FPL) Guidelines
Calendar Year 2014

Monthly

Group Size	75%	100%	120%	133%	135%	150%	175%	185%	195%	200%	208%	225%	250%	300%	312%	350%	400%
1	730	973	1,167	1,294	1,313	1,459	1,702	1,800	1,897	1,945	2,023	2,189	2,432	2,918	3,035	3,404	3,890
2	984	1,311	1,573	1,744	1,770	1,967	2,294	2,426	2,557	2,622	2,727	2,950	3,278	3,933	4,090	4,588	5,244
3	1,237	1,650	1,979	2,194	2,227	2,474	2,887	3,051	3,216	3,299	3,431	3,711	4,123	4,948	5,146	5,773	6,597
4	1,491	1,988	2,385	2,644	2,684	2,982	3,479	3,677	3,876	3,975	4,134	4,472	4,969	5,963	6,201	6,957	7,950
5	1,745	2,326	2,791	3,094	3,140	3,489	4,071	4,303	4,536	4,652	4,838	5,234	5,815	6,978	7,257	8,141	9,304
6	1,999	2,665	3,197	3,544	3,597	3,997	4,663	4,929	5,196	5,329	5,542	5,995	6,661	7,993	8,313	9,325	10,657
7	2,252	3,003	3,603	3,994	4,054	4,504	5,255	5,555	5,855	6,005	6,246	6,756	7,507	9,008	9,368	10,509	12,010
8	2,506	3,341	4,009	4,444	4,511	5,012	5,847	6,181	6,515	6,682	6,949	7,517	8,353	10,023	10,424	11,693	13,364
9	2,760	3,680	4,415	4,894	4,967	5,519	6,439	6,807	7,175	7,359	7,653	8,279	9,198	11,038	11,479	12,878	14,717
10	3,014	4,018	4,821	5,344	5,424	6,027	7,031	7,433	7,835	8,035	8,357	9,040	10,044	12,053	12,535	14,062	16,070
11	3,267	4,356	5,227	5,794	5,881	6,534	7,623	8,059	8,494	8,712	9,061	9,801	10,890	13,068	13,591	15,246	17,424
12	3,521	4,695	5,633	6,244	6,338	7,042	8,215	8,685	9,154	9,389	9,764	10,562	11,736	14,083	14,646	16,430	18,777
13	3,775	5,033	6,039	6,694	6,794	7,549	8,807	9,311	9,814	10,065	10,468	11,324	12,582	15,098	15,702	17,614	20,130
14	4,029	5,371	6,445	7,144	7,251	8,057	9,399	9,937	10,474	10,742	11,172	12,085	13,428	16,113	16,757	18,798	21,484
15	4,282	5,710	6,851	7,594	7,708	8,564	9,992	10,562	11,133	11,419	11,876	12,846	14,273	17,128	17,813	19,983	22,837

Annually

Group Size	75%	100%	120%	133%	135%	150%	175%	185%	195%	200%	208%	225%	250%	300%	312%	350%	400%
1	8,753	11,670	14,004	15,521	15,755	17,505	20,423	21,590	22,757	23,340	24,274	26,258	29,175	35,010	36,410	40,845	46,680
2	11,798	15,730	18,876	20,921	21,236	23,595	27,528	29,101	30,674	31,460	32,718	35,393	39,325	47,190	49,078	55,055	62,920
3	14,843	19,790	23,748	26,321	26,717	29,685	34,633	36,612	38,591	39,580	41,163	44,528	49,475	59,370	61,745	69,265	79,160
4	17,888	23,850	28,620	31,721	32,198	35,775	41,738	44,123	46,508	47,700	49,608	53,663	59,625	71,550	74,412	83,475	95,400
5	20,933	27,910	33,492	37,120	37,679	41,865	48,843	51,634	54,425	55,820	58,053	62,798	69,775	83,730	87,079	97,685	111,640
6	23,978	31,970	38,364	42,520	43,160	47,955	55,948	59,145	62,342	63,940	66,498	71,933	79,925	95,910	99,746	111,895	127,880
7	27,023	36,030	43,236	47,920	48,641	54,045	63,053	66,656	70,259	72,060	74,942	81,068	90,075	108,090	112,414	126,105	144,120
8	30,068	40,090	48,108	53,320	54,122	60,135	70,158	74,167	78,176	80,180	83,387	90,203	100,225	120,270	125,081	140,315	160,360
9	33,113	44,150	52,980	58,720	59,603	66,225	77,263	81,678	86,093	88,300	91,832	99,338	110,375	132,450	137,748	154,525	176,600
10	36,158	48,210	57,852	64,119	65,084	72,315	84,368	89,189	94,010	96,420	100,277	108,473	120,525	144,630	150,415	168,735	192,840
11	39,203	52,270	62,724	69,519	70,565	78,405	91,473	96,700	101,927	104,540	108,722	117,608	130,675	156,810	163,082	182,945	209,080
12	42,248	56,330	67,596	74,919	76,046	84,495	98,578	104,211	109,844	112,660	117,166	126,743	140,825	168,990	175,750	197,155	225,320
13	45,293	60,390	72,468	80,319	81,527	90,585	105,683	111,722	117,761	120,780	125,611	135,878	150,975	181,170	188,417	211,365	241,560
14	48,338	64,450	77,340	85,719	87,008	96,675	112,788	119,233	125,678	128,900	134,056	145,013	161,125	193,350	201,084	225,575	257,800
15	51,383	68,510	82,212	91,118	92,489	102,765	119,893	126,744	133,595	137,020	142,501	154,148	171,275	205,530	213,751	239,785	274,040