
GREEN MOUNTAIN CARE FINANCING

DECEMBER 17, 2014



Moving from Financing Concept to Finance Plan: Major Headwinds

- Our federal and state funding estimates for Green Mountain Care are less than expected.
- Critical policy choices not included in previous reports cost more money.
- Our economy is growing more slowly than we had expected.
- Easing the transition for thousands of small Vermont businesses into Green Mountain Care is necessary but extremely expensive.

What Changed from Previous Reports?

	<u>Then</u>	<u>Now</u>
<u>Federal Contributions:</u> •ACA waiver estimates	2013 ACA waiver estimate assumed \$267 million in federal funding.	Current estimate is \$106 million, a \$ 161 million reduction.
<u>Administrative Savings:</u> •Hsaio Report •2013 Report	Both reports assumed hundreds of millions of dollars in savings in first year.	Not practical to achieve. State government and providers need to partner to bend cost curve over time.
<u>State Funding:</u> •State Medicaid •State Fiscal Position	2013 Report estimated \$637 million in State Medicaid funding. Both reports included continuing provider taxes. Slow recovery from recession	Current State Medicaid Funding estimate is \$150 million lower. Replacing provider taxes cost \$158 million, but keeping them is bad policy in universal system. Continued slow recovery and pressure on state budget, including \$75 million reduction in General Fund over fiscal years 16-17.

What's in the numbers?

What is assumed?

- 94% of costs are covered by health plan, ACA covered services (no adult dental/vision).
- On average, 6% are paid by Vermonters when services are received.
- Health care costs grow only at 4% after 2017, and the provider tax is ended.

Who is included?

- All Vermonters, except those on Medicare and TRICARE.
- All employees working for Vermont businesses.

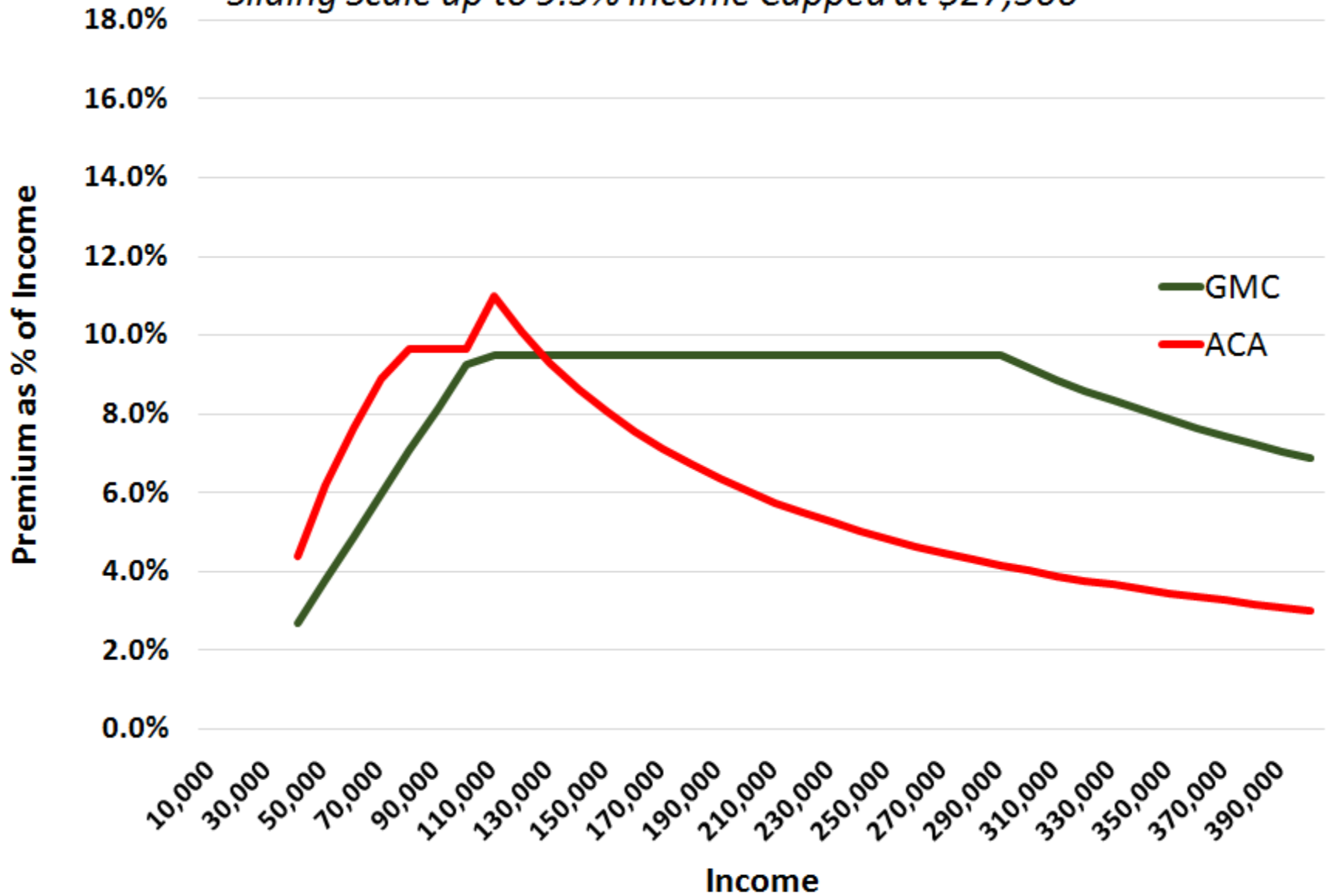
How Much Does It Cost?

Given headwinds, what does it take to pay for Green Mountain Care?

- Uniform payroll tax would have to be:
 - **11.5 % tax** on all Vermont businesses on their qualifying Vermont payroll, no exceptions and no transitions
- Income Based Public Premium would have to be:
 - Sliding scale from **0%-9.5% of income**, depending upon income and family size,
 - Requires all Vermonters over 400% FPL (\$102,220 for family of 4 in 2017) to pay 9.5% of income, capped at \$27,500.

Affordability of ACA and Public Premium

Sliding Scale up to 9.5% Income Capped at \$27,500



94 AV Plan Balance Sheet

Year	2017	2018	2019	2020	2021
Spending (All Values in Millions)					
Cost of GMC Coverage and Operations	-4,340	-4,579	-4,820	-5,001	-5,177
Current Law Revenue Estimates					
Federal Medicaid Match	1,310	1,364	1,413	1,445	1,505
Federal ACA Waiver Funding	106	114	119	123	129
State Medicaid Dollars	335	352	362	369	377
New Revenue Needed	-2,589	-2,749	-2,926	-3,064	-3,166
Payroll Tax of 11.5%	1,510	1,542	1,574	1,606	1,639
Public Premium up to 9.5% or \$27,500	1,247	1,306	1,359	1,372	1,381
GMC Fund Fiscal Position	168	99	7	-86	-146

- Runs deficit by Year 4
- Provides no transition for small firms. Transitioning small businesses would reduce revenue by **\$500+ million**, equivalent to **4% more payroll** or **50% increase in income tax for residents**.

Does not meet Governor's policy priority to transition small businesses into Green Mountain Care over time.

Alternatives we considered:

- Lower Benefit Plan
 - 80AV not acceptable because:
 - It would be a step down in benefits for many Vermonters.
 - Vermonters would see their net family income **decline**.
 - Only 14% less expensive.
- Other policy choices
 - Excluding out of state employees commuting to Vermont businesses saves \$200+ million but adds enormous complexity for businesses.
 - Keeping provider tax funding saves \$160 million but continues a hidden tax that is circular in a universal system.