



# Toward Evidence-Based Health Care Reform

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## What's New, Catamount?

*Welcome to "Toward Evidence-Based Health Care Reform," a periodic e-memo providing facts, figures, examples and analysis of current issues in health care reform in Vermont. The memo is written by Jeanne Keller, Keller & Fuller, Inc., and sponsored by BRS, Inc., a member organization providing a range of services and support to Vermont's small businesses. For more about BRS, please visit our website: [www.brsvt.com](http://www.brsvt.com)*

*To review past issues of Toward Evidence-Based Health Care Reform, [www.vtreform.com](http://www.vtreform.com).*

*To read and download the comprehensive health care reform proposal supported by BRS and several other Vermont business associations, [www.vtiha.org](http://www.vtiha.org).*

As the Legislative Commission on Health Care Reform gears up for its 2007 Summer Study Sessions, we suggest they spend the time working on how they will keep the promises they've already made.

**I. Read, discuss and evaluate the results of your study on the Financial Impact of Tax Funding for Health Care.** This study, required by Act 191 and conducted by JFO and the legislature's own consultants, was delivered to the House and Senate health committees on March 3, 2007, but has not yet been heard or discussed in committee or any public forum. The first three findings of the study should halt any further discussions of expanding Catamount:

**"1) The rapid escalation in health care costs, which is the primary cause of the growing number of uninsured residents, will create enormous future resourcing challenges to the public sector in financing any health care initiative.**

*"Regardless of how health care is financed, if health care costs continue to grow at or above historical rates, the public sector will confront the same affordability dilemma now facing private sector health care financing.*

**"2) There is no revenue source available that meets the capacity requirements of past and likely future health care expenditure growth.**

*"Without a significant change in the way health care costs are managed, the growth in health care spending has and is likely to continue to exceed past and projected growth rates from any major tax revenue source. As a result, without policy intervention to control costs, tax rates would need to be frequently raised or new tax sources tapped in order to meet likely future expenditure growth (see charts 1 and 2).*

**"3) If constant increases in tax rates over time are necessary to meet projected health care costs, it could create additional negative impacts associated with almost any tax source relied upon to fund universal health care.**

*"Some of the behavioral changes in response to tax rate increases (that could affect both tax yields and other aspects of the economy) may be exacerbated by the persistent projected gap between likely revenue growth and likely expenditure growth. These behavioral changes should be considered, and measured when possible, if expenditure growth continues to exceed tax base growth (see chart 1)."*

[The entire study can be downloaded from: <http://www.leg.state.vt.us/CommissionOnHealthCareReform/Memo-Health%20Care%20Financing%20Review%20-%20Final%20Draft%20031307.pdf> ]

Until the legislature fully understands and reckons with these findings, it would be irresponsible to make new promises, raise new expectations, or move any more people into government financed programs.

**II. Develop your plan for evaluating Catamount Health and ESI.** CH and ESI will start October 1<sup>st</sup>. What data should be collected from enrollees, the carriers and the employers? How will you judge whether CH and ESI are a success? How will that be objectively measured? What are the domains of success you will measure? (e.g. Cost of premiums, cost of claims, average claim cost by hospital, by diagnosis, per enrollee; enrollee satisfaction; provider satisfaction; comparisons of cost per enrollee of Catamount Health to cost per enrollee of Medicaid, VHAP, Medicare, private insurance etc.) How will you evaluate whether your assumptions in establishing Catamount Health were correct? How will adjustments be made if assumptions need to be changed?

**III. Closely monitor the costs/expenses of Catamount Health relative to the revenue budgeted to support it.** The CH legislation includes a budget cap, requiring enrollment to be frozen if expenses exceed revenues. One of the major sources of “revenue” or funding is projected “savings” of \$30 million from improvement management of chronic care under Medicaid by 2010. If those “savings” don’t appear, will Medicaid be tapped for Catamount (possibly resulting in a cut to provider payments and increased cost shifting to the private sector) or can another funding source be located, so that the promise of Catamount isn’t suspended before covering the uninsured? The health committees should have planning underway now for how to deal with this problem, to assure the promise can be kept, and certainly before adding any new groups to Catamount Health.

**IV. Compile the recommendations received from the various task forces that have been reporting to you, and score/prioritize them according to the potential impact on:**

- a. Cost control for government programs costs
- b. Cost control for private insurance costs
- c. Cost control for health system costs
- d. Quality of care
- e. Safety of care
- f. Access to care
- g. Effectiveness of care

Develop a workplan for exploring and implementing the highest priority recommendations in the next sessions in order to keep the promises that have already been made to control health system costs, reduce the cost shift and cover the uninsured. (See Act 191, Section 2, Legislative Purpose and Intent. View it at: <http://www.leg.state.vt.us/docs/legdoc.cfm?URL=/docs/2006/acts/ACT191.HTM> )

**V. Attend working sessions of the many task forces working on implementing Catamount Health and Act 191** to learn and understand more deeply about the issues raised, challenges, and impacts of legislation on the health care system.

**VI. Develop a long-term plan for eliminating the Cost Shift for Medicaid hospital.** Right now, the state is paying about 22 cents of every dollar spent for this benefit. Before ever discussing a universal hospital insurance plan, the legislature must determine whether it can even afford the promises already made: the current hospital benefit provided under Medicaid/VHAP.

If the legislature can’t justify or the state can’t afford to raise the taxes necessary to pay for the promise made and eliminate the Medicaid/VHAP cost shift, how can the state possibly afford to promise a new insurance

program for everyone in the state? (For then, who would pay the cost shift?)

Because the federal government will match state Medicaid spending on a 60/40 basis, the elimination of a \$100 million cost shift would cost the state \$40 million. This could be accomplished over a period of years, and would demonstrate to taxpayers that the legislature will be fiscally responsible in health care reform. Before asking the 90% of us who currently have coverage for hospital care to give it up for a state-funded program, shouldn't the legislature show that they can and will be fiscally responsible and able to sustain the cost over the long term?

{This document can be downloaded for printing at:

[http://www.vtreform.com/d/volume3/20070509\\_Whats\\_New\\_Catamount.pdf](http://www.vtreform.com/d/volume3/20070509_Whats_New_Catamount.pdf) }