

Testimony of Mitch Fleischer, President, BRS
Vermont Senate Finance Committee – H. 861 April 5, 2006

1. I am president of BRS and have been involved in health care for 28 years. Our organization offers health insurance to 3500 VT businesses. I have a responsibility to help the employees of these businesses keep the cost of their health care within reach.
2. Over the past two years I have worked on health care reform with two business groups. These groups included providers, business associations and insurance companies. We have introduced very doable solutions to begin to bend the curve in health care spending. Most of our ideas have focused on making investments where they count and where the result can be measured. Some of our ideas have had wide ranging support and have been adopted in S.310, the Common Sense Initiatives. Now we seem to be at a point where the debate is between those that would like to continue to work to help reduce the number of uninsured and reduce the cost shift which is our largest driver in premium increases, and those who would like to put the state on a one way road to a single payer system.
3. Why should a single payer concern us? Simply put, because the state as a payer for health care has a terrible track record. Just this morning, The Joint Fiscal Office issued a new projection for the Medicaid deficit in 2010. In the month since H. 861 passed the House, the projected deficit has increased from \$212 million to \$221 million. The state as a payer is deficit spending on Medicaid right now.
4. Also, though it didn't appear on the news, Vermont recently made history when for the first time the cost shift from the state's Medicaid program exceeded the federal Medicare program's cost shift. By deliberately underpaying hospitals, these two government programs shifted \$94 million onto private health insurance plans in FY2006. Put another way, private health insurance premiums will be inflated by \$94 million to cover the costs that Medicare and Medicaid are not paying hospitals for people covered by those plans. Vermont's Medicaid program accounted for 56% (\$53 million) of this cost shift. If you didn't have private insurance to cost shift onto, the deficit would be \$221 plus \$53 million---\$271 million deficit.

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5. This cost shift is a major driver of premium increases each year for employers and employees. And this is key: the Medicaid cost shift is something the state could control. In fact, by drawing down federal matching funds, our elected officials could eliminate the \$53 million cost shift for just \$21 million, and immediately reduce costs for the hundreds of thousands of Vermonters, who were expecting some relief from increasing health insurance premiums.
6. Legislative leaders frequently tell us that the private market has failed. Yet our government health programs continually operate in deficit – a deficit which would be even larger without their ability to cost shift tens of millions in Medicaid costs onto the private market.

7. H.861, now winding its way through the Senate, includes as principal #4 in a long list of reform guidelines that “the financing of health care in Vermont must be sufficient, equitable, fair and sustainable.” However, until they quit paying for government programs by deliberately cost shifting onto insured Vermonters, their method of health care financing will continue to violate each and every element of that principle.
8. The current cost shift amounts to approximately 20% of what the employees and employers in our state are paying in additional premiums.
9. When the Catamount plan is a plan so rich in benefits that only 5% of the insured Vermonters actually have it through their employer. A family of four needs only to earn approximately 30% less than our highest state officer, our governor, to qualify for our Medicaid plan. When the people of Vermont and the people that live near us figure out what a great deal this is the numbers will quickly fall apart. Next the provider reimbursements will be reduced and the cost shift will be even greater. Call it what you will but it’s a tax on those employees and employers that buy their health insurance through the private sector. It’s obvious that if 50% of the 61,000 Vermonters aren’t on Medicaid now and you make it more attractive the neediest will come on and the plan will implode even faster. It is irresponsible and not fair to the average hard working employee in Vermont for you not to come up with the money to pay down the cost shift. The Catamount plan funding and plan design is a disaster waiting to happen and the road to a single payor system.
10. My suggestions to you are simple:
 - a. Make the Catamount plan an affordable plan, one that is more like what most Vermonters have and can afford. This will reduce the amount of subsidies required and will negate the pressure on people to drop existing coverage (that is paid for with non-government sources of funding) to get onto the state subsidized, tax-payer subsidized program.
 - b. Put Catamount in the private market, instead of using the state’s checkbook as the payer. The state’s track record, as mentioned, is terrible. By vouchering people into a privately insured plan, the taxpayers won’t be at risk, providers will be adequately paid, the Medicaid deficit won’t grow and the cost shift won’t be exacerbated.
 - c. Instead of creating a mandate that hospitals provide free care, which would discourage people from even signing up to Catamount, allow the hospitals to qualify people for Catamount and treat them as presumptively eligible. That way, people will be enrolled more quickly and the hospitals will be paid a fair rate, and the cost shift from the uninsured will actually be reduced.
 - d. Make an investment this year to start eliminating the Medicaid cost shift. Remember: it takes only \$21 million to draw the federal match to fully buy back the cost shift. Every investment you make reduces the cost and makes private coverage more affordable, and reduces the burden on the taxpayers for covering the uninsured.