

## How the Four Simple Solutions Bring Budget Integrity to H. 861 – *Simplified!*

	H. 861	What the Four Simple Solutions Do
<p><b>Administration</b></p>	<p>H. 861 allows bidding out CH for full risk, shared risk or no risk, for defined set of benefits. If no private sector insurers provide suitable bid, CH would be run by state “self-insuring” the defined set of benefits with third-party administrator. CH program may purchase aggregate “reinsurance” which would limit the cost to the state if total claims for enrolled individuals reach a defined \$ amount.</p>	<p>If no private insurers are willing to fully insure (that is, assume all the risk for) the defined benefits the H. 861, the state will “self-insure” the benefits defined in the bill. This will greatly increase the state’s budget risk. Reinsurance does not protect the state from more people enrolling than were budgeted; it <u>only</u> protects if a health care claim exceeds a particular amount. And reinsurance comes at a steep price when the only way that losses can be stemmed is through an act of the legislature.</p> <p>The four simple solutions:</p> <ul style="list-style-type: none"> <li>➤ Cap the state’s risk for the subsidies</li> <li>➤ Cap the state’s risk for the benefits</li> <li>➤ Cap the state’s risk for the enrollment</li> <li>➤ Make employer-sponsored insurance a viable alternative to tax-funded benefits</li> </ul>
<p><b>What the state is paying for?</b></p>	<p>State is paying for subsidies for all eligible individuals <u>for a particular set of benefits</u>, defined in law and by regulation.</p>	<p>This means that the state’s budget risk is for both the cost of the benefits and the number of people who enroll. The Simple Solutions cap both those risks.</p>
<p><b>What could make this plan exceed its budget?</b></p>	<p>Because the solution defines an entitlement to a subsidized package of benefits, any miscalculation of the subsidies, or the cost of the defined benefits, or the revenue sources, could cause a budget problem.</p> <p>1. Revenues – revenue sources produce less than projected</p>	<p>1. Our solutions freezes enrollment if there is not enough revenue to let in additional people.</p>

	<p>2. Subsidies – more \$ required than projected because:</p> <ul style="list-style-type: none"> <li>a. More people enrolled than were projected</li> <li>b. Incomes are lower requiring higher subsidies than projected</li> <li>c. Benefit plan is higher in cost than projected requiring higher subsidies to deliver defined benefit to those eligible</li> </ul> <p>3. Cost of benefits higher than projected because:</p> <ul style="list-style-type: none"> <li>a. Inflation higher than projected</li> <li>b. Utilization higher than projected</li> <li>c. Demographics worse than projected (older, sicker)</li> </ul>	<p>2. Our solution freezes enrollment if the amount budgeted for subsidies has been expended.</p> <p>3. Our solution requires that the actual cost of the defined benefit not exceed what has been budgeted: \$305 per person per month. This caps the state’s budget risk for the cost of the benefit.</p>
<p><b>What happens when/if the budget is exceeded?</b></p>	<p>Agency of Administration must make a recommendation to cap enrollment to Health Access Oversight Committee, which may or may not accept the recommendation.</p>	<p>Our solution requires an immediate freeze on enrollment if the funds for the program are not adequate to support costs and enrollment. This freeze is mandatory, not optional, not subject to negotiation.</p>
<p><b>How could a budget shortfall be fixed?</b></p>	<p>1. Increase rates for current revenue sources or add new revenue sources</p> <p>2. Subsidies</p> <ul style="list-style-type: none"> <li>a. Limit the number of people who can be subsidized (cap)</li> <li>b. Change income eligibility levels for subsidies</li> <li>c. Reduce amount of subsidies for each income level</li> <li>d. Reduce cost of benefit plan to reduce level of subsidy required</li> </ul> <p>3. Cost of benefits</p> <ul style="list-style-type: none"> <li>a. Reduce what benefits are covered</li> <li>b. Reduce payment schedule to hospitals and doctors</li> </ul>	<p>With our solution, the HAOC and Joint Fiscal Committee are immediately notified of the freeze.</p> <p>Studies can be conducted to evaluate why the budget was exceeded and what changes are needed to restore fiscal integrity and sustainability. (Potential changes are in the column to the left.)</p> <p>In the meantime, NO deficits are created by Catamount Health.</p>