



Toward Evidence-Based Health Care Reform

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Another Inconvenient Truth

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

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We all want Catamount Health to succeed in the goal of providing access to health care for Vermonters without insurance coverage. It's not opposing Catamount Health to point out some inconvenient truths about the way the program is unfolding; it's strictly an attempt to make sure Catamount actually works, and doesn't become, like Medicaid, dependent on deficit spending and cost shifting to survive year-to-year.

So, in the hope of waking people from their political dreams, we present some inconvenient truths for consideration:

- When the projected expenditures for a program are greater than the projected revenues to support the program, the program faces a projected deficit before the first person is enrolled. The math is unassailable.
- The announcement by CMS that the federal government will not provide federal matching dollars (usually 60% of expenditures) for any Catamount Health enrollees with incomes over 200% of poverty means that every time someone >200% enrolls, the state will have to fund 100% (instead of 40%) of any premium subsidy. Again, the math is unassailable.
- Because the legislature has not budgeted enough state money to cover funding 100% of the premium subsidy for those with incomes >200% of poverty, every person with an income >200% of poverty who enrolls effectively increases the 2010 deficit. The deficit is projected to be \$500,000 by the end of the second year of enrollments, and the originally expected \$15 million surplus in 2010 now becomes a \$10 million deficit instead, a \$25 million "overspend" of the current budget by 2010. Here's what the change looks currently like:

Fiscal Year	Original Catamount Fund Balance	Catamount Fund Without Waiver	Catamount Fund change
2008	\$11 million surplus	\$6.6 million surplus	-\$4.4 million
2009	\$13.3 million surplus	\$500,000 deficit	-\$12.8 million
2010	\$15.2 million surplus	\$10 million deficit	-25.2 million

- If the dynamic and extensive enrollment outreach program funded by the state, and being actively promoted by AARP, VPIRG and other advocacy groups, is more successful than expected the deficit would be even greater than already projected. Every person with an income between 200% and 300% of poverty is guaranteed a subsidy by Act 191, but the state has not budgeted enough money. Everyone between 200% and 300% who is enrolled

increases the 2009 and 2010 deficit.

- The cost of premiums for Catamount Health is also not in tune with the original budget projections. While the legislature budgeted to subsidize a \$361/month premium, the only approved premium so far is MVP's at \$393 for the generous Catamount plan.¹ The state will have to find funds for that entire \$32 increase for each enrollee (because individual premiums are capped by Act 191.)

The legislators and advocates pushing to go ahead with enrollment and even **expand eligibility** for Catamount Health (damn the deficits, full speed ahead) have been saying that maybe the Bush Administration will change their minds, maybe Bush's CMS chief will agree to the funding, maybe Congress will act. Here are some more extremely inconvenient truths:

- The Bush Administration has already told Congress that the President will veto any renewals of federal matching support for health programs for children and adults with incomes above 200%.²
- In fact, Bush proposes to reduce current funding to states now paying for children and adults above Medicaid eligibility. (e.g. VHAP and Dr. Dynasaur)
- Given his recent track record on being convinced by fellow Republicans or others to change course, it's unlikely Bush will change course for a Vermont health plan.
- Given the record of Congress's recent efforts to override vetoes, it's extremely risky to assume that Vermont will win the federal matching funds any time soon.

The saddest truth is what happens if Vermont forges ahead with Catamount Health in the face of this recent budget breakdown. There are only four options if you enroll people in a program that provides a defined set of benefits and then can't afford the program:

- (1) Remove people from the program, or
- (2) Cut benefits, or
- (3) Reduce the pay schedule to hospitals and doctors, or
- (4) Raise taxes on an emergency basis to stave off enrollment suspension.

Shouldn't these inconvenient truths be faced and dealt with now, before enrollment starts? Is it ethical or moral to sign people up for a program that everyone already knows is going to run out of money? This program, as currently structured, is going to cost Vermont \$25 million more in 2010 than was originally expected.³ Would legislators have passed, and would the governor have signed, a bill equal to the current plan, but that did not include the federal share of funding? In other words, no legislature would deliberately create a \$25 million deficit over two years, would they?

And why are legislators spending time this summer planning to expand eligibility to more people when every new enrollee only increases the deficit? Shouldn't they instead be figuring out how to make Catamount Health healthy and strong?

After all, "First, do no harm."

¹ BCBSVT's proposed rate of \$413 was rejected by BISHCA and BCBSVT has not refilled yet. [Source: phone call with Rebecca Heinz, BISHCA 7/20/07]

² [Bush: No Deal On Children's Health Plan, Washington Post 7/17/07](#)

³ Spend-down of original \$15 million expected surplus, plus \$10 million of deficit spending = \$25 million increase in spending.