

likely fall short on projected savings because it is being applied to an extremely small portion of the market.

Wellness and disease management are also not new ideas to Vermont. Act 191 of 2005 (that created Catamount Health) gave insurance carriers permission to set up these plans already. All commercial insurance products, and thus most Vermont employers have had sophisticated and aggressive wellness/disease management programs in operation for many years now, but there is simply no evidence that they achieve the level of savings being anticipated by the Commission, and certainly not in the first year, before anyone is participating in disease management programs.

Testimony to the Commission from the League of Cities and Towns, with one of the most mature wellness programs in the state, included this warning: *"The savings from requiring participation in wellness/disease management programs has potential for savings but not upfront. Typically extensive wellness/disease management programs require significant upfront investments. It is reasonable to expect a positive payback to start flowing two years after implementation of the program. This savings also assumes that there are no wellness/disease management programs currently operating. This is not the case as commercial health insurers and many employers [already] offer extensive wellness/disease management programs."*

To expect a 20% reduction in costs in the first year is pie-in-the-sky.

The report also suffers from the fallacy of assigning a not-yet realized, estimated savings of more than 15% based upon the RI HEALTHpact plan, which the Commission is relying upon to price HealthyVT below market rates. HEALTHpact started enrollment October 2007. It is, simply put, still an experiment. Furthermore, RI law allows carriers to base premiums on employee health risks, age, gender and more. This practice is illegal in Vermont, so we should not assume the same premium 'savings' RI estimates in their experimental plan.

Another way that RI keeps premiums down that won't fly in Vermont, is the imposition of draconian penalties for non-compliance with mandatory participation in wellness/disease management. Do all the Commission members and legislature understand that if a HEALTHpact member doesn't comply, the deductible shoots up from \$750 a year to \$5000 a year? If Vermont lawmakers aren't ready to implement these draconian "incentives," they simply cannot assume the same premium savings as the experimental RI product.

The Commission's proposal also raises serious equity questions. While Catamount is means-tested, ensuring subsidies are given only to individuals at the lower income scale, HealthyVT is targeted at any business with fewer than "X" employees. Taxpayers will be funding a reinsurance mechanism to bring down costs for a plan they might not be eligible for, but successful and profitable small businesses (not just Mom and Pop grocers, but also professional corporations like lawyers, physicians and engineers) might drop their current coverage to buy HealthyVT with a taxpayer subsidy. Is that how we want to spend our scarce public dollars right now? Is that the most important next frontier for health care reform?

Has anyone surveyed insured or uninsured small businesses to see if this would be an attractive proposition? (i.e. "market research.") Office of Vermont Health Access and BISHCA staff will be pulled away from their already significant workload (including trying to make Catamount work...) to create yet another insurance product by drafting regulations, RFPs, reviewing proposed rates, and the like. Shouldn't we see if this proposed product will actually attract buyers before assigning even more work to already overworked state employees (who also face the 400 person reduction-in-force announced by the Governor last month.)

On the other hand, if the Commission is right and all it takes to reduce the cost of health insurance 20-25% is publicly funded reinsurance and mandatory participation in wellness/disease management programs, why not simply extend that requirement to all commercial health insurance? Then all privately insured Vermonters could enjoy these incredible savings (with taxpayer subsidies).

What continues to surprise us is that the Commission is so willing to spend tens of millions of dollars to buy insurance for a few thousands of people, but won't spend the same tens of millions instead to draw down even more tens of million of federal dollars to pay off the cost shift for everyone in the state. For example, the Commission recommendation includes the following chart, entitled "Costs and Savings Associated with HealthyVT."

CHART 1 HealthyVT Proposal

Option	Total Public Cost of 10% reinsurance (Millions) Cumulative	Number of Currently Insured Workers	
		In Catamount	Cumulative
Offer to insured in firms with workers under			
10	\$ 7.4	19,538	19,538
25	\$14.1	17,869	37,407
100	\$24.4	27,111	64,508

Why doesn't the legislature consider reducing the cost shift instead, which would lower premiums for 100% of the currently insured and reduce hospital charges for everyone who is uninsured?

CHART 2 – Cost Shift Reduction Proposal

Increased payment to hospitals to increase Medicaid from 56 cents to 80 cents on the dollar:	Would draw down this much federal matching money:	And help 100% of those paying commercial or self-insured premiums, or self-pay hospital bills, by paying down the \$90 million Medicaid cost shift by this much:
\$7.4 million \$14.1 million \$24.4 million	\$11.1 million \$21.2 million \$36.6 million	\$18.5 million \$35.3 million \$61.0 million

What's so bad about paying off this significant ongoing Medicaid debt before creating a new program? Do legislators think this won't this play as well with voters next year? Remember: investing in cost shift reduction brings down hospital costs for everyone in the state. Creating a new insurance product and paying \$24 million each year for reinsurance, at best, *might* help 64,000, according to the Commission chart, above. If there is \$24 million in public money to spend to make insurance more affordable, the choice seems pretty obvious to us – make insurance more affordable for everyone. Why isn't this obvious to the legislature?