



Toward Evidence-Based Health Care Reform

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What's Up, Catamount? Part 1: Status of Catamount Enrollment and Financing

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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The latest report on Catamount Health's financial performance presents useful information for legislators and taxpayers as we face the challenging state budget. The good news is that in its first two years (2006-2008), the new dedicated cigarette tax increase built a significant fund that continues to float Catamount Health. Because of the nearly \$11 million carry over and reserve in the fund from last year, Catamount Health is still in the black, despite expenses exceeding revenues by \$1 million just since July 1, 2008.

It gets bleak as time goes on, however. The report projects a \$5 million deficit by the end of this fiscal year (based on 7/08 projections), which will draw down the Catamount Fund from the high of \$11 million, to \$6.7 million at year end. This doesn't leave enough to sustain the program through 2010; by then, the prior year surpluses that have floated Catamount Health will be exhausted. (And as our "stop smoking" efforts continue to be successful, cigarette tax revenues also will dwindle.)

Even more problematic is that the currently projected \$5 million deficit for FY2009 will have to be adjusted upwards, draining down the carry-over even faster. This is because the economic downturn has driven enrollment above projections, and those enrolling in Catamount are requiring higher subsidies than had been anticipated. Catamount enrollment has exceeded projections by 544, driving state spending 9% (\$622,000) above projections through November 2008. Catamount premiums from enrollees are coming in at only 89% of expected revenues, adding to the shortfall.

If enrollment of already-eligible Vermonters continues to exceed earlier projections, the Catamount Fund could be at a critical stage by the middle of the next fiscal year. The unexpected economic downturn and increased unemployment will make more (and poorer) people eligible under Catamount's current rules.

At the current Catamount plan cost (annually \$4,717 for one person, \$9,435 for 2 and \$14,152 for a family), and with the current average subsidy provided by the state, it costs the state \$3,512 per person, \$7,025 for 2-person household and \$10,537 per family, to add more people to Catamount Health. And these numbers add up quickly:

State Cost to add 100 families	\$ 1,053,696
State Cost to add 1000 families	\$10,536,960

With layoffs, furloughs and other job and income cuts anticipated, Catamount's existing eligibility rules provide a lifeboat for Vermonters and Vermont families. (Loss of insurance through loss of employment currently allows a waiver of the waiting period and immediate enrollment.) It is clear that enrollment will expand as the recession expands, and we are already seeing that impact.

Furthermore, the premiums charged by the carriers for Catamount have not been adjusted for nearly two years, and it is anticipated premiums will increase July 1, 2009 to make up for the two-year gap.

Therefore, now is certainly not the time to expand eligibility, shorten waiting periods or add benefits. To do that would turn the lifeboat into a Titanic. If anything, Catamount Health's design should be evaluated to find ways to reduce the underlying cost of plan, which would then reduce needed state subsidies, and allow more people into the lifeboat.

But instead, maybe due to exuberant optimism, some folks believe we need only find a few new taxes to carry us through this 'rough patch,' until Obama taps Vermont as a model for the nation, and the federal money comes in ...

Stop right there. Why should we consider ourselves a model for the nation if we haven't set up something that is sustainable without a federal bail-out? Besides, depending on the federal government for more money to rescue Medicaid AND Catamount Health is not a rational plan for sustainability for either program.

No revenue source the legislature can tap is able to keep up with Catamount health care cost increases. That's what all of the legislature's consultants, from Thorpe, to Kavet, to Fisher has already, and repeatedly, told us. No revenue source can keep up. The legislature will be required to constantly add new sources, tapping revenues that we also need for other purposes (roads, special education, social services, general government services).

We must look at tweaking Catamount so that it costs less to sustain. So that we can sustain it. THAT would make us a national model.