



# Vermont Health Policy Perspectives

October 2005

Vermont Association of Hospitals and Health Systems • 148 Main Street • Montpelier, Vermont 05602 • 802-223-3461

## President's Message: PATH for Reform

The legislature adjourned last June, but you'd never know it. Both the Administration and the Democratic-led legislature have continued their full-time efforts to develop more refined health reform proposals, albeit on separate tracks. Currently, politics seems to be prevailing over policy and we're running out of time.

Irrespective of politics, in order to "fix" our healthcare system policy makers will have to find a way to create access to affordable health insurance coverage in the short term and reduce the unsustainable rate of growth over the long term. While they're at it, they will also need to ensure the delivery of high quality services for everyone receiving care. Cost, Quality and Access - these three terms form the foundation for all health reform discussions both in Vermont and Nationwide. The question has become – can we ever learn to balance all three?

The Vermont Association of Hospitals and Health System (VAHHS) formed a CEO-led committee almost two years ago to address this question. In our first year of work we focused on improving patient safety and quality, and developing a state-wide health information technology (HIT) strategy. Our quality focus led to VAHHS' collaboration with the Institute for Healthcare Improvement (IHI). With IHI, all Vermont hospitals engaged in projects designed to create breakthrough improvements in quality and patient safety. They also joined IHI's nationally renowned Campaign to Save 100,000 lives. (See the April 2004 issue of Perspectives at [www.vahhs.org/newsletter.htm](http://www.vahhs.org/newsletter.htm)) Our focus on HIT led to the creation of the Vermont Information Technology Leaders (VITL) organization and state funding of \$700,000 in FY 2006 to devise and begin implementing a state-wide HIT strategy. (See the July 2005 Perspectives at [www.vahhs.org/newsletter.htm](http://www.vahhs.org/newsletter.htm) and VITL website at [www.vitl.net](http://www.vitl.net))

Our current focus is on re-financing and reforming how healthcare is delivered in Vermont. These efforts will still incorporate our previous priorities, but more globally address the triad of cost, access and quality. We learned a number of lessons during our research. They include:

- There are no quick fixes. Many of healthcare's problems have been decades in the making. Others, like our aging population and the rising incidence of obesity, will challenge our system for decades to come.
- Many underlying problems need a federal solution. While systemic change at the state level is certainly possible, Vermont needs a coordinated federal strategy to develop solutions that will benefit all patients, including Medicare beneficiaries.
- We can't fix our healthcare system without fixing Medicaid.
- Vermont's healthcare system, despite current challenges, ranks very high in quality and access and low in cost compared to other states in the country.
- Vermont also leads the nation in efforts (such as our HIT strategy) to create state-wide healthcare improvements.

VAHHS' Plan for Affordable, Tangible Healthcare Reform (PATH for Reform) preserves our current market-based system, but incorporates targeted public funding to significantly lower premium costs for everyone while accelerating system-wide improvements. Overall, PATH for Reform has a three part focus: containing cost, offering affordable coverage for all Vermonters and ensuring the delivery of high-quality care in a financially-viable healthcare system.

Our short-term cost-containment strategy revolves around reducing commercial premiums. The two major components of this strategy are:

*(Continued as PATH on inside right)*

### ALSO IN THIS ISSUE:

- Healthcare Public Engagements
- Global Commitment Update
- Upcoming Events



## COMMISSION ON HEALTH CARE REFORM OFFICIAL BUSINESS IS UNDERWAY

The Commission on Health Care Reform was established by the 2006 Omnibus Appropriations Act and is under the direction of Senator James Leddy, Chair of the Senate Health & Welfare Committee and John Tracy, Chair of the House Health Care Committee. The Commission includes four representatives of the House, four representatives of the Senate, and two non-voting members appointed by the Governor. They are tasked with monitoring healthcare reform and making recommendations to the General Assembly on actions needed to attain the healthcare guidelines and goals set out in H. 524. Passed by the House and Senate in May of 2005, H.524 is an act relating to universal access to healthcare in Vermont. This bill was vetoed by the Governor shortly after passage.

The General Assembly approved a two-year, \$800,000 budget for the commission. The budget contains money to hire a maximum of three full-time employees, including a director. Approximately 55 individuals or consulting firms applied for the position. The Commission narrowed the pool down to two candidates and in the end both opted not to take the position. The Commission reorganized their efforts and hired a national consultant with extensive healthcare policy experience to work with an existing legislative staff member to lead the effort.

Kenneth Thorpe, Chair of the School of Public Health at Emory University in Atlanta, will oversee the three studies established in the legislation. He worked for the Clinton Administration as Deputy Assistant Secretary in the Health and Human Services Department for health policy. Kenneth Thorpe also served as Chair of President Clinton’s healthcare reform task force.

Catherine Benham of the Joint Fiscal Office will manage the overall process by coordinating position of studies, personnel and consultants; working with the Commission; and coordinating legislative staff resources as it relates to the work of the Committee.

The studies include: an economic impact study, financing options, and governance and administration. The legislation called for the economic impact study to be completed by January 15, 2006. The delay in hiring staff means this will not be completed by the January date.

The Commission has also enlisted the Snelling Center for Government to organize a public engagement process and will be hosting six public hearings this fall. The schedule is in the box below.

Governor James Douglas announced in early August plans for his own public input process and statewide summit. The Governor hosted six regional forums to gather more information on proposals that were introduced at the end of the session and to hear from Vermonters. The Governor’s last forum was held on October 4th, 2005 in Williston.

On October 17, 2005, the Governor will be hosting a day-long healthcare summit in Killington. Healthcare providers, insurers, employers, consumer groups and advocates will be given an opportunity to present their plans and priorities for healthcare reform. VAHHS will be presenting its proposal at the summit. The Administration will publish the proceedings of the summit and will take the knowledge gained from these processes to develop a healthcare proposal for the upcoming legislative session.

**The Commission’s remaining public engagements are as follows:**

Wednesday, October 5, 2005 at 6:30 pm  
Howard Dean Education Center in Springfield

Tuesday, October 11, 2005 at 6:30 p.m.  
Howe Center, Franklin Conference Center in Rutland

Tuesday, October 18, 2005 at 6:30 p.m.  
Lyndon State College in Lyndon

Thursday, October 20, 2005 at 6:30 p.m.  
Burlington High School in Burlington

Tuesday, October 11, 2005 at 6:30 p.m.  
Bennington Fire Department in Bennington

Tuesday, November 1, 2005 at 6:30 p.m.  
Barre Technical Center & Spaulding High School in Barre





## Global Commitment Update

The Douglas Administration has just received conditional approval from the legislature on a new 1115 waiver between the State of Vermont and the Centers for Medicare and Medicaid Services. This waiver, known as the Global Commitment, would restructure the way Medicaid is financed within the State. The pursuit of this waiver is driven by the critical financial state of Vermont’s Medicaid program. The five year Medicaid shortfall is estimated at \$439 million and the estimated savings from the Global Commitment for the same five year period ranges from \$135m. – \$165m..

Major changes related to the Global Commitment are:

- The Office of Vermont Health Access (OVHA) would be required to operate as a Public Managed Care Organization (MCO).
- Federal matching dollars will be based on total premiums paid to the MCO, rather than payment for individual healthcare services. The combined State and Federal cap is \$4.7 billion and is based on growth rate trends and actuary certified premium rates.
- Flexibility in determining eligibility for and the benefit structure of Medicaid (excluding the mandatory population) will be increased.
- There will be new opportunities to utilize managed care savings to pay for new services or to fund future year shortfalls.
- Federal match for services that are not normally matchable will be available.

The Global Commitment does not allow the MCO to change benefit structures. If benefit or eligibility changes are needed the legislature would have to approve all changes. Additionally, the Global Commitment does not include the State Disproportionate Share dollars and does not cover any cost sharing related to changes made to the prescription drug program for any Medicare Part D drugs.

While the Global Commitment has the potential to reduce the State’s Medicaid shortfall and help Vermont stabilize the Medicaid program, there are many variables that have the potential to adversely impact Vermont’s hospitals and other providers. The single largest concern is the proposition of a cap on federal funds. A cap could place the state at significant risk if unanticipated growth in expenditures and caseload occurs. Growth that requires the State to spend additional dollars to reach the total cap or growth that exceeds the cap will likely force state policymakers to choose between: cutting Medicaid payments to providers; reducing the level of Medicaid benefits; increasing or narrowing the beneficiary thresholds; or finding new state revenue sources.

## PATH (Continued from front page)

- To publicly fund reinsurance designed to spread the risk of high-cost claims over a broader population.
- To require Medicaid to pay the full premium cost of at least a basic benefit plan for Medicaid enrollees in order to dramatically reduce or eliminate the cost-shift.

PATH for Reform also offers affordable health coverage for all Vermonters with an individual mandate to purchase a basic benefits health insurance plan. Medicaid would be required to purchase *at least* this basic benefits plan, at cost, for eligible beneficiaries. Publicly-funded premium subsidies would be provided to low-income individuals and families on a sliding scale.

Multiple strategies would be employed to enhance the delivery of high-quality care in a financially-viable system. These longer-term strategies to lower per capita healthcare costs include: cost-containment strategies for providers, consumer incentives, patient safety and quality improvement efforts, payment reform, system-wide investments and waste-reduction strategies.

Because the basic benefit plan is, by definition, “affordable,” most individuals would pay for it directly or through their employers. New funding sources would be required only for the premium subsidies, publicly-funded reinsurance that would help lower overall premium costs and system-wide improvements such as the Vermont Blueprint (the Chronic Care Initiative) and the statewide development of a health information technology strategy. Sources of targeted funding could include broad-based taxes (most likely an income tax) and Medicaid matching funds to pay for one-time system-wide improvements. Taken together, we believe that these investments and strategies will slow the rate of healthcare inflation over time.

The VAHHS Board recently approved this draft proposal at their annual meeting earlier this month. From here, the Association plans to conduct additional research in order to develop more policy and financing details. We’ve also been sharing our plan with many stakeholders: consumers, business leaders, legislators and the Administration. The bottom line is that hospital leaders are committed to finding substantive policy solutions that will help us work toward that elusive balance between cost, access and quality. We all know there are no quick fixes, but we could accomplish a lot if everyone focused on policy options rather than political posturing.





## Save the Dates!

**October 18-19, 2005**

IHI Leadership Meeting

Orlando, FL

**November 3, 2005**

6<sup>th</sup> Annual Emergency Preparedness Conference  
*(Co-Sponsored by VAHHS and NHHA)*

Sunapee Mtn. Ski Area – Newbury, NH

**November 16, 2005**

JCAHO Education Session

Killington Grand – Killington, VT

**December 8-9, 2005**

NEHA Trustee Conference

Marriot Copley Place - Boston, MA

**January 10, 2006**

VAHHS Sharing Summit

Capitol Plaza - Montpelier, VT

**For more information or to register for  
VAHHS sponsored events, visit: [www.VAHHS.org/events](http://www.VAHHS.org/events)**

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