Senator Jane Kitchel, Vermont

NCSL Fall Forum - Phoenix, AZ

December 9, 2010

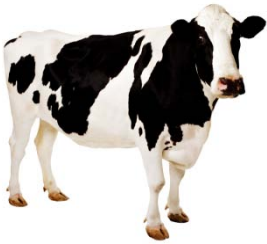
Context

- Population = 621,270 people
- The most dairy cows per capita in the country
  - 1 cow for every 4 people

- Vermont is the largest producer of Maple Syrup in the U.S. *(over 500,000 gallons a year)*

- Montpelier is the smallest state capital in the country *(and the only one without a McDonalds)*

Context



- SFY ’11 Total State Budget = $4.8 billion (all funds)
- SFY ’11 Medicaid Spending = $1.4 billion (state & federal)
- Total Statewide Health Care expenditures = $5.2 billion
- Per capita health care spending is lower than the national average, but spending is growing faster than the national average

2008	Vermont	U.S.
Per Capita	$7,414	$7,681
Avg. Annual Growth	8.2%	5.7%

- Number of uninsured (2009) = 47,460 (7.6%)
  - 55% of which are eligible for a state health program

Long history of coverage, quality, & cost control initiatives

- **Dr. Dynasaur** - Universal Access for children
- **Vermont Health Access Plan** (VHAP) - Coverage for low income Vermonters
  - up to 150% FPL for adults w/o kids; 185% FPL for parents)
- **VPHARM** – Medicare Part D wrap for low-income seniors
- **Catamount Health**
  - Private insurance product with sliding scale state-subsidy for uninsured up to 300% FPL
- **Blueprint for Health**
  - Prevention and chronic care management
  - Medical home pilots
- **Payment reforms**
  - Community health system pilot (including ACO models)
  - Creation of a "Director of Payment Reform" position
    - Will present plan for payment reform pilots for legislative approval Feb. 1, 2010
    - First pilot by January 2012, two more by July 2012

GreenMountainCare
A HEALTHIER STATE OF LIVING

STATE IMPLEMENTION of PPACA

Approach health care reform with vision

- Who is accountable for health care reform?
  - Funding & policy development frequently scattered throughout government
- Review government "silos"
  - Existing state agency structures may no longer work well
  - E.g., Medicaid and the Exchange interactions
- Review legislative "silos"
  - Legislative committee structures & jurisdiction

STATE IMPLEMENTION of PPACA

Approach health care reform with vision

- Integration of state's health policy
  - Physical and mental health integration
  - Coverage, delivery system reforms, public health & health planning
- Cost containment
  - Bending the curve to cut growth in spending
  - Bringing growth of health care spending in line with revenues
- Health information Technology (HIT) / Health information exchange (HIE)

STATE IMPLEMENTION of PPACA
Act 128 of 2010

Health Care Design Options Study

- Three health care system design options
  1) Single payer
  2) Public option
  3) Option of the consultants choosing

- Each design takes into consideration
  - Access to coverage for Primary care, preventive care chronic care, acute episodic care, palliative care, hospice care, hospital services, prescription drugs, and mental health and substance abuse services
  - Payment systems
  - Coordinated regional delivery systems
  - Health system planning, regulation, and public health
  - Financing and estimated costs
  - Compliance with federal laws

Fiscal Implications of PPACA

Types of analyses underway

- **Micro-analysis**: What is the fiscal impact to the health care system in the state?
  - Providers, private payers, Medicaid & other state payers
- **Macro-analysis**: What will be the impact to the state's economy?
  - businesses, jobs, revenue, etc.
- **State Budget**: What are the fiscal implications of specific provisions of the PPACA on the state budget?

Fiscal Implications of PPACA
Micro-analysis

- Gruber Microsimulation Model – Act 128 Study
  - Will assess aggregate state-level changes in health spending and coverage to estimate:
    - Number of people gaining or changing coverage (by sources of coverage)
      - Including changes in employer and non-group coverage
      - Changes in rate of uninsured
    - Federal and state spending
    - Employer-sponsored and non-group insurance premiums
    - Out-of-pocket spending
    - Tax credits and subsidies for the exchange

Fiscal Implications of PPACA
Macro-analysis

- REMI Model – Act 128 Study
  - Will assess macro-level impacts to the state economy:
    - Impact on employment
    - Impact on wages
    - Changes in state Gross state product
    - Impact on state revenues

REMI = Regional Economic Models, Inc.

Fiscal Implications of PPACA

State Budget Impacts (so far)

- Enhanced FMAP
- "Donut-hole" initiatives
- Federal Grant dollars
- CHIP
- Early retiree insurance program
- 90/10 matching dollars on IT infrastructure
- New Medicare/Medicaid waiver opportunities

- Loss of state Rx rebates
- Loss of flexibility in Medicaid/CHIP budgeting (Maintenance of Eligibility)
- Increased general fund pressures

- Uncertainty of 1115 waivers

Continuing Analysis …

- The legislature and the administration are still analyzing the legislation to understand all of the various fiscal implications of PPACA.

- Act 128 - Micro and Macro analyses will be released in early 2011.

“Everything is hitched to everything else.”

- John Muir

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Further information

The following slides contain more specific details concerning various fiscal implications of the PPACA for Vermont.

Fiscal Implications of PPACA

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Enhanced FMAP

- Enhanced FMAP for Medicaid Expansion
  - For parents and non-pregnant and childless adults to at least 100% FPL
  - Preliminary estimate = **$420M** add'l federal dollars between 2014 to 2019.

- Equitable support for Certain states
  - 2.2% increase in base FMAP for 2014 and 2015
  - VT meets a specific requirement of having no "newly eligible" and not diverting DSH allotments to expansion populations
    - Vermont and Massachusetts are only two states that had no newly eligible people and therefore will not receive 100% FMAP for these individuals.
  - Estimated **$40-50M** add'l federal dollars for two year period

Medicare Part D: Donut hole initiatives

- Starting 2011, 50% discount on name-brand drugs to Part D beneficiaries "in the donut hole."
  - **VPHARM** program provides Medicare Part D wrap for seniors up to 225% FPL.
  - Beneficiary pays sliding scale premium. State covers rest of costs including donut hole.
  - Estimated state savings in 2011 = **$750K**

- One-time $250 for beneficiaries in donut hole
  - State covers donut hole costs for VPHARM beneficiaries in the donut hole. State looked into recapturing those savings but it was too administratively burdensome. VPHARM beneficiaries benefited.

Federal Grants

Vermont awarded over $3 million to date

- Insurance Exchange planning = **$1M**
- Health insurance consumer assistance = **$135K**
- Aging & Disability Resource Center = **$500K**
- Maternal, Infant, and Early childhood visitation = **$562K**
- Medicare Rx – outreach and assistance = **$77K so far**
- Epidemiology-laboratory capacity = **$320K**
- State-workforce development = **$132K**
- Infrastructure to expand access to care = **$1.1M**
- ***Awaiting guidance or approval on others***

CHIP

- CHIP FMAP increases 23 points for the period from 10/1/13 to 9/30/19
  - Will be approximately 93 - 94% E-FMAP
  - Does not apply to administrative costs or to individuals who don't meet citizenship requirements
  - But Congress only funded it through 10/1/15
  - ***Est. savings of $2-3M per year through 2019***
  - ***Currently approx. 3,700 kids on CHIP***
    - ***In addition, there are approx. 869 uninsured kids who are eligible but not enrolled in CHIP***

Early Retiree Insurance Program

- Assists employers who provide coverage for retirees (and covered family members) age 55 and older who are not Medicare eligible.
- Provides reinsurance reimbursements for medical claims.
- Vermont state government expects to receive **$3M** for two years (for State Employees)

Enhanced funding for Medicaid eligibility determination

- Enhanced FMAP available for state expenditures for design, development, and installation or enhancement of systems
  - 90/10 match through 2015
  - 75/25 match after 2015 for maintenance and operation.

- *Fiscal estimate pending*
  - *Potential $2M-4M in general fund savings*

Other Waiver Opportunities

- New Medicare waivers available
  - ACO pilots
  - Medical Home pilots (Blueprint for Health)
  - Broader payment and delivery system reform authority
- New Medicaid waivers available
  - ACO pilots
  - Medical Home pilots (Blueprint for Health)

Loss of Pharmacy Rebates

- Increased federal Rx rebates in Medicaid. Feds get 100% of increase.
- Vermont (and other states) negotiate supplemental rebates in addition to federal rebates.
- Increase in federal rebates decreases supplemental rebates state will receive.
- Estimated fiscal impact SFY'11 & 12 = **loss of $6M** ($2M state dollars).
  - Approx. 4% of Medicaid's Pharmacy spending
  - Overall Medicaid Rx spending = Approx. $150M (state and federal)

Maintenance of Eligibility

- State cannot change eligibility standards, methodologies or procedures deemed more restrictive than those in place prior to PPACA:
  - Restricts state's flexibility in balancing health care reform priorities with fiscal pressures reality
  - State cannot increase beneficiary premiums for state Medicaid programs
    - But state can decrease benefits and services (i.e., increase deductibles, co-pays, etc.).
- State financial hardship exception
  - Can apply for exception if state certifies it is experiencing or projects to have a budget deficit the following state fiscal year.
  - Exception applies to optional non-pregnant, non-disabled adult populations above 133% FPL.

Additional Fiscal Pressures

- "Woodwork effect"
  - The coverage mandate is expected to boost Medicaid population. While Vermont has done significant outreach in trying to reach the "eligible but not enrolled" population, the mandate will likely result in an influx of people, adding additional fiscal pressures
  - While there will be enhanced FMAP starting in 2014, state fund dollars will still be needed to draw federal matching dollars.
    - Current estimated add'l state dollar pressure (w/enhanced match):
      - SFY'14 = **$6M**
      - by SFY '19 = **$14M**
  - Approximately **26,000** eligible but not enrolled

Additional Fiscal Pressures

Impact from insurance mandates will have premium impacts

- Mandates include coverage of dependents up to age 26 and removal of lifetime maximums

- Increases in State Employee Premiums
  - Estimated fiscal impact = approx. **$2M/year**

- Increase in Teacher's Premiums
  - Increased pressures on the Vermont Education Fund
    - Pays for pre-K through 12th grade education costs, including teacher salaries and benefits.
    - Funded through statewide property taxes, sales tax, lottery, GF, and other sources.
  - Potential estimated **$2-3M/year**

Uncertainty of 1115 waivers

- Vermont's Medicaid 1115 Waivers
  - **"Global Commitment to Health"**
    - Expires Dec. 31, 2013
    - Creates a public Managed Care Organization (MCO) for Medicaid
    - Uncertain future for $60M in costs covered under Global Commitment through "MCO investments"
    - Uncertain future of expansion populations with incomes over 133% FPL (Catamount, VHAP, etc.)
  - **"Choices for Care"** – long-term care
    - Expires Oct. 1, 2015
    - Less uncertain
    - Increased FMAP for increasing use of home- & community-based care – Vermont may not be able to access due to current distribution of services between nursing homes & home- and community-based care

THE END