

Plan to Reduce Medicaid Cost Shift and Private Insurance Premiums

Governor Peter Shumlin

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Vermont businesses currently pay increased insurance premiums because of the Medicaid cost shift. This year alone, the Medicaid cost shift resulted in \$150 million in additional premiums for businesses and those with private insurance.

The Medicaid cost shift happens when health care providers are forced to charge higher rates to people with private insurance in order to cover the cost of the underpayments they get from Medicaid, which could be as little as 40 cents on a dollar of cost.

Worse yet, the State is leaving tens of millions in federal dollars on the table. For every dollar the state invests in Medicaid, we draw down \$1.10 in federal funding, which doesn't happen when we shift costs to private insurance premiums.

Simply put: Increasing Medicaid reimbursement rates will leverage federal money to reduce the rate of growth in private insurance premiums paid by businesses and individuals.

To pay for this, we will propose a seven tenths of a percent (0.7%) payroll tax on Vermont businesses. This tax will raise \$41 million in state funds, which will be matched with an additional \$45 million in federal dollars.

We're proposing to apply \$55 million of that to the cost shift to reduce private insurance premiums, essentially raising \$41 million and getting \$55 million in relief. The money raised from this tax will go into the State Health Care Resource Fund and all of it will be dedicated to reducing the cost shift and improving health care quality and delivery.

To ensure that this happens, the Governor's proposal requires the Green Mountain Care Board and Vermont hospitals and insurers to return the savings created by these increased payments, reducing premiums for businesses and individuals. Through the process of working with all regulated entities including hospitals that provide care, we will also provide information and support to self-insured businesses to ensure that they have the tools that they need to capture the benefits of the reduced cost shift as well.

In addition to the cost shift, we will make additional investments in our health care system that improve and strengthen primary care as well as home and community providers. This will improve health outcomes, reducing costs in the overall system and making it easier for Vermonters to get the care they need close to home.

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