

Johnson, Harriet

Subject: FW: Dr. Gruber
Attachments: invoice 4.docx; ATT00001.htm; invoice3.docx; ATT00002.htm; 3478_001.pdf; ATT00003.htm; 4133_001.pdf; ATT00004.htm

From: "Clasen, Michael" <Michael.Clasen@state.vt.us>
To: "Lunge, Robin" <Robin.Lunge@state.vt.us>
Subject: FW: Dr. Gruber

I just sent this to Doug.

From: Clasen, Michael
Sent: Tuesday, February 10, 2015 4:11 PM
To: Hoffer, Doug
Subject: RE: Dr. Gruber

Hi Doug. See below for comments.

From: Hoffer, Doug
Sent: Monday, February 09, 2015 8:50 AM
To: Clasen, Michael
Cc: Lunge, Robin; Mesner, Susan
Subject: Dr. Gruber

Michael

A few questions.

1. Unless I missed it, I never received a copy of the amended contract with Dr. Gruber. I would be grateful if you could send that over. I understand you now have the amendment.
2. The contract refers to federal funds (page 1, #7 and Attachment A, first bullet), but I recall you telling me that no federal funds were used. Is that correct? That is correct, no Federal funds were used. Please see copy of memo to contract file, attached.
3. Did Dr. Gruber meet his obligation for insurance coverage as required by item #7 in Attachment C of the contract? If so, please provide the documentation. I was not able to locate an insurance certificate in the contract file.
4. Has Dr. Gruber submitted an invoice or invoices subsequent to the one dated Oct. 16, 2014? If so, please provide a copy. Has the state made any additional payments after the first two? Please see attached. No, the State has not made any additional payments after the first two.
5. And finally, I have the "Gruber Invoice Records" file (attached). Is there any more documentation than the contents of that PDF file? We are searching our files. I am including copies of the invoices with sign-offs that include some email correspondence. I will let you know if we find any additional documentation.

Thanks

Doug Hoffer
Vermont State Auditor

132 State Street
Montpelier, VT 05633
802.828.2281 P
802.828.2198 F

83 Pleasant St.

Lexington, MA 02421

December 30, 2014

Michael Costa

State of Vermont

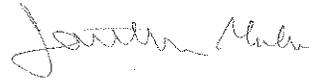
Dear Michael,

This letter serves as the fourth and final invoice for my work for the State of Vermont under contract #27277, consulting and modeling on the Green Mountain Care proposal. From November 15 through December 19, Vermont will reimburse me only for the cost of my research assistant. So my total bill is:

Research Assistants: 250 hours at \$100/hour	\$25,000
Total:	\$25,000

Please remit this total to me at the address above.

Sincerely,



Jonathan Gruber

83 Pleasant St.

Lexington, MA 02421

December 30, 2014

Michael Costa

State of Vermont

Dear Michael,

This letter serves as the third invoice for my work for the State of Vermont under contract #27277, consulting and modeling on the Green Mountain Care proposal. From October 15 to November 15, my total bill is:

Jonathan Gruber: 80 hours at \$500/hour:	\$40,000
Research Assistants: 250 hours at \$100/hour	\$25,000
Total:	\$65,000

Please remit this total to me at the address above.

Sincerely,



Jonathan Gruber

336000/27277

Gruber, Jonathan

83 Pleasant St.

Lexington, MA 02421

September 3, 2014

Approved for

10/1/14

Vendor # 336000
SEA - Health Care Reform
1100020100

Michael Costa

State of Vermont

OK JSB

PO 709

V.6524
CA

Dear Michael,

This letter serves as the first invoice for my work for the State of Vermont under contract #27277, consulting and modeling on the Green Mountain Care proposal. Over the period from mid-July through the end of August, total costs were:

Jonathan Gruber: 100 hours at \$500/hour	\$50,000
Research Assistants: 500 hours at \$100/hour	\$50,000
Total:	\$100,000

100,000
20,000 Reserve
<hr/>
80,000

Please remit this total to me at the address above.

Sincerely,

507600
10000

Jonathan Gruber

Jonathan Gruber

10/14/14
2987008

OK Less 20% hold back per contract
see attached.

Michael J. Costello
Dep. Sec. Admin.

10/2/14

Clasen, Michael

From: Costa, Michael
Sent: Thursday, October 02, 2014 3:30 PM
To: Clasen, Michael
Subject: Fwd: revised invoice

See below. This should be enough to approve the invoice.

Sent from my iPhone

Begin forwarded message:

From: Jon Gruber <gruberj@mit.edu>
Date: October 2, 2014 at 2:44:41 PM EDT
To: "Costa, Michael" <Michael.Costa@state.vt.us>
Subject: Re: revised invoice

yes, that is right

On 10/2/2014 2:43 PM, Costa, Michael wrote:

Thanks. Please confirm that by mid July you mean the date the contract started, July 21st. A simple yes via email is fine.

Best,
Michael

-----Original Message-----

From: Jon Gruber [<mailto:gruberj@mit.edu>]
Sent: Tuesday, September 30, 2014 5:00 PM
To: Costa, Michael
Subject: revised invoice

thanks Michael!

Jonathan Gruber
Ford Professor of Economics
MIT Department of Economics
40 Ames Street, E17-220
Cambridge, MA 02139
phone: 617-253-8892
fax: 617-253-1330

336000/27277

83 Pleasant St.
Lexington, MA 02421
October 16, 2014

Michael Costa
State of Vermont

OK
ESS

V7254

Dear Michael,

PO730

This letter serves as the first invoice for my work for the State of Vermont under contract #27277, consulting and modeling on the Green Mountain Care proposal. For the month of September, costs were:

Jonathan Gruber: 100 hours at \$500/hour	\$50,000
Research Assistants: 500 hours at \$100/hour	\$50,000
Total:	\$100,000

100,000
20,000 less 20%
<u>80,000</u> Retainage

Please remit this total to me at the address above.

Sincerely,

507600
100000

Dept ID 100060800
ADM

Jonathan Gruber

Approved
10/21/14

Jonathan Gruber

[Handwritten signature]

[Handwritten signature]
10/21/14
- less retainage as specified in contract.

100060800

Melamed, Marisa

From: Costa, Michael
Sent: Friday, October 17, 2014 10:00 AM
To: Melamed, Marisa
Subject: Fwd: second invoice
Attachments: invoice2.docx; ATT00001.htm

Approved. Please submit. Any word when the first one will be paid?

Sent from my iPhone

Begin forwarded message:

From: Jon Gruber <gruberj@mit.edu>
Date: October 17, 2014 at 9:32:21 AM EDT
To: "Costa, Michael" <Michael.Costa@state.vt.us>
Subject: second invoice

Michael -

here is my second invoice. How are things going with processing the first?

thanks

Jon

—
Jonathan Gruber
Ford Professor of Economics
MIT Department of Economics
40 Ames Street, E17-220
Cambridge, MA 02139
phone: 617-253-8892
fax: 617-253-1330
e-mail: gruberj@mit.edu
web: <http://econ-www.mit.edu/faculty/gruberj/>

Lunge, Robin

From: Lunge, Robin
Sent: Thursday, January 08, 2015 9:41 AM
To: Hoffer, Doug
Cc: Clasen, Michael
Subject: RE: Mr. Gruber

Sure thing – I'll do my best to expedite! Thank you for your patience.

Robin J. Lunge
Director of Health Care Reform,
Agency of Administration
(802) 505 0626

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From: Hoffer, Doug
Sent: Wednesday, January 07, 2015 2:44 PM
To: Lunge, Robin
Cc: Clasen, Michael
Subject: RE: Mr. Gruber

Thanks Robin
I would prefer something sooner but will wait to hear from you.
Please keep me posted.

Doug

From: Lunge, Robin
Sent: Wednesday, January 07, 2015 2:27 PM
To: Hoffer, Doug
Cc: Clasen, Michael
Subject: Re: Mr. Gruber

I am sorry about the delay! I have been totally swamped between the gmc report and our current volume of public records requests. I did follow up with Mr. Gruber today and asked for a response by the 23rd. I know he is also responding to congressional subpoenas so that is why I gave him a little more time. If that isn't ok please let me know!

Sent from my iPhone

On Jan 7, 2015, at 2:13 PM, Hoffer, Doug <Doug.Hoffer@state.vt.us> wrote:

Hi Michael

I would be grateful if you or Robin could update me on the request for information from Mr. Gruber. It's been over a month since I made the initial request and I've been quite patient. If I don't receive any materials by the end of the week, my office will attempt contact him directly.

I look forward to hearing from you.

Doug Hoffer
Vermont State Auditor
132 State Street've been quite patien
Montpelier, VT 05633-5101
802.828.2281 Office
802.828.2198 Fax
doug.hoffer@state.vt.us

Lunge, Robin

From: Lunge, Robin
Sent: Monday, January 19, 2015 7:10 PM
To: Hoffer, Doug
Cc: Clasen, Michael
Subject: Fwd: Questions from the Auditor for Gruber

See below for Jon Gruber's responses to your questions.

Robin Lunge
Director of Health Care Reform

Sent from my iPad

Begin forwarded message:

From: Jon Gruber <gruberj@mit.edu>
Date: January 19, 2015, 4:47:07 PM EST
To: "Lunge, Robin" <Robin.Lunge@state.vt.us>
Subject: Re: Questions from the Auditor for Gruber

Robin -

here are my responses. happy to discuss further

thanks

Jon

question 1: In the September 3rd invoice, which covered the period from mid July through August, I billed 100 hours for myself and 500 hours for my research assistant. In the October 16 invoice, which covers the period of September through mid-October, I billed 100 hours for myself and 500 hours for my research assistant.

question 2: My research assistant is an independent contractor

question 3: I am willing to provide the name of my independent contractor pursuant to a suitable confidentiality agreement. Due to the media attention this matter has attracted, I wish to take reasonable steps to protect the privacy of my research assistant.

question 4: I pay my research assistants a set annual compensation for their work.

From: Clasen, Michael

Sent: Friday, December 19, 2014 9:05 AM

To: Lunge, Robin

Subject: Questions from the Auditor for Gruber

From: Hoffer, Doug
Sent: Monday, December 01, 2014 2:43 PM
To: Spaulding, Jeb
Cc: Clasen, Michael; Miller, Lawrence; Mesner, Susan
Subject: request

Jeb

I have read the state's contract with Jonathan Gruber (#27277) and have some questions. Specifically, have you or anyone else from the administration requested documentation for / about:

1. The hours billed by Mr. Gruber for himself and the research assistants / programmers in the Sept. 3 and Oct. 16 invoices?
2. The employment status of the research assistants / programmers [i.e., employees or independent (sub)contractors]?
3. The names of and contact information for the research assistants / programmers?
4. The amounts paid to each of the research assistants / programmers?

I would be grateful if you could provide copies of all requests for this and any related information, as well as any information obtained from Mr. Gruber in response.

I appreciate your help and look forward to hearing from you in the next few days.

Doug Hoffer

Vermont State Auditor

132 State Street

Montpelier, VT 05633-5101

802.828.2281 Office

802.828.2198 Fax

877.290.1400

doug.hoffer@state.vt.us <<mailto:doug.hoffer@state.vt.us>>

--

Jonathan Gruber
Ford Professor of Economics
MIT Department of Economics
40 Ames Street, E17-220
Cambridge, MA 02139
phone: 617-253-8892
fax: 617-253-1330
e-mail: gruberj@mit.edu
web: <http://econ-www.mit.edu/faculty/gruberj/>

Lunge, Robin

From: Melamed, Marisa
Sent: Thursday, January 22, 2015 1:09 PM
To: Lunge, Robin; Hoffer, Doug
Cc: Clasen, Michael
Subject: RE: request
Attachments: vermont green mountain care rfp - Gruber redacted.pdf; Johnathan Gruber.pdf

Please see attached.

Marisa Melamed
o: 802.828.2316
c: [REDACTED]

From: Lunge, Robin
Sent: Thursday, January 22, 2015 12:56 PM
To: Hoffer, Doug; Melamed, Marisa
Cc: Clasen, Michael
Subject: RE: request

Marisa will send you two versions –

- 1) The redacted version that we released in response to public records requests. There is some information that was deemed proprietary or otherwise confidential under the act.
- 2) The full version without redactions, so you can see the complete bid.

Also, I just talked with Pete Hirschfeld who is doing a story on your interest in the invoices. He mostly asked me questions about how much we'd paid and how I review invoices. But he did ask me to comment on your interest, which I declined to do. He asked me why you asked me, not Gruber directly, and I said I didn't know & that might be standard procedure.

Robin J. Lunge
Director of Health Care Reform,
Agency of Administration
(802) 505 0626

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From: Hoffer, Doug
Sent: Thursday, January 22, 2015 11:30 AM
To: Lunge, Robin
Cc: Clasen, Michael
Subject: RE: request

Thanks
Sorry to hear you're not well. Feel better.

Doug Hoffer
Vermont State Auditor

132 State Street
Montpelier, VT 05633-5101
802.828.2281 Office
802.828.2198 Fax
877.290.1400
doug.hoffer@state.vt.us

From: Lunge, Robin
Sent: Thursday, January 22, 2015 11:27 AM
To: Hoffer, Doug
Cc: Clasen, Michael
Subject: RE: request

Sure thing. Please continue to cc Michael -- I've been out sick all week and am headed home shortly (I was overly ambitious in thinking I was well enough to come in!). I'm currently 350 emails behind, so my apologies if I've missed any other requests. I will ask my assistant to send it to you this afternoon.

Robin J. Lunge
Director of Health Care Reform,
Agency of Administration
(802) 505 0626

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From: Hoffer, Doug
Sent: Thursday, January 22, 2015 10:56 AM
To: Lunge, Robin
Cc: Clasen, Michael
Subject: request

Hi Robin

I would be grateful if you could send me Mr. Gruber's proposal in response to the RFP.

Thanks

Doug Hoffer
Vermont State Auditor
132 State Street
Montpelier, VT 05633-5101
802.828.2281 Office
802.828.2198 Fax
877.290.1400
doug.hoffer@state.vt.us

**Response to RFP: Modeling Potential Green Mountain Care
Financing Proposals**

Jonathan Gruber, MIT

June, 2014

The state of Vermont has embarked on an unprecedented path towards single payer health care for its residents. This is a bold experiment which has the potential to fundamentally alter the delivery of health care in the state, and potentially in the nation as a whole. When implemented, this change will also fundamentally alter the Vermont state budget, and perhaps the economy as a whole. As such, state decisions about the path forward with Green Mountain Care must be informed by a solid understanding of these potential changes.

In this proposal, we outline a strategy for providing a comprehensive overview of the impact of Green Mountain Care on Vermont. The centerpiece of this strategy is the use of the Gruber Microsimulation Model (GMSIM), the leading health policy microsimulation model, as well as the model used as the basis for the influential Hsaio report which first developed the single payer alternative for Vermont. We will use this model to provide a rich description of the structure of the Vermont health economy in the wake of the Affordable Care Act (ACA), but before the implementation of Green Mountain Care. We will then simulate the implementation of Green Mountain Care and assess the broad range of impacts on the state.

This modeling exercise will draw on expertise from health economics, actuarial sciences, and macroeconomics. The underlying microsimulation model is based on the best available evidence from health economics, incorporating how both individuals and employers respond to changes in the health care market in the state. This modeling will be integrated with actuarial expertise to assess not only impacts on insurance coverage and incomes, but also on pricing in the insurance market. And the results will be incorporated into a state-based macroeconomic model to assess the effects of reform on the state economy as a whole as well as specific sectors. Despite the complicated nature of the exercise, we will set up a work process that is maximally transparent, open, and inclusive of others in the state who have a strong interest in understanding how Green Mountain Care will affect the state.

As described below, while the starting point is our previous model of Vermont used for the Hsaio report, we will update this model with newer data, revised assumptions, and new evidence on how the ACA is affecting Vermont. We will then estimate models to address the wide variety of questions around the equity and efficiency consequence of Green Mountain Care. On the equity side, we will develop a rich model of the incidence of health care spending both before and after Green Mountain Care, allowing us to carefully document how different groups in society are impacted by reform. On the efficiency side, we will measure changes in health care spending, incomes, and jobs from health care reform. Our model will allow for any one of a possible range of financing alternatives for Green Mountain Care.

This proposal begins with a description of the GMSIM and how it can be used to address the central questions posed by this RFP. We then describe the comprehensive state-specific data that are available for this modeling exercise. We lay out the particulars of how the

modeling will work, and then describe the wide variety of outcomes that will be available to policy makers as they move forward with their work on Green Mountain Care. We discuss the qualifications of our outstanding team, as well as the proposed work schedule and budget.

The Gruber Microsimulation Model

The Gruber Microsimulation Model (GMSIM) computes the effects of health insurance policies on the distribution of health care spending and private and public sector health care costs. This model has been used over the past 15 years by a wide variety of state and federal policy makers to analyze the impacts of health insurance reforms. This model was first developed in 1999 for use in estimating the impact of tax credits on health insurance coverage, with funding from the Kaiser Family Foundation. Over the subsequent 15 years, the model's capability has been expanded to consider the full variety of possible health interventions, including public insurance expansions, employer or individual mandates, purchasing pools for insurance, single payer systems, and more. This model is widely used for a variety of health insurance modeling tasks; a partial list of sponsors for modeling work include: The Kaiser Family Foundation; The Commonwealth Fund; The California Endowment; The California Health Care Foundation; The AFL-CIO; The Blue Cross/Blue Shield Association; the Universal Health Care Foundation of Connecticut; The Robert Wood Johnson Foundation; The Small Business Majority; the Manufacturers Alliance for Productivity and Innovation; and the Bipartisan Policy Commission.

GMSIM has been used by a number of states to model state-specific health insurance reforms. In particular, GMSIM modeling for the Commonwealth of Massachusetts was a basis for fundamental health insurance reform in that state in 2006. This model was used first by Governor Romney's administration as they developed their proposals, and then for the legislature as they considered alternative paths to translating this proposal into legislation. During the mid-2000s, the model was used by a variety of states to model health reform alternatives, including California, Connecticut, Delaware, Kansas, Michigan, Minnesota, Oregon, Wisconsin and Wyoming.

GMSIM was then used widely by both Congressional and Administration officials during the development of the ACA. GMSIM became an important resource during this process because of the close similarity between this model and the microsimulation model used by the Congressional Budget Office (CBO). GMSIM was able to mimic CBO's predicted impacts of the ACA on insurance coverage and government costs, making it an invaluable resource for policy makers who relied on CBO for the official scores of their legislative proposals. Most recently, Dr. Gruber has used GMSIM to model the implementation of ACA, and the key policy issues that

it raises for establishing exchanges, in the states of Colorado, Connecticut, Maine, Michigan, Minnesota, West Virginia, and Wisconsin.

Most relevant for this proposal was the use of GMSIM as the basis for the empirical modeling in the well-known February, 2011 report by Professor William Hsaio that set the stage for Vermont's transition to a single payer system. This report provided a comprehensive overview of the factors involved in transitioning to a single payer system. Central to that report was a careful modeling of the Vermont health care economy, and how it would be impacted by that transition. The model for this report is now somewhat out of date; in particular, recent survey data of Vermont households on their insurance status can be used to update the model. But the basic structure provides an excellent starting point for modeling the incidence of current health care spending.

GMSIM is a maximally flexible and transparent model. The use of GMSIM for a wide variety of policy options, ranging from individual market tax credits to public insurance expansions to individual mandates to universal coverage, allows us to incorporate any policy alternatives that Vermont wishes to consider for GMC. And we have a long track record of making the underlying assumptions of GMSIM readily available to stakeholders, allowing for an open and honest discussion of modeling alternatives and their impacts on results.

Background: Previous Modeling of Green Mountain Care

There have been three major efforts to model Green Mountain Care (GMC), and they provide important lessons for the current proposed modeling effort. The initial effort was the report prepared by a team led by William Hsaio. The "Hsaio report" was a pathbreaking analysis of the introduction of a single payer system in Vermont. The study began with an excellent overview of the evidence and a framework for modeling how single payer will change the delivery and costs of health care in Vermont. It then incorporated those lessons into microsimulation modeling of how single payer health care would impact health care coverage and spending in the state. The report included as well an overview of macroeconomic impacts of reform, as well as a discussion of financing alternatives.

Two subsequent reports have extended the work in the Hsaio report. A subsequent joint report by the Governor's Office and the Legislature considered alternatives to several key assumptions and how they would impact the total revenue requirements for reform. Another report by Avalere Health for Vermont Partners for Health Care Reform went further in reviewing and critiquing a number of key assumptions behind the Hsaio report.

The Hsaio report was a huge undertaking, and subsequent reports have questioned some of the key assumptions, but have not revisited the underlying modeling. As such, the model that underlies the Hsaio report provides a natural starting point for any modeling of

Green Mountain Care and its financing alternatives. Such work should incorporate the insights of the subsequent reports on key assumptions and financing alternatives. But a major advantage of working with the Gruber team is that we have already developed the key model of GMC that can provide the basis for understanding financing alternatives.

Data

Our modeling of the incidence of health care spending in Vermont will draw upon a wide variety of rich data sources that are available for the state.

The 2012 Vermont Household Health Insurance Survey

In 2012, the state of Vermont undertook a detailed collection of data on households and their insurance coverage through the VHHIS. This survey gathered data from more than 4600 Vermont households, with data on almost 11,000 state residents. This is a very large sample for a state of this size; in contrast, the three year pooled sample from the Current Population Survey that was used in the Hsiao report was only about two-thirds as large. The data collection was cutting edge, including collection both from landlines and cell-phone only households. And there was an oversample of the uninsured which allows for more comprehensive modeling of the behavior of this group.

The data include a rich battery of information for each household member, including but not limited to:

- Type of insurance coverage
- Source of insurance coverage
- Duration of insurance coverage/uninsurance
- Medical expenditures
- Medical utilization and location of care
- Health insurance premiums
- Barriers to health care receipt
- Health status
- Demographics (age, gender, education, etc)
- Employment and wages
- Job characteristics, including firm size and provision of health insurance
- Family income

As described below, these data provide the ideal basis for the type of micro-simulation modeling that is required for a rich incidence analysis in Vermont.

Augmenting the VHHIS

While the VHHIS is the most comprehensive data source available for this analysis, it has three limitations. First, it is two years out of date. Second, there is well known under/mis-reporting of key measures in survey data, such as coverage by public insurance or medical expenditures. Such measurement problems could lead to important mis-statements of the incidence of health care spending and the subsequent effects of reform. Finally, a number of important expenditure items are not collected by the VHHIS but are central to understanding the incidence of health care spending in Vermont.

We will therefore carefully augment the VHHIS in a number of ways to produce the best possible estimates:

- Medicare coverage. As highlighted below, it is important to distinguish between those enrolled in traditional fee for service (FFS) Medicare and those enrolled in Medicare Advantage (MA). We will use data from the federal government on state by state FFS vs. MA enrollment to impute coverage source within the Medicare population.
- Medicaid coverage. Underreporting of public insurance coverage is a well-known problem. We will recalibrate to state and federal reports of enrollment by type of enrollee (e.g. child, disabled & blind, elderly, etc). We will also use state and federal data to distinguish enrollment in Managed Care Organizations from enrollment in direct state-funded insurance.
- Public insurance spending. The VHHIS has no data on the insured spending of those who are enrolled in public insurance. We will use data from state and federal sources to impute per capita spending by type of enrollee.
- Other state public health spending. A major fiscal benefit to the state from universal single payer coverage will be a reduction in other public health spending. We will model public health spending by individual in the VHHIS to estimate how that spending falls with Green Mountain Care's implementation.
- Employer-sponsored insurance premiums. The survey includes data on the employee portion of employer-sponsored insurance premiums, but not on the employer portion. Excellent data on premiums by firm size (both total premiums and the employer/employee shares) are collected by the Medical Expenditure Survey-Insurance Component for a large sample of firms. We will use these to impute employer premiums and to recalibrate employee premium payments.
- Individual market insurance premiums. The data include information premiums paid by those with individual market coverage, but such data can be quite noisy. Given the community rating in force in Vermont's individual insurance market, it is fairly easy to impute the correct premium payments based on enrollee age and location.

- Income. The VHHIS is not designed to focus on income collection in the same way as Census data sets such as the Current Population Survey or the American Community Survey. We will therefore recalibrate the income distribution in the VHHIS to match the distribution from these more precise Census data sets.

Microsimulation Model Construction

Structure of GMSIM

The GMSIM is a very complicated model that has evolved over the past 15 years to address the wide variety of health policy questions of the type discussed in this RFP. A detailed description of the model and how it functions is available at: <http://econ-www.mit.edu/files/5939>. In this section, we provide a brief overview of the model to help inform our responses below.

The GMSIM builds upon micro-data on individuals, such as that available for Vermont residents in the VHHIS. The GMSIM model is flexible enough to be applied to a wide variety of underlying data sources such as this one. The VHHIS, as augmented above, contains all the information necessary to implement the model for the incidence analysis as well as for later analyses of the impact of single payer health care in the state.

This data on individuals is then carefully supplemented by data on employers. The fundamental problem faced by most individual-based micro-simulation models is that data on individuals does not reflect the nature of their co-workers, so that it is impossible to know the features of a firm's workforce. GMSIM addresses this problem by building "synthetic firms" in the CPS, assigning each CPS worker a set of co-workers selected to represent the likely true set of co-workers in that firm. The core of this computation is data from the Bureau of Labor Statistics that show, for workers of any given earnings level, the earnings distribution of their co-workers. Using these data, other sample individuals are randomly selected in order to statistically replicate the earnings distribution for that worker's earnings level. These workers then become the co-workers in a worker's synthetic firm.

Assigning Incidence

A starting point for any analysis of financing reform is a rich understanding of the incidence of existing health care spending. Only by first understanding how the burden of health care costs are borne in Vermont today can we paint a rich picture of how financing alters that burden.

Addressing questions such as the incidence of health care spending requires assigning the incidence of different types of health care spending to different entities. In this section we discuss each element of health care spending and to whom it will be assigned for incidence purposes, drawing importantly on economic theory and evidence for making such assignments

Medicare Expenditures: As noted earlier, it is important to distinguish between those enrolled in the FFS portion of Medicare and those enrolled in Medicare Advantage. In either case, the incidence of insured spending is fully on the Federal government. But for ultimate modeling of the implications of the insurance industry versus the government of the move to single payer, it is important to understand how much of this spending is done directly by the government versus run through private insurance companies. With only 7% of Vermont Medicare recipients enrolled in Medicare Advantage, this is a relatively small consideration.

Medicaid Expenditures: The incidence of Medicaid expenditures is 54% on the federal government and 46% on the state government, using the most recent data on the state FMAP. Once again, however, it is ultimately important to distinguish those receiving their medical service directly from the state rather than through contracting with Medicaid Managed Care Organizations. This is an important issue as over half of those enrolled in Medicaid in Vermont are in MMCOs.

Other Government Insurance: For those covered by other government insurance (primarily military coverage) the incidence will be fully on the Federal government.

Family Premiums and Out-of-Pocket Medical Spending: The incidence of family spending on health insurance and medical spending is directly on the family, with one important exception: federal tax breaks to insurance spending. These exist in five forms. The first is the deduction from federal income taxation for health insurance premiums for the self-employed. The second is the deduction of employee premiums from state and federal taxable income for the vast majority of employees who have a Section 125 account at their workplace. The third is the deduction from state and federal taxable income of money set aside in a flexible spending account to cover out of pocket medical spending. The fourth is the deduction from federal taxable income of any family medical spending that exceeds 10% of family income. Finally, there is the deduction from taxes of any money set aside in a Health Savings Account (HSA) or Health Reimbursement Account (HRA). We will impute each of these items for residents in order to assign the relative incidence between the family and the state and federal government.

Private Employer Health Insurance Premiums: The single largest element of health care spending in the state is employer-sponsored health insurance premiums. There is a large literature in economics, to which Jonathan Gruber is a primary contributor, showing that the

incidence of employer premium payments is on employee wages. But this literature raises several questions which must be addressed in the modeling of this incidence process:

- Speed: How quickly are employer costs shifted to wages?
- Shifting barriers: What about cases where shifting is impossible because of the minimum wage?
- Process: Are these costs shifted equally to all employees? In a lump sum? As a proportion of income?

The GMSIM was used to address these issues in earlier work modeling the labor market impacts of the Affordable Care Act for both the Small Business Majority and the Manufacturers Alliance for Productivity and Innovation. In both cases, we began with the typical economics assumption that health insurance premiums were fully shifted to workers' wages in a lump sum (constant dollar) fashion across all employees. We then augment that modeling with a minimum wage constraint – wages cannot be reduced below the minimum wage, so any extra costs induced by this constraint are borne by the employer. We also assume that shifting to wages is immediate, but only to the extent that this doesn't involve lowering the cash wages paid to employees (e.g. if it can be shifted by just reducing upward inflation adjustments). If the shifting is large enough that it requires reducing cash wages, then the incidence will once again be partially on employers.

Incidence on employers in turn raises the net cost of labor and leads to a reduction in employment. This will further offset employer costs. To the extent that there are remaining employer costs, those will be borne through consumers in higher prices or by firms in lower profits.

State Health Care Spending: The state of Vermont and its localities spend a large share of their budgets on health care, ranging from employee health insurance spending, to the state share of Medicaid spending, to other state public health programs. For state and local health insurance spending, I will assume the same incidence on wages as for private employers. For state and local direct health spending, we will assume that the incidence is on state taxpayers; that is, the state has to balance its budget so that any health care spending is passed on in the form of higher taxes. We will then use data on the distribution of tax mechanisms in the state to translate this to person-specific tax payments. That is, if 50% of taxes in the state are collected via the state income tax, we will use the details of the state tax system to model the incidence of higher taxes through this mechanism. Likewise, the share of state taxes that are collected on businesses will be assigned to employers as part of their incidence.

The various elements of incidence described above can have multiple impacts on any family, through their own health care spending, health insurance premiums, and state taxes. A

key feature of GMSIM is the integration of all these changes into one total incidence measure for each family.

Modeling Green Mountain Care

The GMSIM will take as its starting point the situation in Vermont post-ACA. The model will incorporate the latest available information on the impacts of the ACA in Vermont in setting the baseline for any analysis. This will include the most recent available data on exchange enrollment across plans; plan prices and characteristics; enrollment in Medicaid; and other insurance coverage information. The GMSIM fully incorporates all aspects of the ACA, and is well regarded for its ability to mimic CBO scoring of the impacts of the ACA.

We will then model the transition to Green Mountain Care in 2017. We will model the "steady state" situation in Vermont after full transition to begin, and then turn to various scenarios for transition paths to that steady state.

Modeling the impact of GMC involves several steps. First, all individuals will be enrolled in GMC as a default. The impacts of this default enrollment will vary by type of individual:

- Uninsured individuals will be directly enrolled into GMC. But the modeling will account for the fact that, even in steady state, some hard to reach populations may remain outside the system. Even in countries with single payer systems there remains a small (1-2%) share of the population that does not use their insurance privileges.
- Those who currently purchase individual insurance will also be directly enrolled into GMC.
- Those who are on public insurance will also be directly enrolled. However, for those low income individuals who have benefits packages more generous than GMC, we will also model the "wrap-around" benefits to which they are entitled.
- The most difficult case is those who have employer-sponsored insurance, since employers can choose to continue to offer ESI in order to "top off" GMC.

The key aspect of modeling the behavioral response to GMC is therefore modeling the behavior of employers and their employees. The fundamental problem faced by most individual-based micro-simulation models is that data on individuals does not reflect the nature of their co-workers, so that it is impossible to know the features of a firm's workforce. As noted earlier, GMSIM addresses this problem by building "synthetic firms" in the CPS, assigning each CPS worker a set of co-workers selected to represent the likely true set of co-workers in that firm. This allows us to undertake detailed modeling of how employers will respond to the incentives put in place by the ACA.

In the model, employers face three decisions about insurance: offering (whether to offer if now not offering, or whether to drop if now offering); the division of costs between employer and employees; and the level of insurance spending. Each of these decisions will respond to the introduction of GMC.

In doing this type of analysis, a number of assumptions must be made about how individuals will and employers respond to changes in the price of insurance. These assumptions have been developed based on the available empirical evidence from the health economics literature, to which I am a major contributor, and are outlined in the detailed documentation cited above.

Indeed, one of the most important features of GMSIM is its transparency. Due to the proprietary nature of such models, many other modelers are unwilling to share in detail the underlying assumptions that are so critical to the analysis. Professor Gruber has made it a clear feature of all of his engagements that all assumptions that underlie the analysis are publicly available and that he is willing to engage in any necessary "sensitivity analyses" around those assumptions. This has been vital in driving widespread acceptance and use of the GMSIM results in state and federal analyses.

Modeling Single Payer Financing Alternatives

While the Hsiao report discussed the issues around financing alternatives for single payer, it did not include explicit modeling of these alternatives. The major contribution of this next round of modeling will be to explicitly incorporate financing alternatives. Our modeling will allow for any one of a very wide range of financing alternatives. Previous work for other funders and states has considered funding ranging from sales taxes to income taxes to employer assessments, and beyond. The GMSIM can readily handle any of the possible financing approaches, and we plan on assessing a number of them to compare their implications for the efficiency and equity of the health care system.

In terms of equity, we will model the incidence of these financing alternatives following the same principles laid out earlier for modeling the incidence of the existing system. For example, if the financing comes through payroll taxation of firms, we will follow the same incidence rules that we used for modeling the incidence of existing ESI spending. If the financing comes through broader state taxation, we will extend our incidence modeling to incorporate these alternatives. If the financing is through state income taxation, for example, then we will model directly the distribution of the tax burden from alternative state tax mechanisms. On the other hand, if the financing is through sales taxation, then we will assume that the incidence of sales taxation is through higher prices for consumer goods, and we will use data on consumer consumption patterns by income to determine household incidence.

In terms of efficiency, it is critical to recognize that major changes in financing can place financial burdens on employers or households that impact their underlying incomes. For example, substantial new taxes on individuals may reduce the amount of labor that is supplied to the market, as well as migration into and out of the state. We will incorporate these behavioral responses into the microsimulation model, but they may also have important macroeconomic or "general equilibrium" effects as well. For this reason we will incorporate macroeconomic modeling into our analysis, as described below.

Modeling Population and Migration Dynamics

Another limitation of the Hsiao report is that it did not consider any impacts of the transition to single payer on either population growth or migration dynamics. In terms of population growth, the expansion of insurance coverage can have two effects. First, there may be a fertility increase from expanded insurance coverage. Second, the death rate is likely to fall due to more complete and comprehensive insurance coverage. For both of these concepts, there is strong recent research to draw on in empirical modeling of how insurance changes will change fertility and mortality.

In terms of migration, this is a more uncertain area. There is little compelling evidence on how insurance expansion in one state impacts migration into and out of that state. The impacts are likely to be modest, due to high pre-existing insurance coverage levels in neighboring states, and the expansion towards universal coverage nationwide through the ACA. To model the extent of migration, we will use nationally available data from the American Community Survey to assess the insurance coverage of those living near Vermont and the value of moving into Vermont once GMC is available. We will also use the best available information on the impact of taxation on mobility to understand how any new taxes that finance GMC might impact migration out of the state.

Incorporating Actuarial Assistance

Moving to a single payer system is a major reform to the insurance system which goes well beyond the types of reforms that have been studied in the past. As such, it is critical to have a sophisticated insurance pricing model which accounts for the impact of population flows and insurance design on insurance markets.

There are two options for incorporating such actuarial assistance. The first is to rely on Wakely, Inc., who have already been engaged by the state for modeling GMC. This would work well from our perspective as we have worked closely with Wakely in other states, in particular Colorado, to integrate their actuarial insights into economic microsimulation model (as described below). Alternatively, or additionally, I can integrate into my team actuarial assistance from Ian Duncan, Ph.D., whose qualifications are described below.

Incorporating actuarial assistance is critical for understanding three aspects of the GMC reform. The first is changes in health care utilization due to the changes in the nature of the health insurance package. As noted above, these changes will vary depending on the initial starting point of individuals. The actuary will provide estimates of how these changes impact utilization of various types of medical care, as well as total medical spending.

The second is incorporating the system-wide savings from GMC into insurance pricing. This includes a number of the administrative and other savings identified in the Hsaio report, along with revisiting key assumptions as suggested in subsequent reports.

The third is modeling the ultimate cost of care within the GMC pool based on the health mix and utilization decisions of those who enroll in GMC. Recent use of GMSIM to model state-level impacts of the ACA have involved collaboration with actuaries to integrate their expertise in insurance price modeling. We have worked iteratively with these actuaries to consider the effect of insurance market change on population movements (the focus of GMSIM) and pricing (the focus of actuarial analysis). The result has been cutting edge modeling of insurance pricing that was very valuable to states as they considered the price implications of the ACA.

In particular, the integration between actuarial and economic modeling works as follows:

- Initial insurance market prices and conditions are integrated into the model as described above
- Based on these initial conditions, as well as the policy change and form of financing, GMSIM is used to model population and income flows
- This information is passed to the actuary
- These population and income flows, as well as other changes to the insurance market (such as restrictions on the nature of insurance benefits packages), will then be incorporated into an actuarial model to capture the impact on insurance pricing. This will importantly account for the potentially massive changes in insurance pools arising from the transition to single payer.
- This information is passed back to GMSIM by the actuary
- GMSIM incorporates this information in the form of new prices in insurance markets. This in turn can have important feedback effects on population flows and income changes. A new version of GMSIM is estimated that incorporates those changes.
- The information from this second iteration of GMSIM is passed to the actuaries
- The process repeats until we reach a stable point where additional runs do not meaningfully impact insurance pricing or population flows. In past cases, this has occurred after two iterations.

Incorporating Macro Modeling

The GMSIM is a "partial equilibrium" model: the model incorporates population flows and income shifts, but all within an economy of a fixed size. This is an inappropriate restriction when the changes implied by health care reform are of the scale considered by the Vermont reform. In that case, it is critical that analysts incorporate as well the "general equilibrium" impacts of shifts in the Vermont macroeconomy.

In our previous work on the Hsaio report, the results from GMSIM were integrated with the REMI to model macroeconomic impacts on Vermont. It is unclear whether the REMI model will be available for this round of modeling. I am therefore prepared, if necessary, to engage the services of one of the nation's leading macroeconomic modeling firms, Moody's Analytics.

In particular, the integration of GMSIM and the Moody's macro model would occur in a number of steps:

- GMSIM will be used to produce the change in wages and health care costs by industry.
- These results will be incorporated into IMPLAN, the tool used by Moody's to translate the type of "partial equilibrium" changes that come out of GMSIM to "general equilibrium" impacts on all industries. This is essentially a very sophisticated input-output matrix that translates how shocks to any given industry affects all others. The IMPLAN results are produced by very disaggregated industry and then aggregated to the "supersector" classifications that are used in Moody's Analytics Vermont macro model.
- IMPLAN provides results for a single point in time. Given a transition period following the initial implementation of the single-payer healthcare system before the Vermont economy hits a steady state growth path. IMPLAN will be run several times to capture the different impacts at different points along the transition path. The point estimates will be linked together to form a set of time series adjustments that can be fed into the Moody's Analytics Vermont macroeconomic model.
- Moody's Analytics will feed the IMPLAN output into the Vermont macroeconomic model and simulate the statewide impact. The process will involve "exogenizing" or adjusting the industry gross output series based on the IMPLAN output and solving for equilibrium.

Modeling the Transition to GMC

For a system change as bold as GMC, it is critical to properly model the transition. The transition may be quite different depending on the specifics of how GMC is implemented and financed. We can draw on extensive experience modeling the transition of health reform in

Massachusetts and of the ACA to carefully incorporate the behavior of individuals and employers along the transition path to GMC.

Describing the Impact of Green Mountain Care Implementation and Financing

Having carried out this detailed modeling, we are well positioned to carefully describe the impact of GMC, and its associated financing, on the state.

Impact on Individuals

We will begin by describing the impact on individuals. Our analysis will cover

- Impact on insurance generosity. For those on GMC, this is legislated. But some individuals will have no insurance (those falling through the cracks), some will have more generous public insurance, and some will retain more generous insurance through their employer
- impact on health care utilization, which as noted above will arise due to changes in the nature of insurance coverage from the transition to GMC. This will include impacts of gaining insurance coverage, as well as changes in the generosity of insurance coverage (which will incorporate actuarial modeling of how health benefits changes impact medical utilization).
- Impact on out of pocket medical spending. After modeling total medical spending, we can apply the parameters of GMC or other coverage to ascertain how much of the cost is borne by individuals.
- Impact on income. This will reflect changes in labor income due to labor market adjustments arising from GMC (e.g. changes in wages from changes in employer insurance provision), as well as changes in taxation that arise from the financing of GMC

On net, we can show the change in the total health care spending and taxation burden changes. We can present these results both in terms of aggregate burden shifts, considering the overall impact on the progressivity/regressivity of the Vermont health care system and its financing, as well as variance within these groups. We can also tabulate for each group the number of "winners" and "losers" from reform; Of particular interest is the likely case where some groups sees significant number of losers, yet net gains in terms of reduced burden because the winners are seeing such large benefits. We can show the effects on individuals and families in aggregate and along a wide variety of dimensions

- Income
- Insurance coverage type

- Employment
- Age
- Gender
- Race
- Education
- Location within the state

Impact on Employers

As noted earlier, a key component of modeling the impact of GMC will be modeling the response of employers to the GMC alternative. Using our behavioral model of employers, we will be able to assess for each employer whether they continue to offer insurance or drop that coverage; if they continue to offer, how much of the cost of insurance will be borne by employees; and, if they continue to offer, how generous that coverage will be. We will present these facts in aggregate and also by type of employer, along a variety of dimensions:

- Industry
- Firm size
- Mix of full time and part time employment
- Ex-ante insurance offering
- Revenues
- Wages of employees
- Ex-ante actuarial value of insurance offered
- Percentage of employees who took up insurance offer ex-ante
- Current employer premium contribution share

Impact on the Vermont Economy

The transition to GMC could have major impacts on the Vermont economy. These effects are difficult to predict without fully modeling how GMC, and its financing, change health care spending and incomes. As noted above, we will incorporate the model results from GMSIM into the macroeconomic model of Moody's Analytics. The result will be a detailed description of the impact of GMC on the state economy, including:

- Impacts on total state employment and GDP
- Impacts on employment and GDP by industry within the state
- Impacts on population changes through fertility, mortality and migration changes
- Impacts on aggregate and sectoral wages paid to employees
- Impacts on aggregate and sectoral profits of business
- Impacts on aggregate and sectoral prices from shifting of costs to consumer prices

Impact on the Federal Government

Cooperation with the federal government around Medicare and Medicaid policy is critical to the success of GMC. As such, it is important to paint an accurate picture of the effects of GMC on the federal budget. This will involve incorporating a number of different aspects of GMC:

- Impact on expenditures of those on public insurance
- Impact on Federal individual income taxation through changes in income of Vermont residents; this will include the transition for many firms from employer insurance (which is tax protected) to wages (which are taxed).
- Impact on Federal individual income taxation through any increases in state and local taxes, which are deductible from Federal taxable income
- Impact on Federal corporate taxation through any net changes in compensation spending as employers move away from ESI
- Impact on expenditures under the Affordable Care Act, including tax credits to individuals and small businesses, and employer assessment payments on businesses of 50 employees or more.

Impact on State Budget

GMC will have transformative impact on the state budget, on both the spending and revenue sides. A central part of this engagement will be working with state budget analysts to carefully model these budgetary effects. Importantly, this incorporates interactions between GMC and the larger state budget.

On the spending side, there are a variety of effects both direct and indirect. The direct effect includes the budgetary cost of covering state residents with GMC. As noted earlier, the size of the population enrolled in GMC will come from GMSIM modeling, while the cost per capita of enrollment in that program will be derived from joint modeling between GMSIM and actuaries. Importantly, this will incorporate the lower administrative costs of a single payer system, as discussed in the Hsiao report and subsequent studies.

There are a variety of indirect effects that either offset or augment this direct spending effect, all of which will be incorporated into the modeling and subsequent budget projections, including:

- Reductions in state spending on public insurance as individuals transition to GMC (based on the ex-ante state share of the spending)
- Reductions in other state public health programs that supplement the existing patchwork of insurance coverage

- Changes in state unemployment insurance payments if the transition leads to a transitional rise or fall in employment levels

There will also be significant impacts on the revenue side. These will depend primarily on the type of financing used for GMC. But above and beyond the direct effect of such financing there will be a variety of indirect effects as well:

- Changes to household incomes will impact state income tax collections; once again this will incorporate the differential income taxation of health insurance and wages
- Changes to household income will also impact state sales tax receipts through changes in consumption. We will use models of the marginal propensity to consume by income group to translate income to consumption changes for modeling state sales tax impacts
- Changes in business income will impact state corporate tax collections

Interaction with State Fiscal Planning

As is clear from the description above, the implementation of Green Mountain Care will have significant effects on the state budget. Therefore it is critical that any modeling be integrated with broader state fiscal planning and budget development. We will work hand in hand with state fiscal planners to understand how GMC will impact the state through factors such as enrollment in state programs, revenue increases or decreases, and associated changes in federal funds.

Trigger Analysis

As noted in the RFP, an important component of the GMC legislation is “triggers” that ensure that the law will not have a negative impact on the Vermont economy, and that it is budget neutral. The former is directly related to the macroeconomic modeling that we will integrate into our analysis, while the latter is directly related to the state budgetary analysis discussed above. We will work with the Administration and Legislature to assess whether these triggers are met, and which changes to program design may be required to meet them.

Project Staffing

The lead for this project will be Jonathan Gruber, Ph.D. He will supervise the development and implementation of the GMSIM modeling for the entire project. He will also serve as the coordination point for the integration of actuarial and macroeconomic modeling.

Jonathan Gruber is uniquely qualified to lead the research required for this project along three dimensions. The first is his broad experience and professional recognition in both Health Care Economics and broader Public Finance. Over the past two decades Gruber has published more than 150 articles in economics, mostly focused on health care and public finance issues. He has also edited six research volumes, and his textbook *Public Finance and Public Policy* is the market leader in Public Finance. He is a member of the Academy of Arts and Sciences, the Institute of Medicine, and the National Academy of Social Insurance. He directs the Health Care Program at the prestigious National Bureau of Economic Research, and was recently elected incoming President of the American Society of Health Economists. He is also an Associate Editor of both the *Journal of Health Economics* and the *Journal of Public Economics*. Gruber received the American Society of Health Economists inaugural medal for the best Health Economist in the nation age 40 and under in 2006. In 2011 he was named "One of the Top 25 Most Innovative and Practical Thinkers of Our Time" by Slate Magazine, and in both 2006 and 2012 he was rated as one of the top 100 most powerful people in health care in the United States by Modern Healthcare Magazine.

Jonathan Gruber's second major qualification is his development and management of the Gruber Microsimulation Model (GMSIM). As noted earlier, this model was used to develop the proposal for Green Mountain Care, and therefore sets a natural basis for modeling its implementation.

Gruber's third major qualification is as a policy maker. Having served on the Board of the Commonwealth Health Connector, Jonathan Gruber was a key architect of the last state-based major health insurance reform. This puts him in a unique position to consider from a policy perspective the issues that will arise in future stages of this work as Vermont makes the transition to single payer. In particular, if policy adjustments are required (for example to meet the standards of the trigger analysis), Gruber will be well positioned to discuss the policy pros and cons of alternative adjustment strategies.

The primary programmer for GMSIM will be Sean Sall. Sall graduated from Notre Dame in 2011 and has worked since graduation on the GMSIM model. He has extensive experience with the model and has used it for more than dozen different projects. He is therefore uniquely positioned to assist Professor Gruber in using GMSIM for the Vermont engagement. The

GMSIM team will be augmented by additional programmers as necessary to meet the important deadlines of this RFP, under the supervision of Gruber and Sall.

The actuarial component of the analysis can be assisted by Ian Duncan, FSA FIA FCIA MAAA. Duncan is Adjunct Professor of Actuarial Statistics at the University of California Santa Barbara. From 2010 to 2014 he served as Vice President, Clinical Outcomes, Analytics and Reporting at the Walgreens Company. He founded Solucia Consulting (now SCIO Health Analytics), a provider of analytical and consulting services to the healthcare financing industry in 1998. Mr. Duncan holds a graduate degree in economics from Balliol College, Oxford and is a fellow of the Society of Actuaries, the Institute of Actuaries (London) and the Canadian Institute of Actuaries, and a Member of the American Academy of Actuaries. He is active in public policy and healthcare reform, and serves on the boards of directors of the Commonwealth of Massachusetts Health Insurance Connector Authority and the Society of Actuaries. He is the author of numerous peer-reviewed papers, and several books and book chapters. His last book, a second edition of "Managing and Evaluating Healthcare Intervention Programs" was published in January 2014.

The macroeconomic modeling will rely on a skilled team from Moody's Analytics. Moody's Analytics provides an extensive range of advisory services to financial institutions, asset managers and large public and private companies. Moody's Analytics services are used by more than 5,400 institutions, including leading commercial and investment banks, insurance companies, money management firms, government agencies, professional service providers, and corporations in more than 100 countries across the globe.

The Moody's team will be led by Mark Zandi, who is the chief economist at Moody's Analytics. Mark's research interests include macroeconomics, financial markets and public policy. He conducts regular briefings on the economy and is often quoted in national and global publications and interviewed by major news media outlets. A trusted adviser to policymakers and an influential source of economic analysis for businesses, journalists and the public, Mark has frequently testified before Congress on topics including the economic outlook, the merits of fiscal stimulus, financial regulatory reform, and foreclosure mitigation. Dr. Zandi received his PhD at the University of Pennsylvania and his BS from the Wharton School at the University of Pennsylvania.

The team will also include Celia Chen, a senior director of the Moody's Analytics research staff, specializing in housing economics. Celia manages the Moody's Analytics regional house price forecast models, develops proprietary housing market indicators, and writes extensively about housing issues. Based in the West Chester PA office, Dr. Chen also manages and coordinates consulting services provided by the Economic & Consumer Credit Analytics' research group. Celia speaks regularly at Moody's client conferences and has provided

economic commentary for Bloomberg, CNBC and other media outlets. Cella completed her PhD at the University of Pennsylvania and holds a bachelor's degree in economics from Barnard College.

The final member of the Moody's team is Ilir Hysa, an economist who covers healthcare, international forecasts, and U.S. state and regional economies. Before joining Moody's Analytics, Ilir held research positions at the Brookings Institution and the Research Foundation of the City University of New York. Ilir received his PhD in economics from the Graduate Center of the City University of New York, his master's degree in economics from Hunter College of the City University of New York, and his bachelor's degree in physics from the University of Tirana, Albania.

Collaboration

The RFP specifically highlights the importance of collaboration both among contractors and between the contractors and the state. Such collaboration is a strong feature of past engagements involving Jonathan Gruber and GMSIM.

In terms of within-team collaboration, each of the state engagements using GMSIM in recent years has involved coordination with actuarial experts. The GMSIM team has worked hand-in-hand with the actuarial experts, using the methodology described above, to produce an integrated view of the impact of health care reform on population flows and insurance market pricing. We have worked successfully with a number of different actuarial firms, including CCRC Actuaries (West Virginia), Gorman Actuarial (Maine, Minnesota and Wisconsin), Milliman (Michigan) and Wakely (Colorado and Rhode Island).

In terms of collaboration with state policy makers, staff, and other interested stakeholders, Professor Gruber and GMSIM have an excellent track record. This arises from two important features of our team. The first is the transparency of our modeling process and our ability to clearly explain the results. The results of microsimulation modeling can often be confusing and counterintuitive. It is critical not to force such results down the throat of stakeholders; results that are treated as a "black box" will be resisted by skeptical audiences. Rather, we work with stakeholders to make the underlying assumptions transparent, and to consider requests from stakeholders for sensitivity analysis that helps them understand the findings.

The second is that Professor Gruber has extensive experience explaining health care policy issues, and how they related to microsimulation modeling, to policy audiences. He has worked with policy makers in more than a dozen states to carefully explain policy options and how the microsimulation results speak to the pros and cons of these options. He advised both the Obama Administration and the U.S. Congress on dozens of features of the Affordable Care

Act, using his model to carefully explain the implications of their policy decisions. The end result of past engagements with policy makers has been a rich understanding of how policy changes impact their constituencies, as well as the uncertainties that they face in predicting these outcomes.

Project Plan

The timeline for this analysis is as follows:

- July 1 – August 31, 2014: Gruber and GMSIM team will work to update the GMSIM Vermont model using the 2012 VHHIS and the data updates described above.
- September 1 – November 15, 2014: GMSIM will be used for initial modeling of the implementation of GMC under several financing alternatives. This will include joint work with both the actuarial and macroeconomic teams
- November 15, 2014: Initial results presented to relevant state policy makers
- November 15, 2014 – December 14, 2014: Work with state policy makers to consider alternative financing options and finalize options to be considered for final report.
- December 15, 2014- December 30, 2014: Draft final report incorporating consensus options.

Project Financing

Given the existing development of GMSIM, available computer resources, and short travel time for Gruber to Montpelier, the only costs for this initial stage of the project will be personnel.

The major costs will be for the GMSIM team:

- Jonathan Gruber: 300 hours at \$500/hour: \$150,000
- Sean Sall: 1000 hours at \$100/hour: \$100,000
- Additional programmer: 1000 hours at \$50/hour: \$50,00

Subtotal for GMSIM team: \$300,000

Additional costs will be incurred if the GMSIM team's efforts are augmented by the assistance of either Ian Duncan or Moody's Analytics. Whether these services will be required will depend on the state's existing arrangements with Wakely and/or the REMI model. If they are required, the costs are as follows:

- Ian Duncan: 100 hours at \$350/hour: \$35,000
- Moody's Analytics: \$30,000

Subtotal: \$65,000

Grand Total: \$365,000

References for Jonathan Gruber and GMSIM

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MNsure

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[REDACTED] (cell phone)

[REDACTED]

(LETTER OF REFERENCE ATTACHED)

Lunge, Robin

From: Melamed, Marisa
Sent: Wednesday, February 11, 2015 4:05 PM
To: Hoffer, Doug; Lunge, Robin
Cc: Clasen, Michael; Mesner, Susan
Subject: RE: Dr. Gruber
Attachments: AOA - Modeling Potential - Final - 05-27-14.pdf

And the RFP.

Marisa Melamed
o: 802.828.2316
c: [REDACTED]

From: Melamed, Marisa
Sent: Wednesday, February 11, 2015 4:04 PM
To: Hoffer, Doug; Lunge, Robin
Cc: Clasen, Michael; Mesner, Susan
Subject: RE: Dr. Gruber

Attached please find the bids in response to the modeling RFP.

- Jonathan Gruber (also attached his redlined redacted version)
- Urban Institute (also attached redacted version)
- RAND Corporation (also attached their redacted & redlined versions & justification)

Marisa Melamed
o: 802.828.2316
c: [REDACTED]

From: Hoffer, Doug
Sent: Wednesday, February 11, 2015 3:39 PM
To: Lunge, Robin; Melamed, Marisa
Cc: Clasen, Michael; Mesner, Susan
Subject: RE: Dr. Gruber

Thanks Robin

From: Lunge, Robin
Sent: Wednesday, February 11, 2015 3:36 PM
To: Hoffer, Doug; Melamed, Marisa
Cc: Clasen, Michael; Mesner, Susan
Subject: RE: Dr. Gruber

Marisa will shortly send you the RFP and all of the responses, both the public/redacted version and the versions including proprietary information. I am cc'ing her, so she can reply to all.

Robin J. Lunge
Director of Health Care Reform,
Agency of Administration
(802) 505 0626

Visit Governor Shumlin's Online Resources:

[Website](#) | [Facebook](#) | [Twitter](#) | [YouTube](#)

From: Hoffer, Doug
Sent: Tuesday, February 10, 2015 9:06 AM
To: Lunge, Robin
Cc: Clasen, Michael; Mesner, Susan
Subject: RE: Dr. Gruber

I don't think it's necessary for what I'm doing but I should have them for the record. If you consider them confidential, I will certainly honor that.

Thanks - Doug

From: Lunge, Robin
Sent: Tuesday, February 10, 2015 9:03 AM
To: Hoffer, Doug
Cc: Clasen, Michael; Mesner, Susan
Subject: Re: Dr. Gruber

It was competitive - do you want the other bids too?

Sent from my iPhone

On Feb 10, 2015, at 8:42 AM, Hoffer, Doug <Doug.Hoffer@state.vt.us> wrote:

Michael

Additional requests. Please send a copy of the RFP and let me how many other bids were received, if any. If it was a sole source, please provide the required memo. In addition, I don't have the tracking documents (i.e., AG approval, etc.) so I could use those as well.

Thanks - Doug

From: Hoffer, Doug
Sent: Monday, February 09, 2015 8:49 AM
To: Clasen, Michael
Cc: Lunge, Robin; susan.mesner@state.vt.us
Subject: Dr. Gruber

Michael

A few questions.

1. Unless I missed it, I never received a copy of the amended contract with Dr. Gruber. I would be grateful if you could send that over.
2. The contract refers to federal funds (page 1, #7 and Attachment A, first bullet), but I recall you telling me that no federal funds were used. Is that correct?
3. Did Dr. Gruber meet his obligation for insurance coverage as required by item #7 in Attachment C of the contract? If so, please provide the documentation.

4. Has Dr. Gruber submitted an invoice or invoices subsequent to the one dated Oct. 16, 2014? If so, please provide a copy. Has the state made any additional payments after the first two?

5. And finally, I have the "Gruber Invoice Records" file (attached). Is there any more documentation than the contents of that PDF file?

Thanks

Doug Hoffer
Vermont State Auditor
132 State Street
Montpelier, VT 05633
802.828.2281 P
802.828.2198 F



STATE OF VERMONT
AGENCY OF ADMINISTRATION

SEALED BID

**REQUEST FOR PROPOSAL FOR
MODELING POTENTIAL GREEN MOUNTAIN CARE FINANCING PROPOSALS**

Expected RFP Schedule Summary:

DATE ISSUED	May 27, 2014
QUESTIONS DUE	June 6, 2014
BIDDERS' CONFERENCE CALL	June 10, 2014 at 3pm
WRITTEN RESPONSES TO QUESTIONS	June 13, 2014
PROPOSALS DUE	June 20, 2014 at 4pm
DATE AND TIME OF BID OPENING	June 20, 2014 at 4pm
LOCATION OF BID OPENING	TBD
ANTICIPATED WORK START DATE	July 1, 2014

PLEASE BE ADVISED THAT ALL NOTIFICATIONS, RELEASES, AND AMENDMENTS ASSOCIATED WITH THIS RFP WILL BE POSTED AT:

<http://bgs.vermont.gov/purchasing/bids>

THE STATE WILL MAKE NO ATTEMPT TO CONTACT VENDORS WITH UPDATED INFORMATION. IT IS THE RESPONSIBILITY OF EACH VENDOR TO PERIODICALLY CHECK

<http://bgs.vermont.gov/purchasing/bids> **FOR ANY AND ALL NOTIFICATIONS, RELEASES AND AMENDMENTS ASSOCIATED WITH THE RFP.**

CONTACT AGENT: Linda Wortman, Purchasing Agent
MAILING ADDRESS: Office of Purchasing & Contracting
10 Baldwin Street
Montpelier, VT 05633-7501
TELEPHONE: (802) 828-4658
FAX: (802) 828-2222
E-MAIL: linda.wortman@state.vt.us

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Workers' Compensation; State Contracts Compliance Requirement; Self-Reporting

Workers' Compensation; State Contracts Compliance Requirement; Subcontractor Reporting

Attachment D: Sample Contract

Attachment E: Other Contract Provisions

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1. Overview and General Information

1.1 Overview

Act 48 of 2011 set Vermont on a path to fully implement Green Mountain Care, a system of universal and uniform health coverage for all Vermonters based on residency and ability to pay. Overall, the goal of this proposal is to assist the Administration in recommending to the state legislature by January 2015 a proposal to finance Green Mountain Care. Specifically, the Agency of Administration is recruiting a consultant or team of consultants to conduct micro-simulation and economic modeling to understand and assess the impact of moving from the current health care coverage and finance system to a publicly financed health care system.

This is a Request for Competitive Sealed Bid Proposals (RFP) for modeling expertise. This RFP provides details on what is required to submit a proposal in response to this RFP, how the Agency of Administration will evaluate the proposals, and what will be required of the contractor in performing the services.

1.2 RFP Background

The Vermont General Assembly passed Act 48 of 2011 which set Vermont on a path to fully design Green Mountain Care, a system of universal and uniform health insurance coverage for all Vermonters based on residency and ability to pay, and to implement that system. The law set forth a goal to implement a system that, within the constraints of federal and state law, and to the maximum extent possible, divorces health insurance coverage from employment and provides for public financing of universal coverage. A key next step in implementing Act 48 is consideration of public financing mechanisms for Green Mountain Care.

Prior to the passage of Act 48, the legislature commissioned an estimate of the cost of a single payer system in Vermont. These estimates were completed through the work of a team led by Dr. William Hsiao. Materials related to that effort can be found here:

<http://www.leg.state.vt.us/jfo/healthcaresystemdesign.aspx> Refinements to initial estimates can be found here. http://www.leg.state.vt.us/jfo/healthcare_act48.aspx

After passage of Act 48, the Administration refined these concepts through its financing report delivered to the legislature in 2013, generally referred to as the UMASS report. See:

http://hcr.vermont.gov/sites/hcr/files/2013/Health%20Care%20Reform%20Financing%20Plan_typos%206formatting%20corrected_012913.pdf starting at page 49 of the pdf.

Since 2013, the Administration has taken additional steps to develop the concepts set forth in the UMASS report, and the Legislature has scrutinized this report as well. Both branches of government worked collaboratively to create a consensus cost and revenue estimate that serves as an update to the above report. See

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<http://www.leg.state.vt.us/jfo/healthcare/Consensus%20estimates%20for%20Green%20Mountain%20Care.pdf>.

Additionally, a group made up of health care providers, employers, and health plans created *Partners for Health Care Reform*. See <http://vphcr.org/>. The group commissioned an analysis of the UMASS report, generally known as the Avalere Report. See:

<http://www2.leg.state.vt.us/CommitteeDocs/Health%20Care%20Oversight/Health%20Care%20Reform%20Financing%20Plan/11-14-2013~Bob%20Atlas~Avalere%20Report%20A6%20Evaluation%20of%20Vermont%20Health%20Care%20Reform%20Financing%20Plan.pdf>

Subsequent to the Avalere Report, the Administration and *Partners for Health Care Reform* agreed to collaborate on the issues raised in the Avalere report to try and reach a common level of understanding prior to the anticipated delivery of a Green Mountain Care financing report to the legislature in 2015.

Multiple contractors and myriad state staff continue to work to further develop and implement Green Mountain Care. The contractor should expect to work collaboratively with other analysts, actuaries, economists, policy experts, and lawyers already engaged in this project.

2. Scope of Work

2.1 Professional Services to be Rendered

2.1a Modeling and Analysis

The consultant will assist the Administration by conducting the following modeling and analysis.

- Simulation of each individual in the population based on various coverage and financing alternatives, using demographics, family size, income, health status, utilization, current coverage, and cost. The modeling will migrate each individual to Green Mountain Care, apply expected adjustments to each individual based on individual circumstances, and aggregate up to meet detailed program development data requirements.
- Simulation of each Vermont employer based on various coverage and financing alternatives, using numbers of full-time and part-time employees, revenues, income, industry, whether the employer offers coverage, whether the employer self-insures, actuarial value of coverage offered, current contribution to premium, and percentages of employees who take up each type of coverage offered. Moreover, the modeling will estimate each employer's contribution to employee health care costs with and without Green Mountain Care, and aggregate up to meet detailed program development data requirements.

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- Estimation of federal contributions to Green Mountain Care, including the utilization of advance premium tax credits, cost sharing reductions, small business tax credits, and enhanced Medicaid participation.
- Estimation of individual and business penalties within the Affordable Care Act.
- Estimation of the overall economic impact of Green Mountain Care, including;
 - changes in Gross State Product in the aggregate and by industry sector;
 - changes in job creation and job growth in the aggregate and by industry sector;
 - changes in migration and population growth;
 - changes in state revenue streams compared to the current consensus revenue forecast;
 - overall competitiveness of Vermont businesses, including profitability of firms, worker wages, overall job supply and the distribution of jobs between health care and other sectors, and;
 - identification of specific populations that are likely to experience change in their health care expenditures related to Green Mountain Care.
- Estimation of the impact on state and local government spending.
- Estimation of the interaction between the financing concepts and state and federal tax law, including the deductibility of health care expenses as a business expense and the exclusion of employer contributions to health care from personal income.
- Estimation of the economic impact of various potential comprehensive tax reform concepts, including the interaction between tax reform and health care financing concepts.
- Estimate the impact of proposed changes on household income to enable the state to determine through its own existing models the consequent changes in eligibility for and enrollment in state programs and the drawdown of federal funds.
- The consultant must be able to model multi-year strategies that would ensure an orderly transition from the status quo to full implementation of Green Mountain Care for businesses, individuals, and the State.

2.1b Green Mountain Care Trigger Analysis

Beyond modeling, the consultant will assist the Administration in evaluating proposals against the criterion for implementation established in Act 48 of 2011. These criteria are known generally as the Act 48 “triggers” and the relevant finance triggers are listed below:

- When implemented, Green Mountain Care will not have a negative aggregate impact on Vermont’s economy.
- The financing for Green Mountain Care is sustainable.

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2.1c Budget Development and Forecast

Additionally, the consultant will assist the Administration in the creation of a three year budget for Green Mountain Care and five year health care cost and revenue forecast.

2.1d Development of a Final Work Product

The consultant will assist the Administration and other consultants in the development of final policy recommendations that form the basis of a comprehensive report to the state legislature. The Administration will submit its report with findings and recommendations to the state legislature on or before January 15, 2015. The report should include a comparison of the baseline to the proposed future state using the following categories:

- Household
 - by AGI
 - family size
 - premiums, including average by family income and size;
 - out of pocket expenses, including average by family income and size;
 - indirect payment of health care through taxes (federal, state, and municipal),
- Employers
 - Size: by number of employees and size of payroll
 - Type of business: NAICs code, industry, or other category
 - Business by current health insurance offered
- Health Care
 - Household by health status
 - Insurance coverage
 - Employment relationship
 - Age

2.1e Data Considerations

The analysis should use Vermont specific data where possible. The State shall provide the vendor with specific health care financing and tax reform scenarios to model. The State of Vermont, through its contract actuaries, will provide data and assumptions to inform the micro simulation modeling. The State will work collaboratively with the vendor to acquire and use other data sources that may be helpful within the limits of federal and state confidentiality laws.

2.1f Other Deliverables

The contractor will produce ad hoc reports as needed. The contractor should anticipate using resources to explain modeling to state staff and other contractors and engage in a collaborative and iterative process to refine financing concepts.

3. Schedule of Events

3.1 Questions and Answers

Any vendor requiring clarification of any section of this RFP or wishing to comment or take exception to any requirements or other portion of this RFP must submit specific questions in writing no later than **June 6, 2014**. Questions may be e-mailed to: linda.wortman@state.vt.us or sent through the mail to:

**Linda Wortman,
Purchasing Agent, Office of Purchasing & Contracting
10 Baldwin Street
Montpelier, VT 05633-7501**

At the close of the question period a copy of all questions or comments and the State's responses will be posted on the State's web site <http://bgs.vermont.gov/purchasing/bids>. Every effort will be made to have these available as soon after the question period ends, contingent on the number and complexity of the questions.

3.2 Bidders Conference

A bidder's conference call will be held on June 10, 2014 at 3pm EST. The conference call number is: 1-877-273-4202 and the participant code is: 7289626.

4. PROPOSAL REQUIREMENTS

4.1 Proposal Response and Format

The bid is the Agency of Administration's primary vehicle for obtaining essential information upon which contract award decisions are based. Instructions contained in the RFP must be met in order to qualify for consideration for award. Bids that do not meet or comply with all instructions may be considered non-responsive and may be discarded.

The content and format requirements listed below are the minimum required for our evaluation. They are not intended to limit the content of the proposals; bidders may include additional information or offer alternatives that may be considered.

4.2 Specific RFP Response

Experience and Qualifications: Vendors must describe their experience for completing similar work as outlined in the Scope of Work. Mere reiterations of RFP-stated services are discouraged as they do not provide insight into the bidder's understanding of the required tasks and responsibilities, nor the uniqueness of the bidder's performance capabilities.

References: Provide the names, addresses, and phone numbers of at least three companies or State Agencies that the vendor has performed similar work for within the last 5 years. You must include contact names who can talk knowledgeably about performance and deliverables. The State reserves the right to contact any references provided by the Vendor. The State invites Vendors to provide letters of reference from previous clients.

Project Plan: Describe the bidder's approach and plans for accomplishing the work outlined in the Scope of Work of this RFP. These plans and approaches must be described in sufficient detail to permit the Agency of Administration to fully evaluate them. The section must contain proposed project management structure, proposed major project milestones, and identification of a specific project manager. Also, the bidder must supply detailed information concerning any subcontractors proposed to be used during the performance of the responsibilities under the contract. The successful bidder and the Agency of Administration will develop collaboratively a month by month work plan.

Data Plan: Summarize the analytic approaches and data sets you expect to use for this evaluation. Describe your micro-simulation model and how you will modify it for this purpose. Enumerate the types of source of data, e.g. Vermont, regional, federal, proprietary model, or others, the reason for using these data, especially when not using Vermont specific data, the ability of any existing model to incorporate new data or different assumptions, and specific actions to be taken to convert regional and federal data to be more relevant to Vermont.

Collaborative Strategy: The vendor will be required to work in an environment with multiple contractors, as the State of Vermont relies on multiple contractors for health policy, economic, tax, and actuarial analysis. Please describe how you would work to integrate their work, viewpoint, and questions into the process of completing the modeling and analysis. The vendor shall describe past experiences working in an environment with multiple contractors.

Project Staffing: The vendor shall describe the qualifications of key personnel and the role each of them is expected to play. Describe team members' knowledge of health care systems, health care reform initiatives, and health care finance systems and data sets. Please attach a resume for each team member (limited to 3 pages each).

Pricing: Provide your cost estimate by Task, including any and all costs that you wish the State to consider. Describe the cost structure for the project, including billing rates and estimated hours for key staff, payments to any subcontractors, overhead rates, and estimated non-salary expenses, including travel.

Page Limit: Bidders must limit their responses to no more than 25 pages in length, including all of the requirements, with the exception of team member resumes. Bidders may also submit examples of past work; these examples are not included in the page limit.

5. METHOD OF AWARD

METHOD OF AWARD

Awards will be made in the best interest of the State of Vermont. The State may award one or more contracts and reserves the right to make additional awards to other compliant Vendors at any time during the first year of the contract if such award is deemed to be in the best interest of the State.

Evaluation Criteria

Proposals that meet the specifications of this RFP, and that are received in this office by the appointed deadline, will be evaluated by a review committee composed of Agency of Administration staff.

Evaluation Factors

- Understanding of Work
- Approach and Methodology
- Staff Education, Experience and References
- Cost
- Availability and Flexibility

If the procedural instructions are not followed, the proposal shall be considered non-responsive. Non-responsive proposals will be eliminated from further evaluation.

6. SEALED BID INSTRUCTIONS

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- **Submit an Original Unbound Master (1), clearly marked as such, three (3) paper copies and one (1) CD-ROM copy.**
- All bids must be sealed and must be addressed to the **State of Vermont, Office of Purchasing & Contracting, 10 Baldwin Street - Montpelier, VT 05633-7501**. BID ENVELOPES MUST BE CLEARLY MARKED 'SEALED BID' AND SHOW PROPOSAL TITLE, OPENING DATE AND NAME OF BIDDER.
- All bidders are hereby notified that sealed bids must be received and time stamped by the Office of Purchasing & Contracting located at 10 Baldwin St - Montpelier, VT 05633-7501 by the time of the bid opening. Bids not in possession of the Office of Purchasing & Contracting at the time of the bid opening will be returned to the vendor, and will not be considered.
- The Office of Purchasing & Contracting may, for cause, change the date and/or time of bid openings or issue an addendum. If a change is made, the State will make a reasonable effort to inform all bidders by posting at: <http://bgs.vermont.gov/purchasing/bids>.
- All bids will be publically opened. Typically, the Office of Purchasing & Contracting will open the bid, read the name and address of the bidder, and read the bid amount. However, the Office of Purchasing & Contracting reserves the right to limit the information disclosed at the bid opening to the name and address of the bidder when, in its sole discretion, the Office of Purchasing & Contracting determines that the nature, type, or size of the bid is such that the Office of Purchasing & Contracting cannot immediately (at the opening) determine that the bids are in compliance with the RFP. As such, there will be cases in which the bid amount will not be read at the bid opening. Bid openings are open to members of the public. Bid results are a public record however, the bid results are exempt from disclosure to the public until the award has been made and the contract is executed.

7. DELIVERY METHODS

U.S. MAIL:

- Bidders are cautioned that it is their responsibility to originate the mailing of bids in sufficient time to ensure bids are received and time stamped by the Office of Purchasing & Contracting prior to the time of the bid opening.

EXPRESS DELIVERY:

- If bids are being sent via an express delivery service, be certain that the RFP designation is clearly shown on the outside of the delivery envelope or box. Express delivery packages will not be considered received by the State until the express delivery package has been received and time stamped by the Office of Purchasing & Contracting.

HAND DELIVERY:

- Hand carried bids shall be delivered to a representative of the Division prior to the bid opening.

ELECTRONIC:

- Electronic bids will not be accepted.

FAX BIDS:

- FAXED bids will not be accepted.

8. BID SUBMISSION

- 8.1 **DUE DATE:** The closing date for the receipt of bids is **June 20, 2014 at 4:00 p.m.**

The bid opening will be held at **10 Baldwin Street, Montpelier, VT 05633-7501** at the date and time listed on page one and is open to the public.

- 8.2 **Confidentiality:**

All submittals will be subject to the State's Access to Public Records Law, 1 VSA§ 315 et seq. Subsequent to award of this RFP, all or part of any submittal will be released to any person or firm who requests it. Vendors shall specify in their cover letter if they desire that any portion of their submittal be treated as proprietary and not releasable as public information. **A redacted copy should be included for portions of submittal that is not proprietary.**

- 8.3 **Submission Checklist**

Hard *Copies* (3)

Original Unbound *Master* (1)

1 CD electronic copy of the bid

Cover Letter

Proposal, in accordance with scope of work and bid requirements

Standard State Provisions for Contracts and Grants

Offshore Outsourcing Form

Certificate of Compliance

Workers' Compensation; State Contracts Compliance Requirement; Self Reporting

Workers' Compensation; State Contracts Compliance Requirement; Subcontractor Reporting

Econometric Modeling Questionnaire

8.4 Attachments:

Attachment A: Certificate of Compliance

Attachment B: Offshore Outsourcing Questionnaire

Attachment C: Standard State Provisions for Contracts and Grants (Nov 7, 2012)

Workers' Compensation; State Contracts Compliance Requirement; Self Reporting

Workers' Compensation; State Contracts Compliance Requirement; Subcontractor Reporting

Attachment D: Sample Contract

Attachment E: Other Contract Provisions

Attachment F: Econometric Modeling Questionnaire

9.0 General Terms and Conditions

9.1 Statement of Rights

The State of Vermont reserves the right to obtain clarification or additional information necessary to properly evaluate a proposal. Vendors may be asked to give a verbal presentation of their proposal after submission. Failure of Vendor to respond to a request for additional information or clarification could result in rejection of that Vendor's proposal. To secure a project that is deemed to be in the best interest of the State, the State reserves the right to accept or reject any and all bids, in whole or in part, with or without cause, and to waive technicalities in submissions. The State also reserves the right to make purchases outside of the awarded Contracts where it is deemed in the best interest of the State.

9.2 Non-Disclosure Agreement

Contractors will be required to sign a non-disclosure agreement in a form acceptable to the State.

9.3 Location of Work

Generally, the vendor may conduct their work at their normal business location and work with state staff through phone, email, teleconferencing, and via online based meeting applications. Vendors should expect to travel to Montpelier several times for meetings with state staff, key administration officials, legislative officials and staff, and other contractors. Specifically, at a minimum, vendors should expect to attend in person an initial project management meeting during Summer 2014 to define project management structure, develop detailed work plan for deliverables, identify key assumptions, and identify and gather data necessary to complete tasks

and again for several days in December 2014 and/or January 2015 to present the reports to key administrative officials, legislative committees, and stakeholder groups.

Where applicable, the State will provide a project facility with desks, telephone, LAN connections, and printers. If specific laptop computers or other mobile peripheral devices are required by the Contractor then the Contractor must provide its own equipment and will be given the appropriate support by the State. Contractors will be provided support by the State in setting up any accounts or connections required (i.e. State email system, network connectivity, network printing etc.) and vendors will have access to State phones for use in project related business calls. The State will not pay Contractors' cell phone bills.

9.4 CONTRACT TERMS: The selected bidder(s) will sign a contract with the Agency of Administration to provide the services named in the bid, at the price listed. A copy of the standard State contract is attached. PLEASE NOTE THAT THE STATE WILL NOT ACCEPT THE VENDOR'S TERMS AND CONDITIONS IN LIEU OF THE STANDARD STATE CONTRACT PROVISIONS.

A statement from the Vendor and its legal counsel acknowledging all Customary State Contract Provisions with any exceptions or additional provisions noted. (These will be considered when making an award).

The Agency of Administration may cancel upon discovery that a bidder is in violation of any portion of the agreement, including an inability by the bidder to provide the services, and/or support offered in their bid. Contracts may be amended by mutual agreement of the parties. The contract may be cancelled by the Agency of Administration by giving written notice at least 30 days in advance. The Contractor may cancel the contract by giving 120 days written notice in advance. If, during the term of the contract, the Contractor cannot provide the required services using the personnel identified in the bid, the Contractor will notify the Agency of Administration and provide assurances that the substitute personnel will in no way diminish the capacity of the Contractor to perform.

9.5 Work Product

All Work Product shall belong exclusively to the State, with the State having the sole and exclusive right to apply for, obtain, register, hold and renew, in its own name and/or for its own benefit, all patents and copyrights, and all applications and registrations, renewals and continuations thereof and/or any and all other appropriate protection. To the extent exclusive title and/or complete and exclusive ownership rights in and to any Work Product may not originally vest in the State by operation of Laws or otherwise as contemplated hereunder, Contractor shall immediately upon request, unconditionally and irrevocably assign, transfer and convey to the State all right, title and interest therein.

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“Work Product” means any tangible or intangible work product, creation, material, item or deliverable, documentation, information and/or other items created by Contractor, either solely or jointly with others, including by Contractor staffing that are specifically commissioned by the State under a Contract or other written agreement, and which are developed, conceived of, prepared, procured, generated or produced by Contractor. Work Product specifically excludes any tangible or intangible work product, creation, material, item or deliverable, documentation, information, deliverables and/or other items which were proprietary to the Contractor prior to the date of contracting with the State. Work Product may include ideas, inventions, improvements, discoveries, methodologies or processes, or writings, designs, models, drawings, photographs, reports, formulas, algorithms, patterns, devices, compilations, databases, computer programs, specifications, operating instructions, procedures manuals, or other documentation, whether or not protectable under Title 17 of the U.S. Code and whether or not patentable or otherwise protectable under Title 35 of the U.S. Code, that are developed, conceived of, prepared, arise, procured, generated or produced in connection with a Contract with the State, whether as individual items or a combination of components and whether or not the Services or the intended Work Product itself are or is completed or the same are or is reduced to practice during the Term.

9.6 Confidentiality of State Information

Contractor agrees to keep confidential all information received and collected by Contractor, or to which the Contractor may have access to or come in contact with in connection with a project. The Contractor agrees not to publish, reproduce, or otherwise divulge any such State information in whole or in part, in any manner or form or authorize or permit others to do so. Contractor will take reasonable measures as are necessary to restrict access to State Information in the Contractor’s possession to those employees on his/her staff who must have the information on a “need to know” basis. The Contractor shall promptly notify the State of any request or demand by any court, governmental agency or other person asserting a demand or request for State information to which the Contractor or any third party hosting service of the Contractor may have access, so that the State may seek an appropriate protective order. In the Contract, the Contractor shall represent and warrant that it has implemented and it shall maintain during the term of any agreement the highest industry standard administrative, technical, and physical safeguards and controls consistent with NIST *Special Publication 800-53* and *Federal Information Processing Standards Publication 200* and designed to (i) ensure the security and confidentiality of State Information; (ii) protect against any anticipated security threats or hazards to the security or integrity of the State Information; and (iii) protect against unauthorized access to or use of State Information. Such measures include at a minimum, as applicable: (1) access controls on information systems, including controls to authenticate and permit access to State Information only to authorized individuals and controls to prevent the Contractor employees from providing State Information to unauthorized individuals who may seek to obtain this information (whether through fraudulent means or otherwise); (2) industry-standard firewall protection; (3) encryption of electronic State Information while in transit from the Contractor networks to external networks; (4) measures to store in a secure fashion all State Information which shall include multiple levels of

authentication; (5) dual control procedures, segregation of duties, and pre-employment criminal background checks for employees with responsibilities for or access to State Information; (6) measures to ensure that the State Information shall not be altered or corrupted without the prior written consent of the State; (7) measures to protect against destruction, loss or damage of State Information due to potential environmental hazards, such as fire and water damage; (8) staff training to implement the information security measures; and (9) monitoring of the security of any portions of the Contractor systems that are used in the provision of the services against intrusion on a twenty-four (24) hour a day basis.

In addition, the Contractor may advise the Governor on policy matters related to the project to assist the Governor in deliberations and decision-making related to the project. The Contractor's advice will include recommendations to contribute to the Governor's deliberations as part of the decision-making process.

9.7 Performance Measures

In accordance with current State of Vermont policy and procedures, the Contract may include Contractor performance measures. The specific performance measures will be determined during the Contract negotiation process.

9.8 Taxes

Most State purchases are not subject to federal or state sales or excise taxes and must be invoiced tax free. An exemption certificate will be furnished upon request covering taxable items. The Contractor agrees to pay all Vermont taxes which may be due as a result of this order. If taxes are to be applied to the purchase it will be so noted in the response.

9.9 Amendments

No changes, modifications, or amendments in the terms and conditions of a Contract shall be effective unless reduced to writing, numbered, and signed by the duly authorized representative of the State and Contractor.

9.10 Non Collusion

The State of Vermont is conscious of and concerned about collusion. It should therefore be understood by all that in signing bid and contract documents they agree that the prices quoted have been arrived at without collusion and that no prior information concerning these prices has been received from or given to a competitive company. If there is sufficient evidence to warrant investigation of the bid/contract process by the Office of the Attorney General, all Vendors should understand that this paragraph might be used as a basis for litigation.

9.11 Insurance

In addition to the insurance required in the Standard State Provisions for Contracts and Grants, Contractor agrees to procure and maintain professional liability insurance for any and all services

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performed under this Contract, with a minimum coverage of \$2,000,000 per occurrence, with the actual coverage amount to be determined in the State's discretion.

9.12 Business Registration

To be awarded a contract by the State of Vermont a Vendor must be (except an individual doing business in his/her own name) registered with the Vermont Secretary of State's office <http://www.sec.state.vt.us/tutor/dobiz/forms/fcregist.htm> and must obtain a Contractor's Business Account Number issued by the Vermont Department of Taxes <http://www.state.vt.us/tax/pdf.word.excel/forms/business/s-1&instr.pdf>

9.13 Contract Negotiation

Upon completion of the evaluation process, the State may select one or more Vendors with which to negotiate a contract, based on the evaluation findings and other criteria deemed relevant for ensuring that the decision made is in the best interest of the State of Vermont. In the event the State is successful in negotiating with the Vendor, the State will issue a notice of award. In the event State is not successful in negotiating a contract with a selected Vendor, the State reserves the option of negotiating with another Vendor.

9.14 Worker's Compensation; State Contracts Compliance Requirement

The Department of Buildings and General Services in accordance with Act 54, Section 32 of the Acts of 2009 and for total projects costs exceeding \$250,000.00, requires bidders comply with the following provisions and requirements.

Self Reporting: Workers' Compensation; State Contracts Compliance Requirement:

- (a) (1) Bidder is required to self report detailed information including information relating to past violations, convictions, suspensions, and any other information related to past performance and likely compliance with proper coding and classification of employees requested by the applicable agency.
- The bidder is required to report information on any violations that occurred in the previous 12 months.
- **This form must be completed and submitted as part of the response for the proposal to be considered valid.**

Subcontractor Reporting: Workers' Compensation; State Contracts Compliance Requirement:

- Upon award of contract, **and prior to the commencement of work**, the successful bidder agrees to comply with Subcontractor Reporting requirements in accordance

with Act 54, Section 32 of the Acts of 2009 and for total projects costs exceeding \$250,000.00 as follows:

- Provide a list of subcontractors to be used on the job along with lists of subcontractor's subcontractors and by whom those subcontractors are insured for workers' compensation purposes. This is not a requirement for subcontractor's providing supplies only and no labor to the overall contract or project. This list **MUST** be updated and provided to the State as additional subcontractors are hired. A sample form is included in the bid package.
- Failure to adhere to Act 54, Section 32 of the Acts of 2009 and submit Subcontractor Reporting: Workers' Compensation; State Contracts Compliance Requirement will constitute non-compliance and may result in cancellation of contract and/or forfeiture of future bidding privileges until resolved.

9.15 Certificate of Compliance:

This form must be completed and submitted as part of the response for the proposal to be considered valid.

9.16 Offshore Outsourcing Questionnaire:

This form must be completed and submitted as part of the proposal to be considered valid.

9.17 Econometric Modeling

The Department of Buildings and General Services in accordance with Act 112 of the Acts of 2012, "An act relating to evaluating net costs of government purchasing," requires the Secretary of Administration and the legislative economist to design and implement a pilot project to help measure the net fiscal impact to the state of certain identified purchases. In order to accomplish this goal, we are seeking data on contracts for goods and services to support the econometric evaluation. Questions have been identified that may assist the state in the data collection process which will ultimately be used for Econometric Modeling.

For bid amounts exceeding \$100,000.00 bidders are required to complete and submit the Econometric Modeling Questionnaire included as part of this RFP (refer to Attachment F: Econometric Modeling Questionnaire, at time of bid.

9.18 Price Guarantee

Contractor is required to maintain its price for a fixed period of time. Provide an hourly rate for future work should an extension of the Contractor's services be requested.

Attachment A: Certificate of Compliance

RFP/PROJECT: MODELING POTENTIAL GREEN MOUNTAIN CARE FINANCING PROPOSALS

DATE: May 27, 2014

This form must be completed in its entirety and submitted as part of the response for the proposal to be considered valid.

TAXES: Pursuant to 32 V.S.A. § 3113, bidder hereby certifies, under the pains and penalties of perjury, that the company/individual is in good standing with respect to, or in full compliance with a plan to pay, any and all taxes due to the State of Vermont as of the date this statement is made. A person is in good standing if no taxes are due, if the liability for any tax that may be due is on appeal, or if the person is in compliance with a payment plan approved by the Commissioner of Taxes.

INSURANCE: Bidder certifies that the company/individual is in compliance with, or is prepared to comply with, the insurance requirements as detailed in Section 7 of Attachment C: Standard State Contract Provisions. Certificates of insurance must be provided prior to issuance of a contract and/or purchase order. If the certificate(s) of insurance is/are not received by the Office of Purchasing & Contracting within five (5) days of notification of award, the State of Vermont reserves the right to select another vendor. Please reference the RFP and/or RFQ # when submitting the certificate of insurance.

CONTRACT TERMS: The undersigned hereby acknowledges and agrees to Attachment C: Standard State Contract Provisions.

TERMS OF SALE: The undersigned agrees to furnish the products or services listed at the prices quoted. The Terms of Sales are Net 30 days from receipt of service or invoice, whichever is later. Percentage discounts may be offered for prompt payments of invoices, however such discounts must be in effect for a period of 30 days or more in order to be considered in making awards.

Form of Payment: Would you accept the Visa Purchasing Card as a form of payment? Yes No

Insurance Certificate(s): Attached _____ will provide upon notification of award _____

Delivery Offered: _____ days after notice of award Terms of Sale: _____
(If Discount)

Quotation Valid for: _____ days Date: _____

Name of Company: _____ Contact Name: _____

Address: _____ Fax Number: _____

_____ E-mail: _____

By: _____ Name: _____
Signature (Bid Not Valid Unless Signed) (Type or Print)

Worker's Compensation; State Contracts Compliance Requirement

RFP/PROJECT: MODELING POTENTIAL GREEN MOUNTAIN CARE FINANCING PROPOSALS

DATE: May 27, 2014

WORKERS' COMPENSATION; STATE CONTRACTS COMPLIANCE REQUIREMENT

Self Reporting
Form 1 of 1

This form must be completed in its entirety and submitted as part of the response for the proposal to be considered valid.

The Department of Buildings and General Services in accordance with Act 54, Section 32 of the Acts of 2009 and for total projects costs exceeding \$250,000.00, requires bidders comply with the following provisions and requirements.

Bidder is required to self report the following information relating to past violations, convictions, suspensions, and any other information related to past performance relative to coding and classification for worker's compensation. The state is requiring information on any violations that occurred in the previous 12 months.

Summary of Detailed Information	Date of Notification	Outcome

WORKERS' COMPENSATION STATE CONTRACTS COMPLIANCE REQUIREMENT: Bidder hereby certifies that the company/individual is in compliance with the requirements as detailed in Act 54, Section 32 of the Acts of 2009.

Date: _____

Name of Company: _____

Contact Name: _____

Address: _____

Title: _____

Phone Number: _____

E-mail: _____

Fax Number: _____

By: _____

Name: _____

Signature (Bid Not Valid Unless Signed)*

(Type or Print)

*Form must be signed by individual authorized to sign on the bidder's behalf.

Worker's Compensation; State Contracts Compliance Requirement

RFP/PROJECT: MODELING POTENTIAL GREEN MOUNTAIN CARE FINANCING PROPOSALS

DATE: May 27, 2014

WORKERS' COMPENSATION; STATE CONTRACTS COMPLIANCE REQUIREMENT

Subcontractor Reporting Form

This form must be completed in its entirety and submitted prior to the commencement of work and updated as necessary and provided to the State as additional subcontractors are hired.

The Department of Buildings and General Services in accordance with Act 54, Section 32 of the Acts of 2009 and for total project costs exceeding \$250,000.00 requires bidders to comply with the following provisions and requirements.

Contractor is required to provide a list of subcontractors on the job along with lists of subcontractor's subcontractors and by whom those subcontractors are insured for workers' compensation purposes. Include additional pages if necessary. This is not a requirement for subcontractor's providing supplies only and no labor to the overall contract or project.

Subcontractor	Insured By		Subcontractor's Sub	Insured By

Date: _____

Name of Company: _____

Contact Name: _____

Address: _____

Title: _____

Phone Number: _____

E-mail: _____

Fax Number: _____

By: _____

Name: _____

Failure to adhere to Act 54, Section 32 of the Acts of 2009 and submit Subcontractor Reporting: Workers' Compensation; State Contracts Compliance Requirement will constitute non-compliance and may result in cancellation of contract and/or forfeiture of future bidding privileges until resolved.

Send Completed Form To: Office of Purchasing & Contracting
10 Baldwin Street
Montpelier, VT 05633-7501
Attention: Contract Administration

Attachment F - Econometric Modeling Questionnaire
May 27, 2014

For bid amounts exceeding \$100,000.00 bidders are required to respond to the questions identified below.

Act 112 of the Acts of 2012, "An act relating to evaluating net costs of government purchasing," requires the Secretary of Administration and the legislative economist to design and implement a pilot project to help measure the net fiscal impact to the state of certain identified purchases. In order to accomplish this goal, we are seeking data on contracts for goods and services to support the econometric evaluation.

Questions have been identified that may assist the state in the data collection process which will ultimately be used for Econometric Modeling. Indicate N/A if not applicable.

1. Vermont-based company?

Yes: _____ No _____

2. Describe your companies presence in Vermont:

Description: _____

3. Indicate number of employees residing in Vermont: _____

4. Indicate percentage (%) of employees residing in Vermont: _____(%)

5. Indicate Vermont payroll for most recent fiscal year: \$ _____

6. Indicate percent (%) of total payroll in Vermont: _____(%)

When responding to questions 7 and 8, please indicate: Yes, No, or Not known at time of bid.

7. If Out-of-State Vendor (see Question 1), do you expect to use Vermont subcontractors to fulfill any portion of the Contract? Or, will Vermont be the source of any portion of goods sold? _____

8. If Vermont Vendor (see Question 1), will out-of-state subcontractors or goods sourced outside of Vermont be used to fulfill any portion of the contract? _____

Name of Bidder: _____

Signature of Bidder: _____

Date: _____

Attachment B: Offshore Outsourcing Questionnaire

Vendors must indicate whether or not any services are or will be outsourced under the terms of any agreement with the State of Vermont. Indicate N/A if not applicable. This is required by the State of Vermont but cannot be used as an evaluation criterion under Federal Law.

Services:

Proposed Service to be Outsourced	Bid Total or Contract Estimate	Represents what % of total Contract Dollars	Outsourced Dollars	Outsourced Work Location (Country)	Subcontractor

If any or all of the services are or will be outsourced offshore, Vendors are required to provide a cost estimate of what the cost would be to provide the same services onshore and/or in Vermont.

Proposed Service to be Outsourced	Bid Total or Contract Estimate if provided Onshore	Bid Total or Contract Estimate if provided in Vermont	Cost Impact	Onshore Work Location	Subcontractor

Name of Bidder: _____

Signature of Bidder: _____

Date: _____

**ATTACHMENT C: STANDARD STATE PROVISIONS
FOR CONTRACTS AND GRANTS**

1. **Entire Agreement:** This Agreement, whether in the form of a Contract, State Funded Grant, or Federally Funded Grant, represents the entire agreement between the parties on the subject matter. All prior agreements, representations, statements, negotiations, and understandings shall have no effect.
2. **Applicable Law:** This Agreement will be governed by the laws of the State of Vermont.
3. **Definitions:** For purposes of this Attachment, "Party" shall mean the Contractor, Grantee or Subrecipient, with whom the State of Vermont is executing this Agreement and consistent with the form of the Agreement.
4. **Appropriations:** If this Agreement extends into more than one fiscal year of the State (July 1 to June 30), and if appropriations are insufficient to support this Agreement, the State may cancel at the end of the fiscal year, or otherwise upon the expiration of existing appropriation authority. In the case that this Agreement is a Grant that is funded in whole or in part by federal funds, and in the event federal funds become unavailable or reduced, the State may suspend or cancel this Grant immediately, and the State shall have no obligation to pay Subrecipient from State revenues.
5. **No Employee Benefits For Party:** The Party understands that the State will not provide any individual retirement benefits, group life insurance, group health and dental insurance, vacation or sick leave, workers compensation or other benefits or services available to State employees, nor will the state withhold any state or federal taxes except as required under applicable tax laws, which shall be determined in advance of execution of the Agreement. The Party understands that all tax returns required by the Internal Revenue Code and the State of Vermont, including but not limited to income, withholding, sales and use, and rooms and meals, must be filed by the Party, and information as to Agreement income will be provided by the State of Vermont to the Internal Revenue Service and the Vermont Department of Taxes.
6. **Independence, Liability:** The Party will act in an independent capacity and not as officers or employees of the State.

The Party shall defend the State and its officers and employees against all claims or suits arising in whole or in part from any act or omission of the Party or of any agent of the Party. The State shall notify the Party in the event of any such claim or suit, and the Party shall immediately retain counsel and otherwise provide a complete defense against the entire claim or suit.

After a final judgment or settlement the Party may request recoupment of specific defense costs and may file suit in Washington Superior Court requesting recoupment. The Party shall be entitled to recoup costs only upon a showing that such costs were entirely unrelated to the defense of any claim arising from an act or omission of the Party.

The Party shall indemnify the State and its officers and employees in the event that the State, its officers or employees become legally obligated to pay any damages or losses arising from any act or omission of the Party.

7. **Insurance:** Before commencing work on this Agreement the Party must provide certificates of insurance to show that the following minimum coverages are in effect. It is the responsibility of the Party to maintain current certificates of insurance on file with the state through the term of the Agreement. No warranty is made that the coverages and limits listed herein are adequate to cover and

protect the interests of the Party for the Party's operations. These are solely minimums that have been established to protect the interests of the State.

Workers Compensation: With respect to all operations performed, the Party shall carry workers' compensation insurance in accordance with the laws of the State of Vermont.

General Liability and Property Damage: With respect to all operations performed under the contract, the Party shall carry general liability insurance having all major divisions of coverage including, but not limited to:

Premises - Operations
Products and Completed Operations
Personal Injury Liability
Contractual Liability

The policy shall be on an occurrence form and limits shall not be less than:

\$1,000,000 Per Occurrence
\$1,000,000 General Aggregate
\$1,000,000 Products/Completed Operations Aggregate
\$ 50,000 Fire/ Legal/Liability

Party shall name the State of Vermont and its officers and employees as additional insureds for liability arising out of this Agreement.

Automotive Liability: The Party shall carry automotive liability insurance covering all motor vehicles, including hired and non-owned coverage, used in connection with the Agreement. Limits of coverage shall not be less than: \$1,000,000 combined single limit.

Party shall name the State of Vermont and its officers and employees as additional insureds for liability arising out of this Agreement.

8. **Reliance by the State on Representations:** All payments by the State under this Agreement will be made in reliance upon the accuracy of all prior representations by the Party, including but not limited to bills, invoices, progress reports and other proofs of work.
9. **Requirement to Have a Single Audit:** In the case that this Agreement is a Grant that is funded in whole or in part by federal funds, the Subrecipient will complete the Subrecipient Annual Report annually within 45 days after its fiscal year end, informing the State of Vermont whether or not a single audit is required for the prior fiscal year. If a single audit is required, the Subrecipient will submit a copy of the audit report to the granting Party within 9 months. If a single audit is not required, only the Subrecipient Annual Report is required.

A single audit is required if the subrecipient expends \$500,000 or more in federal assistance during its fiscal year and must be conducted in accordance with OMB Circular A-133. The Subrecipient Annual Report is required to be submitted within 45 days, whether or not a single audit is required.

10. **Records Available for Audit:** The Party will maintain all books, documents, payroll papers, accounting records and other evidence pertaining to costs incurred under this agreement and make them available at reasonable times during the period of the Agreement and for three years thereafter for inspection by any authorized representatives of the State or Federal Government. If any litigation, claim, or audit is started before the expiration of the three year period, the records shall be retained

until all litigation, claims or audit findings involving the records have been resolved. The State, by any authorized representative, shall have the right at all reasonable times to inspect or otherwise evaluate the work performed or being performed under this Agreement.

11. Fair Employment Practices and Americans with Disabilities Act: Party agrees to comply with the requirement of Title 21 V.S.A. Chapter 5, Subchapter 6, relating to fair employment practices, to the full extent applicable. Party shall also ensure, to the full extent required by the Americans with Disabilities Act of 1990, as amended, that qualified individuals with disabilities receive equitable access to the services, programs, and activities provided by the Party under this Agreement. Party further agrees to include this provision in all subcontracts.

12. Set Off: The State may set off any sums which the Party owes the State against any sums due the Party under this Agreement; provided, however, that any set off of amounts due the State of Vermont as taxes shall be in accordance with the procedures more specifically provided hereinafter.

13. Taxes Due to the State:

- a. Party understands and acknowledges responsibility, if applicable, for compliance with State tax laws, including income tax withholding for employees performing services within the State, payment of use tax on property used within the State, corporate and/or personal income tax on income earned within the State.
- b. Party certifies under the pains and penalties of perjury that, as of the date the Agreement is signed, the Party is in good standing with respect to, or in full compliance with, a plan to pay any and all taxes due the State of Vermont.
- c. Party understands that final payment under this Agreement may be withheld if the Commissioner of Taxes determines that the Party is not in good standing with respect to or in full compliance with a plan to pay any and all taxes due to the State of Vermont.
- d. Party also understands the State may set off taxes (and related penalties, interest and fees) due to the State of Vermont, but only if the Party has failed to make an appeal within the time allowed by law, or an appeal has been taken and finally determined and the Party has no further legal recourse to contest the amounts due.

14. Child Support: (Applicable if the Party is a natural person, not a corporation or partnership.) Party states that, as of the date the Agreement is signed, he/she:

- a. is not under any obligation to pay child support; or
- b. is under such an obligation and is in good standing with respect to that obligation; or
- c. has agreed to a payment plan with the Vermont Office of Child Support Services and is in full compliance with that plan.

Party makes this statement with regard to support owed to any and all children residing in Vermont. In addition, if the Party is a resident of Vermont, Party makes this statement with regard to support owed to any and all children residing in any other state or territory of the United States.

15. Sub-Agreements: Party shall not assign, subcontract or subgrant the performance of this Agreement or any portion thereof to any other Party without the prior written approval of the State. Party also agrees to include in all subcontract or subgrant agreements a tax certification in accordance with paragraph 13 above.

- 16. No Gifts or Gratuities:** Party shall not give title or possession of any thing of substantial value (including property, currency, travel and/or education programs) to any officer or employee of the State during the term of this Agreement.
- 17. Copies:** All written reports prepared under this Agreement will be printed using both sides of the paper.
- 18. Certification Regarding Debarment:** Party certifies under pains and penalties of perjury that, as of the date that this Agreement is signed, neither Party nor Party's principals (officers, directors, owners, or partners) are presently debarred, suspended, proposed for debarment, declared ineligible or excluded from participation in federal programs, or programs supported in whole or in part by federal funds.
- Party further certifies under pains and penalties of perjury that, as of the date that this Agreement is signed, Party is not presently debarred, suspended, nor named on the State's debarment list at: <http://bgs.vermont.gov/purchasing/debarment>
- 19. Certification Regarding Use of State Funds:** In the case that Party is an employer and this Agreement is a State Funded Grant in excess of \$1,001, Party certifies that none of these State funds will be used to interfere with or restrain the exercise of Party's employee's rights with respect to unionization.

(End of Standard Provisions)

ATTACHMENT D
Sample Contract

STATE OF VERMONT
STANDARD CONTRACT FOR SERVICES

Contract #:

1. **Parties.** This is a contract for services between the **State of Vermont** (hereafter called "**State**"), and _____, (hereafter called "**Contractor**") with principal place of business at _____. Contractor's form of business organization is _____. It is the Contractor's responsibility to contact the Vermont Department of Taxes to determine if, by law, the Contractor is required to have a Vermont Department of Taxes Business Account number.

2. **Subject Matter.** The subject matter of this contract is development of a data analytic plan. Detailed services to be provided by the Contractor are described in Attachment A.

3. **Maximum Amount.** In consideration of the services to be performed by Contractor, the State agrees to pay Contractor, in accordance with the payment provisions specified in Attachment B, a sum not to exceed \$ _____. The State does not guarantee the assignment of any minimum number of hours or any other work under the contract.

4. **Contract Term.** The period of Contractor's performance shall begin on _____ and end on _____.

5. **Prior Approvals.** If approval by the Attorney General's Office, Secretary of Administration or the CIO/Commissioner DII is required (under current law, bulletins, and interpretations), neither this contract nor any amendment to it is binding until it has been approved by any or all such persons.

- Approval by the Attorney General's Office is required.
- Approval by the Secretary of Administration is required.
- Approval by the CIO/Commissioner DII is not required.

6. **Amendment.** No changes, modifications, or amendments in the terms and conditions of this contract shall be effective unless reduced to writing, numbered and signed by the duly authorized representative of the State and Contractor.

7. **Cancellation.** This contract may be canceled by the State by giving written notice at least 30 days in advance. The Contractor may cancel this contract by giving 120 days written notice in advance.

8. **Attachments.** This contract consists of _____ pages including the following attachments which are incorporated herein:

- Attachment A - Specifications of Work to be Performed
- Attachment B - Payment Provisions
- Attachment C - Standard State Contract Provisions
- Attachment D - Other Provisions.

WE THE UNDERSIGNED PARTIES AGREE TO BE BOUND BY THIS CONTRACT.

By the State of Vermont:
Date: _____

Signature: _____

Name:

By the Contractor:
Date: _____

Signature: _____

Name:
Company:

PAYMENT PROVISIONS

1. The maximum amount payable under this contract for service and expenses shall not exceed \$ _____. The State does not guarantee the assignment of any minimum number of hours or other work under this contract. The hourly rates for assigned staff are as follows:
2. Payments for subcontractors will only be made upon approval (See Attachment C, #15).
3. The State shall reimburse Contractor for travel expenses utilizing the most current General Services Administration Per Diem Study for lodging, meals and incidentals. Expenses will not be reimbursed without prior written approval from the State.
4. Contractor will submit an invoice on a monthly basis to the State for services provided and expenses incurred during the previous month. Invoice must include unique invoice number, dates of service, itemized hours being invoiced, a list of allowable expenses incurred and the address for remittance of payment. A billing for mileage shall include the points of origin and destination and the number of miles traveled. Only actual charges will be paid.
8. Invoices shall be submitted to:

ATTACHMENT E OTHER CONTRACT PROVISIONS

1. Confidentiality

Contractor agrees to keep information related to the State and all agencies and companies related to this contract confidential and agrees not to use any information obtained in relation to the services performed under this contract for any purpose other than as authorized by the State. Contractor agrees not to publish, reproduce, or otherwise divulge such information in whole or in part, in any manner or form or authorize or permit others to do so. Contractor will take reasonable measures as are necessary to restrict access to confidential information in the Contractor's possession to those employees who must have the information to perform their job. Contractor agrees to immediately notify, in writing, the State's authorized representative in the event Contractor determines or has reason to suspect a breach of this requirement.

2. Obligations Regarding Protected Information

Contractor shall assure compliance by the State and Contractor of any and all obligations the State or Contractor may have under HIPAA and any other applicable state or federal law regarding protected health, personal, or otherwise confidential information.

3. Security

Contractor shall maintain security and confidentiality policies and procedures consistent with industry standards with regard to the information obtained from regulated entities. Contractor shall have recovery procedures in place to handle replacement of data in the event of a disaster.

4. Conflicts of Interest

If the State determines that a conflict of interest, as defined by the State, exists between a regulated entity and a member or members of the Contractor's staff, the Contractor shall substitute similarly qualified individuals for the conflicted members. If the State determines that a conflict of interest, as determined by the State, exists between Contractor and a regulated entity, the State may immediately remove that assignment from the Contractor, or may invoke its right to terminate this contract pursuant to paragraph 7 on page 1 of this contract. The State reserves the right to make the ultimate determination as to whether a conflict of interest exists.

5. Protection of Personal Information

Contractor agrees to establish and maintain policies and procedures designed to ensure compliance with 9 V.S.A. Chapter 62 (Protection of Personal Information) with respect to data collected in connection with Contractor's activities pursuant to the Contract.

Lunge, Robin

From: Lunge, Robin
Sent: Tuesday, February 17, 2015 10:10 AM
To: Hoffer, Doug
Cc: Clasen, Michael
Subject: FW: Invoice Dispute
Attachments: Gruber Letter Invoice Dispute_mm.pdf

Hi Doug –

Attached is the letter that I emailed to Dr. Gruber late on Friday.

Robin J. Lunge
Director of Health Care Reform,
Agency of Administration
(802) 505 0626

Visit Governor Shumlin's Online Resources:

[Website](#) | [Facebook](#) | [Twitter](#) | [YouTube](#)

From: Lunge, Robin
Sent: Friday, February 13, 2015 4:37 PM
To: Jon Gruber
Subject: Invoice Dispute

Hi Jon,

The state is disputing your last two invoices – please see the attached letter for more information. Please feel free to give me a call if you'd like.

Robin J. Lunge
Director of Health Care Reform,
Agency of Administration
(802) 505 0626

Visit Governor Shumlin's Online Resources:

[Website](#) | [Facebook](#) | [Twitter](#) | [YouTube](#)



State of Vermont
Agency of Administration
Health Care Reform
Pavilion Office Building
109 State Street
Montpelier, VT 05609-0201
www.hcr.vermont.gov

[phone] 802-828-2316
[fax] 802-828-3320

Robin Lunge, Director

February 13, 2015

Jonathan Gruber, PhD
83 Pleasant Street
Lexington, MA 02421

Dear Dr. Gruber:

I write to advise you that the State of Vermont is contesting two invoices dated December 30, 2014, for work under contract #27277 for consulting and modeling on Green Mountain Care.

In your third invoice, you billed 80 hours for your work, totaling \$40,000 for the period from October 15 through November 15, 2014. Under the First Contract Amendment dated November 24, 2014, the payment provisions under the contract were amended to limit payment to only work performed by your research assistants (programmers). Also, this amendment limited the total payable under the contract to \$280,000 and limited payments for your services to the \$80,000 already paid. Therefore the State will not pay for the hours you billed for your time in this third invoice.

In addition, in both the third and fourth invoices, you billed for research assistant time. The third invoice indicates "Research Assistants: 250 hours at \$100/hour \$25,000." The fourth invoice for the time period November 15 - December 30 indicates "Research Assistants: 250 hours at \$100/hour \$25,000." Before the State pays for any of the research assistants' time billed in these two invoices, we are exercising our option under Contract Attachment C, paragraph 10 to request additional information supporting both the number of hours worked as well as more specificity regarding the work performed by the research assistants. If an assistant other than Sean Salls performed work, we request the name of the research assistant. We ask that you provide this additional information by Friday, February 27, 2015.

The State will continue to hold 20% of the first two invoices for programmer time pending receipt of the additional information. We look forward to receipt of the additional information requested above.

Sincerely,

Robin Lunge
Director of Health Care Reform

 VERMONT

Lunge, Robin

From: Lunge, Robin
Sent: Wednesday, February 18, 2015 2:26 PM
To: Hoffer, Doug
Subject: Re: question

I am in senate finance but will give you a call when I am out of here.

Sent from my iPhone

On Feb 18, 2015, at 2:17 PM, Hoffer, Doug <Doug.Hoffer@state.vt.us> wrote:

Missed it. Sorry
I do have another question. Call if you get a chance.
Thanks
x- [REDACTED] direct

From: Lunge, Robin
Sent: Wednesday, February 18, 2015 2:13 PM
To: Hoffer, Doug
Subject: Re: question

No, we did not pay it yet and are holding it pending additional documentation. We decided to request additional information after I confirmed that the work was completed. The hold is referenced in the letter I sent Friday to Dr. Gruber. Hope that helps.

Sent from my iPhone

On Feb 18, 2015, at 2:07 PM, Hoffer, Doug <Doug.Hoffer@state.vt.us> wrote:

Hi Robin

Your Jan. 12, 2015 memo re. Gruber deliverables authorized the release of the 20% retainage help back from the research assistant's pay. Was that payment made? If so, did it go through Dr. Gruber or directly to the RA?

Thanks

Doug Hoffer
Vermont State Auditor
132 State Street
Montpelier, VT 05633-5101
802.828.2281 Office
802.828.2198 Fax
877.290.1400
doug.hoffer@state.vt.us

Lunge, Robin

From: Clasen, Michael
Sent: Monday, February 23, 2015 4:01 PM
To: Lunge, Robin
Subject: FW: Response to your Office's Report on Dr. Gruber's Contract and Related Issues
Attachments: 4176_001.pdf

From: Clasen, Michael
Sent: Monday, February 23, 2015 10:40 AM
To: Hoffer, Doug
Subject: Response to your Office's Report on Dr. Gruber's Contract and Related Issues

Please use this version.



State of Vermont
Agency of Administration
Office of the Secretary
Pavilion Office Building
109 State Street
Montpelier, VT 05609-0201
www.adm.state.vt.us

[phone] 802-828-3322
[fax] 802-828-3320

Justin Johnson, Secretary

MEMORANDUM

DATE: February 23, 2015
TO: Doug Hoffer, Vermont State Auditor
FROM: Justin Johnson, Secretary of Administration
RE: Gruber Contract

Thank you for the opportunity to respond to the report of your Office's limited review of the documents associated with the personal services contract with Dr. Jonathan Gruber. Your report focused on the invoices and monitoring and enforcement of certain contract provisions.

Questions have been raised as to whether the level of detail contained in the invoices was sufficient to authorize payment. As noted in your report, "*Dr. Gruber's invoices referred only to "consulting and modeling" and offered no details about specific tasks in the broadest sense, those three words describe the work performed, but such generalities do not appear to satisfy the intent of the contract.*"

Your report also notes, "*since the Agency of Administration's two key contacts— Robin Lunge and Michael Costa — were in frequent, sometimes daily, contact with Dr. Gruber, they were well aware of the nature and extent of the work being performed.*" You further state, "*In spite of concerns about the invoices, it appears the administration was satisfied with the work of Dr. Gruber and his RA. According to Ms. Lunge,*

"Dr. Gruber provided the state with requested outputs from his economic model. This model was modified to include state-specific data received pursuant to data use agreements with the relevant agencies who hold that data. The model was also modified to provide state specified policy choices. The result of this modeling is available on my website: hcr.vermont.gov and is contained in the Green Mountain Care report and appendices. In addition, Dr. Gruber contributed to the Appendices as requested by state staff, specifically, he provided technical information about his model and modeling for Appendix C. The work was received in the time frame requested by the state. His work fulfills the work requested under the contract."

It is precisely because the "two key contacts" were in frequent discussions, usually involving multiple interactions per day, there was a high degree of understanding of the level of work being performed that warranted paying the first two invoices as submitted.

With respect to going forward, the contract amendment effective November 24, 2014, limited the total payments to Dr. Gruber for his specific work activities to no more than \$80,000. As you pointed out, my Office is currently holding \$40,000 in retainage associated with this contract which will serve as leverage as we continue to work closely with the Attorney General's Office to bring this matter to a close.

While we found payment of the first two invoices acceptable at the time in light of our detailed familiarity with the work performed, we are withholding any further payments for Dr. Gruber's research assistant until we receive more detailed invoices, given the concerns regarding contract compliance.

I take very seriously any concern that the State may have overpaid for services under any state contract, and I appreciate your review of this matter. At the end of the day, in this particular instance, I believe the State will have paid significantly less than what was initially estimated for the cost of Dr. Gruber's services and work product. That being said, in addition to insisting on greater specificity in all invoices before any further payments are made under this contract, I have sent notice throughout the Office of the Secretary of Administration, including to the Office of Health Care Reform, to remind all relevant staff of the controls surrounding all contracts and associated invoices to ensure my Office documents proper levels of accountability and models best practices going forward. To the extent any issues remain unresolved under this contract, we look forward to continuing to work with the Attorney General's Office, as well as your Office, to address them.