

## *Prescription for a Healthy Vermont: The Douglas Partnership for Affordable Health Care*

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This plan is the first responsible step to reforming Vermont's insurance market and offering every Vermonter affordable health insurance choices.

### TALKING POINTS

- Vermont, like the nation, must confront a serious health care crisis.
  - Health care costs are too high, mandates too many and options too few.
  - For working families and their employers, insurance premiums have skyrocketed while low cost options are being eliminated as insurance providers abandon Vermont's burdensome regulatory regime.
  - Patients are losing direct control of their care and government is failing to reimburse doctors and hospitals for the cost of treating the *one in five* Vermonters covered by the state Medicaid program.
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- As a result, those costs are shifted to the overwhelming majority of Vermonters who pay escalating private insurance premiums.
  - Vermont has the second most generous Medicaid program in the nation, and as a result we are headed for a \$250 million deficit in the Health Access Trust Fund by 2008. This deficit represents a serious threat to the most vulnerable Vermonters who rely on this program and the taxpayers who fund it.
  - The worst thing we could do is expand the program further, causing it to crumble under the burden of its own weight. Instead, we must save Medicaid in a responsible way while protecting the already overburdened taxpayer.
  - In reforming our health care system to give every Vermonter access to affordable insurance and care, there are no easy answers, no cure-all tonics—only tough choices.
  - Policymakers have wrestled with this issue for decades. Anyone who suggests that real reform is easy, can be bought on the cheap, or would be better administered by big government rather than doctors and health care providers, is at best clouded by ideological fantasy and at worst peddling political snake oil.

- Some claim that if everyone were in the same government-run, taxpayer-financed system, we could cut down on paperwork, saving enough to cover everyone with state insurance.
- I don't know about you, but one thing I know is that government isn't the place to look when it comes to reducing red tape.
- Monopolies in any service, including health care or health insurance, have never been known to have lower administrative costs, despite hopeful forecasts to the contrary.
- We need to do more than just change who pays the bill. If costs continue to increase at the current rate, it won't matter what pocket the money comes from because they'll all be empty.
- We need to adopt true reforms—like those proposed by Governor Douglas—that tackle the root causes of rising health care costs, opens our system up to low cost options, encourages healthy decisions and preventative care, and attacks health concerns at their inception before they develop into more serious and costly ailments.
- And we need to maintain a patient-centered system that offers more individual choice and keeps health care decisions in the hands of patients and doctors, not government bureaucrats.
- This is no time for more government gimmicks—we need real reform. And that is what the Governor offers the people of Vermont.

### ***GOVERNOR DOUGLAS' COMMONSENSE HEALTH CARE REFORM CRITERIA***

- The Governor's plan will attract a fair number of critics, all with their own ideas and schemes on how to solve the health care crisis in Vermont.
- Any plan that is put forth to reform healthcare in Vermont must first "do no harm."
- The Governor has laid out several commonsense criteria that any responsible health care plan must meet.
  1. A responsible health care plan **must begin to lower the cost of care** for insured Vermonters who are already struggling to keep up with ever-increasing insurance premiums;
  2. A responsible health care plan **must be patient-centered and put decisions in the hands of patients and their doctors**, not politicians;

3. A responsible health care plan **must increase options and choices** for consumers;
  4. A responsible health care plan **must be financially sustainable**;
  5. A responsible health care plan **must open competition among insurers** to use market forces to drive down costs.
- A responsible plan **must also be a comprehensive plan**. The health care crisis in Vermont is not solved with a single reform, a single initiative, or a silver bullet.
  - A responsible plan must contain both short-term and long-term reforms to bend the cost curve, as well as initiatives to improve the quality of life for all Vermonters.

### ***GOVERNOR DOUGLAS' PLAN TO REFORM THE HEALTH INSURANCE MARKET***

- Governor Douglas' health insurance plan does four things:
  - It immediately reduces premiums by 15 percent for every Vermonter with an individual insurance plan.
  - It decreases the number of uninsured Vermonters by 20 percent.
  - It offers low and middle income Vermonters a premium discount of up to 60 percent.
  - It reduces, by 50 percent, the cost for a small business to start providing insurance to employees.
- Taken together, the Governor's reforms **make insurance more affordable** for individuals and small businesses, **reduce the number of uninsured** Vermonters by 20 percent in the first year alone, offer an economic incentive to **help expand the private market**, and **make Vermont more attractive to health insurance providers**.
- This plan is the first responsible step to reforming Vermont's insurance market and offering every Vermonter affordable health insurance choices.
- But we won't stop there—I will work with Governor Douglas every year to make progress toward our goal of affordable and accessible health care for everyone.
- Here's how we're going to do it:

### ***Stabilizing and Reforming the Individual Health Insurance Market***

- We will begin by stabilizing the volatile individual insurance market and lower premiums for the most overburdened Vermonters.
- Individual Vermonters and small businesses bear a disproportionate percentage of premium costs. As premiums in these smaller markets shoot skyward and more people are forced out, premiums for all markets increase as insurance companies seek to balance their risks.
- To curb this damaging cycle, the Governor has proposed a Small Market Access Reinsurance Pool.
- This pool will stabilize the individual insurance market, immediately lower those premiums by 15 percent, insure 1,000 more Vermonters, prevent thousands from losing their coverage, and encourage the return of those insurance companies that have fled.

#### ***Helping Small Businesses & Their Employees***

- Vermont must help small businesses provide insurance for their workers.
- In Vermont today, businesses with fewer than 25 employees are far less likely to offer coverage.
- Governor Douglas has proposed a tax credit for small businesses so that offering health care to their worker is an affordable option.
- This tax credit will help insure thousands more working Vermonters and encourage small businesses to become partners in keeping their workers healthy.
- The plan is designed around a Health Savings Account where the employer and employee can deposit a portion of wages tax-free.
- Like a debit card, the worker then uses the money in the HSA for co-pays and deductibles.
- But the plan is not limited to a HSA; the Governor's proposal also allows participants the option of choosing any private plan.

#### ***Low and Middle Income Premium Discounts & Investing in the Private Market***

- In January, I will work with the Governor to pass a Premium Discount Program that will offer more than 10,000 currently uninsured Vermonters income-sensitive assistance so they can purchase health insurance in the private market.
- Individuals with household income between 150 and 200 percent of the Federal Poverty Level (FPL) will receive a premium discount of up to 60 percent off the lowest cost small group or association plan offered by the private market. If the

individual chooses a high deductible plan—like an HSA—the program will pay 60 percent of the individual’s deductible expenses.

- Individuals and households with income between 200-250 percent of FPL will receive up to a 40 percent premium discount, and those between 250 and 300 percent of FPL will receive up to a 20 percent discount.

### ***Other Proposals Are Irresponsible Government Gimmicks***

- Their plan **do not begin to lower the cost of care** for those who are currently insured Vermonters and who are already struggling to keep up with ever-increasing insurance premiums.
- Their plan is **not patient-centered**, and they propose that we **put health care decisions in the hands of politicians and government bureaucrats**.
- Their plan **decreases options and choices** further and **forces people to buy into a government controlled system**.
- Their plan is **not financially sustainable**. They propose no realistic funding mechanism to start or operate their plan.
- They claim to “capture” \$90 million in savings, but don’t explain how. That sounds like much higher taxes to me. We can’t tax our way out of this problem, we need real reform.
- Their plan **does not open competition among insurers** and fails to use market forces to drive down costs.
- Their plan **is not comprehensive**. The health care crisis in Vermont is not solved with a single reform, a single initiative, or a silver bullet.
- They want to move us toward a single-payer, government-run, taxpayer funded program (like Canada) that takes decisions away from doctors and their patients.

### **LOWERING PRESCRIPTION DRUG PRICES**

- Another piece of the health care puzzle is the high cost of prescription drugs.
- As part of our comprehensive strategy for reducing the cost of pharmaceuticals in our Medicaid program, I will continue to support the multi-state buying pool for prescription drugs formed by Governor Douglas last year.
- Following Vermont’s lead, 6 additional states have joined and this first in the nation program and we saved Vermont \$2 million last year, and expect to save \$3 million in the current fiscal year.

- I will continue to support the Governor's suit against the FDA for access to the Canadian prescription drug market.
- But we can't stop there; Vermonters deserve to get affordable prescription drugs from our local pharmacies here at home.
- That is why I will work with the Governor to encourage Vermonters to pursue less expensive generic equivalents, and urge Congress to change patent laws, speed the approval of new generics and create more competition among brand name manufacturers.
- Patients and physicians must also be aware of the costs associated with the products they consume or prescribe, so we can factor price into our health care decisions.
- That is why I will work with the Governor to develop commonsense mechanisms for meaningful price disclosures.
- The current drug pricing system is also very cumbersome and complex. To empower employers and insurers who rely on pharmacy benefit managers to contain the spiraling costs of pharmaceuticals, the Governor will advance policies that offer employers pass-through pricing alternatives and the ability to audit to ensure they are receiving all rebates and savings they deserve.
- And, taking this important effort one step further, in the near future the Governor will announce an innovative plan to help employers afford prescription drug benefits for their employees.

#### **EMPOWERING CHILDREN: THE FIT & HEALTHY KIDS INITIATIVE**

- No comprehensive reform of Vermont's health care system is complete without discussing how to influence healthy choices among Vermonters.
- You may have heard of the Governor's Fit and Healthy Kids initiative aimed at promoting coordinated school health programs, and teaching the value of good nutrition and regular exercise.
- Children who learn to make healthy decisions at a young age are far more likely to avoid chronic and costly diseases as adults—it also has the added benefit of helping them do better in school.
- The current budget fully supports this important initiative, including funding for a Fit and Healthy Kids Director, resources to expand youth activity programs, community recreation programs, after-school activities and support for childhood nutrition programs.

- We will continue to empower our children with the tools they need to be fit and healthy throughout their lives.

### **THE HEALTHY CHOICES DISCOUNT**

- In addition to nurturing children to live healthy lives, we need to encourage adults to take responsibility for their choices.
- I believe that Vermont law should allow Vermonters to receive health insurance discounts for taking individual responsibility for improving and protecting their own health through healthy choices, such as not smoking, regular exercise, and preventive care. That is why I will support the Governor's proposal in January.

### **COMBATING SUBSTANCE ABUSE: D.E.T.E.R**

- Part of making healthy choices is making drug-free choices. Substance abuse impacts all Vermonters – predominantly our youth – and carries enormous long-term costs.
- The Governor's Drug Education, Treatment, Enforcement, and Rehabilitation (DETER) program was the first serious effort to comprehensively combat the growing drug problem in our state.
- The link between the DETER program and health care costs may not be immediately apparent, but there is no doubt that substance abuse is a chronic and progressive disease that is an enormous drain on our health care resources.
- We've added clinicians and case managers to meet increasing demand in our outpatient treatment and drug courts. We've placed additional student assistance counselors in our schools.
- We've supported the prevention work of community coalitions. We've increased penalties for those who seek to poison Vermonters for profit. And we've expanded support for opiate treatment and recovery centers.
- Addressing this issue requires a continuous and long-term effort. There is still much to do, and we will continue to build on the success of this program.

### **LONG TERM REFORM: THE CHRONIC CARE INITIATIVE**

- Consider that care for people with chronic conditions like diabetes, asthma, cardiovascular disease, and arthritis account for: 76 percent of hospital admissions; 72 percent of all physician visits; and, 78 percent of health care spending.
- As we know, chronic conditions increase with age—38 percent of people ages 20 to 44 have one or more chronic conditions; this increases to 84 percent for those ages 65 or over.

- That is why under the Governor's leadership Vermont is a national leader in addressing the primary driver of increasing costs: the cost of providing care for people with chronic conditions.
- The current health care system evolved as a means of providing care for people with short-term (acute) health needs such as injuries and infectious diseases.
- People with chronic illnesses do receive care through this system; however, living well with chronic conditions requires coordinated care across health care settings. It requires putting the patient at the center of the care.
- This is a new vision for health care in Vermont.
- To achieve this vision, state government, insurers, business leaders, health care providers and patients are working together in a bold public-private partnership to achieve a system that focuses on a coordinated treatment of chronic conditions.
- The complete realization of this effort is nothing short of challenging—to be sure, this is no government gimmick.
- Now, I know that the Chronic Care Initiative isn't the tantalizing rhetoric of a snappy political slogan—but it is real reform, and I am confident that this new vision for care will have an enormous impact on reducing health care costs and improving the quality of life for every Vermonter.

#### **EMPOWERING SENIORS: HEALTHY AGING AND LONG TERM CARE**

- As we empower Vermonters to make informed and healthy choices, we also want to give them a full range of options as they plan for their future.
- Last year, the Governor announced an initiative to refocus the delivery of long-term care to give elderly and disabled Vermonters the choices they desire, increase the quality of their care and reduce costs by expanding home and community based long term care options.
- This year, he added to that initiative with a proposal to protect the nest egg of our senior citizens.
- Taking advantage of an anticipated Congressional action, the Governor proposed—and the General Assembly passed—legislation that protects low and middle income Vermonters with private long-term care insurance from having to spend down all of their hard earned resources before becoming eligible for Medicaid.
- Our seniors shouldn't have to spend their entire life savings to pay for the high cost of care in their final years.



- And, we will take these efforts one step further by launching a new healthy aging initiative dedicated to helping our seniors live active, healthy lives.

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