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Sent: Wednesday, December 17, 2014 2:49 PM  
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Subject: Green Mountain Care Announcement  
Attachments: GPS Health Care Speech 12.17.2014.pdf

Hi folks,

We thought you should be aware that Gov. Shumlin made the following important announcement this afternoon. I have attached his speech as well. Feel free to follow up if you have questions.

FOR IMMEDIATE RELEASE  
December 17, 2014

Gov. Shumlin Details Health Care Financing Report to Business and Consumer Advisory Councils  
Says Tax Rates Would be Too Great at this Time to Move Forward

MONTPELIER - Gov. Peter Shumlin, a long-time supporter of moving to a universal, publicly-financed health care system in Vermont, today detailed his Administration's health care financing report, set to be delivered to the Legislature in January. The financial models unveiled by the Governor today would require both a double digit payroll tax on Vermont businesses and an up to 9.5% public premium assessment on individual Vermonters' income to pay for Green Mountain Care, the statewide public health care system proposed



in Act 48. The Governor acknowledged that given current fiscal realities, such a financing plan would be detrimental to Vermonters, employers and the state's economy overall. Therefore, he said, despite his steadfast support for a publicly-financed health care system, he reluctantly will not support moving forward with a financing proposal at this time or asking the Legislature to consider or pass it.

"I have always made clear that I would ask the state to move forward with public financing only when we are ready and when we can be sure that it will promote prosperity for hard-working Vermonters and businesses, and create job growth," the Governor said. "Pushing for single payer health care when the time isn't right and it might hurt our economy would not be good for Vermont and it would not be good for true health care reform. It could set back for years all of our hard work toward the important goal of universal, publicly-financed health care for all. I am not going to undermine the hope of achieving critically important health care reforms for this state by pushing prematurely for single payer when it is not the right time for Vermont. In my judgment, now is not the right time to ask our legislature to take the step of passing a financing plan for Green Mountain Care."

The Governor outlined the financing proposal in a meeting with his Business and Consumer Advisory Councils, both of which have provided advice on health care financing to the Governor and his advisors over the past few months. He thanked the councils for their hard work and dedication in working towards a more sensible health care system.

Although the Administration explored several different benefits and financing proposals, the preferred proposal outlined by the Governor's Deputy Director of Health Care Reform Michael Costa today would cover all Vermonters at a 94 actuarial value (AV), meaning it would cover 94% of total health care costs and leave the individual to pay on average the other 6% out of pocket. Lower AV proposals create significant administrative complexity and reduce disposable income for many Vermonters. Costa explained that paying for that benefit plan would require:

\* An 11.5% payroll tax on all Vermont businesses



\* A sliding scale income-based public premium on individuals of 0% to 9.5%. The public premium would top out at 9.5% for those making 400% of the federal poverty level (\$102,000 for a family of four in 2017) and would be capped so no Vermonter would pay more than \$27,500 per year.

The Governor stressed that even at these tax figures, the proposal would not include necessary costs for transitioning to Green Mountain Care smaller businesses, many of which do not currently offer insurance. Those transition costs would add at least \$500 million to the system, the equivalent of an additional 4 points on the payroll tax or 50% increase in the income tax.

"These are simply not tax rates that I can responsibly support or urge the Legislature to pass," the Governor said. "In my judgment, the potential economic disruption and risks would be too great to small businesses, working families and the state's economy."

The Governor outlined a number of factors that in recent months have made financing Green Mountain Care more expensive and less practical. These include:

\* The amount of federal funds available to Vermont for this transition, which are over \$150 million less than had been previously anticipated.

\* The state failure to meet the goals set forth for increases in Medicaid provider payments, which adds more than \$150 million cumulatively to the amount that needs to be raised through public financing.

\* Covering cross border commuters who work for Vermont firms, a policy necessary to prevent complexity and costs for businesses, which adds up to \$200 million to the amount that needs to be publicly financed.

\* Slower than originally projected economic growth, already resulting in \$75 million less in general fund revenue than anticipated in the next two fiscal years. Because of this, every percent of tax raises fewer dollars than had been anticipated, requiring higher tax rates to fund the system.

Acknowledging the disappointment he and many others will feel about not moving to a publicly-financed system now, the Governor said, "I will not let up on the gas pedal to improve our health



care system in Vermont. We can and must make progress in 2015 to put in place a better, fairer, and less-costly health care system, one that in the future supports a transition to Green Mountain Care so that all Vermonters receive affordable, publicly-financed health care. In order for us to get there, we need to accelerate the hard work we've begun on cost containment and a more rational payment and delivery system."

To do that, the Governor outlined a number of proposal he will pursue this legislative session, including:

- \* Enhancing the Green Mountain Care Board's role as a central regulator of health care with the goal of lowering health care spending increases to between 3-4% in the long term.

- \* Continuing to pursue an "all-payer waiver" with the federal government so that Vermont succeeds in being the first state to move from the current quantity based fee-for-service system to one that reimburses providers for quality and outcomes.

- \* Strengthening Vermont's commitment to the Blueprint for Health and building on the preliminary results it has shown in bending the cost curve while ensuring quality health care to Vermonters.

- \* Restructuring of the function and oversight of Vermont Information Technology Leaders (VITL), the state-created nonprofit that oversees the Vermont Health Information Exchange to push the state toward greater levels of technology utilization and integration. This would include shifting VITL to the Green Mountain Care Board and giving the Board the authority to approve and monitor VITL's budget to ensure VITL's priorities and investments are consistent with the statewide health information technology plan.

The Governor concluded that succeeding in these areas would set Vermont on a path to a more sensible, affordable health care system and preserve for another day the vision of universal, publicly-financed health care.

"I recognize that it may be hard to put this news in perspective given the scrutiny it has received



over the past four years," the Governor said. "There will be quite a bit of analysis and commentary that comes from my announcement today. In all of that, I urge us to remember what we have been fighting for and how our work fits into the larger picture. This year - 2014 - is the 80th anniversary of the first federal proposal for Medicare, one of our country's greatest achievements. It was first proposed by FDR's Committee on Economic Security and it took 31 years to become law. Medicaid took 50 years to pass; Social Security took 25 years. The point is that change is difficult to achieve, and worthy causes take time to take root. A better, fairer, more rational, and more sustainable way to pay for health care is worth fighting for. We must continue our hard work and our successes. Our time will come."

The Governor's speech, as prepared for delivery, and the presentation delivered by Michael Costa are attached.

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People are our greatest asset