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State of Vermont  
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***Prescription for a Healthy Vermont: The Douglas Partnership for  
Affordable Health Care***  
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I want to thank you for the opportunity to be here.

Today, like a doctor might say after a lengthy examination, 'I've got some good news, and I've got some bad news.'

The good news first:

In Vermont, we are very fortunate to have a medical community that provides high quality care; and when we need them most, they are there for us.

The doctors, nurses, nurse practitioners, aides, technicians, and the administrative staffs at our hospitals and clinics are intelligent, competent, hardworking, and dedicated to providing the highest quality patient care possible.

Complementing our primary care system is a family of community health services, and charity services so that no one who needs immediate care is turned away for lack of insurance.

Now for the bad news: 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 nearly one in five Vermonters covered by the state Medicaid program. 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.

And 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.

True reform must be comprehensive. We need to do more than just change the financing method.

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 reform that tackles 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 I offer the people of Vermont.

## COMMONSENSE HEALTH CARE REFORM CRITERIA

Now, I know we're in an election year... and I figure my 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." So I want to lay out for you 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.

## STABILIZING AND REFORMING THE INSURANCE MARKET

I'm here today to offer a responsible and comprehensive plan that meets these criteria.

My 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; and it reduces, by 50 percent, the cost for a small business to start providing insurance to employees.

Here's how we're going to do it:

We will begin by stabilizing the volatile individual insurance market and lowering 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, I have proposed a Small Market Access Reinsurance Trust.

This reinsurance mechanism has the effect of a high risk pool and will stabilize the individual insurance market, 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.

The next step is to motivate small businesses to provide insurance for their workers.

In Vermont today, businesses with fewer than 25 employees are far less likely to offer coverage. I will again propose a tax credit for small businesses so that offering health care to their workers is an affordable option.

This tax credit proposal would cover 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 participants would have the option of choosing any private plan.

In January, I will also present to the Legislature a Premium Discount Program that will offer more than 10,000 additional Vermonters income-sensitive assistance so they can purchase health insurance in the private market.

For example, individuals with household income between 150 and 200 percent of the Federal Poverty Level (FPL) will receive a premium discount of 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 and 250 percent of FPL will receive a 40 percent premium discount, and those between 250 and 300 percent of FPL will receive a 20 percent discount.

Taken together, these 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 private health insurance providers.

But we won't stop there—I will work every year to make progress toward our goal of affordable and accessible health care for everyone.

### **LOWERING PRESCRIPTION DRUG PRICES**

Another piece of the health care puzzle is the high cost of prescription drugs. As part of my strategy for reducing the cost of pharmaceuticals in our Medicaid program, we formed the nation's first multi-state buying pool for prescription drugs.

Following our lead, 6 additional states have joined and the program saved Vermont \$2 million last year, and is projected to save us \$3 million in the current fiscal year.

We will continue to pursue our 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 continue to encourage consumers to pursue generic equivalents, and strongly 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 my administration is developing 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, my administration 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 I 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 my 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.

Under my proposal 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 submit this proposal again to the General Assembly 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.

My DETER program was the first serious effort to comprehensively combat the growing drug problem in our state.

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.

The link between my 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.

### **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 my 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, I 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, I added to that initiative with a proposal to protect the nest egg of our senior citizens.

Taking advantage of an anticipated Congressional action, I 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, within the next two weeks, we will take these efforts one step further by launching a new healthy aging initiative dedicated to helping our seniors live active, healthy lives.

## **CONCLUSION**

As I have said, reforming our health care system is a complicated undertaking that requires a comprehensive solution.

I will be deliberate and determined as we work to address the root causes of unaffordable health care and save state programs like Dr. Dynasaur and our prescription drug plans for the most vulnerable.

The details I have offered to you today are only the beginning, the first step, in what has been—and will continue to be—a central objective of my administration.

Make no mistake: Now is the time for Vermont to take a new direction and build a new consensus—and I will be leading this effort.

Thank you very much for inviting me to be here, and thanks especially to all of you for your commitment to Vermont.

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