



# Vermont Health Policy Perspectives

May 2005

Vermont Association of Hospitals and Health Systems • 148 Main Street • Montpelier, Vermont 05602 • 802-223-3461

## President's Message: Staying the Course in Health Care Reform

I seem to be using the phrase “drinking water from a fire hose” a lot these days. Between the \$80 million Medicaid deficit, the Governor’s “Global Commitment,” the House Health Care Committee’s new healthcare bill, and dozens of healthcare bills there’s more than enough work to go around. One big question is: Where is all this health-reform activity leading and what does it mean for our hospitals and communities? It appears the pace of change has never been so brisk or daunting.

Medicaid and health care reform have clearly dominated this session’s legislative agenda. Governor Douglas remains most focused on “saving” Medicaid. This focus however appears more centered on balance sheets than patient needs and realities. Two major components of his plan include a new “Global Commitment” (GC) agreement with the federal government and provider cuts. This proposed five-year agreement would create a fixed federal financial commitment in exchange for more state flexibility in designing Vermont’s Medicaid program. Central to the GC concept is the idea of transforming the state Medicaid office (The Office of Vermont Health Access, or OVHA) from a claims paying organization to a managed care organization. OVHA would have the authority to devise new payment methodologies and could require providers to meet OVHA’s yet to be devised participation requirements. Given the Administration’s current stance on their proposed Medicaid cuts to providers, it’s difficult to seem positive about this new authority.

The Governor’s Medicaid plan depends on unprecedented cuts to providers, particularly hospitals. according to the latest Association calculations, the combined proposed reductions to Vermont hospitals will total an estimated \$15.6 million in FY 2006. We expect a similar scenario in FY 2007, given the current program revenue and expense projections.

On the other end of the political spectrum, the House has just passed their “Green Mountain Health” bill. This draft bill sets the state government on a very quick path toward a wholly publicly funded health care system for all Vermonters. Some of what’s in the bill is good. It calls for a vigorous public process to discuss Vermont’s healthcare future, more consistent involvement of the legislature and some needed

studies. Unfortunately, it also puts the cart before the horse in its overall approach. The central tenet of the bill proposes that an entirely government-funded approach is the only solution and immediately calls for significant regulatory reform to re-engineer state government in that direction before the completion of any studies, or more importantly, public input. The Association has proposed a five-year plan that takes steps to address both the Medicaid gap and improving our overall healthcare system. This plan is a work in progress and aims to enhance momentum and collaboration on efforts that will help re-engineer improvements in how care is delivered, without damaging what currently works well in our health care system. If healthcare was easy to fix, it would’ve been done already. In designing any solution – large or small, Vermonters and all Americans must grapple with a trio of “perfect storm” realities that directly and dramatically affect our current and future healthcare system. These realities include:

- Our aging population. America’s Baby Boomers are now officially middle-aged and rapidly moving toward retirement. In just 25 years, the nation’s Medicare population will almost double from the current enrollment of 41 million to 77 million by 2030.
- Lifestyle issues. Americans and Vermonters are not just getting older, we’re becoming less healthy. Today, more than 50% of Vermonters now have a chronic condition such as diabetes. Epidemic-level increases in the number of adults and children who are now

*(continued as **Reform** on inside right)*

### ALSO IN THIS ISSUE:

- H.524 and “Green Mountain Health”
- HIT Update
- HRAP Update
- Important Dates



## House Health Care Bill – Green Mountain Health

### Summary of H.524

This bill proposes to add Title 34 to the Vermont statutes governing “Health Services and Administration.” The title would establish universal coverage to health care services under a government health plan funded by a broad-based tax.

### VAHHS Comments

This bill has several good attributes. It creates full-time legislative involvement in health care reform, which we believe is essential toward the creation of systemic improvements. It also generally proposes a public process to discuss the prospect and the need for health care reform – a critical component for change. This bill also invests in some good first steps, such as funding to support the development of a statewide health information technology strategy and a study to find ways to reduce administrative costs. Finally, the Association strongly supports the wellness initiative established in this bill.

This bill, however, puts the cart before the horse in its approach to creating improvements in how health care is financed and delivered to Vermont residents. Fundamentally, the bill determines that a government-funded health plan for most Vermonters (Medicare excepted) is the right answer. It then immediately sets forth an extensive administrative structure and reorganization timeline in an assumed attempt to create rapid change. This massive regulatory reengineering takes place prior to planning on key items such as benefit design, financing, and system redesign.

These comments represent the Association’s initial reactions. Normally, on an issue this complex and weighty, we would take more time to seek input from the collective expertise of our members, and additional comments might be forthcoming after our members have had time to review the bill in more detail. In the meantime, we remain committed to providing constructive input on health care reform issues in an effort to help all policymakers craft responsible health policy decisions.

### Timeline

By March 1, 2006, the existing administration and regulation of Medicaid, nursing home rate setting, certificate of need (CON) and hospital budget review will be reorganized into a new Department of Health Care Administration (DHCA). Quasi-judicial review of reimbursement rates and methodologies, hospital budgets, CONs, and consumer complaints will be provided by a newly-established Health Care Regulatory Review Board after July 1, 2006. Community health boards will be established regionally to integrate the delivery of health care among providers. An essential benefit

package known as “Green Mountain Health” will be developed through the efforts of a legislative Joint Health Reform Committee and a largely undefined process of public engagement. Coverage for primary and preventive services will begin by July 1, 2007, hospital services by October 1, 2007 and all other essential services by July 1, 2009. The bill establishes studies on the economic impact of a state tax-funded universal access plan, of financing options for the plan and how it could be integrated with workers’ compensation. The bill provides funds for VPQHC to initiate a pilot program for sharing electronic health care data (by 1/1/06) and to establish a Health Information Technology (HIT) plan (1/1/07). CON review of HIT related expenditures may be expedited once the HIT plan is in place. Funding to assist with the establishment of Federally Qualified Health Centers (FQHCs) in Lamoille, Orange and Washington counties is included. Medical malpractice arbitration is mandated once “universal access” is achieved. A healthy lifestyle insurance discount initiative is established.

### HRAP Update

The Health Resource Allocation Plan (HRAP) aims to identify and prioritize statewide needs for health care and the resources available to meet those needs. The advisory committee will hold five public hearings throughout the state to allow interested parties the opportunity to comment on the proposed HRAP.

To Download the report, visit:  
[www.bishca.state.vt.us](http://www.bishca.state.vt.us)

### Schedule of Public Hearings

**Tuesday, April 26, 2005**

12:00pm - 1:30pm

Vermont Interactive Television

(All Sites)

**Thursday, April 28, 2005**

6:00pm - 7:30pm

Hampton Inn - White River Junction

**Monday, May 2, 2005**

9:00am - 10:30am

Holiday Inn - Rutland

**Wednesday, May 4, 2005**

7:00pm - 8:30pm

Wyndham Hotel - Burlington

**Friday, May 6, 2005**

4:00pm - 5:30pm

Vermont Interactive Television

(All Sites)



## Reform *(continued from front)*

obese will directly result in 75% of Vermonters having a chronic condition by 2020.

- Technology and Patient Demand. We all want the best that our healthcare system has to offer. With every new advance, we as consumptive Americans want more of the “good stuff,” as Harvard economist David Cutler explained in a recent Sunday New York Times article.

The Republican and Democratic solutions to solve Medicaid and our overall healthcare system couldn't be farther apart. One common item however, is their respective reliance on controlling hospital costs and concurrent dependence on hospital leadership to drive delivery-side improvements. By June, I hope these partisan differences can be set aside to create a short-term strategy for closing the Medicaid gap and creating a reform framework that helps us drive improvements.

Our efforts this legislative session are more like a marathon. We are working with our allies and our members to get the word out about how to invest in our system so that it eventually is more in sync with our patients' growing needs. Our members have met and will continue to meet and work directly with legislators to discuss our five-year plan and other reform recommendations. In short, we're working overtime to get both sides to move toward a middle ground that will help us provide care today and improve our delivery system for tomorrow.

Making positive and lasting change is hard enough and unfortunately, there are no operating instructions for the road ahead. Last year, our hospitals' leaders made a commitment to drive change rather than react to it. Where will this resolve take us next year? How will this resolve change how the Association operates to meet member needs and construct a positive, innovative health policy? As we approach the end of this legislative session and our planning for the Association's FY 2006 budget, I have no doubt we'll discuss these important issues in more detail. We have a lot more work to do, but at least we have determined that at today's pace of change, the road ahead is easier to see when we're running at the front of the pack.

*Mami B. Gramer*

## Vermont IT Leaders (VITL) VAHHS/ VITL - HIT Initiative Update

VAHHS and members of the Vermont Information Technology Leaders (VITL) have been actively providing testimony and feedback to the House Health Care committee. After testimony from VITL Co-Chairs Kim Kalajainen and John Evans, and additional follow-up with Committee Chair John Tracy, the VITL strategy gained traction in the House. Although the final bill voted out of the House Health Care Committee includes layers of bureaucracy, the majority of the VAHHS/ VITL recommendations were incorporated.

### *Positive aspects of draft bill:*

- The adoption of members of VITL group Advisory Board into planning process
- Information gathered through demonstration projects will become the basis of the statewide HIT strategy
- Projects that trip the CON threshold will be expedited if compliant with a statewide plan for HIT
- \$200,000 appropriation request and intentional avoidance of using bill-back provision
- Advisory board to deliver a final plan on January 1, 2007 (not January 1, 2006)

### *Negative aspects of draft bill:*

- Significant BISHCA oversight
- Data ownership concerns
- Appropriation request was less than expected and there was no mention of matching funds

The VITL Advisory Group continues to be an active group, made up of a broad-based multi-stakeholder group of payors, providers, purchasers / employers, patients, as well as state and federal government officials who are all supportive of the process. The first phase of the clinical functionality survey has helped the group understand what practitioners prioritize as a critical demonstration project. Once selected, the demonstration project will be used to inform the development of the essential elements of a long-term HIT strategy, including: clinical functionality and adoption, standards and architecture, governance, and financial sustainability and patient privacy.

VITL continues to build a web site where they will post meeting minutes, PowerPoint presentations and progress updates throughout the course of the planning process. Please visit <http://www.vitl.net> to view the work of the VITL group.

Considerable progress has been made, and the VITL group will continue to shape the future of HIT in Vermont.



### **MHA President to Present on Dirigo Health Insurance at June 2005 Sharing Summit**

VAHHS has invited Steven Michaud, President and CEO of the Maine Hospital Association, to talk about how Dirigo is working and its impact on providers. We hope lessons from Maine will inform Vermont's policy debate.

Here is a thumbnail sketch of how Dirigo works. In 2003, the Maine legislature established Dirigo Health, an independent executive agency, to arrange for the provision of health coverage to every citizen in Maine. A governing board was charged with determining services, benefits, premiums, co-pays, deductibles and out-of-pocket maximums. The Board contracts with health carriers for the provision of coverage to eligible individuals and employees. Premium subsidies are financed through a four percent assessment of all health plans.

To register for the June Sharing Summit, visit:  
[www.VAHHS.org/events](http://www.VAHHS.org/events)

## **Important Dates Coming Up**

### **June 1-2, 2005**

Vermont Health Care Summit - Advancing Workforce & Economic Solutions  
Stoweflake Resort and Spa - Stowe, Vermont

### **June 13, 2005**

VAHHS Sharing Summit  
Capitol Plaza - Montpelier, VT

### **June 27-28, 2005**

IHI Leadership Meeting  
Hyatt Regency - Cambridge, Massachusetts

**On-line event registration and payment is now available at [www.VAHHS.org/events](http://www.VAHHS.org/events)**

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