

# VERMONT LEGAL AID, INC.

## OFFICE OF THE HEALTH CARE ADVOCATE

264 NORTH WINOOSKI AVE.  
BURLINGTON, VERMONT 05401  
(800) 917-7787 (TOLL FREE HOTLINE)  
(802) 863-7152 (FAX)

OFFICES:

BURLINGTON  
RUTLAND  
ST. JOHNSBURY

OFFICES:

MONTPELIER  
SPRINGFIELD

December 10, 2018

Kevin Mullin, Chair  
Green Mountain Care Board  
144 State Street  
Montpelier, VT 05602

Dear Chair Mullin and Members of the Green Mountain Care Board:

The Office of the Health Care Advocate (HCA) has expressed our growing concerns about health care affordability for Vermonters in each of the Green Mountain Care Board (the Board)'s three major regulatory processes (rate review, hospital budget review, and OneCare Vermont (OneCare)'s budget review). The HCA's role is to be a voice for Vermonters and to ensure that their needs and challenges are not forgotten in these processes. The HCA supports the goals of the all-payer model and believes it can be successful with the appropriate checks and balances. We submit these comments in the context of the OneCare budget review process, which we consider to be the Board's widest regulatory view of the health care system. We ask the Board to use the opportunity of this budget review process to begin thinking about broader system solutions.

Health care is unaffordable for more and more Vermonters. Despite the Board's real efforts to control costs, without specific system-wide interventions we fear that the progress Vermont has made towards creating a strong and equitable health care system will unravel. **We ask the Green Mountain Care Board to take the necessary steps to use its rate-setting authority<sup>1</sup> to set fee-for-service and capitated provider rates and trend for Vermont's individual and small-group insurance market.** This would help stabilize health insurance premium prices and reduce the cost burden of health care on consumers.

### 1. Vermont's individual and small group plans are unaffordable.

Vermont's individual and small group plans are some of the most expensive in the country. In 2019, Vermont's lowest cost bronze plan will be the 8<sup>th</sup> most expensive in the country at \$426/month for an individual. In 2019 there will be six states, including Rhode Island and Massachusetts, where the price of a *gold* plan will be cheaper than Vermont's lowest cost *bronze* plan. Other New England states with high premiums (CT and NH) are implementing rate decreases for 2019.<sup>2</sup> Our office's analysis of 2017 premium rates for individuals purchasing on the Exchange concluded that health care premiums are unaffordable for a wide range of Vermonters.<sup>3</sup>

---

<sup>1</sup> 18 V.S.A. 9375(b)(5).

<sup>2</sup> Kaiser Family Foundation <https://www.kff.org/health-reform/state-indicator/change-in-average-marketplace-premiums-by-metal-tier/>.

<sup>3</sup> Office of the Health Care Advocate. *The Cost of Health Insurance: Quantifying the Vermont Affordability Crisis*. [https://www.vtlegalaid.org/sites/default/files/HCA-The-Cost-of-Health-Insurance-Quantifying-the-Vermont-Affordability-Crisis\\_V3.pdf](https://www.vtlegalaid.org/sites/default/files/HCA-The-Cost-of-Health-Insurance-Quantifying-the-Vermont-Affordability-Crisis_V3.pdf).

## **2. Traditional market solutions will not address Vermont's individual and small group market affordability crisis.**

Vermont can't rely on market forces to apply downward pressure on prices. While no single factor is responsible for Vermont's high health care costs, it is well established that in consolidated health care systems efficiencies do not result in savings for consumers. As described recently in Health Affairs:

“...health care suffers from numerous forms of market failure, led by the consolidation of major providers, health plans, manufacturers, and distributors of health care products. Increasingly, markets for medical care lack real competition because of this consolidation. In such markets, even if health care becomes more efficient, the benefits are not passed on to consumers in the form of lower prices.”<sup>4</sup>

In addition, network adequacy standards that apply to Vermont's individual and small group market, and are important for access to providers, put insurers in rural states at a significant disadvantage for negotiating lower prices with providers. The unequal negotiating power between providers and insurers in Vermont was reflected in the 2019 hospital budget and rate review processes where most hospitals and insurers agreed that the hospitals generally do not negotiate down from the commercial rate included in their approved budgets.<sup>5</sup> When prices for necessary services are set not by cost or value but by negotiating power, a neutral, third-party must intervene.

## **3. Without intervention, Vermont's individual and small group affordability crisis is going to get worse.**

Federal efforts to undermine the Affordable Care Act (ACA) threaten Vermont's individual and small group market, putting it at still greater risk of ongoing high rate increases. Efforts such as ending enforcement of the individual mandate and allowing new association health plans are likely to pull healthier Vermonters out of the market leaving a smaller, sicker, and therefore more expensive exchange population. Expensive populations require higher premium increases which results in still more healthy individuals leaving the pool.

## **4. Vermont's current health care reform efforts do not solve the affordability crisis.**

While no one can say for sure whether Vermont's all-payer model will reduce prices for consumers after it has been operating for a number of years, we know that it is not going to lower prices for health care services in a reasonable time frame. The all-payer model and current ACO programs are not going to be effective at slowing cost growth for commercially insured Vermonters as long as prices and fee-for-service revenue remain high and the ACO matches those high rates in order to attract and retain providers. Hospitals and health care providers have the option to participate in ACO programs with some payers and not others. OneCare stated in its budget submission that providers will only participate in the commercial ACO program if they are guaranteed a favorable commercial trend. Additionally, the all-payer model's blended trend rate accommodates increased cost shifting as Medicare and Medicaid increases remain low and commercially insured Vermonters are charged more and more. While providers can lead the effort to change the way they practice and improve efficiency in the health care system, savings from these reforms will not benefit consumers without increased regulatory intervention.

---

<sup>4</sup> Health Affairs Blog, *Health Care Cost Control: Where Do We Go From Here?* July 13, 2018. DOI: 10.1377/hblog20180705.24704.

<sup>5</sup> 2019 Hospital Budget Review Hearings, August 2018; Individual and Small Group Health Insurance Rate Review Hearings, July 2018.

## **5. Vermont has a history of provider rate setting and other states are pursuing it.**

Vermont has a history of commercial rate setting. From 2007 to 2013, the state set provider rates for Catamount Health using a Medicare index. Additionally, other states have implemented or are pursuing commercial rate setting to reign in unsustainable price increases. Maryland has had all-payer rate setting for its hospitals since the 1970's and has some of the lowest exchange premiums in the country.<sup>6</sup> Proposed legislation in California would create a new state board to set the prices paid by commercial insurance for health care services.<sup>7</sup> In 2016, Montana began setting hospital payment rates for its state employee health plan using a Medicare index. The state has saved millions of dollars in the first two years of the program.<sup>8</sup> We believe it would be prudent for the Board to set individual and small group rates at a reasonable percentage of Medicare rates. Judicious rate setting would help protect the individual and small group markets while also taking into account the importance of provider solvency.

## **6. Effective provider rate setting would lower costs for Vermonters.**

The Green Mountain Care Board has the authority to address the issue of ever rising costs through provider rate setting for the state's individual and small group health insurance market.<sup>9</sup> If done well, employing this authority to set provider and hospital rates and trend for the individual and small group market would begin to relieve the affordability crisis for Vermonters buying insurance on the exchange, stabilize the individual and small group market, and ensure that consumers benefit from health care reform.

Rate setting for the individual and small group market could help offset the premium price consequences of the state's high provider prices as well as the destructive actions of the federal government. Lower provider rates would decrease premiums, enticing healthier people to remain in and return to the individual and small group market. This larger, healthier risk pool would in turn allow for more affordable and stable premium costs.

Furthermore, most plans sold on Vermont's exchange include high deductibles requiring significant out of pocket costs for consumers. High out of pocket costs paired with high prices for health care services, price variation between providers, and lack of price transparency lead to significant cost and access challenges for consumers. Setting prices at reasonable and predictable rates would allow consumers to make more informed choices and would benefit the many Vermonters on individual and small group plans who pay for a significant portion of their health care out-of-pocket. Affordable and predictable prices would encourage consumers to get the care they need rather than delaying or avoiding care due to fear of high prices.

---

<sup>6</sup> Maryland All-Payer Model. <https://innovation.cms.gov/initiatives/Maryland-All-Payer-Model/>; Kaiser Family Foundation <https://www.kff.org/health-reform/state-indicator/change-in-average-marketplace-premiums-by-metal-tier/>.

<sup>7</sup> AB 3087 100603 (a) The purpose of the commission is to: (1) Set the amounts accepted as payment by health plans, hospitals, physicians, physician groups, and other health care providers.

[https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill\\_id=201720180AB3087](https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB3087).

<sup>8</sup> Kaiser Health News. 'Holy Cow' Moment Changes How Montana's State Health Plan Does Business.

<https://khn.org/news/holy-cow-moment-changes-how-montanas-state-health-plan-does-business/>.

<sup>9</sup> 18 V.S.A. 9375(b)(5).

## 7. Conclusion

Provider rate setting has the potential to offset the harmful effects of Vermont's expensive health care system and federal efforts to undermine the ACA. We understand that the concept of provider rate setting will be scary to many in the provider community, but we also believe that a stable individual and small group market will benefit everyone in the health care system by improving access, increasing preventative care, and guarding against bad debt. We ask the Board to implement a thoughtful, inclusive process to alleviate providers' fears and take the necessary steps to begin setting provider rates and trend for the commercial individual and small-group market. Vermonters cannot withstand any further eroding of the state's individual and small group health insurance markets.

Thank you for considering these comments.

Sincerely,

The HCA Policy Team

s\ Mike Fisher, Chief Health Care Advocate

s\ Kaili Kuiper, Staff Attorney

s\ Eric Schultheis, Staff Attorney

s\ Julia Shaw, Health Care Policy Analyst