FactSHEET

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Vermont's Health Reform Laws

In May 2006, Vermont enacted two related health reform laws: 1) "An Act Relating to Health Care Affordability for Vermonters," and 2) "An Act Relating to Catamount Health." The laws, collectively called "Catamount Health," will be implemented in 2007. They build on a number of reforms that Vermont enacted in earlier years. For example, Vermont has provided Medicaid or SCHIP coverage for children with family incomes up to 300 percent of poverty, has covered parents with incomes up to 185 percent of poverty, and has covered childless adults with incomes up to 150 percent of poverty. The new laws are designed to fill in some of the remaining gaps by covering adults with incomes up to 300 percent of poverty using a subsidized private coverage program. They also seek improvements in both public and private coverage, particularly for people with chronic illnesses. With regard to private insurance, they build on some existing consumer protections. For example, Vermont does not allow private insurers to charge higher premiums to people who are in poor health. The new laws also seek to make private coverage more affordable. While not perfect, the laws will nonetheless significantly expand coverage.

What Does Vermont's Catamount Health Legislation Do?

- **It lays out a set of overall principles and an agenda aimed at improving health care and insurance in the state**. For example, a single state agency will be responsible for health reform initiatives. Reforms must adhere to principles regarding universal access, comprehensive coverage, fair financing, accountability, and healthy lifestyles.
- **It seeks improvements in care for those with chronic illnesses who are covered by either private or public coverage**. The "Blueprint for Health," Vermont's name for its chronic health initiative, would develop a registry of those with chronic illnesses and promote the use of prevention and chronic care management techniques among all insurers, including the state employee health plan.
- **It makes the following four changes in Medicaid:**
  1. It immediately increases Medicaid reimbursement for preventive care, dental care, some services in which Medicaid reimbursement rates trail Medicare reimbursement rates, and hospital care. In addition, it requires that, eventually, reimbursement rates be tied to quality and performance measures.
  2. The Medicaid agency will contract with an outside vendor for disease management. This vendor will also work with Vermont Health Access Plan (VHAP) and Dr. Dynasaur recipients (the public coverage programs for adults and children, respectively, who are not eligible for Medicaid in Vermont).

3. It calls for increased Medicaid outreach.
4. It authorizes the state to modify its "Global Commitment" waiver.

- **It reduces premiums for VHAP and Dr. Dynasaur**. Catamount Health cut VHAP premiums in half. Adults with incomes between 150-185 percent of poverty previously paid $75 per month for coverage. Under the new program, they will pay $49 per month. Catamount Health also cut premiums for children in the Dr. Dynasaur and SCHIP programs in half. Families with incomes between 225-300 percent of poverty previously paid $80 per month for family coverage. Under the new program, they will pay $40 per month. For a complete list of new premiums, see this table online at http://www.leg.state.vt.us/jfo/Healthcare/Premiums%20Schedule.pdf.
- **It paves the way to requiring people now enrolled in public coverage to instead use employer-based insurance (when it is offered), provided it meets certain standards, and for the state to assist with premiums for that coverage**. The state must first determine that providing premium assistance instead of public coverage is cost-effective. People with incomes up to 150 percent of the federal poverty level ($24,900 for a family of three in 2006) would pay no more for premiums and copayments for employer-based coverage than they would be charged under VHAP. People with incomes between 150 percent and 300 percent of poverty would pay no more than they would if they bought a Catamount Health policy, described below. Public programs will continue to provide "wrap around benefits" and pay for any care that the public program covers and the employer-based insurance does not.
- **It establishes Catamount Health, a private insurance product that will be partially subsidized by the state, for people who cannot get employer-based insurance and who do not qualify for Vermont's other public coverage programs**. Catamount Health will cover primary, preventive, acute, and hospital care. Out-of-pocket costs will be as follows:
  - The maximum deductibles are $250 for an individual and $500 for a family seeing in-network providers.
  - The coinsurance is 20 percent for services other than office visits. For office visits, the coinsurance is $10.
  - The maximum in-network out-of-pocket costs are $800 for an individual and $1,600 for a family. (The law also sets forth out-of-network deductibles and maximums.)

  People can buy this private insurance on a sliding-fee scale provided they have not been eligible for public or private coverage for the last 12 months and they do not have access to an approved, employer-based plan. The sliding-scale premiums range from $60/month for individuals or families with incomes below 200 percent of poverty to full cost for individuals or families with incomes above 300 percent of poverty. Participating insurers cannot deny coverage based on health status or charge higher premiums based on health status, but they can exclude coverage of pre-existing conditions for up to 12 months. Initially, any licensed private insurance carrier can elect to offer Catamount Health. However, if insurers do not opt to participate, the state can provide the product itself.

- **It establishes a trust fund for individual insurers to assist with high-cost claims**. Insurers can transfer 5 percent of their claims to this trust. This is designed to bring down the cost of individual insurance.
- **It levies an assessment on employers who do not provide coverage to their workers**. Employers will pay $365 per year for each full-time-equivalent employee who is not covered through the employer or through another insurer. Employers that make a contribution of *any* amount to an employee's coverage are not required to pay an assessment for that worker. However, if an employer offers coverage that an employee does not accept, and that employee does not have coverage from any other source, the employer will be assessed. The law grants exemptions to very small employers. In the first year, small employers (employers with no more than eight full-time equivalent employees) are exempt from the assessment. When the law is fully implemented in 2010, employers with no more than four full-time equivalent employees will be exempt from the assessment.
- **It will establish criteria for hospitals that provide uncompensated care (care that is provided without charge)**. Hospitals will use standard criteria for determining who is eligible for uncompensated care and for billing uninsured and underinsured people.
- **The state will study and move toward a number of additional goals that include the following:**
  - developing standards for premium discounts for healthy lifestyles (such discounts are not currently allowed in Vermont);
  - combining the risk pools for Catamount Health, VHAP, and private insurance (so that insurers will not use separate premium pricing structures for individuals and for groups);
  - developing consumer information on the price and quality of health care and an index of providers; and
  - increasing Medicaid outreach.

How Will Catamount Health Be Financed?

Primary funding will come from a Medicaid waiver. In 2005, Vermont and the federal government negotiated a Section 1115 Medicaid waiver (dubbed the "Global Commitment" waiver). In exchange for a fixed amount of federal Medicaid financing over the next five years (2006-2011), the waiver gave the state an "extra" $500,000 that it could use for other health initiatives, including Catamount Health.

Other funding sources include:

- A tobacco tax
- Appropriations
- Employer assessments

How Does Catamount Health Build on Vermont's Existing Health Coverage Programs for the Non-elderly?

Currently in Vermont, children are eligible for Medicaid or look-alike SCHIP coverage if their family incomes are below 300 percent of poverty. Their parents are eligible for Medicaid (or, in some cases, VHAP) if their incomes are no higher than 185 percent of poverty. Uninsured adults who do not qualify for Medicaid are eligible for VHAP, which provides a less comprehensive benefits package, if their incomes are below 150 percent of poverty (if they have no dependents) or below 185 percent of poverty (if they are parents or caretaker relatives). VHAP covers doctor visits, prescription drugs, specialists, outpatient care, mental health care, substance abuse treatment, home health care, laboratory tests and x-rays, medical equipment, eye exams, and urgent or emergent hospital care.

Catamount fills in some gaps in Medicaid and VHAP by covering adults with incomes between 150 and 300 percent of poverty on a sliding scale, and by allowing families with incomes higher than 300 percent of poverty to buy policies at a lower cost than what private carriers would charge in the individual market.

What Are the Concerns about Vermont's New Health Reform Law?

- **Using funds from its Global Commitment waiver may hurt Medicaid**. The Global Commitment waiver includes an overall cap that limits the amount of federal financing that the state may draw down during the five-year life of the waiver. At the time the waiver was negotiated, the cap appeared to be generous, allowing the state to spend up to a total of $4.7 million on Medicaid (compared to the $4.2 million that the state estimated it actually needed to operate the program during the five-year period). The danger is that if the state spends more than these "extra" funds on the expanded programs and has greater than expected Medicaid costs, it may have to cut Medicaid benefits or raise eligibility levels, especially since the state cannot receive any additional funding from the federal government.
- **Some advocates have raised the following questions about the program:**
  - Will the chronic disease management initiative really save money? And is disease management realistic in Vermont, considering the fact that many primary care services lack electronic medical records, which would help them communicate about disease management?
  - Is the patchwork of programs unnecessarily complicated?
  - Is it a good idea for the proposal to initially put the hard-to-insure (Catamount enrollees) in a separate risk pool (although under the law, this can eventually change)?
  - Is it a problem that the proposal is really aimed at helping the uninsured and does not address the problems of the underinsured? (While the new Catamount Health policies provide full coverage with low deductibles, Vermonters who are now insured through limited coverage or high-deductible policies are not eligible for the new program.)

- Would it have been better to expand the existing Medicaid program by allowing higher-income people to buy coverage through Medicaid instead of starting a subsidized, private insurance program?

Advocates and policymakers will learn more about the answers to these questions as the law is implemented.

What Are Some Strengths of the New Law?

- It emphasizes improved care for people with chronic illness, rather than providing barebones coverage that does not meet the needs of the sick.
- It expands coverage and subsidizes premiums for people with incomes below 300 percent of poverty.
- The new coverage includes low deductibles. Employers that do not provide coverage for their workers will help to pay for public programs.
- It increases Medicaid reimbursement rates for some services so that providers will accept people with Medicaid.
- The state will develop uniform policies for hospitals to follow in providing uncompensated care and in accounting for that care.
- The law paves the way for further regulation of the individual market (in this market, people buy health insurance as individuals rather than getting it through their employers).

Thus, while the new laws are not perfect, and while important concerns remain about their financing, Vermont has taken another significant step toward expanding health care coverage.

Subsidized Coverage Options under Vermont's New Law

Medicaid/Dr. Dynasaur	VHAP	Catamount Health	Employer-Sponsored Coverage
Kids in families with incomes up to 300% of poverty; parents with incomes up to 185% of poverty	Childless adults with incomes up to 150% of poverty; parents with incomes up to 185% of poverty	Premiums are subsidized for families with incomes less than 300% of poverty; others pay full cost	Subsidized for people with incomes up to 300% of poverty so that premiums and copayments for them will be no higher than they would be under VHAP and Catamount Health

More Information

- To read the full text of the Vermont health reform laws, see them online at http://www.leg.state.vt.us/docs/legdoc.cfm?URL=/docs/2006/acts/ACT191.HTM.
- To read the state's summary of the laws, as well as other materials, see the Web page at http://www.leg.state.vt.us/HealthCare/catamount.htm.

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