

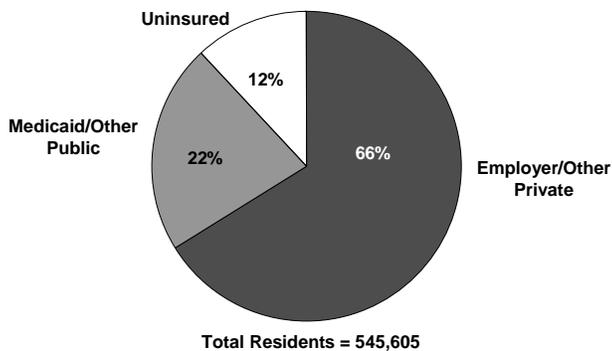
Vermont Health Care Reform Plan

On May 25, 2006, Vermont Governor Jim Douglas signed into law comprehensive health care reform legislation. The plan is designed to increase access to affordable health care while reducing cost through quality improvement measures. The plan requires employers to provide or help finance coverage for their workers. For individuals, participation in the new coverage program is voluntary, though the state legislature will reevaluate the need for an individual mandate if 96 percent of state residents are not covered by 2010.

HEALTH COVERAGE IN VERMONT

The health care reform plan in Vermont builds on a solid foundation of an expansive Medicaid program and broad employer-based coverage. Vermont's Medicaid program provides health coverage to 20 percent of the state population, compared to the national average of 13 percent. Medicaid covers children to 300 percent of the federal poverty level (FPL), parents to 185 percent FPL and adults without children to 150 percent FPL. The state also benefits from higher than average rates of employer-sponsored insurance. As a result, in 2006, 12 percent of Vermonters were uninsured, compared to the national average of 18 percent (Figure 1).

Figure 1  
Health Insurance Coverage In Vermont  
2005-2006



Source: [www.statehealthfacts.org](http://www.statehealthfacts.org). Urban Institute and KCMU Analysis of merged 2005 and 2006 CPS Data. Data includes the < 65 population.

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KEY COMPONENTS

Catamount Health

The primary vehicle through which those who are currently uninsured will obtain coverage is the Catamount Health Plan. Catamount Health is designed to be an affordable health insurance plan that is open to all uninsured residents, and is subsidized for individuals with incomes up to 300 percent FPL (\$30,630 for an individual; \$61,950 for a family of four). The Catamount Health Plan offers one standard plan with

benefits that are similar to the typical insurance plan in Vermont. Currently the plan is offered by two private insurers, Blue Cross Blue Shield of Vermont and MVP Health Care. Individuals can enroll in Catamount Health if they have been uninsured for the past 12 months, with some exceptions such as loss of employment. Insurers cannot deny coverage or charge higher premiums based on health status, but they can exclude coverage of pre-existing conditions for up to 12 months. Catamount Health plans became available on October 1, 2007.

To ensure that this coverage is affordable for low and moderate-income residents, the state subsidizes the cost of the premiums for individuals and their dependents with incomes below 300 percent FPL. The premium amounts for individuals are specified in the legislation, as follows:

Income*	Monthly Premium Cost
Below 200% FPL	\$60.00
200-225% FPL	\$90.00
225-250% FPL	\$110.00
250-275% FPL	\$125.00
275-300% FPL	\$135.00
Over 300% FPL	Full cost: \$393/Individual \$1,100/Family**

\*The federal poverty level is \$10,210 for an individual and \$13,690 for a couple in 2007. \*\* Full cost of Blue Cross Blue Shield Plan.

The monthly premiums are doubled for couples. There are no subsidized family premiums because children up to 300 percent FPL are eligible for Medicaid.

Premium Assistance for Employer-based Insurance

Another strategy Vermont is utilizing to promote health care coverage is to provide premium assistance to individuals under 300 percent FPL, to help them pay the premium for their employer's insurance plan. For the state to provide premium assistance for the individual's employer plan, it must be more cost-effective than enrolling the individual in the Catamount Health Plan or in the Vermont Health Access Plan (VHAP), the state's Medicaid program.

Employer Requirements

Vermont employers are assessed a fee of \$365 per full-time equivalent for their employees who are not offered or who do not take up the offer of health care coverage and are uninsured. Small employers—those with eight employees or fewer now and dropping to four employees or fewer over three years—are exempt from the assessment. The assessment will increase annually at the rate of growth of Catamount Health premiums.

### Blueprint for Health

Launched in 2003 by Governor Douglas and endorsed in the 2006 Health Care Reform plan, Vermont's Blueprint for Health is a statewide public-private initiative to improve care for individuals with chronic conditions. The plan is built on the premise that prevention and support for chronic conditions will result in a healthier population; more appropriate, timely and effective treatment; and reduced demand for medical services.

The Blueprint focuses on activating all of the stakeholders in the health care system to improve the quality of care and health outcomes. Patients will be provided with information and support to manage their diseases. Providers will be encouraged to adopt clinical guidelines and best practices to ensure their patients are receiving the most effective treatments. Communities will be asked to develop physical activity and wellness programs. To further coordinate efforts, the Medicaid agency, the state employee health benefit plan, employer-sponsored plans that participate in the premium assistance program, and Catamount Health plans must all develop chronic care management programs that align with the Blueprint for Health.

### Health Information Technology

Health information technology is a key underpinning of the state's efforts to reform the health care system. The health reform legislation chartered the Vermont Information Technology Leaders (VITL) to develop a statewide, integrated electronic health information infrastructure. As part of this effort, VITL has developed a pilot program to provide assistance to primary care practices in selecting and purchasing technology to support electronic health records. VITL will also serve as the conduit for the Chronic Care Management Information System, which will support the Blueprint for Health.

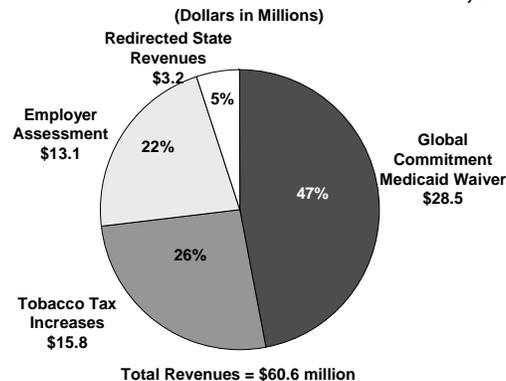
### Financing

In 2010, the plan is expected to cost \$60.6 million, funded through a variety of sources. In the original financing plan, nearly half of the funding was expected to come from the state's Medicaid "Global Commitment to Health" waiver. A decision by the Centers for Medicare and Medicaid Services (CMS) to only allow federal matching funds to be used to finance premiums for individuals with incomes up to 200 percent FPL (rather than for all Catamount Health enrollees up to 300 percent FPL) required the state to commit additional General Fund revenues to the plan. An increase in the tobacco tax will raise an additional \$15.8 million. The remaining funds will come from the employer assessment and individual contributions (Figure 2).

### Implementation, Outreach and Enrollment

Implementation of the Catamount Health Plan began on October 1, 2007 and will be phased in over a 5-year time period. On November 1, 2007, Vermont launched a major education, outreach, and enrollment campaign for all of the insurance options available to Vermonters.

Figure 2  
Sources of Revenue for Catamount Health, 2010



Source: Analysis by Ken Thorpe and JFO for the Vermont Legislature.

Note: Total spending in 2010 is estimated to be \$81.9 million, which includes \$21.6 million in premium revenues and a \$3 million operating margin in addition to revenues.

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### KEY ISSUES

Vermont is one of a handful of states taking on the significant challenge of broad-based health care reform. The state was able to achieve the commitment of stakeholders from across the health care system, but it still faces a number of key questions.

**Will the Catamount Health Plan be affordable?** As with the health care reform plan being implemented in Massachusetts, a key issue in Vermont is whether the Catamount Health Plan will be affordable for low and moderate income individuals and families, particularly those individuals and families who will not be eligible for premium subsidies. The affordability of the coverage will have a significant impact on whether people enroll because insurance coverage is not mandatory. If the plan is unaffordable for the majority of the uninsured, the state will have a difficult time reaching its target of 96 percent coverage by 2010.

### Is the financing plan sustainable over the long term?

The state's financing plan relies heavily on accessing funds available through the state's "Global Commitment to Health" Medicaid waiver. CMS' denial of the request to finance Catamount Health Plan premium subsidies for individuals with incomes between 200-300 percent FPL has already required the state to commit more of state funds than originally planned. Uncertain federal support for the reform plan may result in future funding shortfalls.

### Will the state's focus on chronic care management serve as a model for other states?

The Blueprint for Health has a unique focus on prevention and chronic care management and is a critical component of the state's effort to slow the rate of health care cost growth. The fundamental reorganization of the health care delivery system called for by the plan will require a significant financial investment and the commitment of all stakeholders. If the goals of the plan can be accomplished, Vermont may be the first state to test whether improving chronic care management can reduce the growth of health care costs over the long-term.

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