

Vermont Adopts Single-Payor System

On May 26, 2011, Vermont Governor Peter Shumlin signed H.202 into law; this bill paves the way for Vermont to offer the first state-financed single-payor health insurance system in the U.S.¹ H.202 addresses many aspects of healthcare reform, including: creating system-wide budgets; pursuing further payment reform; establishing a state run health benefit exchange as required by the 2010 Patient Protection and Affordable Care Act (ACA); examining reforms to the state's medical malpractice system; modifying the insurance rate review process; and, creating a statewide drug formulary.² The bill lays out a framework to provide "a universal and unified health system" to all of the 600,000-plus Vermont residents by 2017 and aims to control rapidly growing healthcare costs.³

Pursuant to provisions in the ACA, the Vermont legislation establishes an initial insurance exchange, *Green Mountain Care*, and plans to transfer individuals covered through private, state, or federal health insurance, as well as the uninsured, into a single, statewide insurance payor funded by Vermonters' tax dollars rather than private insurance copayments or premiums.⁴ A successful transition to the statewide system will necessitate several conditions. For example, before implementing the single-payor system, Vermont must secure federal exemption from the ACA's mandated state-run insurance exchange; under federal law, waivers granting exemption will not become available until 2017.⁵ A five-member board, to be established by October 2011, will manage *Green Mountain Care* and will play an important role in the transition from the state-run exchange to a single-payor system through implementing widespread health reform initiatives throughout the state.⁶ This board is charged with ensuring the main objective of the bill, cost containment, as well as developing specific components of the exchange and the transition to the single-payor system (e.g., setting reimbursement rates for healthcare providers and maintaining a unified system to streamline administration).⁷ The most daunting task likely facing the board relates to financing the legislation, with the board scheduled to deliver a financing plan to the state legislature by January 15, 2013 to be phased in over several years.⁸

In a National Public Radio address, Governor Shumlin stated that the H.202 ultimately aims to create a system

in which "healthcare is a right and not a privilege," and highlighted H.202's economic goals: "Health care costs are climbing at a rate of more than 12 times the growth of the Vermont economy, and we're not getting the best value for our money ... The time for change has come."⁹ Healthcare spending in Vermont totals approximately \$5 billion a year, swelling from 6.5 to 8.5 percent in recent years.¹⁰ Under a single-payor system, some estimate Vermont's annual budget cost-savings could equal as much as \$580 million and could approach nearly \$1.9 billion by 2019, while also creating several thousand jobs.¹¹

Despite a similarly designed system failing to garner enough support to establish a national single-payor as a provision of the ACA, Governor Shumlin has expressed optimism about Vermont's legislation and anticipates other states will follow Vermont's lead.¹² In developing H.202, the Vermont legislature commissioned a report entitled "*Health System Reform Design: Achieving Affordable Universal Health Care in Vermont*," authored by several key economists, including Harvard professor William Hsiao, well known for his work in healthcare financing. According to Hsiao, since completing the report, six other states have approached him to develop similar single-payor systems.¹³ Former Vermont governor Howard Dean, M.D., stated: "If we're successful and our cost per capita is limited, then I think people will copy it."¹⁴

¹ "VT Governor Signs Single-Payer Bill" By Margaret Dick Tocknell, Health Leaders Media, May 27, 2011, <http://www.healthleadersmedia.com/print/TEC-266668/VT-Governor-Signs-SinglePayer-Bill> (Accessed 5/31/2011).

² "An Act Relating to a Universal and Unified Health System" VT LEG 264981.2 [H.202] (May 26, 2011), p.1.

³ "An Act Relating to a Universal and Unified Health System" VT LEG 264981.2 [H.202] (May 26, 2011), § 1829, pg. 1; "Vermont Moving Toward Single-Payer Health Care" By Zach Howard, Reuters, May 26, 2011, <http://www.reuters.com/article/2011/05/26/us-vermont-health-idUSTRE74P89420110526> (Accessed 5/31/2011).

⁴ "An Act Relating to a Universal and Unified Health System" VT LEG 264981.2 [H.202] (May 26, 2011); "Vermont Has a Plan for Single-Payer Health Care" By Steven Findlay, Consumer Reports, May 26, 2011, <http://news.consumerreports.org/health/2011/05/vermont-establishes-road-map-for-single-payer-health-care.html> (Accessed 5/26/11).

⁵ "Vermont's Shumlin Uses Obama Health Law to Build Bridge to State-Run Care" By Michael McDonald, Bloomberg, May 26, 2011, <http://www.bloomberg.com/news/2011-05-26/vermont-s->

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- shumlin-uses-obama-health-law-to-build-bridge-to-state-run-care.html (Accessed 5/31/2011).
- ⁶ "Vermont Moving Toward Single-Payer Health Care" By Zach Howard, Reuters, May 26, 2011, <http://www.reuters.com/article/2011/05/26/us-vermont-health-idUSTRE74P89420110526> (Accessed 5/31/2011).
- ⁷ "An Act Relating to a Universal and Unified Health System" VT LEG 264981.2 [H.202] (May 26, 2011), § 1829, pg. 44.
- ⁸ "An Act Relating to a Universal and Unified Health System" VT LEG 264981.2 [H.202] (May 26, 2011), Section 2(c)(5), pg. 6.
- ⁹ "Vermont Gov. Proposes Single-Payer Health Plan" By Aimee Miles, National Public Radio, February 11, 2011, <http://www.npr.org/2011/02/11/133657928/vermont-gov-proposes-single-payer-health-plan> (Accessed 6/15/11).
- ¹⁰ "Vermont Moving Toward Single-Payer Health Care" By Zach Howard, Reuters, May 26, 2011, <http://www.reuters.com/article/2011/05/26/us-vermont-health-idUSTRE74P89420110526> (Accessed 5/31/2011).
- ¹¹ "Vermont Moving Toward Single-Payer Health Care" By Zach Howard, Reuters, May 26, 2011, <http://www.reuters.com/article/2011/05/26/us-vermont-health-idUSTRE74P89420110526> (Accessed 5/31/2011).
- ¹² "Vermont Gov. Proposes Single-Payer Health Plan" By Aimee Miles, National Public Radio, February 11, 2011, <http://www.npr.org/2011/02/11/133657928/vermont-gov-proposes-single-payer-health-plan> (Accessed 6/15/11).
- ¹³ "Vermont's Shumlin Uses Obama Health Law to Build Bridge to State-Run Care" By Michael McDonald, Bloomberg, May 26, 2011, <http://www.bloomberg.com/news/2011-05-26/vermont-s-shumlin-uses-obama-health-law-to-build-bridge-to-state-run-care.html> (Accessed 5/31/2011).
- ¹⁴ "Vermont's Shumlin Uses Obama Health Law to Build Bridge to State-Run Care" By Michael McDonald, Bloomberg, May 26, 2011, <http://www.bloomberg.com/news/2011-05-26/vermont-s-shumlin-uses-obama-health-law-to-build-bridge-to-state-run-care.html> (Accessed 5/31/2011).



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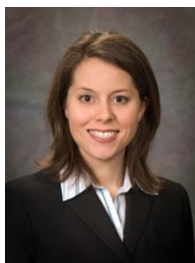
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