State Efforts to Control Total Health Care Costs

Presentation to Princeton Conference

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Chair, Green Mountain Care Board
Health care costs in Vermont

VT GSP and Health Care Annual Growth

Percent of GSP

<table>
<thead>
<tr>
<th>Year</th>
<th>VT</th>
<th>U.S.</th>
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<tbody>
<tr>
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<td>13.4</td>
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<td>2002</td>
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<td>2003</td>
<td>15.3</td>
<td>14.6</td>
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<tr>
<td>2004</td>
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<td>2005</td>
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<td>2006</td>
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<tr>
<td>2007</td>
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<td>14.9</td>
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<tr>
<td>2008</td>
<td>17.9</td>
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<td>2010</td>
<td>19.5</td>
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<td>2011</td>
<td>19.3</td>
<td>16.9</td>
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</tbody>
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Health care cost growth in Vermont

Annual Vermont Resident Health Care Expenditure Growth Actual and Projected

VT's projections based on national data
Projected Health Spending, United States, 2011–21

Cutler D M, and Sahni N R Health Aff 2013;32:841-850
Health care cost control in Vermont

Green Mountain Care Board (Five Members)

Regulation:
- Hospital budgets
- Health insurer rates
- Major capital expenditures
- Payment policy and rate setting

Innovation:
- Payment reform pilots
- Changes to state budgeting and regulatory processes to better achieve our goals
- “Unified health care budget”
Meanwhile in the private sector...

- Two Medicare Shared Savings ACOs, one dominates the market
- 14 community hospitals, including 8 critical access hospitals (fewer than 25 beds)
- One in-state academic medical center, plus Dartmouth-Hitchcock, provide most tertiary care
- 70% of Vermonters are in an advanced primary care medical home supported by Community Health Teams
- Eight FQHCs serving more than 120,000 Vermonters
- Almost 60% of physicians are employed by hospitals or FQHCs
- Three insurers cover 98% of insured population

TOTAL POPULATION: 625,000
Vermont’s State Innovation Model: expand and integrate....

Delivery system transformation

Payment reform

Interoperable health information technology
Results so far?

- **Regulation**
  - 3% growth allowed for hospitals in their next fiscal year, with the intent to reduce growth over 3 years to mirror economic growth
  - Additional 1% allowed for “health reform investments”
  - Exchange rates coming in June
  - Closer scrutiny of insurer admin costs

- **Innovation**
  - Six payment reform pilots under way or in development
  - Working to expand statewide shared savings model to commercial payers and Medicaid with expected 1/1/14 start
  - Linking inflation forecasts, Medicaid budget, hospital budgets and insurer rates
Other elements of Vermont’s reforms

- State-based Exchange – for all individual and small group coverage beginning January 2014
- Leveraging Affordable Care Act funds
- Leveraging Affordable Care Act payment reform – statewide ACO demo, bundled payments, value-based purchasing – Medicare as the starting point
- Planning for “single payer”:
  - ACA waiver in 2017
  - Financing to replace most private premiums
  - Coverage de-linked from employment