State of Vermont

Expansion of Health Insurance Coverage to Uninsured Vermonters

Final Addendum

HRSA State Planning Grant
Report to the Secretary

October 29, 2002

The Vermont Agency of Human Services

Supported by a grant from the Health Resources and Services Administration,
U.S. Department of Health and Human Services

Expansion of Health Insurance Coverage to Uninsured Vermonters

Final Addendum – Table of Contents

Attachments:

1. "Covering VHAP and SCHIP Enrollees under a Voucher Model: Program Design and Actuarial Analysis" – The Lewin Group for the Office of Vermont Health Access
2. "Final Report" – The Governor's Bipartisan Commission on Health Care Availability & Affordability
3. "Hard Choices in Health Care 2002" – The Commission on the Public's Health Care Values and Priorities

Final Addendum
October 29, 2002

I Introduction

In October 2001, the State Planning Grant Steering Committee submitted a short list of policy recommendations based upon the results of their work. The three major recommendations were [1] to maintain/protect existing levels of coverage, [2] to continue outreach initiatives to eligible children not currently enrolled in the state's programs, and [3] to expand coverage incrementally based upon the state's financial capacity. The Committee had identified a number of viable strategies that would enable policy makers to expand coverage to Vermonters.

Without a doubt, the SPG's biggest concern in these difficult economic times for Vermont was how to hold on to the health care benefits for the low income, underserved Vermonters that were currently in place, and to assure the sustainability of those benefits. Health care services and how to pay for them received high priority during this past legislative session.

The Administration was faced with declining revenues and increasing health care costs that together resulted in a need to propose program reductions. The Governor's stated objective was to not reduce eligibility for coverage, but to increase cost sharing or limit the scope of benefits, based on the policy that some coverage was better than no coverage. Key to sustaining coverage was an increase in the tobacco products tax, which had been proposed in the prior legislative session but had not been passed. The health care policy debates centered on Medicaid reform, the healthcare budget (including rescissions and pharmacy cost control) and an employer buy-in to VHAP, the state's 1115 waiver program for uninsured adults.

These are briefly described below.

II Health Care Policy Debates

a) Medicaid Reform

Concerns about the sustainability of Medicaid spending prompted an initiative in the House to restructure the Medicaid program with the goal of financial sustainability and greater reliance on the private sector. The House took the unusual step of separating out the Medicaid portion of the State budget and incorporating it into a bill that included the reform provisions proposed by the House Health and Welfare Committee. This package was adopted by the House and sent to the Senate for consideration.

Along with the appropriation for the Medicaid program and an increase in the tobacco products tax (see below), this legislation included the following key provisions: it incorporated all state Medicaid funding in a single fund; it changed the way the Medicaid budget was developed; it authorized development and submission of a Medicaid waiver request that would incorporate the requirements of the legislation that were necessary to implement the reformed system of coverage.

Authority to be requested in the waiver were, if necessary,

? limits on enrollment,
? restructured benefit plans for optional Medicaid and waiver populations,
? plan administration in either the public or private sector through enrollment in employer sponsored plans if the applicant was employed,
? premium subsidies through vouchers for private sector coverage and
? vouchers to cover beneficiary cost sharing.

The proposal envisioned using the private insurance carriers as a primary method to provide coverage.

The House legislation was not adopted by the Senate. However some of the budget provisions were incorporated into the comprehensive state budget act, most notably restructuring of expenditure reporting, consolidation of state Medicaid matching funds in a single Health Access Trust Fund, and authority to implement a voucher program "…for the purpose of demonstrating and determining the feasibility of using vouchers to achieve Vermont's public policy goals relating to the Medicaid program."

b) Budget Adoption and Rescissions

The Medicaid budget was under severe pressure. The Administration's budget proposal as submitted to the legislature included significant benefit and coverage reductions. The legislative debate on the budget centered on whether the tobacco products tax would be increased to restore some or all of the reductions that were proposed. The House eventually agreed to restore some of the reductions and the House also increased the tobacco tax. These provisions were included in the Medicaid Reform bill noted above and were eventually included in the budget that was passed by the Legislature.

The benefit changes adopted included:

? increased copayments for pharmacy programs (VHAP, VScript, VScript Expanded),
? increased co-payments for VHAP Uninsured (1115 waiver) beneficiaries,
? capped spending for pharmacy programs, and
? elimination of coverage of eyewear for adults.

When the Legislature adjourned in June for the year, it was clear that projected revenues could not sustain the approved budget. In anticipation of the need for further budget reductions, authority was granted in the Budget Act for the Administration to propose a deficit reduction plan based on the July revenue forecast. Based on the July revenue projections, there was, in fact, a projected $39 million shortfall. The Administration went

through a difficult process of identifying state services that could be reduced or eliminated due to the state's projected revenue shortfall for FY '03. The Administration proposed a deficit reduction plan in early August that was subsequently approved by the Legislative Joint Fiscal Committee. This resulted in benefit reductions that are scheduled to be effective on November 1, 2002. These include

? elimination of coverage of dentures for adults,
? elimination of coverage of chiropractic care for adults in VHAP and traditional Medicaid, and
? elimination of coverage of elective hospital admissions in the VHAP Uninsured program.

c) VHAP Buy-In for Small Businesses and Individuals

One of the Governor's primary health initiatives was to seek program authorization for employers and individuals to buy into VHAP, the state's 1115 waiver program for uninsured adults. This was a proposal that came from the HRSA SPG initiative. Legislation was introduced into the Senate to authorize such a program. The program was designed to allow individuals (no health insurance coverage for at least 12 months, at or below 300%FPL) and small businesses (19 or fewer full- or part-time employees and not have offered any health plan within the past 12 months) to enroll in the VHAP program following payment of the full premium for the benefit. The benefits were required to be equivalent to private sector plans and premiums were to be set so the program would be financially self-sufficient. For individuals, the legislation allowed limitations on coverage of preexisting conditions that existed during the six-month period before the effective date of coverage. Provider payment rates were set at 110% of Medicare levels. Although this legislation was adopted by the Senate, the House did not consider the bill.

III Integrated Data Base:

Vermont joined other first- and second-round states working with the HRSA-funded University of Arkansas on an integrated database project. Vermont participated within the realm in which we were invited, and in the early, developmental stage of the project. Vermont used the database tool to a limited degree during this time because we had already produced the bulk of our analyses prior to the project's starting date.

Participation in the integrated database project allowed us to explore some alternative technologies and data recoding techniques for making data more accessible on a timely basis. Due to timing issues pertaining to the cycle of HRSA grants and inception of this project, we subsequently relied more heavily on the Robert Wood Johnson funded State Health Access Data Assistance Center (SHADAC), which has taken an active role in becoming a clearing house for technical assistance to states who want to use and understand federal data sets in the absence of state-sponsored surveys.

IV Other Proposals for Improved Access to Health Care

a) The Healthy Vermonters (Pharmacy) Program (HVP)

The Legislature authorized creation of the Healthy Vermonters Program (HVP). This is a pharmacy discount program modeled after a discount program that was in operation under the State's 1115 waiver program from January of 2001 – June of 2001. That program was struck down based on a Federal court challenge from PhRMA. Changes in the program were made to address the legal objections to the original program. Full implementation of HVP requires approval from the Centers for Medicare and Medicaid (CMS) of our request to amend the state's 1115 waiver to include the HVP in the Vermont Health Access Plan (VHAP) waiver. This request was submitted in September. While CMS is considering that request, beneficiaries can access pharmaceuticals at the Medicaid rate. Waiver approval will result in a further discount of about 20% through the state's contribution to the program and the manufacturers' rebates to the state, which will be passed on to the consumer.

The program is available to individuals who have no insurance for prescriptions or who have reached the maximum benefit of their insurance coverage for medications, and who are 65 or older, disabled, receiving Medicare or social security, and have incomes at or below 400% of the Federal Poverty Level (FPL), or those of any age who have incomes at or below 300% FPL.

b) Vouchers

As noted above, the Budget Act included language that included authority to implement a voucher program "…for the purpose of demonstrating and determining the feasibility of using vouchers to achieve Vermont's public policy goals relating to the Medicaid program." The State asked our HRSA SPG contractor, The Lewin Group, Inc. to prepare a program design and actuarial analysis of a proposed voucher program. This work was completed at the end of September and is currently under review within the administration and subsequently will be presented to the Legislative Health Access Oversight Committee for further review and comment. Further steps could include eventual submission of a concept paper to CMS for their review followed by a waiver amendment if the concept proves viable. A draft proposal is attached.

c) Special Projects

Vermont has made great headway in providing health care to those who are low income and who would otherwise go without. No other state offers such extensive health coverage, and yet we are not satisfied that we have done all we can to provide access to that health care or to expand the services offered. There are several entities working on a variety of 'solutions' to the problem. SPG steering committee members were chosen specifically for their active roles in trying to find more affordable access to health care, and often served on at least one other committee or commission in their attempts to address the issues. Two such commissions were tapped for support from the SPG

because of the specific work they were doing. Descriptions of the two commissions follow.

i) Governor's Commission on the Public's Health Care Values and Priorities:

The ten-member Commission on Public Health Care Values and Priorities has existed since 1994 when it was created by legislative resolution to be a non-partisan route to health care reform, after failed legislative initiatives.

The charge of the commission was to find out what values and priorities the public would like to see incorporated into a reformed health care system and present that information to the legislature as the basis for health care reform legislation.

In 1996 the commission sponsored a telephone survey of a wide cross-section of 400 Vermonters, held four focus group discussions around the state and interviewed health care experts and stakeholders, the outcome of which was the publication, *"Hard Choices: What Vermonters are Thinking."*

This most recent project of the commission was to re-survey Vermonters and ask another sampling of 400 randomly selected people the same questions that were asked in 1996. In addition to the 400 randomly selected Vermonters, the same questions were also asked of participants in the Vermont Ethics Network (VEN) Study Circles project *"Access To Health Care For All Vermonters- Beginning the Dialogue and Action."* Participants in the Study Circles project were surveyed to see if a group of people who were part of a deliberative process of discussion about health care issues would have different values and priorities than those who did not participate in the Study Circle process.

The official life of the Commission on the Public's Health Care Values and Priorities has been extended to the end of 2002. Once the findings of the *Hard Choices in Health Care 2002: What Vermonters are Thinking* report are disseminated as widely as possible, the work of the commission will end. It will be up to lawmakers to use the eight years of commission effort for the public good. This Commission's final report: *"Hard Choices in Health Care 2002: What Vermonters are Thinking"* is attached.

ii) Governor's Bipartisan Commission on Health Care Availability and Affordability:

This commission, by gubernatorial and legislative appointment, was comprised of Senator Nancy Chard, Chair Senate Health & Welfare Committee; Senator Cheryl Rivers (until her resignation in October 2001) Chair, Senate Finance Committee; Representative Thomas Koch, Chair House Health and Welfare Committee and Representative Frank Mazur, Vice Chair, House Appropriations Committee, Elizabeth Costle, Commissioner of the Banking, Insurance, Securities and Health Care Administration (BISHCA), Jane Kitchel, Secretary of the Agency of Human Service (AHS), and Cornelius Hogan, former AHS secretary, as chair.

This Commission was asked to [1] study data and information relative to increasing health care costs, cost shifts and availability of services; [2] talk with employers and others concerned with rising health care costs and access to health care; [3] identify ways to achieve the dual goals of controlling costs and guaranteeing universal access to health care, and [4] report back on their findings with recommendations to address these problems. The Commission's final report may be found at: http://www.state.vt.us/health/commission/docs/report/final.htm

V Health Care Legislation Proposed 2001-2002

The following bills were proposed during the 2001-2002 legislative session, and all had authorship by or input from members of the steering committee. The full text of these bills may be found at the Vermont's Legislative Documents web page: www.leg.state.vt.us/docs/docs2.cfm.

Bill Tracking Number, Title & Description of Bill *as introduced*.	Result
H.31 An Act relating to prescription drug cost containment and pharmacy best practices This bill proposed to: (1) organize and fund public prescription drug education, countermarketing and substitution strategies to balance the effect of pharmaceutical company marketing behavior; (2) establish consumer protection procedures in connection with the use of prescription drug formularies; (3) assist in the creation of new federally-qualified health centers that can dispense low cost prescription drugs; (4) authorize a VScript catastrophic drug expense program; (5) authorize the expansion of the Vermont Health Access Plan – Pharmacy program and the VScript program to permit all Vermonters to enroll and gain access to reduced-cost prescription drugs; (6) create a statewide, coordinated system of access to pharmaceutical manufacturer patient assistance programs; and (7) create a joint legislative commission on regional cooperation on prescription drugs.	*Passed by House and Senate* *Enacted into Law: Act 127 (2002)*
H.527 An Act Relating to Medicaid Reform This bill proposed to reform the Medicaid program, while retaining its essential purposes, by directing that Medicaid's share of total state spending grow no faster than its current share, by designing flexible health benefit plans that reflect the income of Medicaid beneficiaries, by administering the program through private health insurers and health care providers, and by implementing a comprehensive cost containment strategy.	
H.528 An Act Relating to Vermonters' Access to Health Insurance during the Recession This bill proposed to permit health insurers to issue a basic, short-term health insurance policy for unemployed Vermonters while the nation is in a recession.	
H.537 An Act Relating to Tamper-Resistant Prescription Pads This bill proposed to authorize the board of pharmacy to develop criteria for a standardized tamper-resistant prescription pad that can be used by all health care providers who prescribe drugs.	
H.547 An Act Relating to the Vermont Health Care Plan This bill proposed to establish the Vermont health care plan as a universally-accessible, comprehensive, publicly-administered health benefit plan offering care and treatment to all Vermont residents.	
H.606 An Act Relating to the common care list and the health risk list This bill proposed to establish the common care list identifying appropriate treatment protocols for the 50 most common health conditions or diseases for which Vermonters receive medical care and treatment, and to establish the health risk list identifying medical care options for which health outcome benefits do not clearly outweigh health outcome risks.	

H.607 An Act Relating to the incentive plan for Medicaid This bill proposed to direct the commissioner of prevention, assistance, transition, and health access to conduct a five-year pilot project designed to test the ability of a health care voucher program to expand the health care choices available to Medicaid beneficiaries, and to contain Medicaid health care costs	
H.608 An Act Relating to health care administrative cost containment This bill proposed to implement administrative cost containment strategies for Vermont's health care system.	
H.609 An Act Relating to the Vermont Hospital System This bill proposed to authorize the health access oversight committee to conduct a health care system study of the hospitals serving Vermont residents.	
H.614 An Act Relating to prescription drug cost containment This bill proposed to codify the pharmacy best practices and cost control program enacted in the 2001 session of the general assembly, and to authorize additional prescription drug cost containment strategies.	
H. 615 An Act Relating to reimbursement of Vermont Health Clinics This bill proposed to direct the commissioner of prevention, assistance, transition, and health access to provide cost-based reimbursement to health clinics.	
H.616 An Act Relating to Health Insurance This bill proposed to permit rate deviations for small group health insurance policies, expand the number of participants in the small group reinsurance pool, establish a high-risk pool for uninsurable individuals, and establish a state income tax credit for health insurance.	
H.660 An Act Relating to Establishment of a Department of Substance Abuse This bill proposed to establish a department of substance abuse. This new department will have authority over, and responsibility for, providing, coordinating, and evaluating services related to the prevention and treatment of tobacco, alcohol, and other illicit drug abuse and addiction.	
H.682 An Act Relating to Small Business Health Insurance Tax Credit This bill proposed to provide an income tax credit to small businesses that provide health care coverage for their employees.	
H.690 An Act Relating to Health Insurance Tax Credit This bill proposed to provide an income tax credit for the cost of health insurance premiums.	
H.765 An Act Relating to Medicaid This bill proposed to redesign the Medicaid program to accomplish Vermont's public policy goals: a financially sustainable human services program; a medical safety net for low income Vermonters; a benefit plan comparable to standard health insurance policies; cost-sharing based on the beneficiary's income; consumer empowerment through income-sensitive health care vouchers; and a comprehensive cost containment strategy.	*Passed by the House*
S.49 An Act Relating to the Health Policy Council This bill proposed to reestablish the health policy council to conduct public hearings and make recommendations to the commissioner of banking, insurance, securities, and health care administration in connection with the development of the state health plan, and in connection with certificate of need and hospital budget review proceedings.	
S.82 An Act Relating to Uninsured Individuals and The Vermont Health Access Plan. This bill proposed to direct the commissioner of prevention, assistance, transition, and health access to permit an individual to enroll in the Vermont health access plan despite coverage under another health benefit plan during the prior 12 months if the cost of the prior plan is unaffordable to the individual.	

S.131 An Act Relating to Prescription Drug Cost Containment and Affordable Access This bill proposed to: (1) organize and fund public prescription drug education, countermarketing and substitution strategies to balance the effect of pharmaceutical company marketing behavior; (2) establish consumer protection procedures in connection with the use of prescription drug formularies; (3) assist in the creation of new federally-qualified health centers that can dispense low cost prescription drugs; (4) authorize a VScript catastrophic drug expense program; (5) authorize the expansion of the Vermont Health Access Plan – Pharmacy program and the VScript program to permit all Vermonters to enroll and gain access to reduced-cost prescription drugs; (6) create a statewide, coordinated system of access to pharmaceutical manufacturer patient assistance programs; and (7) create a joint legislative commission on regional cooperation on prescription drugs.	
S.135 An Act Relating to Fair Pricing of Prescription Drugs This bill proposed to: (1) encourage cost-effective use of prescription drugs; (2) establish consumer protection rules for pharmaceutical companies and pharmacy benefit management companies; (3) create a temporary emergency pharmaceutical assistance program; (4) promote the expansion of federally-qualified health centers; (5) establish a VScript prescription drug insurance program; (6) establish a VScript catastrophic prescription drug expense program; (7) require pharmaceutical manufacturers participating in the Medicaid program to pay rebates to the VScript program; (8) authorize VScript to act as a wholesale purchaser of prescription drugs; (9) expand eligibility for an unsubsidized VScript rebate benefit to any Vermont individual or organization; (10) authorize the commissioner of prevention, assistance, transition, and health access to implement prescription drug cost controls; (11) authorize Vermont's participation in pharmaceutical manufacturer patient assistance programs; and (12) establish the Vermont prescription drug fair pricing program.	
S.170 An Act Relating to Prescription Drug Cost Containment Information This bill proposed to collect information relating to the promotional activities of pharmaceutical companies for health care cost containment purposes.	
S.178 An Act Relating to a Universally-Accessible Prescription Drug Insurance Program This bill proposed to establish a universally-accessible prescription drug insurance program within the VScript pharmaceutical assistance program, to support the establishment of new federally-qualified health centers, to create incentives and provide financial support for cost-effective prescription drug prescribing practices, and to increase the cigarette tax.	
S.185 An Act Relating to Pharmacy Discount Plan Enrollment This bill proposed to permit individuals to enroll in the pharmacy discount plan, notwithstanding their enrollment in a health benefit plan with inadequate prescription drug coverage.	
S.223 An Act Relating to the Unified Health Care Budget, Continuation of Group Health Insurance Coverage, and Coverage of Persons under the Influence of Alcohol or Drugs This bill proposed to amend procedures applicable to the preparation of the unified health care budget, to amend the circumstances under which a person may elect to continue coverage under a group health insurance policy, and to repeal the statute limiting the liability of health insurers for coverage of persons under the influence of alcohol or drugs.	
S.231 An Act Relating to Prescription Drug Counter-Detailing This bill proposed to direct the commissioner of prevention, assistance, transition, and health access to implement a prescription drug counter-detailing program.	
S.254 An Act Relating to A Vermont Health Access Plan Buy-In Program This bill proposed to authorize the commissioner of prevention, assistance, transition, and health access to offer buy-in health care coverage to individuals through a health benefit plan administered in connection with the Vermont health access plan program.	*Passed by the Senate*

S.269 An Act Relating to the Prescription Drug Fair Price Coalition This bill proposed to direct that Vermont participate in the Prescription Drug Fair Price Coalition, to require the commissioner of prevention, assistance, transition, and health access to negotiate supplemental Medicaid and VScript rebates with pharmaceutical manufacturers, to require the commissioner of prevention, assistance, transition, and health access to implement a pharmacy discount plan for Vermonters without adequate coverage for prescription drugs, to prohibit pharmaceutical manufacturer detailers and other marketers from engaging in unfair and deceptive acts and practices, and to codify the appointment of directors to the Northeast Legislative Association on Prescription Drug Pricing.	
S.289 An Act Relating to the Vermont Health Care Plan This bill proposed to establish the Vermont health care plan as a universally-accessible, comprehensive, publicly-administered health benefit plan offering care and treatment to all Vermont residents.	

VI Conclusion:

Vermont continues to be appreciative of the Health Resources and Services Administration of the Department of Health and Human Services for the support and opportunity to explore additional ways of decrease the number of uninsured within the state. This is especially challenging in these times of shrinking state revenue and increasing health care costs.

Steering committee members continue to pursue efforts toward improving access to health care for the low-income population and to lowering the uninsurance rate in the state. Continuing efforts (in random order) have included, but are not limited to, maintaining a state-wide system of free clinics, advocating for a single payer plan, administering Vermont's public health insurance plans, developing a means of assuring the continuation of current benefits through cost containment initiatives (i.e. reducing the cost of pharmaceuticals), advocating for all patients and for the beneficiaries of state-run health programs, working with hospitals and physician organizations.

In addition, our legislative members will return to their committees on Health and Welfare, and Health Access Oversight. The Agency of Human Services (AHS), the Department of Prevention, Assistance, Transition, and Health Access (PATH) and the Office of Vermont Health Access (OVHA) will continue to work with the Department of Health (VDH) and the Banking, Insurance, Securities and Health Care Administration (BISHCA) on effective ways to deliver health care to Vermonters.

~