

Health Reform Update- **January, 2011**

Hsiao Report – No Real Surprises, but are there Enough Details?

Dr. William Hsiao's highly anticipated report was released on January 19, 2011.

There are plenty of news websites offering summaries if you haven't been following the story.

(View videos of Dr. Hsiao speaking to the legislature here:

<http://vtdigger.org/2011/01/19/hsiao-report-hybrid-single-payer-is-best-option-for-vermont>)

As soon as the TV lights went out, it became clear that there's a long way to go before we see a single payer in Vermont:

- By Dr. Hsiao's own timeline, the earliest Vermont could move to a single payer is 2015, one year after the major federal reforms, such as the individual mandate and Exchanges kick in.
- Governor Shumlin's team did not give a full endorsement of Hsiao's proposal and said their own bill would include a few changes in approach
- Legislators and special interest stakeholders (such as physicians, hospitals, business owners, consumer advocates, single payer proponents, etc) seemed to think Hsiao had presented a menu of options, and they started picking what they wanted, and dismissing what they didn't like. However, when asked specifically how much of his proposal had to be implemented in order to realize the savings and new jobs he predicts, Dr. Hsiao responded "All of it." It is not a menu; any changes at all will change the predictive economic model. A very important point for the Legislature to understand.
- The long list of waivers that Vermont will need in order to create a single payer continues to grow, while Congress seems to be moving in directions not amenable to abolishing private insurance or granting waivers.

The Governor and our Congressional delegation anticipated that one of the immediate waivers needed is that Vermont not be required to implement a Health Insurance Exchange, and for individuals and employers to not be assessed federal penalties for not having "federally qualified" (ie. private) insurance. So, our Senators and Congressperson introduced a bill that would move up from 2017 to 2014 the implementation of a waiver request process from those aspects of the new federal reform act. Ironically, their bill was introduced on the day that the

House voted to repeal the entire act. Our delegation is in the odd position of voting against that repeal, while asking for an early waiver.

(More details on the Vermont bill and a list of the waivers of other federal health programs we'll need can be found here: <http://vermontemployershealthalliance.blogspot.com/2011/01/waiver-of-magic-wand.html> .)

Hsiao addresses the pesky issue of waivers by calling his plan a "hybrid," and instead of "single payer," he frequently calls the plan a "single pipeline." What he means- is that it's unlikely that the necessary waivers for ERISA (self-insured employers) and Medicare will be granted, so there will always be more than one payer. What he proposes is that instead of focusing on having one pot of money and one payer, Vermont should:

- establish a common set of rules, requirements and reimbursement rates for use by all payers

- establishing a uniform “essential benefits package” providing the same coverage to all Vermonters. (Employers will be allowed to offer “supplementary insurance” to fill any gaps in the governmentally defined plan, though by its description it seems to cover everything, including some vision and dental).
- The governance of the system would be entrusted to an “independent board with representatives of patients, providers, employers and responsible government agencies.” The board would establish the budget, determine the benefit package, negotiate with providers and issuing requests for bids and hiring a third-party administrator to adjudicate and pay claims. Hsiao claims this model is much more cost effective than the “pure” single payer model of turning all these functions over to state government.
- If the waivers necessary to eliminate all payers aren’t granted, then another hybrid option is that all providers send claims to one central “processor,” who parcels the claims to their rightful destinations (be they a CIGNA claims office in Pennsylvania, Medicare, or BCBSVT). This “single pipeline” and single set of rules for providers could go a long way toward removing administrative overhead for providers, says Hsiao, and deliver the all-important savings touted for a “single payer,” without having a single payer.
- Replacing our malpractice law structure with a “no fault” claim resolution system, based on the system in place in New Zealand
- Move providers toward consolidating into Accountable Care Organizations, vertically and horizontally integrated delivery and administrative systems that can manage and deliver care to a defined population (e.g. everyone living in a particular region) for a fixed capitation (“per member per month” fee). The eventual goal would be for all providers and all patients to be covered within the ACO framework.

Interestingly, Governor Shumlin seems to be brushing aside questions about the financing for a single payer, saying he doesn’t want that discussion to “suck the oxygen out of the room” when what we need to focus on first is cost containment. The Governor will release his draft bill on February 8th.

Meanwhile, on January 31st, the federal judge in Florida hearing the suit by 22 states to overturn the federal reform granted their wishes. However, two federal courts in other regions have upheld the law. As a result, this won’t be settled until the Supreme Court hears the case.

Securities and Investment Advisory Services offered through NFP Securities, Inc. a Broker/Dealer, Member FINRA/SIPC and a Federally Registered Investment Advisor. Fleischer Jacobs Group is an affiliate of NFPSI and a subsidiary of National Financial Partners Corp., the parent company of NFPSI. Not all members of FJG offer securities and investment advisory services. NFP Securities, Inc. does not offer tax or legal advice. This material was created by Jeanne Keller, Keller & Fuller. This material was created to provide accurate and reliable information on the subjects covered. It is not intended to provide specific legal, tax or other professional advice. The services of an appropriate professional should be sought regarding your individual situation. Neither Fleischer Jacobs Group nor Keller & Fuller offer legal or tax services.