



State of Vermont
Agency of Administration
Office of the Secretary
Pavilion Office Building
109 State Street
Montpelier, VT 05609-0201
www.aoa.vermont.gov

[phone] 802-828-3322
[fax] 802-828-3320

Jeb Spaulding, Secretary

November 14, 2013

M. Beatrice Grause, Chief Executive Officer
Vermont Association of Hospitals and Health Systems
148 Main Street, Montpelier, VT 05602

Paul Harrington, Executive Vice President
Vermont Medical Society
134 Main Street, Montpelier, VT 05601

Dear Bea and Paul,

Thank you for the opportunity to review Avalere's report evaluating the Green Mountain Care finance plan. The Administration is working concurrently on many of the questions posed by the report. We agree that we must rigorously review and assess assumptions underlying reform to our current health care system. We expect that we will continue this process in the years ahead, as we move toward realizing the goals set forth in Act 48. We appreciate the need for the State, health care providers, consumer representatives, and the Green Mountain Care Board to continue to work together while implementing a sustainable health care system.

The Administration agrees with several findings within the report. The Administration notes that Avalere's findings support the need for Green Mountain Care and the opportunity to provide better care and greater coverage at lower overall cost than the status quo. The Administration concurs with Avalere's findings regarding the need for Green Mountain Care. Avalere found that "most [businesses] expressed discontent with the growth of commercial insurance costs, noting that they cannot afford to keep paying ever-rising premiums." Also, Avalere found that "local employers we spoke with were cautiously hopeful that GMC might unburden them of the ever-rising expense of providing health care coverage to their workers." These observations are consistent with the driving force behind Act 48: the belief that the current system is unsustainable and threatens Vermont's health and future prosperity.

Furthermore, the Administration agrees with Avalere that a revenue range is a more useful concept than a single number when considering future Green Mountain Care revenue requirements. The UMASS report itself sets forth a range of possible costs; we expect that continued analysis with up-to-date data will change the total revenue requirements as we move toward implementation, especially with the continued development of delivery system reform efforts. The Administration will continue to refine this range to inform future financing discussions. Avalere's work in this regard will be useful to our efforts.



As set forth in Act 48, we must be sure that any reformed system will not only improve care and coverage for Vermonters, but also will do so at a lower cost and with a more sustainable growth expectation than the status quo.

Despite areas of agreement, the Administration has several key concerns about the report. Specifically, the Administration believes that Avalere's approach to estimating the provider reimbursement calculation is methodologically unsound. Avalere states that "providers in Vermont today receive 122 percent of Medicare." To reach this conclusion, Avalere weighted current payments simply by the number of patients, instead of a more refined analysis which considers the fact that different patients have different average costs. The UMASS analysis built on existing claims data and estimated that current payments average 107% of Medicare, a number that diverges from the UMASS report's reimbursement rate recommendation by less than 2%. Furthermore, the UMASS report indicated that providers would reap administrative savings that would make up for the 2% rate reduction. We agree with Avalere that we must continue to assess the level of current provider reimbursement. The State looks forward to working with providers to ensure that comparisons between the status quo and Green Mountain Care be made with uniform assumptions.

Also, the Administration is concerned that the current administrative costs set forth by the report are too low, unduly minimizing potential administrative savings obtained through the implementation of Green Mountain Care. For example, it is not clear that the administrative costs listed in Table 5 of the report offer an apples to apples comparison to the administrative costs set forth in the UMASS report. Even if the BCBS administrative cost number is accurate, the higher administrative costs of MVP and BCBS subsidiary TVHP demonstrate opportunities for additional savings.

Finally, the conclusions in the report regarding provider participation in Green Mountain Care flow from other assumptions contained in the report. In order to meet the mandate of Act 48, Green Mountain Care must be designed in a manner that supports our providers. We are mindful of that requirement and therefore do not agree with Avalere's characterization of the effect of a reformed system on our health care providers.

Overall, the report offers an important perspective as the Administration implements Green Mountain Care, even though the Administration disagrees with key findings of the report. Thank you again for the opportunity to review the report, and we look forward to having a productive dialogue on these and other issues as we work together to improve access and care while lowering cost for all Vermonters.

Best regards,



Robin J. Lunge

Director of Health Care Reform