

The Vermont Catamount Health Initiative

In May 2006, Vermont Gov. James Douglas signed into law the 2006 Health Care Affordability Act. This legislation established the Catamount Health Program, which expands access to health coverage for the uninsured and creates premium subsidies to make coverage more affordable for low-income residents. It includes subsidies to encourage residents to enroll in employer-sponsored insurance (ESI) if offered to them. Vermont's plan also establishes a Chronic Care Management program for all state residents. The program will focus on preventing and managing chronic illnesses in order to reduce health care costs. Catamount Health is scheduled to begin enrollment in October 2007. Relative to other state initiatives, the Catamount Health legislation included many of the program details, making the implementation process less complicated. Participation is voluntary, and the state expects to cover 25,000 individuals – 42 percent of its currently uninsured residents.

Proposal in Brief

Target population: 42% of all uninsured residents.

Sources of Coverage: Affordable, private insurance; ESI.

Coverage Incentives: Premium subsidies for private insurance products or ESI; employer penalties.

Financing: Federal Medicaid funding; cigarette and tobacco tax; assessments on employers; state funding; individual premium payments.

Timing: Private plans, premium subsidies, and chronic care initiatives begin in October 2007.

PROPOSAL SUMMARY

Catamount Health: Catamount Health will offer standardized, private coverage to Vermont residents who have been uninsured for longer than one year.¹ The state will contract with local health plans to provide the benefit.² Participation in the plan is voluntary. Enrollees will pay sliding-scale premiums based on income. The Catamount Health benefit package will include primary care, preventive and chronic care, and hospital services. Plans will have a \$250 deductible for individuals and cost-sharing up to 20 percent of the cost of services. All individuals will have an annual out-of-pocket maximum of \$800 per year, excluding premium payments. Preventive services will receive first-dollar coverage, meaning they are not subject to the deductibles or cost-sharing requirements. Individuals enrolled in the chronic care management program will be exempt from most cost-sharing requirements. At this time, small groups or individuals who currently purchase private coverage in the non-group market will not be permitted to enroll in Catamount Health.

Premium Assistance: The state will encourage individuals to enroll in Catamount Health by subsidizing the premium costs of the plan. Individuals with incomes below 300 percent of the federal poverty level (FPL) are eligible for sliding-scale premium subsidies ranging from 60 to 82 percent of the expected cost of coverage. Vermont expects monthly premiums to cost about \$340 without the subsidies. Low-income individuals will be responsible for only a small portion of those costs. Premiums will range from \$60 per individual under 200 percent of FPL to \$135 per month for individuals at 300 percent of FPL. These premiums apply to the lowest-cost plan available; if residents choose to enroll in a higher-cost plan, they will be responsible for the difference in premium costs. The legislation does not establish premium requirements for couples or families. These premiums will be determined by the Vermont Agency of Human Services in fiscal year 2008.

Vermont Quick Facts

Population:

617,730 (US total: 292.9M)
3rd smallest state

No. and Percent Uninsured:

0.07M; 11% (US: 46.6M; 16%)
5th lowest uninsured rate

Median Household Income:

\$48,508 (US: \$44,684)
16th highest

Undocumented Immigrants:

<20,000; 3%
(US: 9.3M; 3%)
Among the lowest number of
undocumented immigrants

Avg. Annual Cost of Employer-Sponsored Insurance (ESI)

(individual per year):

\$4,074 (US: \$3,705)
7th highest

Medicaid Enrollment:

0.1M; 26% (US: 55.0M; 19%)
5th in % pop. covered

Medicaid Coverage of Working Parents:

92% FPL (US avg: 65% FPL)

Sources: Kaiser State Health Facts; Urban Institute Estimates of Undocumented Immigrants, January 2004.

Low-income Vermont residents (less than 300 percent of FPL) who have access to employer-sponsored insurance, but have not been able to afford that coverage in the past, also can receive premium assistance. Individuals who meet the eligibility requirements for Catamount Health but have access to ESI may not enroll in a Catamount Health plan. Instead, they can receive premium assistance from the state if they enroll in their employer-sponsored coverage, provided it is more affordable than Catamount Health.³ The state has not yet finalized the premium schedule for ESI.

Employer Penalties: All Vermont employers will incur an annual penalty for workers who lack health insurance. The penalty will be \$365 per year per full-time equivalent (FTE) uninsured employee. The definition of uninsured employees includes all workers who are not offered employer coverage, workers who are not eligible for that coverage, and workers who are offered employer coverage but decline it. In 2007 and 2008, employers may exempt up to eight FTEs from their penalty. The exemption drops to six FTEs in 2009 and four FTEs in 2010. The employer assessment will grow annually at the same rate as Catamount Health premiums.

Fallback Plan: To address concerns about the costs and sustainability of the program, the Catamount Health plan includes a fallback plan that would permit the state to take over the benefit and administer it publicly if the program is not deemed cost-effective. Under this fallback plan, the state would no longer contract with private insurers to offer the benefit, but would operate the program directly as a fee-for-service system. The law requires the Commission on Health Care Reform to assess the cost-effectiveness of the

program by October 1, 2009. The state may assume responsibility for administering benefits publicly as a self-insured entity if the plan is found not to be cost-effective.

OTHER KEY COMPONENTS

Wellness, Prevention, & Care Coordination: The Vermont health reform program includes a strong focus on improving chronic care management. The state will implement chronic care initiatives for all residents, in addition to those enrolled in Catamount Health. The statute requires the Medicaid program to implement a chronic care management program. This initiative was included in Vermont's Global Commitment Medicaid waiver that was approved by the Center for Medicare and Medicaid Services (CMS) in September 2005. That program will be administered by a private contractor beginning in October 2007.

Vermont will also develop a comprehensive model for managing chronic diseases and preventive services throughout the state. The model, called the Blueprint for Health, should be fully implemented by 2009. One of Blueprint's goals is to emphasize the importance of patient self-management to develop informed, active, and prepared patients who are able to utilize decision support tools. Vermont also will issue grants to communities that implement physical activity

programs, such as walking programs and bike paths. Beginning in 2009, the state will offer free immunizations to all residents.

Quality: The Blueprint for Health also includes several quality initiatives focused on provider education and general health system changes. The state will expand efforts to educate providers about evidence-based practices for treating and managing chronic illnesses. It will propose models for a Medicaid pay-for-performance system, and increase Medicaid payment rates for primary care services and provider participation in care coordination.

Health Information Technology: Vermont will develop a statewide database with a registry of all chronic care patients, to enable better disease management. This database will also help both insurers and providers communicate with each other and their patients. The state hopes to complete implementation of the database by 2009.

BUDGET ESTIMATES

Vermont estimates that the Catamount Health plan and the corresponding chronic care initiatives will cost \$182.3 million over four years. Much of the funding for this initiative will come from federal Medicaid funding for premium subsidies (\$58.5 million over four years)⁴ and an increase in cigarette and tobacco taxes (\$59.6 million over 4 years). The state has appropriated \$14 million over four years toward the Blueprint for Health, which it expects will produce \$550 million in savings over the next 10 years. Additional funding will come from employer assessments (\$34.0 million over four years) and individual premium payments (\$36.9 million over four years).⁵

NEXT STEPS FOR IMPLEMENTATION

Compared to other state coverage initiatives, the legislation implementing Vermont's Catamount Health plan was very detailed, leaving few decisions to the regulatory process. Before October 2007, Vermont will need to contract with health plans to administer the Catamount Health benefit and finalize the premium schedule. The state also must conduct education and outreach activities to encourage uninsured residents to enroll in the program. In October, the Catamount Health plans will be available for purchase, and the state will begin to implement the chronic care initiatives.

SOURCES

<http://www.leg.state.vt.us/HealthCare/2006LegAction.htm>.

¹ Enrollees may not have had private insurance in the 12 months leading up to their enrollment in Catamount Health. The state will waive the 12-month requirement for individuals who lost their coverage due to job loss, divorce, death of a spouse, or if they exhausted their COBRA coverage. The plan will cover individuals who lose eligibility for Medicaid. Catamount Health also will be available for underinsured residents whose current coverage includes only hospital services or physician visits.

² If no private carriers bid to participate, the two major non-profit insurers (Blue Cross Blue Shield and MVP Health Care) will be required to offer the Catamount Health plan.

³ The state will determine whether the employer coverage is more affordable than Catamount Health. Individuals are only required to enroll in ESI if the coverage is as good as the typical plan of the four largest insurers in the small group and association market.

⁴ Vermont has a comprehensive Medicaid waiver that includes a global cap on its federal funding. The state projects that it can keep Medicaid spending below the federal cap, which will enable the state to direct some of the federal dollars towards the new premium assistance program.

⁵ In the first four years of the program, the state expects total revenues to exceed spending by \$20.7 million. However, this discrepancy between revenues and spending is expected to decline as the program continues and enrollment increases.