



Why Assumptions Matter

**PREPARED BY:
VERMONT PARTNERS FOR HEALTH CARE
REFORM**

Summary



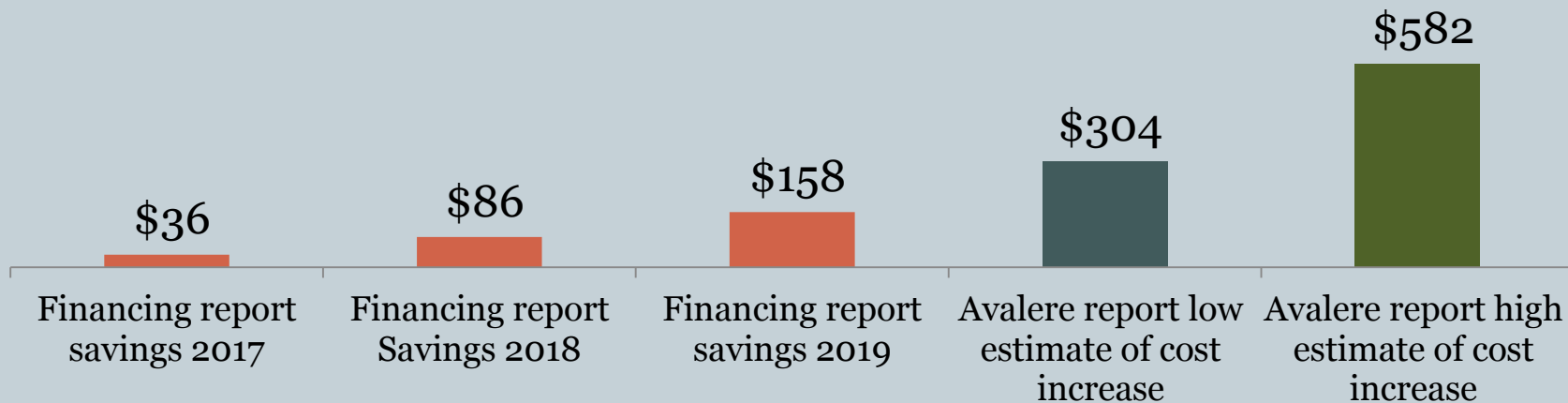
- The State's single payer savings estimates are lower than the cost increases estimated by Avalere. The Avalere estimates indicate a total system cost of between \$5.8 and \$6.1 billion versus the State's \$5.5 billion.
- These cost differences are driven by differences in assumptions between Avalere and the State, specifically differences in payments to providers and administrative savings.
- If the true system cost is somewhere between \$5.5 billion and \$6.1 billion, the State will need to change (lower) assumptions about provider payment and/or benefits value in order to maintain a total cost of the projected \$5.5 billion.
- Provider payments will need to be lowered to between 100 and 105% of Medicare and/or Vermonters' benefit package will need to be reduced from 87% to something closer to 78% in order for the cost of GMC to be equal to or less costly than the current system.

The state's single payer savings estimates are **lower than** the cost increase estimated by Avalere



Financing and Avalere estimates \$ millions

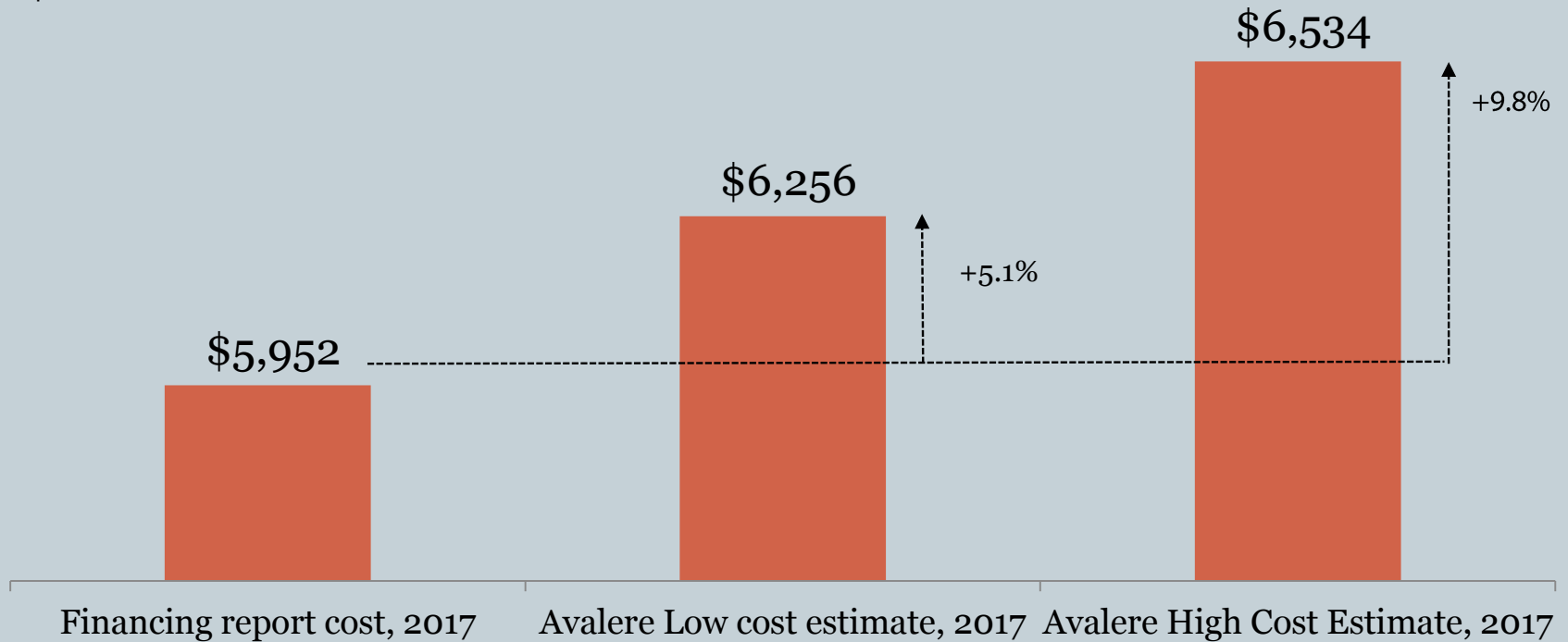
Even Avalere's low estimate of year one cost increases eliminates the Financing report long-term savings.



Source: Financing plan - Table 43, Avalere Report

Avalere data translates to an estimated total cost for single payer of **\$5.8 to \$6.1 B** versus the state's estimate of \$5.5 B

Single Payer Costs, State and Avalere Estimates \$ millions



Source: Financing plan - Table 43, Avalere Report

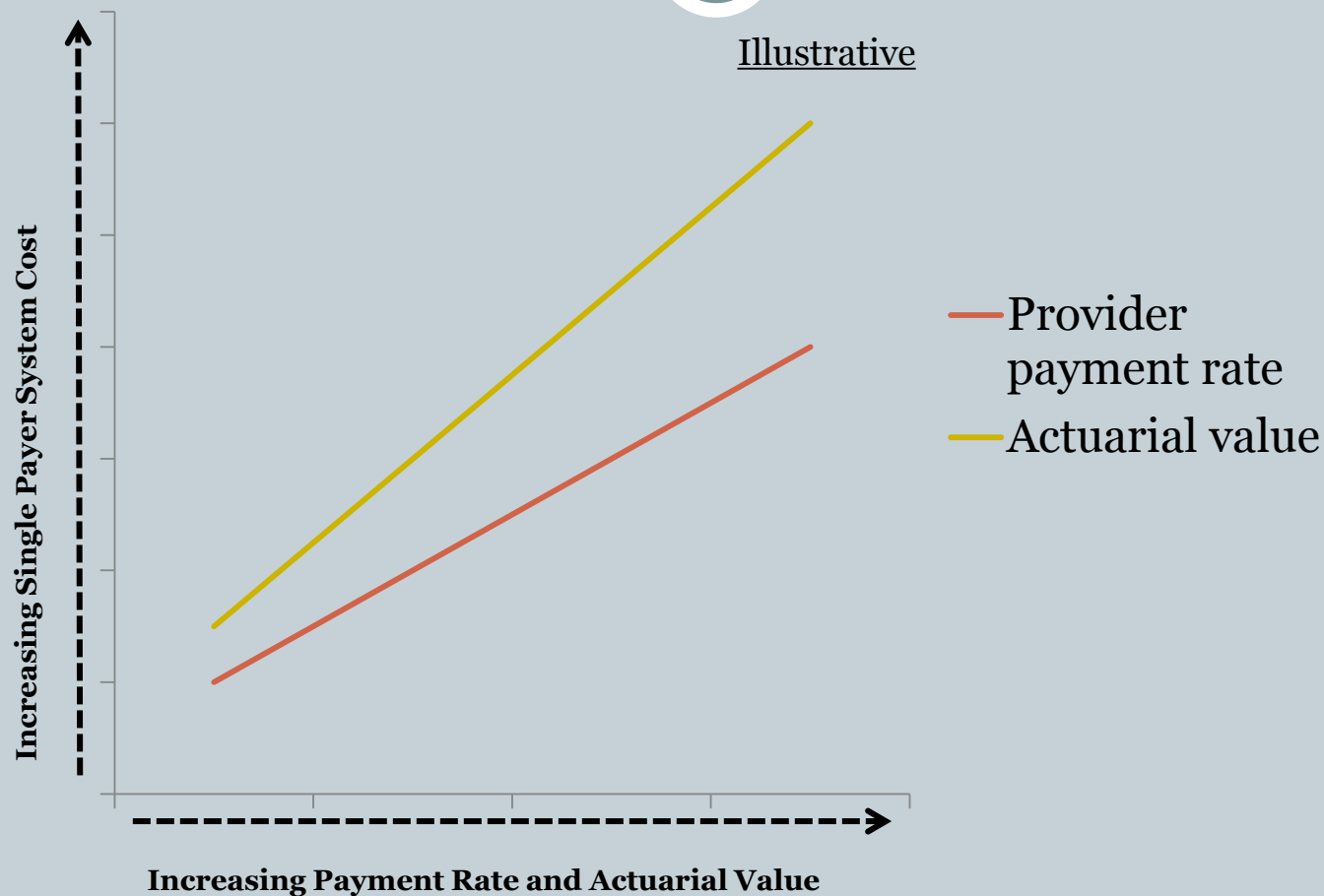
These cost differences are driven by **changes** in key assumptions



Assumption	State	Avalere	Impact to cost (\$mm)
Provider payment rate	105% of Medicare	115% to 125% of Medicare	+\$73 to +\$301
Administrative cost savings	Payer admin at 7% Provider admin savings of 13.9% of revenue will accrue to providers	Payers already at 7% Providers will not achieve all savings due to multiple payers and OOS care	+\$76 to +\$126
AV of GMC insurance	87% actuarial value	No assumption made	-

Source: Financing plan – Tables 32, 33, page 42; Avalere Report

Payment rate to providers and the benefit package (Actuarial Value) significantly impact the cost of a single payer system.

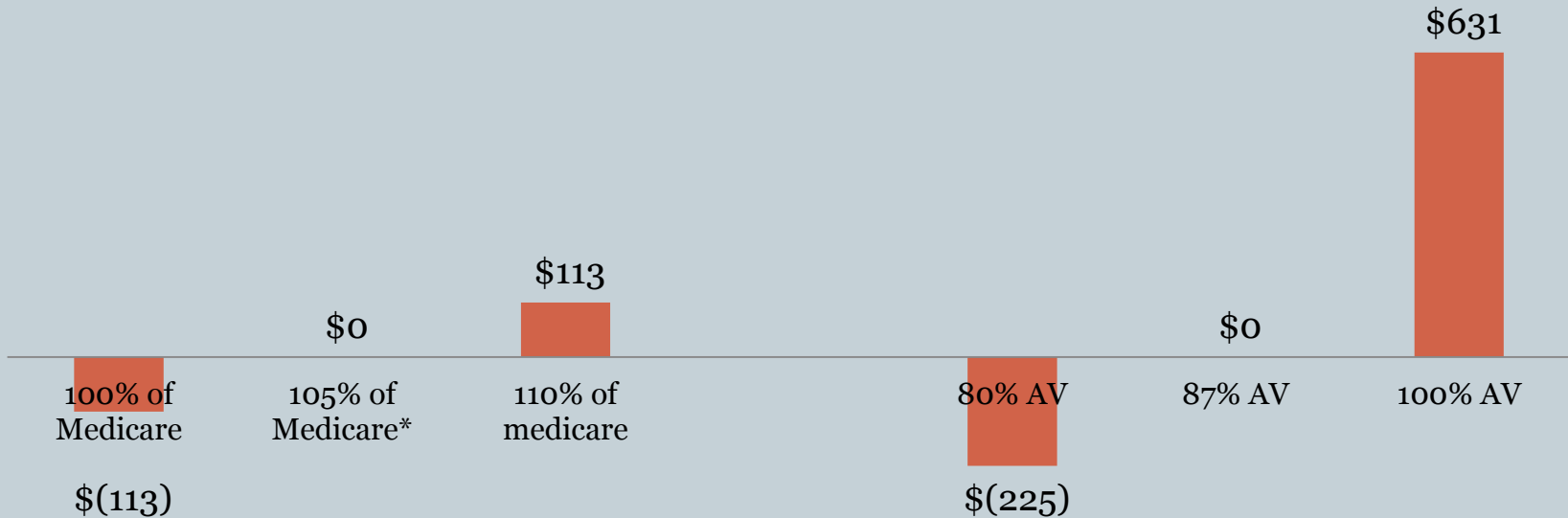


The Financing Plan itself acknowledges that **varying assumptions** have impacts on the cost of GMC

Financing Plan Cost Change from Base Case (\$5,952 base case cost) \$millions

Change in provider payment assumptions

Change in actuarial value assumptions



*Financing plan base case assumption
Source: Financing plan - Table 31,43

Therefore, it will be **necessary to change (reduce)** key assumptions to keep the cost of GMC constant and affordable



Scenario 1 Illustrative Assumption Changes (\$ millions)		Scenario 2 Illustrative Assumption Changes (\$ millions)		Scenario 3 Illustrative Assumption Changes (\$ millions)	
Base Case Cost	\$5,953	Base Case Cost	\$5,953	Base Case Cost	\$5,953
Avalere Low Cost Increase Estimate	\$304	Avalere Low Cost Increase Estimate	\$304	Avalere High Cost Increase Estimate	\$582
Reduce AV to 77.5%*	(\$304)	Revert to 105% payment rate	(\$228)	Reduce payment to 100%	(\$341)
		Reduce AV to 84.6%*	(\$64)	Reduce AV to 79.5%*	(\$241)
Maintained Base Case Cost	\$5,953	Maintained Base Case Cost	\$5,953	Maintained Base Case Cost	\$5,953

*AV changes between 77 and 87% are assumed to be directly proportional for purposes of this illustration. (i.e. each point of AV reduction yields \$32.1 million in cost savings)

Source: Financing plan - Table 31,43; Avalere Report