

State of shock

As the Vermont legislature moves to create a single-payer health care system, one broker works to keep employers informed and actively challenging its merit.

By Elizabeth Galentine
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Amid the nationwide noise of budget debates and court battles over the constitutionality of health care reform, Vermont has gone largely unnoticed as its legislature uses the Patient Protection and Affordable Care Act's state exchange requirement to set the stage for an eventual switch to a single-payer health care system. Bob Gaydos, president of the Benefits Group of New England, spoke with EBA about his efforts to slow down the fast-paced bill that, as of press time, had already passed in the House and was a week or two away from passing in the Senate. "There's no doubt it'll pass at this point," says Gaydos. "You've got to applaud the governor on a well-played political hand."

How does this health exchange bill turn into a single-payer system?

This bill is stunning in its overreach. This bill actually states on the opening page that this is an act relating to a single payer and unified health care system. It then goes on to state very quickly that they are building the benefits exchange for the sole purpose of moving to a single-payer system. It flat-out states that we are only building the government's PPACA benefit exchange so that we have a foundation for a single-payer system. Our exchange will only require one carrier and two health plans that will only vary by co-pays.

It states in this bill that by law health care expenses cannot grow faster than the GDP. Now think about that for a minute. Let's say in 2017 when this all goes into effect our GDP only grows by 2%, so therefore that year we can only grow health care expenses by 2%. What's our choice? If we don't negotiate lower costs, if we don't improve the health status of the population then at that point we either raise taxes or we lower the payments to the providers or we lower the utilization, which would be called rationing. That would be our choice because the law says we have to

lower the costs; there's no choice. That's how amazing this bill is.

Do you expect it to pass?

It's going to pass. The House passed it. It's in the Senate right now. My guess is that some version is going to get out of the Senate and it'll be signed and there will be a parade in the streets by people who believe that health care is a right. In Vermont we have a significant group of people called Healthcare is a Human Right and they've been pushing for this for 20 years. Gov. Peter Shumlin, he's one of their troop leaders in what they've been pushing over the years. So this is their moment in the sun.

How are employers reacting?

The employers right now are kind of stunned. They're shocked. They think what's going on is reckless because they were never brought to the table. It really doesn't matter what an employer's political point of view is. What we're finding is whether they're liberal or conservative they're really coming from the same place right now as employers and saying, "We're shocked. We don't understand how this moved so fast. We don't understand how we pass a bill that has no funding"

Because this bill has no funding. It has no details whatsoever concerning benefits, coverage, cost sharing, payment to the providers, technology, nothing. It's basically a shell that says we're going to take a two-step dance into a single-payer system. It puts everything in motion, it creates dates, but it does not fund anything. So employers are pretty shocked. They find it hard to believe that you could take on one-fifth of the economy and not put in details on funding. It says that the Secretary of Health Care Administration will work with this newly formed health care reform board and they will create two funding proposals that they will submit in 2013.

It pretty much does that surrounding anything else you would

ask. Like if you said, “Well, what’s going to be covered and what’s not going to be covered? What would be the cost sharing? How are you going to pay providers? What are they going to use for an administration system?” I would give you the same answer because pretty much it just says over and over again that the health care reform board (which is a part-time board) together with the Secretary of Health Care Administration will work together to create plans on addressing all of those issues.

How did you find out the bill was moving so quickly?

We run Web seminars for marketing purposes all the time. I was heading out on a vacation at the end of January and my marketing person said, “What are we going to do for a Web seminar topic?” and somebody in the room said, “Why don’t we do this bill that Shumlin is going to introduce?” I said, “Great idea, do that.” Then I took off while they created it and ran it.

Fifty people signed up in the first hour that the e-mail went out because they were like, “What is this? We don’t know what you’re talking about, a single-payer system?” Probably 200 people came to three different Web seminars. We were getting an open rate of around 20% on our e-mails. All of the employers that came out were basically in shock. They didn’t know what happened. I went on vacation, I came back and suddenly there’s a single-payer bill that’s already passed the House.

It happened because we have a part-time legislature that only works for a while. So they just moved everything through really quick. They ran one public hearing for two hours. It was on interactive television and you were given two minutes to speak and that was it.

How did you get involved?

We originally got into this because we were going to run this Web seminar and then the response was off the charts. Then employers kept saying to us, “Can you talk to somebody else? Can you do another Web seminar?” It became apparent that no one knew what was going on. So we really worked hard over a three-week period to distill the bill down into something that people could read and understand.

This is really flying under the radar. The bill also states that the Secretary of Health Care Administration could decide to use the exchange as a claims payer. It actually states that. Now think about that. If you set up an insurance exchange and you say to all the carriers, “We’ll pay the claims; we’ll do the eligibility,” at that point they’d be going, “Why do you need us? We’re just supposed to be holding the risk? Those claims are how we manage the risk and you just took them away from us.” You can see that that’s a back door into a single payer. The exchange is just a façade. It’s not real.

Do you anticipate all Vermonters will be using the exchange?

It says all individuals and all employers below 100 employees

must go through the exchange and there cannot be insurance sold off the exchange, except to employers above 100. Then it says that in 2017, assuming we get [federal] waivers, we will say that all employers must buy through this exchange or we’ll convert the exchange into a single payer.

How’d you get employers engaged?

We really went at this from an information standpoint. We said, “You guys have to take a stance. Because understand they’re actually tearing down the existing system before they build a new one. So if this fails there’s no way out. We’re a multi-state company. It’s not going to kill me at the end of the day, but you guys, it’s your state. You’ve got to decide: Are you just going to standby and take this enormous risk or are you going to be involved in this risk?”

I would argue if we polled them they’re probably 90% against this. They would much rather be at the table. That’s what they all say, “How come we’re not at the table? It’s 40% of our money. You can’t live without our money. The question is how are you going to take it from us? Are you going to take it via premium or are you going to take it via taxes? You guys are driving over the edge here because you don’t have any plans or any details. Let’s get to the table, let’s work together.”

But they’re being totally left out in the wind. They did allow a public hearing for employers. Again, it was the same thing. It was two hours. All you got was two minutes.

Surely it will be challenged legally?

In my opinion when the bill is passed we will enter into a very dark period in Vermont. What I mean is many things will happen simultaneously and you’ll have the people who put this bill in place do everything they can to implement the components that they can. Some components could be implemented without a court challenge but others can’t. I mean, is Walmart just going to standby and do nothing? IBM is the largest employer we have in the state. Are they going to stand by and do nothing? Of course not. So there will be court challenges, but that’s not going to stop them from doing whatever they can in the meantime because the laws say they can do these things. That’s going to enter into a period of chaos which cannot have a good outcome.

From their perspective, why are they doing this?

They simply believe things to be true that are not true. If you read the Democratic Party’s frequently asked questions they make statements that just simply are not true. You cannot turn around the cost of trend by reducing administration costs and eliminating profit. In the Web seminars I’ve taken that math and put it on the page. I say, “Let’s assume we can do both of those things. Let’s also assume we eliminate all of the pooling charges and the reinsurance charges. That’s a one-time savings of 13%. The very next year you’re left with the claims. Now what do you do with the claims?”

If you read what they say about the claims it’s so naive it’s unbelievable. They say we’re going to turn around the claims by

improving the health status of Vermonters. Everyone's been trying it for the last 10 years - it would have happened already. You've got large corporations that have been spending billions of dollars to do that and they haven't really quite pulled it off yet. How do we pull it off as a state government?

It says in the bill that they are going to lower the out of pocket for lower income people. OK, so you're going to go out into the marketplace and you're going to give these people better coverage than what they have while trying to drive down their utilization? That's not going to happen, but that's what they say. They believe things to be true that simply aren't true and then they move forward on those.

Explain your employer coalition.

IBM heard through the grapevine that we were working on a coalition of employers and we had a grassroots effort going. So they called me and spoke to me with a lobbyist who knew what was going on. We came to an agreement that it would be a good thing that all employers who were interested formed a really loose-knit coalition and got their butts down to the statehouse and made their case known.

We're trying to save the private marketplace from a collapse. So long story short, over about four or five business days we got to about 50 or 60 employers that deliberately signed on.

Eventually we worked hand in hand with another brokerage, The Fleischer Jacobs Group. They were really coming at it from a legal standpoint to work on amendments. We were coming at it from a grassroots coalition aspect to say to employers, "If you don't go down there and make yourself heard you won't be heard."

That got the attention of the Senate and the governor's office, and led to three meetings with the governor's office. The employers were saying ... don't destroy the marketplace. One put it like this: "Let's assume I was going to go out and buy the best computer system in the world. I wouldn't tear down the old one until I had the new one up, running and tested."

Explain the proposed amendments.

If the state decides to choose one carrier and pay the claims through the exchange and only offer two benefit designs, that is a single payer by default. What we were doing is changing the language to say that it was required that they have three carriers, plus the federal options, and a couple of other things like that. So we were trying to prevent them from defaulting into a single payer. Our argument is if you want to build a single payer - and you've already said you want to - go for it. But in the process don't destroy the private marketplace.

But their intent is to destroy the private marketplace. What they did after these meetings is the governor's assistant on health care listened and said, "We understand what you're saying." Then they looked at the amendments, changed them, and gave them to the

Senate. They've totally taken the teeth out of them.

We got politically played. So now our health care analyst had to call the Senate and say, "No, these are not our amendments. Here's our copy, look at their copy. They're two totally different things."

That's where we are right now. My guess is this political play worked and it'll probably pass out of the committee and go to the floor and get passed.

Then what?

The end result of this is they have set the stage for them to default into a single payer through this language that they've created. Let's assume they can't push IBM or any other self-funded plan like General Electric into it. Let's assume they can't push the teachers unions into it. In the meantime, the private marketplace, which is about a half of Vermont, they will be standing there in January 2014 with maybe no choices.

Carriers are going to have to make the choice; do they stay in Vermont based on this language? I think they'll hesitate and wait to see what the health care reform bill says. Because all this language says "may," it doesn't say, "do." So there will be a battle on the other side that will stretch out over the summer and into the next session.

I think it's going to take the employers a couple of weeks to figure out where the dust settled and what it all means, and then I think there will be another holy-hell fight next year. In the meantime, the governor will parade around the United States saying he passed a single-payer bill.

This employer group was as grassroots as ever anything has been grassroots. These guys just basically shared each other's telephone numbers, said what time are we going to meet and showed up. That's it. On the other side, we now know they're being funded by out-of-state unions, The Universal Health Care Action Network, which I think is an important part for the rest of the country to understand. If you read the fundraising letters from the unions, they basically say, "Send us the money so we can win the fight in Vermont and then take it elsewhere." That's an important thing for the rest of the country to understand.