

# COMMENTARY



## ***ETHAN ALLEN INSTITUTE***

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## Here Comes Catamount Health

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Gov. Jim Douglas has agreed to sign a bill creating a major new state health care program to “cover the uninsured”. There are many complexities, but in broad outline here’s how it is supposed to work, beginning in August 2007.

If you are uninsured and currently eligible for the state’s Medicaid VHAP program, but your employer has a state approved health care plan, you will go on your employer’s plan, with a state subsidy. This is called “Employer Sponsored Insurance”.

If you have been uninsured for 12 months and don’t qualify for Medicaid or VHAP, and you have no state-approved employer plan to go back to, you can enroll in the new Catamount Health.

Until at least October 2009 Catamount Health will be, at least nominally, a private insurance plan. Enrollees will pay premiums based on their incomes. For example, an individual making \$19,600 will pay \$60 a month to get the very rich benefits mandated by the state. The new plan will be available because the state will force its two largest health insurers, Blue Cross Blue Shield of Vermont and MVP, to offer it.

If purchased from Blue Cross in the normal market, the state-mandated plan for an individual would cost around \$450 a month. Catamount Health will pay Blue Cross around \$300 for the same plan. The legislature believes that the \$150 lower cost can be justified because the Catamount enrollees are believed to be younger and healthier than other Blue Cross customers, Catamount will pay hospitals and doctors less than Blue Cross has to pay them, and the state will absorb some administrative costs.

The money to pay for these two programs will come in part from the Medicaid “Global Commitment”, if the federal government hopefully agrees to shoulder its 59 percent of the costs. The bill also increases the cigarette tax from \$1.19 to \$1.79 now, and to \$1.99 in 2009. Small employers who don’t offer health insurance or offer policies that the legislature does not find adequate, will pay a new tax of \$365 per year per uncovered employee, with four employees exempted.

Now that the deal has been cut, voters ought to look closely at some key questions.

How tight are the eligibility standards? Very loose. “Vermont resident” means anyone who gets off the bus, rents a room and a mailbox, and declares an intention to remain in Vermont.

Why is the mandated plan so rich? The law mandates that Catamount Health and qualifying employer plans for an individual have no more than a \$250 deductible, 20% coinsurance, \$10 office visit co-pay, zero prescription drug deductible, and an out of pocket maximum of \$800 per year. The liberals in the legislature believe that anything less – including especially the increasingly popular high deductible plans with tax free Health Savings Accounts – is not worthy of the name “insurance”.

What happens, as is likely, if the revenues aren’t enough to pay the bills? The law directs the emergency board to suspend new enrollment. Given the partisan composition of the emergency board, it is far more likely that it will urgently recommend higher taxes to avoid that requirement.

How much of a burden, in addition to a new tax, does this place on small businesses that offer insurance? They will face an enormous burden of reporting the situation of every employee, every quarter.

Finally, will this work? Simply put, no. By 2009 the private carriers will have found that they cannot possibly offer the costly state-mandated coverage for what the state is willing to pay. They will bow out, and the state will take over as the Catamount Health insurance company.

At that point the people in Catamount Health will in effect become the first enrollees in the revived Green Mountain Health plan that Gov. Douglas vetoed in 2005. In fact, the “health care reform principles” declared in the vetoed Green Mountain Health bill appear word for word in this year’s law.

And bear in mind: the liberal legislative leadership that pushed this bill through vigorously opposed creating a real market in health insurance, consumer driven HSA-based plans, tight eligibility standards, mandate reduction, a defined state contribution in place of a defined benefit, and an enforceable cap on expenditures to match actual revenues. They eagerly levied a new tax on small business, hoping that small businesses will drop their insurance plans, pay the tax, and dump their employees into Catamount Health.

Both the emergency board and the Health Access Oversight Commission are heavily dominated by those same liberal politicians. They will use every opportunity to make sure that no private market alternative can possibly succeed in the two-year trial period that Gov. Douglas got them to agree to.

Catamount Health will do nothing to “make Vermont affordable”. Instead, it is certain to accomplish just what the single payer advocates have wanted all along: a rapid slide into a government-controlled, taxpayer financed health care takeover. It will just take three years longer than they had hoped.

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