PARTNERS FOR DIGNITY & RIGHTS

EXECUTIVE SUMMARY:

Equitable Financing Plan for Vermont's Universal Healthcare System

In 2015, the Healthcare Is a Human Right (HCHR) Campaign first published a financing plan for Green Mountain Care, the universal, publicly financed health care system set forth by Vermont's State Legislature in Act 48. We prepared this plan to demonstrate that Vermont would greatly benefit from universal health care funded by progressive taxes, and to counteract a false narrative that Vermont can't afford universal health care. In the years since, we have witnessed mounting evidence of the unaffordability of Vermont's current privatized, multi-payer health care system for enormous numbers of residents. Some 182,000 Vermont residents (one in three adults under 65) are underinsured, and cost barriers force over 50,000 people to delay or skip medical care every year.[1] Residents and employers are straining under ever-higher premiums and deductibles, hospitals are closing unprofitable programs despite communities' medical needs, Springfield Hospital and its health centers are in bankruptcy and at risk of shutting down or cutting services, OneCare Vermont has amassed undemocratic power to determine prices, staffing, and other key health care decisions, and COVID-19 is exposing health and economic injustices and the precarity of privately financing hospitals. We are re-releasing this financing plan to demonstrate that financing Green Mountain Care (GMC) is both feasible and necessary.

Act 48 directed the State of Vermont to create "Green Mountain Care, a universal health care program that will provide health benefits through a single payment system" and "to provide, as a public good, comprehensive, affordable, high-quality, publicly financed health care coverage for all Vermont residents."[2] The Act did not include financing, but required the governor's administration to produce a plan for financing that was "sufficient, fair, predictable, transparent, sustainable, and shared equitably" by January 2013.

In December 2014, then-Governor Peter Shumlin finally released a financing plan.[3] The governor's plan showed that Green Mountain Care could extend comprehensive health coverage to everyone in the state, cover 94% of people's medical costs, and simultaneously raise net incomes for nine out of ten

[1] Vermont Department of Health. "Vermont Household Health Insurance Survey: 2018 Report." https://www.healthvermont.gov/sites/default/files/documents/pdf/VHHIS_Report_2018.pdf

[2] Ibid.

[3] Peter Shumlin et al., *Green Mountain Care: A Comprehensive Model for Building Vermont's Universal Healthcare System*, Dec. 30, 2014, http://hcr.vermont.gov/sites/hcr/files/2014/GMCReport2014/GMC%20FINAL%20REPORT%20123014.pdf.

Vermont families.[4] His plan, in other words, made the public health and economic equity benefits of Green Mountain Care clear.

Yet the governor made a political decision to abandon his own financing plan and not shepherd it through the legislature, saying that "the time isn't right" and that financing Green Mountain Care "would likely hurt our economy." He defended this assertion by pointing to the 11.5% payroll tax his financing plan would place on small businesses. The governor was correct in that his political choice to include this tax failed to meet Act 48's mandate: to come up with a plan for financing that was "shared equitably." Rather than meet his mandate in good faith, he sought to propose an unfair tax and convert it into an incontrovertible fiscal fact that blocks the implementation of universal publicly financed healthcare for all. Governor Shumlin could have easily proposed a plan that progressively taxed big, profitable corporations more than small businesses, but this would have required challenging corporate and wealthy interests. He and the legislature chose to sacrifice Act 48 instead.

The plan we set forth in this report, in contrast, demonstrates that through a combination of progressively designed income, wealth, and payroll taxes, Vermont can fully finance Green Mountain Care from its tax base. What's more, Vermont can do so while guaranteeing health care to all residents, expanding benefits to include dental and other essential care, protecting residents and businesses from rising health care costs, and promoting income and wealth equality. We propose:

1. **A progressive income tax** that replaces the premiums, deductibles, most out-of-pocket costs, dental bills, and other medical fees that patients and families currently pay with a tax tied to households' income. This will eliminate cost barriers to care, finance the health care system equitably, and provide all residents with health and financial security. It exempts households below 138% of the federal poverty line (FPL), taxes low and middle-income households with incomes of 138% to 523% FPL on a sliding scale ranging from 1% to 10.5% of adjusted gross income, and eliminates the governor's proposed tax subsidy for the wealthiest households (those with an annual income of over $289,000).
2. **A wealth tax** of 5% on unearned income from stocks, dividends, capital gains, interest, and the trading of stocks and derivatives. Households with incomes of less than $200,000 would be taxed at a lower rate, and families with less than $50,000 of income would pay nothing. Over three-quarters of the revenue from this tax would come from those with incomes above $200,000.
3. **A progressive payroll tax** based on wage disparity would replace current employer premiums. Small businesses and companies with more equitable wage ratios would pay lower rates than large companies and those with big pay disparities among workers. Our tax model shows that all businesses with fewer than 50 workers – the vast majority of Vermont businesses – would pay a much lower tax rate than the governor's proposed flat tax of 11.5%, with 60% of businesses paying an average tax rate of 4% or less. All businesses would be able to reduce their taxes by equalizing wages.
4. **Comprehensive benefits** including all health benefits required by the Affordable Care Act and proposed in the governor's plan, but also dental, vision, and hearing care.
5. **Minimal out-of-pocket costs for patients**: Ideally, out-of-pocket costs should be zero to eliminate cost barriers to care and avoid placing undue financial burdens on people with chronic illnesses. Due to data availability constraints, we were unable to model 0% cost sharing. Instead we borrow the governor's proposed 94% actuarial value, which would require Green Mountain Care to pay for 94% of the average cost of residents' health care and leave families to pick up

[4] Peter Shumlin et al. (2014), 54.

the remaining 6% out of pocket. This would not affect patients with Medicaid, as Medicaid rules would remain unchanged in the new system.

Together these proposals demonstrate that Vermont can finance Green Mountain Care by capturing existing health care funding streams from government, employers and individuals but sharing them more equitably. Our proposal guarantees health care for all and distributes payments more equitably, both for residents and businesses. This fulfills key mandates of Act 48, helps Vermont achieve a more just, democratic society, and proves false the governor's claim that publicly financing health care was economically unfeasible.

We have designed our tax model to maximize equity while closely mirroring the governor's plan, taking advantage of the cost estimates made available in the administration's report. However, despite our public records request submitted to the administration in January 2015, the econometric model the administration used to make its calculations was not made publicly available. Therefore, we have developed our own methodology for calculating tax obligations and revenue. We draw on data from a combination of reports and datasets – the governor's proposal, Dr. Hsiao's report, a RAND report, and a UMass/Wakely report as well as primary data sources, mainly from the Internal Revenue Service, the Bureau of Labor Statistics and the Vermont Department of Labor. Because these reports projected forward to make estimates for 2017 – the mandated but missed GMC implementation deadline – and we draw on their data, we have designed our model to calculate revenue and expenditures for 2017. We describe our methodology in more detail in the appendices. Although our data do not extend to 2020 or beyond, they are sufficiently robust to show that it is entirely possible to finance Green Mountain Care equitably, benefiting the vast majority of Vermont residents and businesses.

We strongly urge the Vermont State Legislature to fulfill its obligations under Act 48 and finance Green Mountain Care, beginning by passing legislation to require the Agency of Human Services and Green Mountain Care Board to produce new and up-to-date financing and benefit plans.[5]

[5] Such legislation has been introduced in 2020: H. 860, "An act relating to next steps for implementation of Green Mountain Care," Vermont House of Representatives, January 22, 2020, https://legislature.vermont.gov/bill/status/2020/H.860