

Healthcare Is a Human Right Campaign

Testimony, Joint Health Committee Hearing, January 29, 2015



Traven Leyshon

Thank you for holding this hearing on healthcare reform. As you know, the HCHR campaign has asked for a public hearing on the GMC financing plan required by Act 48, and we welcome today's joint committee meeting as an important step toward such a public hearing.

For the HCHR campaign and the many people engaged in our movement, how we pay for healthcare is a matter of justice and human rights. I trust that you understand why the deep crisis of inequity in the healthcare system is not something we can leave for another day, why we cannot simply ask people affected by this crisis to move on to the next issue and suffer in silence from unmet health needs, high out-of-pocket costs and unpaid bills. Many of us struggle with these problems day in and day out – this is not going away just because someone at the top decided to shift gears.

Of course there are people in our state who are doing just fine with their insurance coverage – we've seen the statistics and we know that this healthcare system works for some. But is it acceptable that some people do well while others are suffering? Is it acceptable that low-income and working class people are much more likely to have high deductibles and co-pays than wealthy people? Is it acceptable that the vast majority of low-income people with private coverage are underinsured, while higher earners enjoy good coverage (2014 VT Household Health Insurance Survey)? Is it acceptable that one in five people are struggling with medical bills, while ten BCBS executives are paid up to half a million dollars each?

The disturbing but undisputed fact – highlighted again in a recent RAND report - is that market-based healthcare financing is profoundly inequitable: low-income people pay proportionally more for healthcare than the wealthy, while making do with skimpier insurance plans. Yet this entire edifice of different and unequal insurance products, different and unequal provider rates, and different and unequal access to doctors costs Vermont a real fortune. In fact, by 2017 it will cost us at least \$378 million more than if we adopted the publicly financed system outlined in the Governor's very conservative projections. Why would we want to protect and perpetuate a system that is both wasteful and unjust?

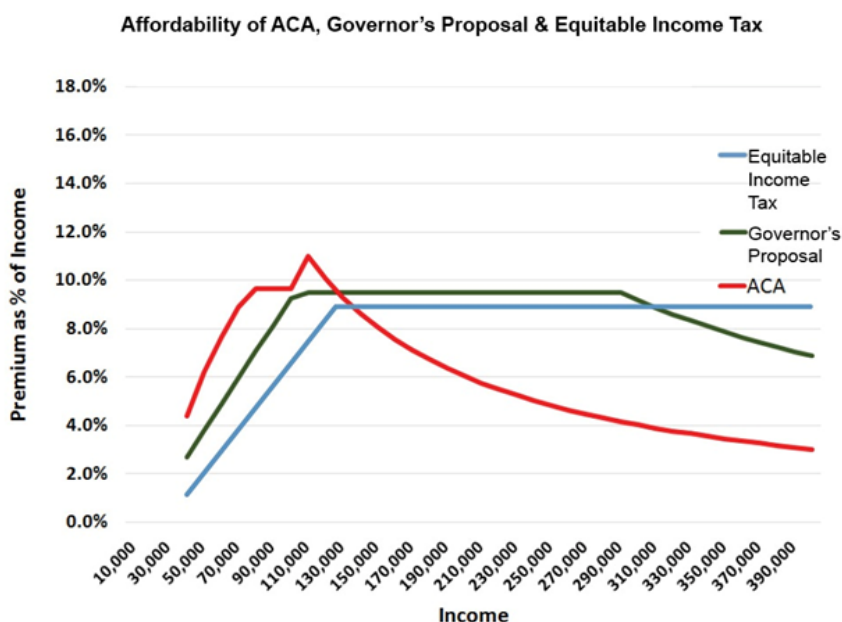
We believe no one wants to do that. In fact, the Governor's own report demonstrated that we can design a system that guarantees access to care for all, increases equity, and reduces costs. According to the Governor's calculations, all low- and middle income people would have lower healthcare costs in a publicly financed healthcare system.

That's because universal healthcare isn't about finding new money; it's about sharing existing payments more equitably. Public financing will make payment for healthcare much more equitable, and it will yield real economic benefits for most Vermonters. Even the Governor's

conservative estimates showed that 9 in 10 families would enjoy higher net incomes once we move to a publicly financed system.

To redistribute payments fairly and make public financing work, we need to take the principle of “ability to pay” seriously. The HCHR campaign is preparing a financing plan that uses the governor’s scenarios as a baseline for developing a progressive tax proposal for healthcare financing that collects contributions from both individuals and businesses according to their ability to pay. Our proposal will fund healthcare as a public good, rather than collect so-called “public premium” payments that approximate per person insurance costs. Payment for our healthcare system must be separate from a person’s use of care, and solely based on ability to pay.

This is what equitable financing would look like:

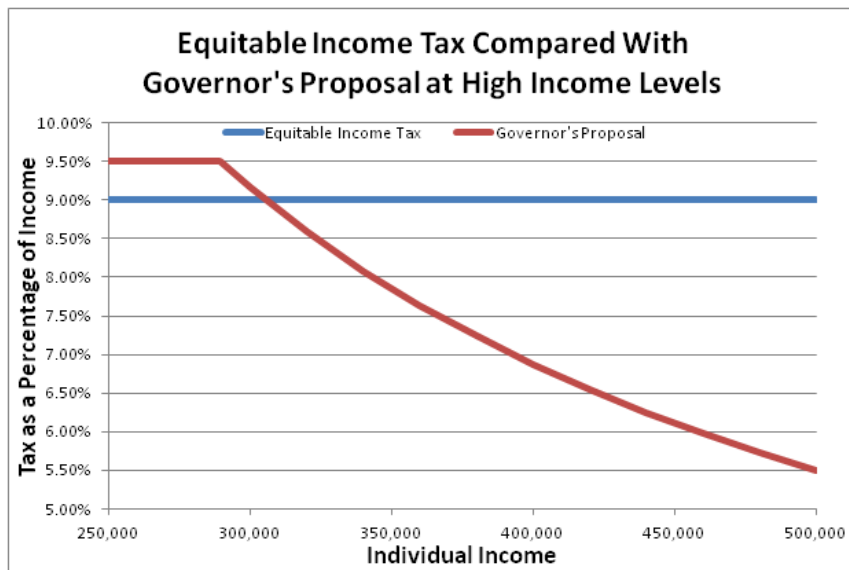
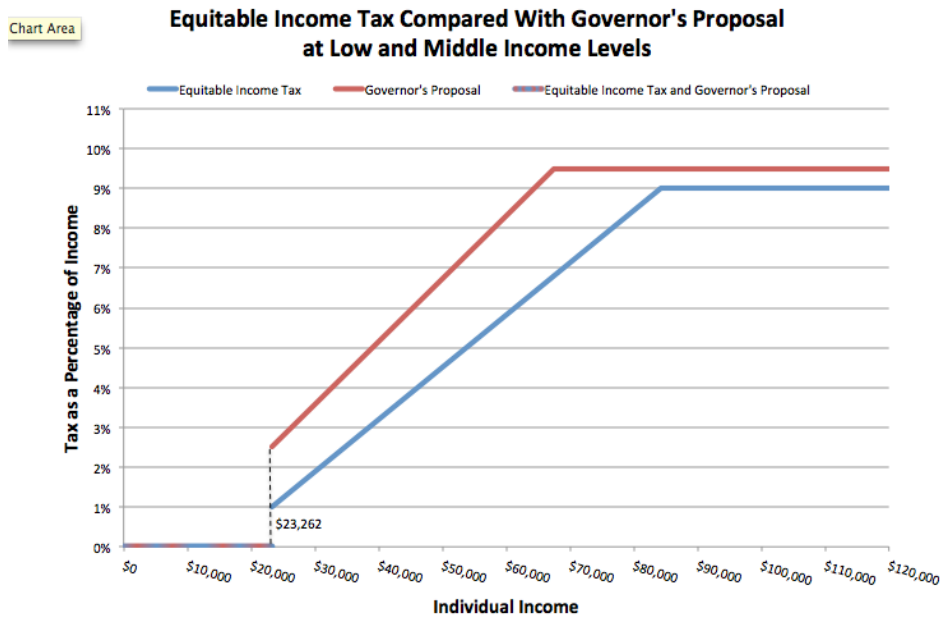


For individuals to contribute based on their ability, we will do three things:

1. Remove the Governor’s proposed cap on income taxes for those earning over \$290K
2. Flatten the “on-ramp,” i.e. lower the costs for those who earn the least
3. Review options for taxing unearned income and wealth

The first step - removing the income tax cap – will help ensure that wealthy people pay what they can, especially in light of growing income inequality in Vermont. Just this week the Economic Policy Institute released figures showing that the top 1% households in our state enjoyed an income growth of almost 22%, compared to 4.6% for the bottom 99%, i.e. the rest of us. This means 42.5% of income growth between 2009 and 2012 went to the wealthiest 1%. Interestingly, a Vermont tax filer enters the realm of the top 1% when they make more than \$299k, which is almost exactly the threshold of Governor Shumlin’s tax cap for GMC. Would our state really want to propose a tax exemption specifically for the top 1%?

At the bottom end of the income scale, our proposal will provide additional cost relief for three-quarters of Vermont residents, by flattening the sliding scale, or “on-ramp”, of this tax. The tables below illustrate our anticipated changes.



To ensure that businesses contribute based on their ability, we will do three things:

1. Exempt the very smallest of businesses
2. Calculate a sliding scale tax rate that increases with business size
3. Link this tax rate to the ratio of low and high wages a company pays, so that companies with a greater top to bottom wage ratio pay a higher rate

We understand that the Governor's proposal primarily fell short because it did not take into account businesses' ability to pay. Large companies and government employers currently pay the greatest share of private insurance premiums, so a flat tax rate would benefit them, but hurt small businesses. Why would we want to do that? Instead, we propose a graduated payroll tax that reflects businesses' ability to contribute: smaller businesses would pay less than large corporations, and businesses with large wage gaps between low and high-paid workers would pay more. We are currently modeling this scenario and predicting both promising revenue potential and protections against lowering workers' wages.

Finally, the HCHR campaign seeks to highlight the importance of the principles of transparency, accountability and participation, all of which are anchored in Act 48. Specific measures to increase accountability in the healthcare system would generate additional revenues for public financing, which are unaccounted for in the Governor's report. This would include price controls for large industries and monopoly providers, including negotiated drug prices for GMC. We will also propose a public authority model for a GMC administrator, which would include returning to the people the reserves collected by insurance companies and reinvest them in GMC.

As we are developing our proposal, we are particularly concerned about the lack of transparency we've encountered over the past years, and that we now see reflected in the Governor's report. It is almost impossible to discern what administrative cost savings and existing state funding the Governor's calculations exclude, and why. As you may have heard, some experts assume that many hundreds of millions of dollars in savings and existing spending appear to be unaccounted for in his outlined scenarios. Our public records request did not yield a response to our questions, but we remain hopeful that the Governor's team will help us in our review.

In consulting with data modelers and experts outside Vermont, we have come to conclude that it was highly inappropriate that the state's contract with Jonathan Gruber did not include delivery of the actual model and model interface that was used to calculate the Governor's financing scenarios. It is unusual that a contract would not require possession of the model so that new scenarios can be calculated when they arise, and that system costs and impacts can be accurately predicted during the implementation phase. We believe that the administration, legislators and the GMC Board should be given full access to this tool paid for by Vermont taxpayers, as should the general public.

Act 48 requires the legislature to develop a budget for GMC based on the governor's proposals. The fact that the governor failed to recommend his own proposals does not let legislators off the hook. Act 48 also requires the GMC Board, not the governor, to make a determination about the viability of GMC. We expect both legislators and the board to fulfill their obligations under Act 48 by considering the Governor's report, reviewing other ideas, such as our forthcoming proposals, and deciding the next steps toward providing healthcare as a public good for all, as set out by Act 48. This is legislators' job, and we know you're here in this room today to do your job.

It is time to realize that we can no longer afford the fragmented market-based system. No single piecemeal measure, however well intended, will solve the crisis of equity in healthcare. While the HCHR campaign welcomes any measures that are consistent with human rights principles and don't block the road to universal, publicly financed care, the imperative to transform how we

finance and pay for healthcare is clear. We have tried and failed with piecemeal policy fixes for many decades. You know the overwhelming policy evidence as well as anyone. Universal, publicly financed healthcare is the only sound policy solution. For the HCHR campaign, this is a matter of justice and human rights.

Let me end by quoting Dr. Martin Luther King Jr., who said: "It didn't cost the nation anything to integrate lunch counters; no expenses were involved. No taxes were involved. And now we are confronting issues that cannot be solved without costing the nation billions of dollars. Now I think this is where we are getting our greatest resistance."

Dr. King was talking about ending poverty and ensuring economic and social rights for all. He was right about the resistance this would generate, a resistance that lasts to this day. Public financing of healthcare would take us a big step toward realizing his vision, and it doesn't even require increased costs, just sharing the costs more equitably. The HCHR campaign believes this goal is within reach, and I hope you will join us in ensuring the human right to healthcare in Vermont.