

Equitable Health Care Financing

The Vermont Proposals

Traven Leyshon, Vermont Workers' Center &
Anja Rudiger, National Economic & Social Rights
Initiative

Left Forum, May 2015



Public Financing: A Matter of Equity

“As economists, we understand that universal, publicly financed health care is not only economically feasible but highly preferable to a fragmented market-based insurance system. Public financing is not a matter of raising new money, but of distributing existing payments more equitably and efficiently.”

- From an Open Letter to the Vermont Governor and Legislature, signed by over 100 Economists from across the U.S., February 2015

What will it take?

“It didn’t cost the nation anything to integrate lunch counters; no expenses were involved; no taxes were involved.”

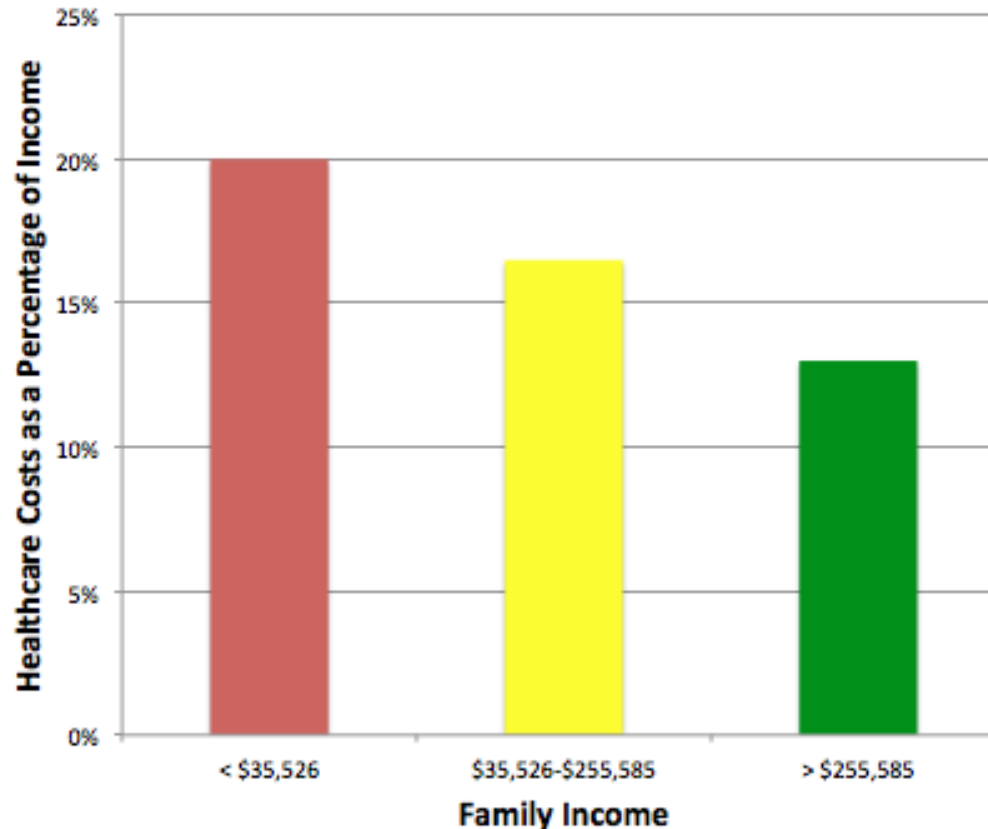
“Now we are dealing with issues that will cost the nation something in terms of billions of dollars. [...] We are now dealing with issues that will demand a radical redistribution of economic and political power.”

- Dr. Martin Luther King Jr., 1967

What Inequitable Financing Looks Like

Chart Area

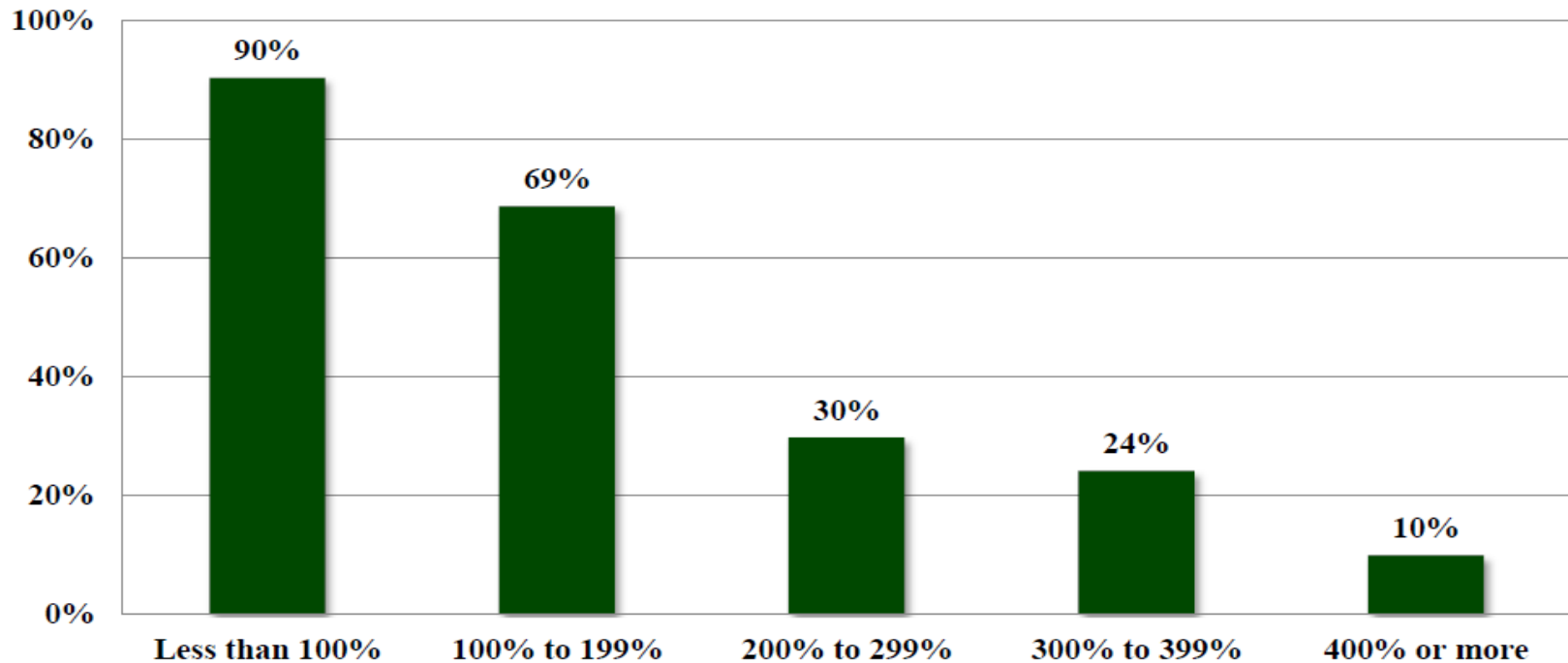
Payments for Healthcare Based on Family Income Level:
Projected for 2017 If Current System Continues



Source: adapted from Table 4.8 in *The Economic Incidence of Health Care Spending in Vermont*

The percentage of privately insured residents that are underinsured declines sharply with increasing income.

Is person on private health insurance underinsured - by Income (FPL)
(% yes among those under age 65)



Source: 2014 Vermont Household Health Insurance Survey

Inequitable Financing

What Equitable Financing Looks Like

9 in 10 Vermont families would have higher incomes if the state implemented a publicly financed health care system.

- Report published by Vermont Governor Shumlin (December 31, 2014)





UNIVERSALITY

Everyone is included and can meet their needs



EQUITY

Everyone contributes what they can and gets what they need



TRANSPARENCY

All information related to decision-making should be clear and accessible to all



ACCOUNTABILITY

The people are able to oversee and guide how government is protecting and fulfilling our rights



PARTICIPATION

Everyone has a meaningful say in how decisions that impact us all get made

The Healthcare Is a Human Right Campaign's Equitable Financing Plan and Bill

- ❑ Guarantees access to comprehensive healthcare for all Vermont residents
- ❑ Sets Green Mountain Care (GMC) on a solid financial footing, with a \$362 million surplus in 2017
- ❑ Improves GMC's fiscal position by over \$200 million compared to the Governor's proposal

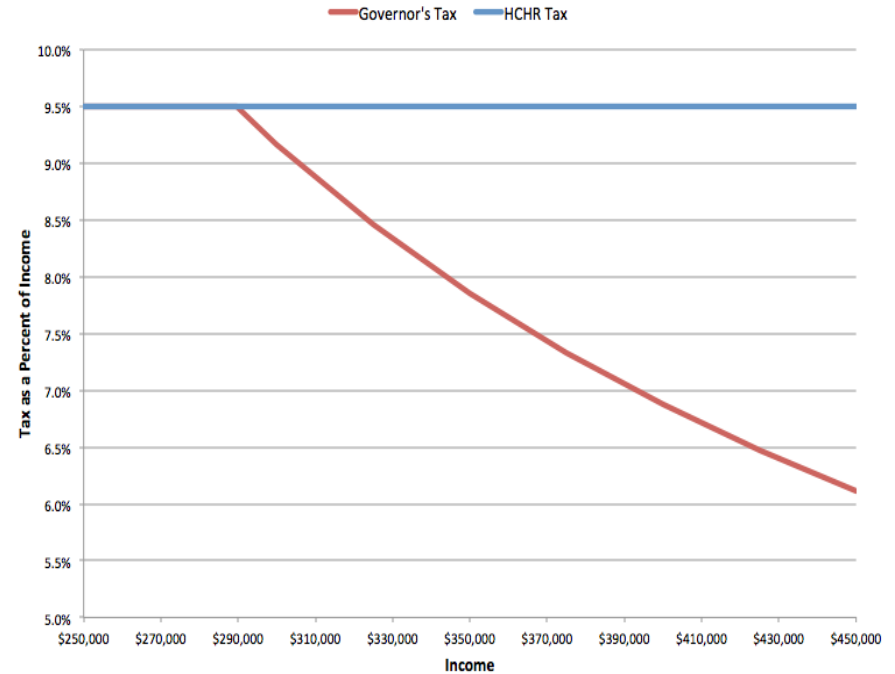
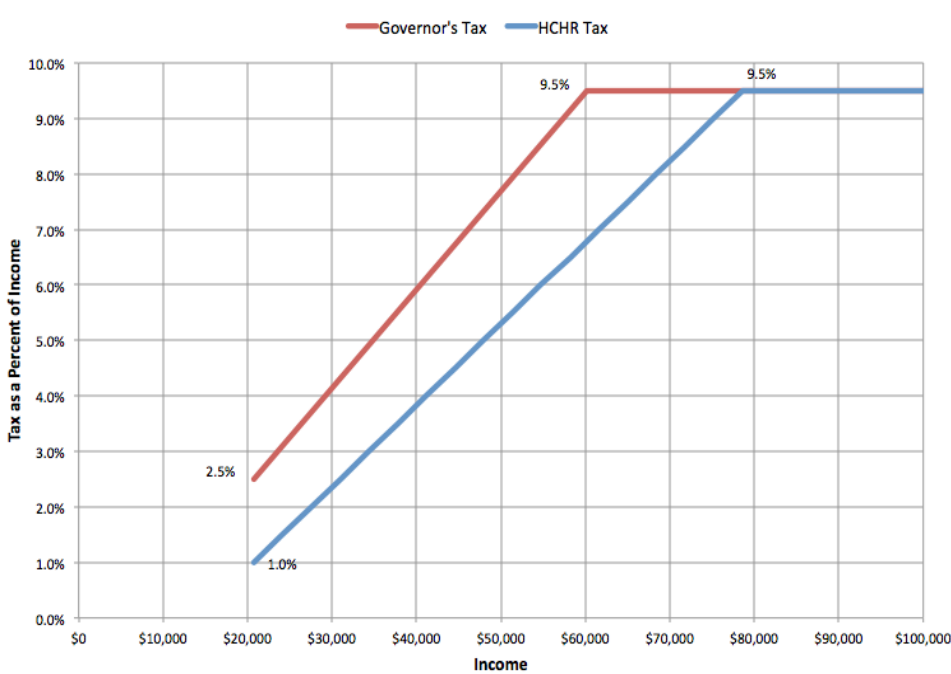


Progressive Income & Wealth Tax

- ❑ Income tax: Three quarters of families would pay a tax rate lower than 9%
- ❑ Wealth tax: 5% on stocks, dividends, capital gains, interest, and the trading of stocks and derivatives. Over three quarters of revenue would come from those with incomes above \$200k.

Income Tax by Household Income

Comparison Governor's and HCHR Proposals



Equitable Financing

- A family with an income of \$50,000 would pay an average of \$2500 (or 40%) less in health care costs than if the current system continued.
- 65% of Vermont's residents would pay less than under the Governor's scenario.

GET WHAT WE NEED

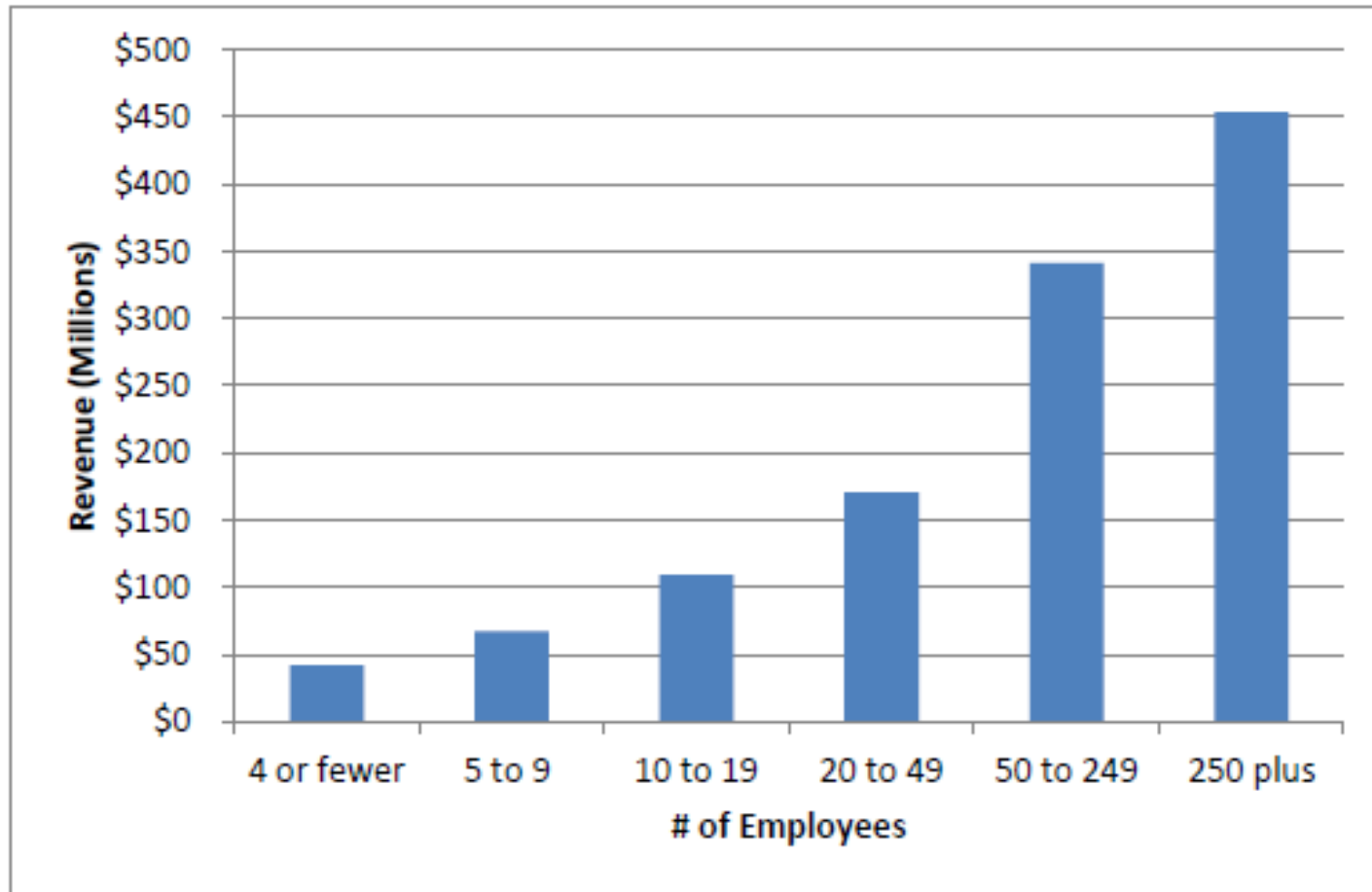


GIVE WHAT WE CAN

Progressive Business Tax

- ❑ Based on company size and wage disparity
- ❑ Lower for small businesses and for businesses with low wage gaps between the top 1% and bottom 50 % of wage earners

Payroll tax contributions of private companies by size



Equitable Financing

What an innovate payroll tax model can achieve:

- Ensure that companies pay based on their ability and on how equitably they treat their workers
- Incentivize companies to raise rather than lower wages for the majority of workers
- Ensure that businesses with fewer than 50 employees - the vast majority of Vermont businesses – pay less than 11.5% in tax (the Governor's flat tax rate)
- 60% of businesses would pay an average tax rate of 4%

Comparison of GMC Balance Sheets, in millions, 2017

	Governor	HCHR
Spending		
Cost of GMC Services and Operation	-4,340	-4,354
Revenue		
Federal Funding		
Federal Medicaid Match	1,310	1,310
Federal ACA Waiver Funding	106	106
State Funding		
State Medicaid	344	344
Hospital & Pharma Tax	--	132
New Revenue Needed	-2,580	-2,462
Payroll Tax	1,510	1,605
Income Tax	1,247	1,122
Non-wage income tax	--	97
GMC Fund Fiscal Position	177	362

Equitable Financing



www.workerscenter.org

www.nesri.org