State of Vermont
Department of Banking, Insurance,
Securities and Health Care Administration
89 Main Street, Drawer 20
Montpelier, VT 05620-3101
www.bishca.state.vt.us

Consumer Assistance Only:
Insurance: 1-800-964-1784
Health Care Admin. 1-800-631-7788
Securities: 1-877-550-3907

MEMORANDUM

TO: Donald G. Milne, Clerk of the House
David A. Gibson, Secretary of the Senate
Emily Bergquist, Director and Chief Counsel

FROM: Peter Santos, Health Care Analyst, Division of Health Care Administration (DHCA) of the Department of Banking, Insurance, Securities and Health Care Administration (BISHCA) PS

RE: 2007 Vermont Health Care Expenditure Analysis & Three-Year Forecast

DATE: February 5, 2009

CC: Representative Steven Maier, Chair, House Health Care Committee
Senator Douglas A. Racine, Chair, Senate Health & Welfare Committee
Dr. James Hester, Director, Commission on Health Care Reform
Susan Besio, Director, Office of Vermont Health Access
Heidi Tringe, Secretary of Civil and Military Affairs
Paulette Thabault, Commissioner, BISHCA
Christine Oliver, Deputy Commissioner, DHCA

Pursuant to 2 V.S.A. § 20, attached is a copy of the *2007 Vermont Health Care Expenditure Analysis & Three-Year Forecast.* This report was developed to meet the requirement under 18 V.S.A. § 9406 (b)(1-4) that directs the Department of Banking, Insurance, Securities and Health Care Administration (BISHCA) to annually prepare an analysis of health care expenditures for Vermont residents and at Vermont facilities and providers, and to prepare a three-year forecast of these expenditures. An initial forecast report was provided to the General Assembly on January 15, 2009.

Please contact BISHCA at (802) 828-2900 if you would like a bound copy. Also, additional information on the forecast model is available in a technical documentation report available at BISHCA's website, http://www.bishca.state.vt.us/HcaDiv/hcadefault.htm.

Please feel free to contact BISHCA if you have any questions or concerns regarding this publication. Thank you for your assistance.

STATE OF VERMONT
DEPARTMENT OF BANKING, INSURANCE,
SECURITIES & HEALTH CARE ADMINISTRATION

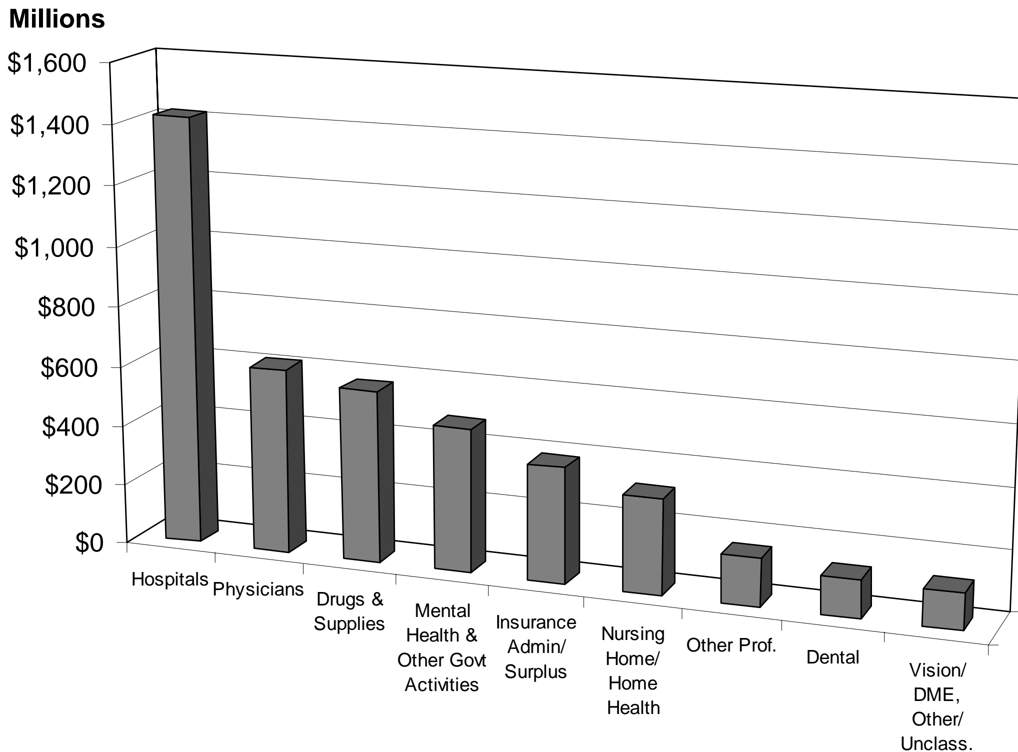
LEGISLATIVE REPORT

DIVISION OF HEALTH CARE ADMINISTRATION

2007

VERMONT HEALTH CARE EXPENDITURE ANALYSIS & THREE-YEAR FORECAST

February 2009



2007 Vermont Resident Health Care Expenditures

Acknowledgements

This report would not have been possible without the support of many individuals in government, private insurance, and the health care provider industry. The Division of Health Care Administration of the Vermont Department of Banking, Insurance, Securities and Health Care Administration (BISHCA) would like to thank BISHCA staff and all participants who provided data and feedback in a timely manner. If you have questions about this report, please contact BISHCA at 802-828-2900 and ask for Michael Davis or Peter Santos.

Department of Banking, Insurance, Securities and Health Care Administration
89 Main Street
Montpelier, VT 05620-3101
Telephone (802) 828-2900
Fax (802) 828-2949
www.bishca.state.vt.us

Table of Contents

Introduction 2

Executive Summary 4

Resident Analysis: Health Care Spending for Vermont Residents 6

Resident Spotlights

Per Capita Health Care Costs 12

Vermont Resident Health Insurance 14

Government Health Activities 15

2006 Medicare Spending 18

Concentration of Health Care Expenditures 20

Prescription Drugs 21

Provider Analysis: Health Care Spending for Vermont Providers 22

Provider Spotlights

Hospital-Employed Physician Practices 26

Hospital Inpatient In-Migration and Out-Migration 27

2008-2011 Forecast:
Three-Year Projections of Health Care Expenditures 29

Definitions and Data Sources 35

Data Matrices and Tables 37

Summary of Data Revisions 44

Endnotes 45

Introduction

Purpose of the Report

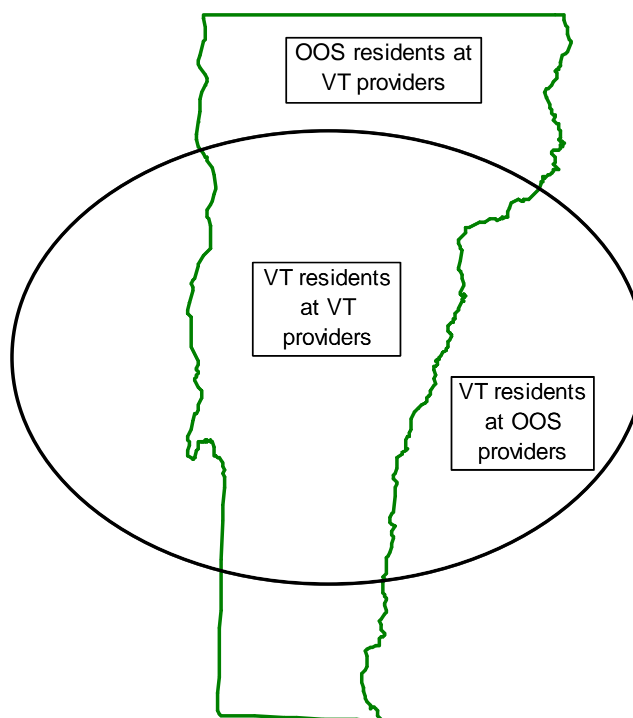
The *2007 Vermont Health Care Expenditure Analysis & Three-Year Forecast* report provides information on health care spending in Vermont and on behalf of Vermont residents. It is anticipated that this information will inform policymakers and stakeholders as the health care policy debate continues around various quality, cost, and access proposals.

The objectives of this report are to provide basic information about where financing for Vermont's health care comes from, what it purchases, and to estimate future spending levels and trends. This analysis answers such questions as "How much is being spent on health care for Vermonters?", "How does Vermont health care spending compare to health care spending nationally?", and "How fast is spending increasing in the various provider service sectors, such as hospitals or nursing homes?"

In addition, the report presents more in-depth data and analysis in a number of *Spotlights* to highlight areas of further interest.

Two Different Analyses

This report summarizes data in two forms: the **Resident analysis**, which includes expenditures on behalf of Vermont residents, regardless of where the health care was rendered; and the **Provider analysis**, which includes all revenue received for services by Vermont providers, regardless of where the patient lives. Because some Vermonters obtain health care out-of-state (OOS) and some non-Vermonters come to Vermont for care, both of these analytical constructs are necessary to understand health care spending. In the figure to the right, the Vermont map represents Vermont **providers** and the oval represents Vermont **residents**.



Different populations, data sources, and estimating methods between the resident analysis and provider analysis contribute to differences in total expenditures and growth rates.[1]

Three-Year Forecast

The Department of Banking, Insurance, Securities and Health Care Administration (BISHCA) is required by law (18 V.S.A. § 9406) to develop a health care expenditure analysis, an annual three-year projection of health care expenditures, and an annual Unified Health Care Budget.

The Resident analysis serves as the foundation for forecasting expenditures for all health care payers. The Provider analysis supports the development of the Unified Health Care Budget by projecting expenditures by Vermont providers.

A Three-Year Forecast was published in January 2009. BISHCA has updated its published January 2009 forecast to include the impact of new Medicaid rescission items identified after that report was completed.

Data Sources

Unless otherwise noted, the Vermont data described in this report and contained in the tables and figures are from BISHCA, and the U.S. data are from the U.S. Centers for Medicare and Medicaid Services' (CMS) annual health care expenditure study, the National Health Expenditures (NHE).

The Vermont data are compiled from a variety of sources including Vermont payers and providers. About 70 percent of the payer data and 60 percent of the provider data come directly from the individual payers and providers, providing very reliable and accurate data. The differences in reliability of the other data sources are indicated by shading in the matrices at the end of the report. Reporting categories are modeled after the national CMS NHE categories. Data are projected in the forecast for 2008-2011 for both Vermont and the U.S.

BISHCA is currently working with health insurers to collect health insurance claims data through the Vermont Healthcare Claims Uniform Reporting and Evaluation System (VHCURES). The purpose of VHCURES is to provide information that can be used to evaluate and improve the quality and cost-effectiveness of health care. Although this data is not yet available, BISHCA anticipates that it will result in more accurate and more detailed reporting of Vermont health care expenditures. See the VHCURES page on BISHCA's website for details.[2]

Changes in 2007

Due to technology and reporting improvements, BISHCA received more detailed Medicaid and State expenditure data for 2006 and 2007 than in previous years. Consequently, the 2006 data has been revised and, along with the 2007 data, reflects categories of service and payer sources more accurately. The major revision to 2006 data was a reclassification of a number of Medicaid expenditure categories and an identification of spending that was not reported in the original *2006 Expenditure Analysis*. This additional spending was for health care services provided but not captured in last year's reporting to BISHCA. See *Spotlight on Government Health Activities* for more information.

Cover Figure

The figure on the cover shows the major provider categories of health care spending for Vermont residents in 2007. Hospitals accounted for about $1.4 billion (34 percent) of the total $4.2 billion in expenditures. Physicians and Drugs & Supplies respectively accounted for $614 million (15 percent) and $572 million (14 percent).

Executive Summary

In preparing the annual Expenditure Analysis reports, BISHCA relies on multiple data sources that have very different reporting definitions. Accordingly, BISHCA must take care in categorizing information consistently in order to evaluate year-to-year changes and trends over time. Gathering the 2007 data reflected much of this difficulty.

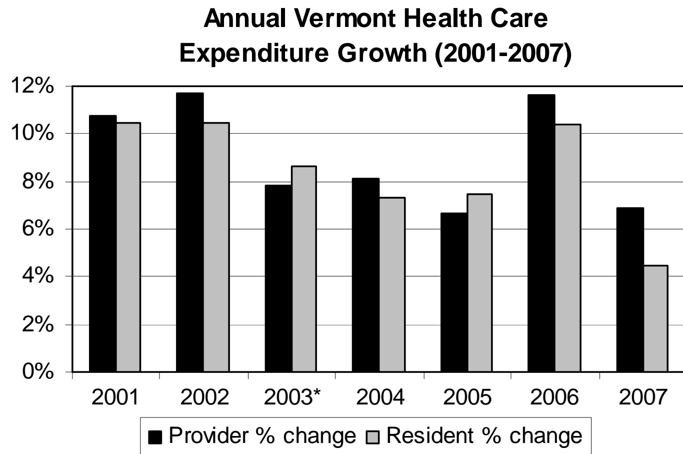


Figure 1

* Adjusted for inclusion of Workers' Compensation in 2003

Many new changes have occurred since the preparation of the *2006 Expenditure Analysis* report. There has been a higher overall rate of expenditure growth from 2005 to 2006 for Vermont residents than originally reported (10.4 vs. 8.5 percent). Further, the change in expenditures from 2006 to 2007 shows less of an increase than seen in recent years; the increase for Vermont residents is 4.5 percent in 2007 compared to an average annual increase of 7.4 percent from 2004-2007.

We caution the reader to consider the following when examining spending change over the 2005-2007 period. First, while many data sources reflect federal fiscal year, some do not. This can result in expenditures being classified in the wrong fiscal year. Second, Medicare Part D prescription drug expenditures have resulted in a large shift of spending from Medicaid to Medicare, though actual amounts are still not available from CMS. Third, the State of Vermont entered into "Global Commitment" and "Choices for Care" agreements with CMS around Medicaid expenditures during 2006. This resulted in new spending, as well as a new reporting convention that BISHCA and the Office of Vermont Health Access (OVHA) needed to reconcile. Fourth, our limited access to ERISA-protected self-insurance plans results in a cautious estimate for that payer category. Finally, the difficulty in obtaining consistent out-of-pocket data also results in estimates based upon federal government analyses that are difficult to adapt to the relatively small numbers in Vermont.

Key Data Findings:

Health Care Expenditures Vermont & U.S. (2007)

	VT	U.S.
Total (billions)	$4.2	$2,241.3
Per Capita	$6,744	$7,421
Annual Change (2006-2007)	4.5%	6.1%
Average Annual Change (2004-2007)	7.4%	6.5%
Share of Gross State/Domestic Product	17.1%	16.2%

Note: VT data is from the Resident analysis, U.S. data is from CMS.

Table 1

Nevertheless, BISHCA emphasizes that over 70 percent of the Resident data and 60 percent of the Provider data are from solid, dependable sources. The expenditure matrices at the end of the report reflect these sources. BISHCA has taken the time to report three-year average annual growth rates to help "smooth" trends where data could be misleading because of reporting considerations or other issues described above.

Notable findings include:

1. From 2004 to 2007, Vermont resident average annual growth in total health care spending was 7.4 percent, compared to 6.5 percent for the U.S.
2. The 2007 increase was 4.5 percent in the Resident analysis and 6.9 percent in the Provider analysis. The two year average annual increases for the two different analyses were 7.4 percent and 9.2 percent respectively.
3. Both analyses estimated total spending at $4.2 billion in 2007, though they include different populations and data sources. It should be noted that the two different perspectives should not be expected to be the same.
4. Health care spending accounted for 17.1 percent of Vermont's projected Gross State Product in 2007. Nationally, health care expenditures accounted for 16.2 percent of Gross Domestic Product in 2007.
5. Despite faster average annual expenditure growth since 2004, per capita health care costs in 2007 were still lower in Vermont ($6,744) when compared to the U.S. ($7,421).
6. The implementation of the Medicare Part D prescription drug program in 2006 has dramatically shifted who pays for drugs. Medicaid paid $73 million less for drugs in 2007 than in 2005, while Medicare paid $80 million more.
7. Medicaid spending reflected a large increase from 2005 to 2006 and a small increase (1.9 percent) from 2006 to 2007. This is a reflection of the beginning of the Global Commitment and Choices for Care waivers on October 1, 2005 and the effect of Medicare Part D effective January 1, 2006.
8. From 2008 to 2011, health care expenditures are projected to grow at an average annual rate of 7.0 percent for the Resident analysis and 6.7 percent for the Provider analysis.

Resident Analysis

Health Care Spending for Vermont Residents

The Resident analysis is based on reporting from all health care payers.[3] It measures what is paid on behalf of Vermont residents, regardless of whether they receive services in Vermont or out-of-state.

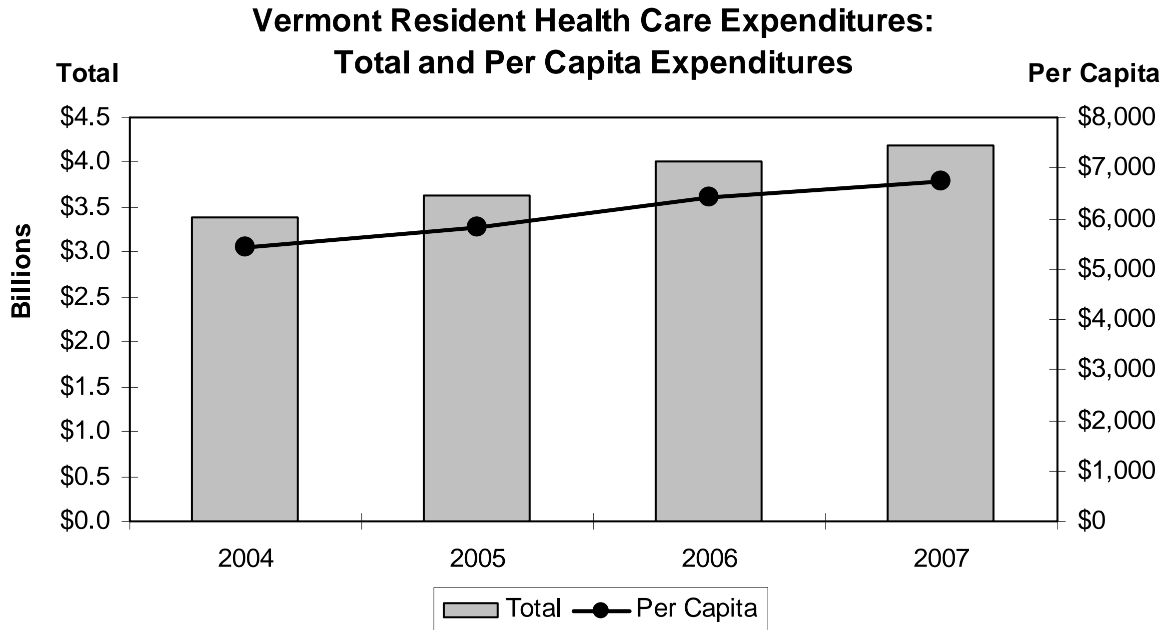


Figure 2

How much do Vermont residents spend on health care?

- Health care spending on behalf of Vermont residents totaled $4.2 billion in 2007.
- Spending increased $179 million (4.5 percent) from 2006 to 2007. The increased expenditures were primarily spent on hospital services ($65 million, 37 percent of the total) and administration and surplus costs ($64 million, 36 percent).
- Private insurance funded about half of the $179 million increase and Medicare funded about 37 percent of the increase.
- Per capita health care costs grew 4.9 percent from 2006 to 2007, reaching $6,744. Nationally, per capita health care costs were $7,421 in 2007. Please see *Spotlight on Per Capita Health Care Costs* for more information and a discussion on a 2007 *Health Affairs* article concerning state estimates for Vermont from CMS.
- Health care spending in Vermont continues to grow faster than the overall economy. The share of Vermont's Gross State Product accounted for by health care services reached 17.1 percent in 2007, the highest level recorded since tracking of this data began. Nationally, 2007 health spending accounted for 16.2 percent of the Gross Domestic Product.

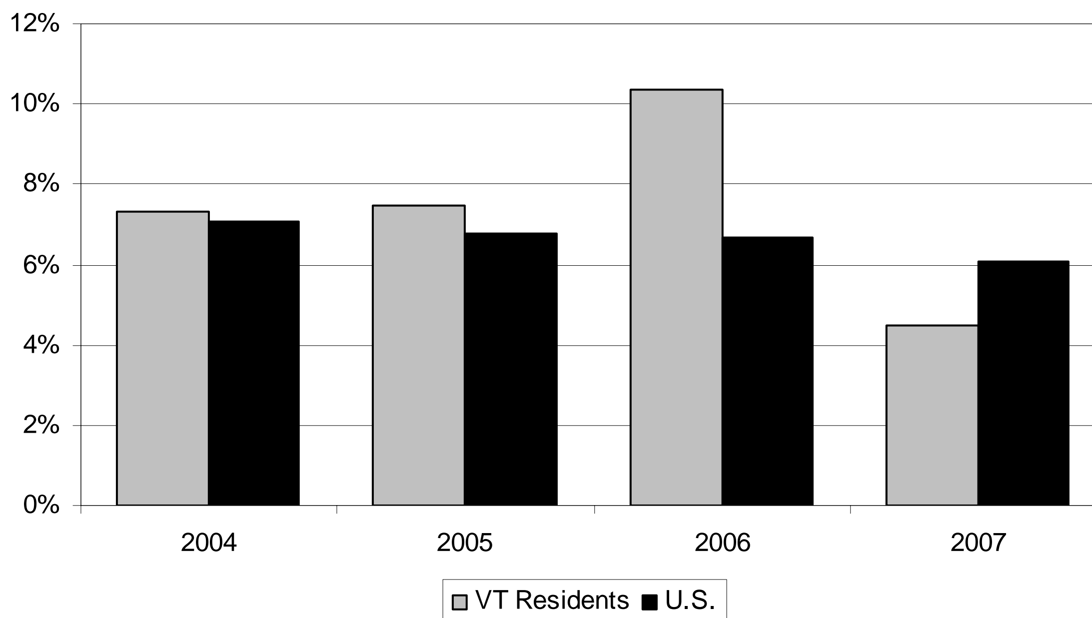


Figure 3

How fast are Vermont resident health care expenditures growing?

- Health care spending for Vermont residents grew 4.5 percent in 2007, compared to 6.1 percent for the U.S.
- The average annual growth rate for Vermont from 2004 to 2007 was 7.4 percent, compared to 6.5 percent for the U.S.
- The relatively slower spending growth that Vermont residents experienced in 2007 was reported across most provider service categories.
- Nationally, CMS indicates that the slower growth experienced by the nation in 2007 (6.1 percent) was largely attributed to slower growth in prescription drug spending and government administration.[4]
- Due to revisions to 2006 data, which included the identification of spending that was not reported in the original *2006 Expenditure Analysis*, the increase in 2006 is above 10 percent. If this additional spending were not included, the increase in 2006 would be 8.4 percent. See *Spotlight on Government Health Activities* for more information.
- Over the last ten years, the average annual increase in health care expenditures was 8.9 percent for Vermont and 7.1 percent for the U.S. Except for the lower-than-average increase in 2007, since 1999, Vermont's annual health care spending growth has consistently exceeded the national growth.

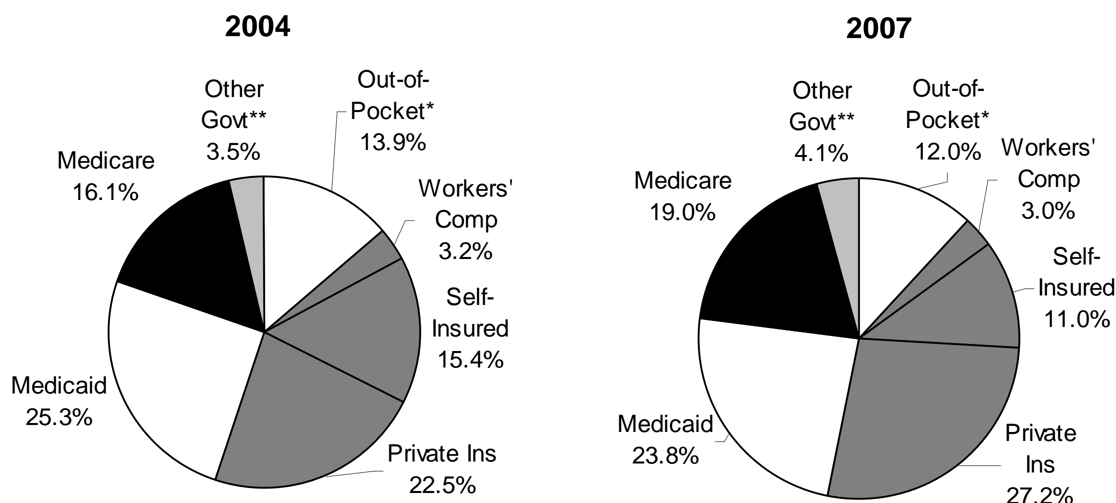


Figure 4

* Out-of-Pocket includes deductibles, copayments, payments for services not covered by insurance, and payments made by uninsured persons. It does not include individuals' share of premium payments. Premium dollars are captured under Private Insurance.
** Other Government includes spending for public health activities by federal and state government that is not covered by Medicaid or Medicare. Over 40% of expenditures in the Other Government category is funding for the Veterans Hospital in White River Junction, Vermont.

Who is paying for Vermonters' health care?

- In 2004 and 2007, private payers (including workers' compensation, self-insured, and private commercial plans) financed over 41 percent of total expenditures, a total of $1.7 billion in 2007. Nationally, private payers accounted for 42 percent of total expenditures in 2007.
- Vermont Medicaid's share of the health care dollar in both 2004 and 2007 was about one quarter of the total. In the U.S. in 2007, the Medicaid program represented about 15 percent of total health care expenditures. The higher relative share of Vermont's Medicaid program compared to the nation can be explained, in part, by the Vermont program being more inclusive in terms of its eligibility and benefits in comparison to other state Medicaid programs.[5]
- About 47 percent of Vermont's Medicaid program covers long-term care services and community mental health and developmental services. Most of this spending flows through other state agencies that manage a variety of public programs such as developmental services, home and community based services, school health services, and other mental health and disability services. See *Spotlight on Government Health Activities* for more information.
- Medicare's share of total health care expenditures increased to 19 percent of the total from 2004 to 2007, in part due to the implementation of the Medicare Part D prescription drug program in 2006. This program shifted some of the funding of prescription drugs from Medicaid to Medicare. See *Spotlight on Prescription Drugs* for more information.

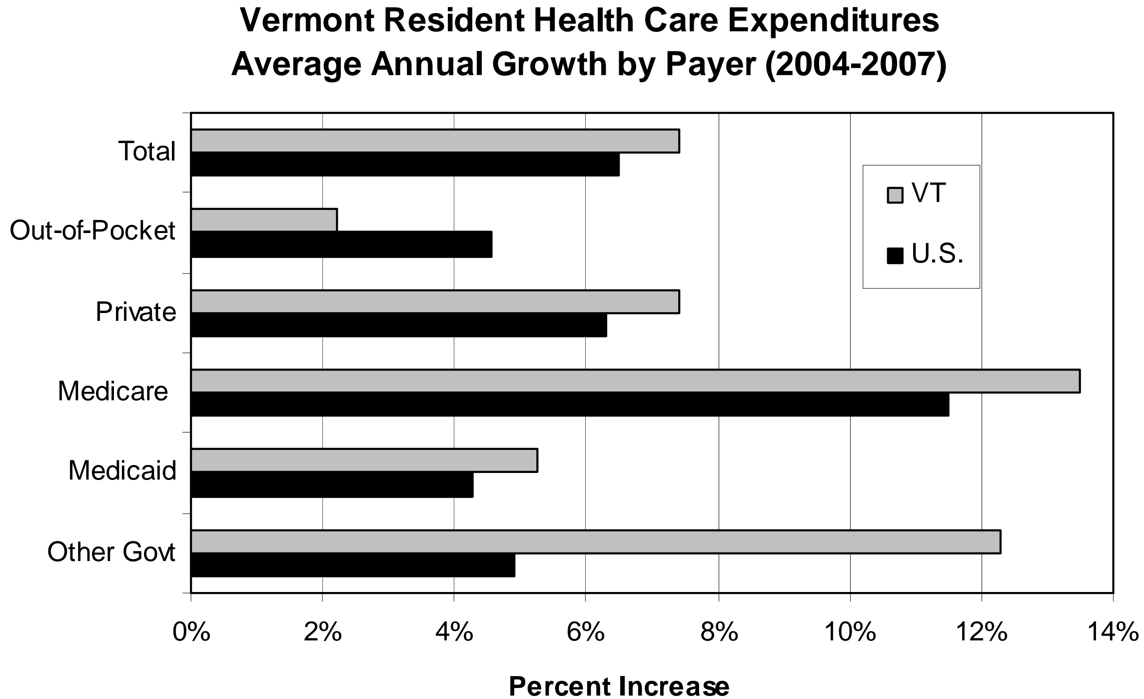


Figure 5

What are the annual growth trends for Vermont payers?

- Provider service growth is driven by growth in provider expenditures, which are affected by inflation and increases in the use and intensity of services. Provider service growth and shifts in enrollment among the payers affect the increases by payer shown above.

- Between 2004 and 2007, Medicare expenditures grew the fastest at an average annual rate of 13.5 percent, which included the addition of the Medicare Part D prescription drug program in 2006. Without the addition of the Part D program, the average annual growth would have been close to 10 percent in Vermont. See *Spotlight on Prescription Drugs* for more information on drug spending.

- Medicaid expenditures grew an average of 5.3 percent annually between 2004 and 2007. A significant decrease in Medicaid drug spending, due primarily to the start of the Medicare Part D prescription drug program in 2006, contributed to this slower growth. Medicaid funding of drugs and supplies dropped from $141 million in 2005 to $68 million in 2007, a drop of $73 million (52 percent).

- Other government expenditures (government expenditures that are not Medicare or Medicaid) was the second fastest growing payer between 2004 and 2007, averaging an annual growth rate of 12.3 percent. However, these expenditures accounted for only a small share (4.1 percent) of total spending in 2007 (see Figure 4).[6]

Vermont Resident Health Care Expenditures
Provider Service Categories by Funding Source (2007)

Provider Category	Out-of-Pocket	Private Ins.	Medicaid	Medicare	Other Gov't	Total
Hospitals	9.1%	41.6%	15.7%	51.5%	52.9%	33.9%
Physicians	12.5%	20.6%	8.1%	13.8%	3.6%	14.7%
Other Professional	8.2%	4.7%	2.0%	2.1%	0.0%	3.8%
NH/HH*	13.2%	0.5%	13.1%	12.9%	4.2%	7.5%
Drugs & Supplies	37.0%	13.2%	6.8%	10.1%	6.9%	13.7%
Other**	20.1%	19.4%	10.3%	9.7%	8.6%	15.0%
Mental Health & Other Gov't Health Activities	0.0%	0.0%	44.0%	0.0%	23.8%	11.4%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

* NH/HH includes expenditures for nursing home and home health care providers.
** Other includes expenditures for vision, durable medical equip, dental, administration, and other misc. providers.

Table 2

What services are Vermont's funding sources purchasing?

- The distribution of the health care dollar among provider categories varies by payment source. This is a function of demographics, services provided, and allowable benefits paid by different payers.
- For private payers (self-insured and commercial insurance), over 60 percent of expenditures were for hospital and physician services in 2007.
- For Medicare, over 65 percent of expenditures were for hospital and physician services in 2007. Hospitals accounted for over half of total Medicare expenditures.
- For Medicaid, 44 percent of Vermont Medicaid dollars were for Mental Health & Other Government Health Activities in 2007. Hospital and physician services accounted for 24 percent of Medicaid expenditures and nursing homes and home health services accounted for 13 percent. See *Spotlight on Government Health Activities* on for more information.
- For out-of-pocket spending, drugs and supplies have consistently accounted for the highest share of expenditures, and were 37 percent in 2007.

Vermont Resident Health Care Expenditures by Provider Service Category (2007) (in millions)

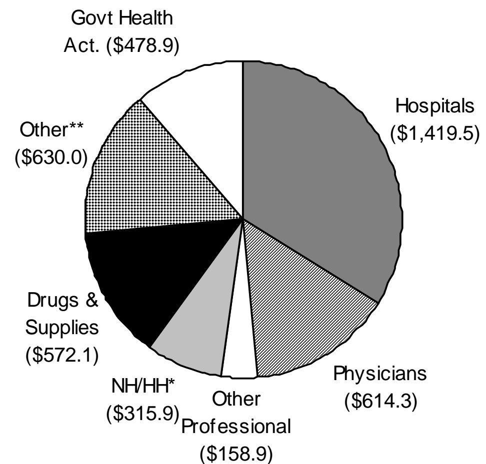
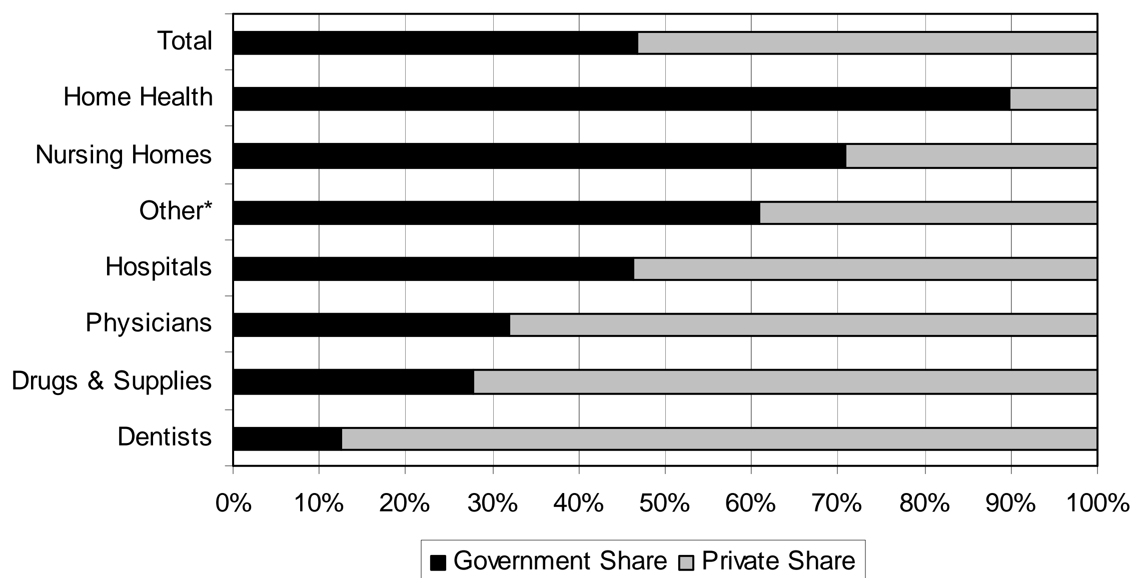


Figure 6



*Other includes services rendered by other professionals, durable medical equip. suppliers, vision providers, other misc. providers, administrative costs, and government activities.

Figure 7

How much do government and private payers fund for each provider service?

- In 2007, total health care expenditures for Vermont residents were financed 53 percent by private payers (includes private insurers and out-of-pocket) and 47 percent by government payers (includes Medicaid, Medicare, and other government).
- In 1997, the private share of health care spending was 56 percent, compared to 53 percent in 2007. This shift to a higher government share of funding was also experienced nationally during this time period, in part due to programs such as the Medicare Part D prescription drug program[7] and more government funding for long-term care services.
- From 1997-2007, the government share of health care funding in Vermont increased for all provider services with the exception of hospitals. Hospitals were financed 47 percent by private payers in 1997 and 54 percent in 2007.
- The percent of care financed by the government or private payers varies considerably at the provider service level. For example, in 2007, home health providers received about 90 percent of their funding from government sources. In contrast, the government financed about 30 percent each for physician services and drugs and supplies. Hospitals were close to the middle, funded 46 percent by government and 54 percent by private payers.

Spotlight on Per Capita Health Care Costs

Vermont's per capita health care costs (the average amount spent on health care for each Vermont resident), has historically been lower than the national average. In 2007, Vermonters spent on average $6,744 per person on health care, compared to $7,421 nationally.[8] This was a one-year increase of 4.9 percent for Vermont and 5.3 percent for the U.S.

The difference per person, however, has been narrowing over time. In 1997, Vermont's per capita health care cost was about 72 percent of the U.S. per capita; by 2007, Vermont's per capita cost was about 91 percent of the U.S. per capita.

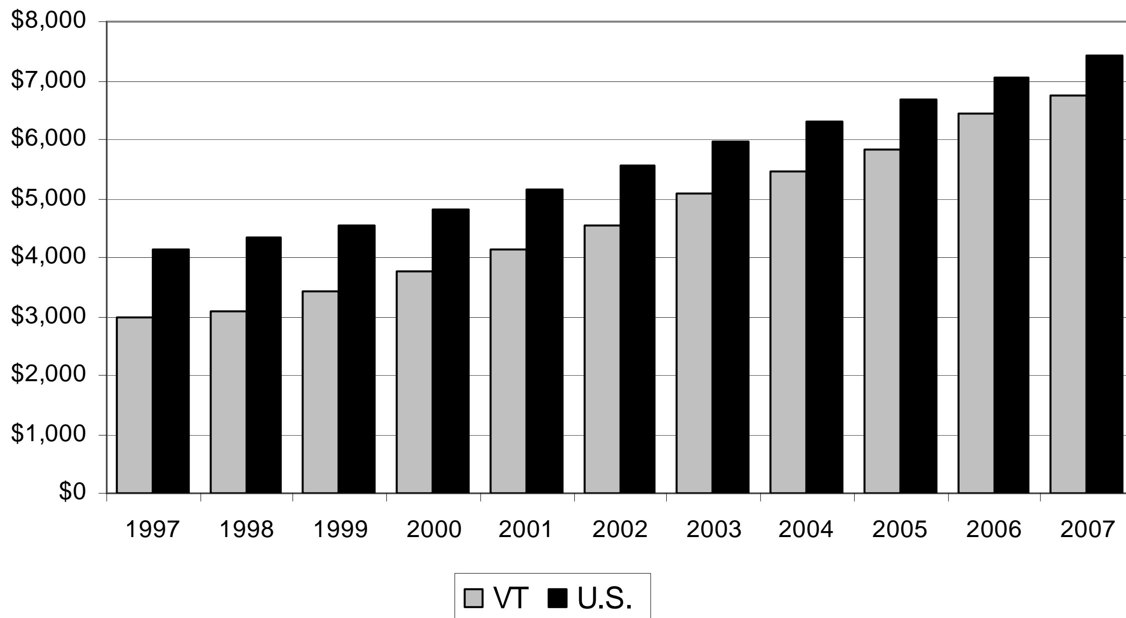


Figure 8

How do per capita estimates for Vermont from CMS compare to BISHCA's estimates?

According to a 2007 article in *Health Affairs*[9], estimated data compiled by CMS and the U.S. Census Bureau show Vermont's per capita costs lower than any other New England state in 2004 (the latest comparative data available) except for New Hampshire. However, CMS reports that Vermont's per capita costs grew at an average annual growth rate of 9.4 percent from 1998 to 2004, faster than any other New England state. BISHCA calculates a similar per capita average annual growth rate of 9.3 percent for the same time period.[10] Vermont's growth in provider services is primarily due to faster-than-average growth in hospitals, drugs and supplies, and physician services.

Although CMS and BISHCA show similar per capita growth rates, the CMS Vermont expenditure estimate for 2004 ($6,069) is 11.4 percent higher than the 2004 Resident expenditure estimate as calculated by BISHCA ($5,447). There are a number of reasons that may explain the difference, including sources of data, definitions, methodologies, timing, and adjustments. Because CMS is doing a comparison by state, they rely on data and methodologies that are available and consistent for all 50 states. For example, for a number of subcategories, CMS estimates provider-based data to account for state border-crossing patterns. BISHCA, on the other hand, has actual reported border-crossing data for about 70 percent of Vermont Resident expenditures. This Vermont data is considered more accurate.

BISHCA continues to work with CMS to reconcile the data and methods to gain a better understanding of the differences in expenditures.

Spotlight on Vermont Resident Health Insurance

In January 2009, BISHCA published initial findings from the recently completed 2008 Vermont Household Health Insurance Survey. A similar survey was completed in 2005. The table below summarizes both survey results.

Vermont Residents Primary Source of Health Insurance Coverage[11] 2005 and 2008				
	2005		2008	
	Population	% of Pop.	Population	% of Pop.
Private	369,348	59.4%	371,870	59.9%
Medicaid	91,126	14.7%	99,159	16.0%
Medicare	90,110	14.5%	88,027	14.2%
Military	9,754	1.6%	14,910	2.4%
Uninsured	61,057	9.8%	47,286	7.6%
Total Vermont Residents	621,395	100.0%	621,250	100.0%

Source: 2005 and 2008 Vermont Household Health Insurance Surveys, BISHCA.

Table 3

In 2008, 60 percent of Vermont residents were enrolled in private insurance. There were also an estimated 47,286 uninsured Vermont residents in 2008 at a rate of 7.6 percent of the population, compared to 9.8 percent in 2005.

In 2008, 16 percent of Vermonters were enrolled in the Vermont Medicaid program as their primary source of coverage. Of those Vermonters covered by Medicaid, an estimated 16 percent (about 16,000) were dually enrolled in both Medicare and Medicaid, with Medicare as their primary source of coverage.

According to Annual Statement Supplement Report (ASSR) information filed with BISHCA, in 2007, over 97 percent of Vermonters with private insurance obtained coverage in the group market through employers or related to employment.[12] This includes self-funded employer plans, which pay benefits from a fund established by an employer or organization. The employer is ultimately liable for paying health care claims. Generally speaking, self-funded employer plans are subject to a federal law known as "ERISA" and are not subject to most state laws or BISHCA regulation. An estimated 16 percent of Vermonters were in self-funded plans in 2007.

For more up-to-date and in-depth information about the health insurance market and coverage in Vermont, see the "2008 VT Household Health Insurance Survey: Initial Findings" and the "Frequently Asked Questions About The Health Insurance Market in Vermont in 2007" posted on BISHCA's website.[13]

Spotlight on Government Health Activities

The category of Government Health Activities primarily includes expenditures for mental health and other direct care programs administered by the Vermont Agency of Human Services (AHS). This category totaled $479 million in 2007. See the following pages for program details and expenditures.

Overall

From 2005 to 2007, the average annual growth in Government Health Activities was 24 percent. This is explained by the reclassification of a number of expenditure categories that were moved into Government Health Activities and the identification of spending that was not reported in the original *2006 Expenditure Analysis*. The increase in the 2006 base includes mental health services, a re-categorization of some Medicaid home and community-based service spending, and the addition of Managed Care Organization (MCO) investments through Global Commitment.

Medicaid

Medicaid is the primary payer of Government Health Activities, funding about 92 percent ($439 million) of the total. About $256 million (54 percent of the total $479 million) are for programs related to mental health, mental retardation, and substance abuse.

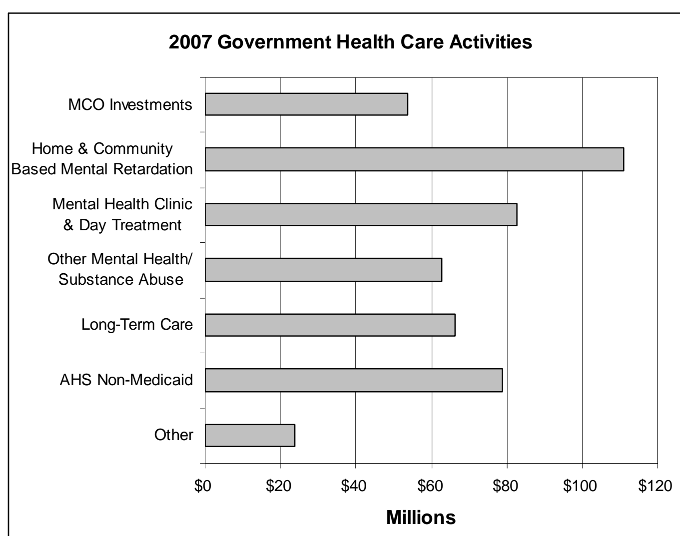


Figure 9

A significant change occurred at the start of the 2006 federal fiscal year (October 2005), when the State of Vermont entered into an agreement with CMS called the "Global Commitment to Health Waiver". This five-year Waiver imposed a global cap on federal funds, but gave the State financial and programmatic flexibility to help maintain public health care coverage and provide for more effective services. It established the Office of Vermont Health Access (OVHA) as an MCO, subject to the rules for Medicaid MCOs. At the same time, the State also entered into an agreement with CMS called "Choices for Care", which is a long-term care program that pays for care and support of the elderly and those with physical disabilities. OVHA's reporting to CMS was changed during this period and a number of reporting improvements have been done to meet the needs for CMS. BISHCA received more detailed expenditure data this year. Consequently, the 2006 data have been revised and, along with the 2007 data, now reflect categories of service and payer sources more accurately.

Non-Medicaid

State spending that was not Medicaid totaled $40 million in 2007 under the category of Government Health Activities. This includes health care spending by the Vermont Department of Corrections and most of the funding for the Vermont Division of Health Care Administration (DHCA). Other non-Medicaid spending includes State and federal grants administered by the Vermont Department of Health that are not part of Medicaid.

Please contact BISHCA or OVHA for more information related to these changes or expenditures.

Government Health Care Activities	Description	FFY06	FFY07	$ Difference	% Difference
Mental Health/Substance Abuse H&CB Mental Retardation	Home & community-based care for those requiring in-home services due to mental retardation.	$102,347,403	$110,996,473	$8,649,070	8.5%
Mental Health Clinic	Evaluation, diagnostic and treatment services provided in a licensed mental health clinic, including psychotherapy, group therapy, day hospital, chemotherapy and emergency care.	$44,985,385	$ 41,373,287	($3,612,098)	-8.0%
Mental Health Day Treatment	Day treatment programs for those with mental health issues.	$38,898,995	$41,263,176	$2,364,181	6.1%
Mental Health Community Rehab/Treatment	Programs that assist adults who have been diagnosed with a mental illness, including programs that help individuals and their families develop skills and supports important to living the life they want for themselves.	$31,107,012	$29,823,207	($1,283,805)	-4.1%
Targeted Case Management	Services aimed specifically at special groups such as those with developmental disabilities or chronic mental illness, that assist individuals in gaining access to needed medical, social, educational, and other services. It does not include the direct provision of those services.	$7,718,725	$7,363,068	($355,657)	-4.6%
H&CB Mental Health Services	Home & community-based care for those requiring in-home services due to a mental health illness.	$3,197,506	$3,491,131	$293,625	9.2%
H&CB – TBI Services	Home & community-based care for those requiring in-home services due to a traumatic brain injury.	$3,570,414	$3,775,549	$205,135	5.7%
Other MH/MR Services	Other mental health and mental retardation services.	$6,028,950	$6,780,788	$751,838	12.5%
Alcohol & Drug Abuse Programs	Programs to address alcohol and substance abuse.	$10,671,426	$11,369,957	$698,530	6.5%
Total Mental Health/Substance Abuse		**$248,525,817**	**$256,236,635**	**$7,710,818**	**3.1%**
Long –Term Care H&CB Aged/Disabled	Home & community-based care provides alternative services for the aged and disabled who would otherwise need admission to a nursing home.	$18,381,714	$21,248,756	$2,867,042	15.6%
H&CB Enhanced Residential Care	Home & community-based enhanced residential care provides services to those in Level III residential care facilities and assisted living residences.	$ 3,571,712	$ 5,343,535	$1,771,823	49.6%
Assistive Community Care Services	Services for those in participating residential care homes or assisted living residencies including case management, nursing assessment and routine tasks, medication assistance, and on-site assistive therapy.	$21,962,467	$21,662,985	($299,482)	-1.4%
Personal Care Services	Personal care services for those in participating residential care homes or assisted living residencies.	$17,849,750	$18,169,173	$319,423	1.8%
Total Long-Term Care		**$61,765,643**	**$66,424,449**	**$4,658,806**	**7.5%**
AHS Other D&P Dept. of Education	Services offered through the Vermont Department of Education including case management, counseling, rehabilitation, personal care, and therapy services.	$42,669,359	$36,697,559	($5,971,799)	-14.0%
AHS – Dept. of Health	Program and grant funding through the Department of Health, primarily for Alcohol and Drug Abuse Programs (ADAP), health promotion & disease prevention, local health services, and emergency preparedness .	$29,889,713	$21,154,479	($8,735,235)	-29.2%
AHS – Other	Other miscellaneous services including Department of Corrections inmate health care services and miscellaneous health care transportation services.	$15,394,087	$20,844,863	$ 5,450,776	35.4%
Total AHS Other		**$87,953,159**	**$78,696,901**	**($9,256,258)**	**-10.5.%**

Government Health Care Activities	Description	FFY06	FFY07	$ Difference	% Difference
MCO Investments	Health care investment opportunities in programs that serve to reduce the rate of uninsured and/or underinsured in Vermont, increase the access of quality health care to uninsured, underinsured, and Medicaid beneficiaries, provide public health approaches to improve the health outcomes and the quality of life for Medicaid-eligible individuals in Vermont, and encourage the formation and maintenance of public-private partnerships in health care. Examples include health provider training, school health services, and emergency mental health services.	**$57,698,247**	**$53,885,867**	**($3,812,380)**	**-6.6%**
Other					
D&P Other	Services including case management, counseling, rehabilitation, personal care and therapy services.	$18,287,916	$19,349,843	$1,061,928	5.8%
Health Care Administration	The Division of Health Care Administration of the Department of Banking, Insurance, Securities and Health Care Administration (BISHCA) provides health care consumer protection, assistance and education; requires community hospital and insurance company regulatory filings for evaluation, response and approval; promotes cost containment in health care through activities including the review of capital expenditure and hospital budgets; provides data and analysis to advance public policy discussions at state and federal levels.	$3,724,184	$ 4,318,873	$594,689	16.0%
Total Other		**$22,012,100**	**$23,668,716**	**$1,656,617**	**7.5%**
GRAND TOTAL		**$477,954,965**	**$478,912,569**	**$957,604**	**0.2%**

Spotlight on 2006 Medicare Spending[14]

BISHCA has access to Vermont Medicare claims by contracting with The Dartmouth Institute for Health Policy & Clinical Practice (TDI). The contractor provides a variety of summary reports that allow BISHCA to detail spending in accordance with the Expenditure Analysis matrix. In addition, reports are prepared that provide other analytical constructs for examining general characteristics of Medicare enrollees and their associated expenditures. The following describes information based upon an analysis of the 2006 Medicare claims. The 2007 claims are expected to be available by spring 2009.

Enrollees

There were 103,731 Vermont Medicare beneficiaries enrolled for at least one month in 2006, about a 2 percent increase over 2005. Of these beneficiaries, 95 percent were enrolled in Medicare Part A (inpatient hospital care[15]) midyear and 89 percent were enrolled in Part B (primarily physician services) midyear. **The remaining enrollees are those who either aged into Medicare after midyear or who died before midyear.** It is noted that this number of enrollees does not include many "snowbirds" since it is likely that they select another state as their residence.[16] Also, neither HMO enrollees nor their claims were included in this report, though the number for Vermont is extremely small.[17]

Spending

In 2006, total Medicare spending was $731 million for the 103,731 beneficiaries identified as living in Vermont. Excluding a $108 million estimate for administration costs and the Medicare Part D prescription drug program, for which state specific information is not available, Medicare claims totaled $623 million. Analysis of funds spent shows that about 74 percent ($458 million) was for services to Vermont Medicare beneficiaries provided at facilities within the State of Vermont. The remaining 26 percent ($164 million) was for services provided in other states, with New Hampshire facilities receiving $109 million of the $164 million. This is similar to overall Vermont resident hospital migration patterns described in the *Spotlight on Hospital Inpatient In-Migration and Out-Migration.*

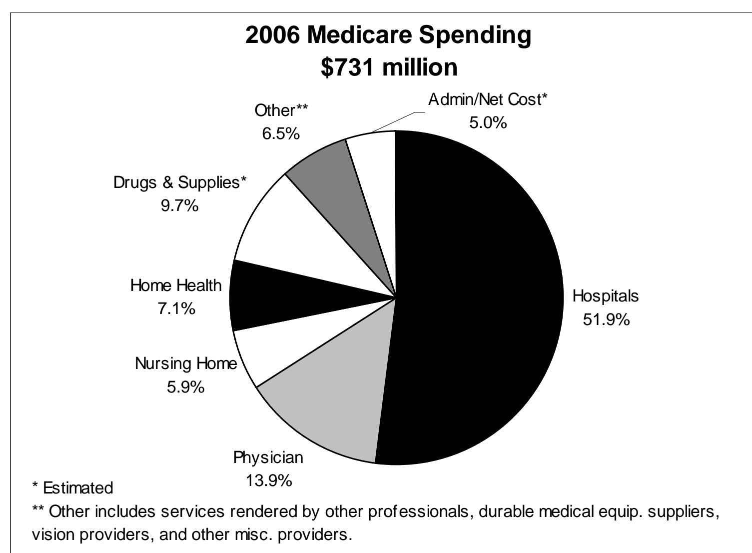


Figure 10

Overall Medicare spending increased 24 percent from 2005 to 2006. However, 2006 was the first year of the Medicare Part D prescription drug program (see *Spotlight on Prescription Drugs*). Normalizing the data by excluding the estimates for drugs and administration, Medicare spending increased 9 percent in 2006, with per capita expenditures rising 6 percent.[18]

According to The Dartmouth Atlas for Health Care[19], in 2005, Vermont had the lowest per enrollee payments in New England for Medicare Part A and Part B at about $6,700. Maine and New Hampshire had the next lowest per enrollee payments at about $6,800 and $7,200 respectively. The national average was close to $8,000.[20]

Medicare payments per enrollee during the last two years of life, however, are substantially higher than average payments for all enrollees due the frequency of hospitalizations and intensity of care. The Dartmouth Atlas shows that from 2001 to 2005, Vermont averaged about $41,500 per Medicare enrollee during the last two years of life. This was the second lowest in New England behind Maine. Programs such as hospice that have been shown to reduce end-of-life care costs could result in significant overall cost savings for the Medicare population.[21]

Another analysis that examines payments to a given subset of people is a pareto analysis. It shows how much of total spending is driven by small percentages of all beneficiaries. For example, 64 percent of all Medicare payments were attributed to 10 percent of the beneficiaries in 2006. This trend has been remarkably consistent for the period 2003 through 2006. This type of analysis may offer opportunities to find savings for certain high-cost populations. See *Spotlight on the Concentration of Health Care Expenditures* for more information.

Medicare utilization

The Dartmouth Atlas shows that in 2005, Vermont had the lowest number of Medicare discharges per 1,000 enrollees in New England, followed by New Hampshire and Connecticut. During the last two years of life from 2001-2005, Vermont also had the lowest per enrollee average in New England for physician visits, intensive care unit days, and hospital days. Vermont per enrollee averages for these indicators for the last six months of life are also lowest in New England.

According to data from a report from the Dartmouth Atlas Project[22], from 2003 to 2006, Vermont ranked seventh in the nation, and lowest in New England, in discharges per 1,000 Medicare enrollees for “ambulatory-sensitive conditions”. These are conditions for which hospitalization can often be prevented by better outpatient management. Discretionary stays in the hospital pose a risk to patients and a substantial cost to the health care system. Vermont’s relatively favorable ranking suggests that chronic diseases may be being managed more appropriately than in other states, which results in cost savings to Vermont’s health care system.

Analysis of the top inpatient Diagnostic Related Groups (DRGs)[23] in 2006 shows that major joint replacement or reattachment accounted for the highest expenditures, with $13 million (5 percent) of total Part A inpatient hospital payments of $254 million. The four DRGs with the next highest expenditures were rehabilitation, cardiovascular procedures, pneumonia, and then heart failure and shock. Together, these top five DRGs represent 19 percent of all inpatient DRG payments in 2006. Further analysis examines this by separating DRGs into surgical and medical events. This information can be provided upon request to BISHCA.

BISHCA continues to work with TDI and the Dartmouth Atlas data to refine the Medicare analysis. The beginning of the Vermont Healthcare Claims Uniform Reporting and Evaluation System (VHCURES) will enable further analysis of Vermont Medicare data. For additional tables and information, please contact BISHCA.

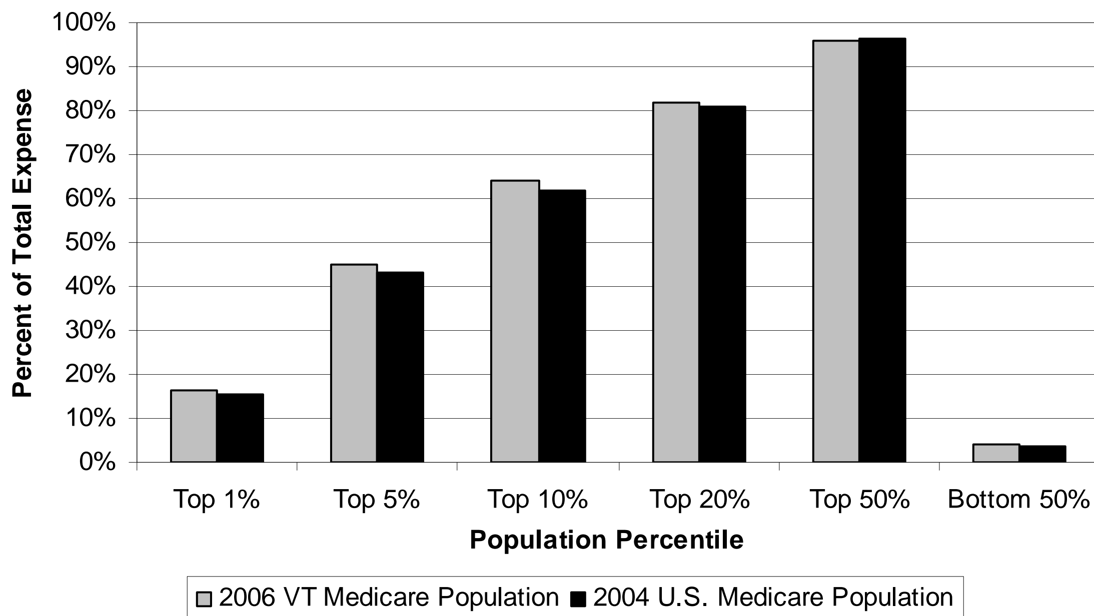
Spotlight on the Concentration of Health Care Expenditures

At any given point in time, a small percentage of the population consumes a relatively large proportion of health care resources. For example, for the Vermont Medicare population in 2006, the most expensive 5 percent of that population consumed about 45 percent of Medicare health care expenditures. Both Vermont and the U.S. show similar concentrations of health care expenditures for a given percentage of their respective Medicare populations.

Viewing it another way, half of Medicare beneficiaries in both the U.S. and Vermont had few or no health care expenses; these groups were responsible for less than 4 percent of their populations' respective health care spending.

National data shows a decline in the concentration of expenditures for the U.S. Medicare population over time. For example, the top 5 percent of the U.S. Medicare population in 1975 accounted for 54 percent of total Medicare expenditures. In 2004, the number was 43 percent. Some of the reasons suggested for this relate to changes in Medicare program design, long-term trends in longevity and medical expenses, a possible increase in expensive technology used on less sick patients, and trends in disability and associated health care costs.[24] Recent Vermont data (2003 through 2006) suggests that the concentration of Medicare spending remains fairly steady in Vermont.

National data also shows that for the highest spending 5 percent of U.S. Medicare beneficiaries, about 24 percent are still in the top 5 percent spending group the following year, and about 15 percent are in that group in the second subsequent year. For more information, see the *Health Affairs* article, "Long-Term Trends In The Concentration Of Medicare Spending".[25]



Data Source: CMS

Figure 11

Spotlight on Prescription Drugs

The Expenditure Analysis includes prescription and non-prescription drug spending and non-durable supplies spending in the category "Drugs & Supplies". In the Provider analysis, about 88 percent of this category was related to expenditures for prescription drugs in 2007.

Overall, Drugs & Supplies for Vermont residents were $572 million in 2007, a 1.8 percent increase over 2006 and less than the 4.9 percent experienced nationally for prescription drugs. For both Vermont and the U.S., this was the slowest growth experienced since 1998.

Nationally, one of the reasons CMS attributes the slowdown in growth to is the continued increase in the use of generic drugs. Generic drugs cost an average of 30-80 percent less than name-brand drugs, so switching to generics results in lower expenditures. This switching was in part due to some major name-brand drugs losing patent exclusivity in 2006. Other reasons for the slowdown in growth are slower growth in prescription drug prices, including pressure from some large retail chains beginning generic drug discount programs, and growing consumer safety concerns.[26]

The Medicare Part D program subsidizes the cost of prescription drugs for eligible seniors and those with disabilities. It was enacted as part of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA). Due to data timing and reporting issues, there is limited expenditure data available for the first few years of the program. Consequently, the Vermont estimate included in this report for Medicare prescription drugs is based on national projections for 2007.

However, Vermont Medicaid prescription drug spending is more accurate due to available State data. The Medicare Part D program had a substantial effect on Medicaid drug spending from 2005 to 2007, causing a decrease of $73 million (over 50 percent) to $68 million in 2007. This two-year decrease was due primarily to the shifting of prescription drug coverage from Medicaid to Medicare for those dually eligible for both programs, as they were automatically enrolled in the Part D program. In this same 2005-2007 period, estimates for Medicare prescription drug spending for Vermont residents rose from near zero to $80 million (about 14 percent of total drug spending). For the U.S., Medicare paid for almost 21 percent of prescription drugs in 2007, compared to 2 percent in 2005.

Private insurance experienced an increase of about $34 million in drug spending for Vermont residents from 2005 to 2007, an average annual increase of 8.4 percent.

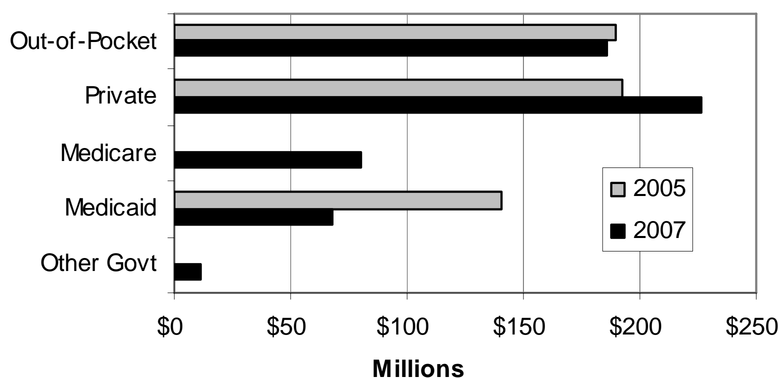


Figure 12

Provider Analysis

Health Care Spending for Vermont Providers

The Provider analysis includes reporting by entities providing care and services in Vermont. This includes expenditures for Vermont residents and out-of-state residents served by Vermont providers.

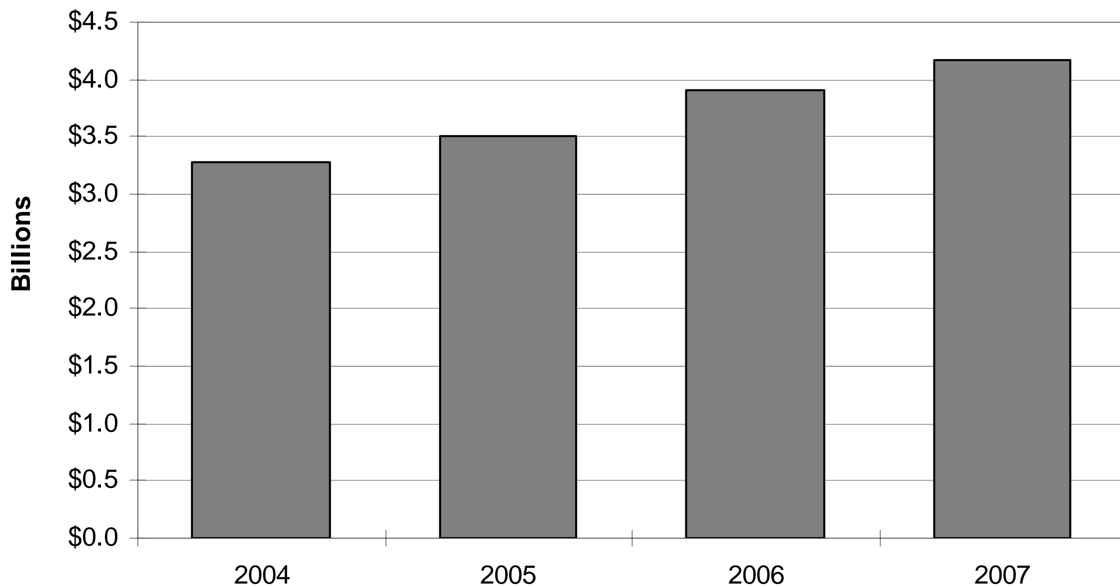


Figure 13

How much is spent on Vermont health care provider services?

- Health care spending on Vermont providers by in-state and out-of-state residents totaled $4.2 billion in 2007.
- Vermont health care Provider spending increased 6.9 percent ($268 million) from 2006 to 2007, compared to Vermont Resident spending, which grew 4.5 percent.
- The hospital category (which includes hospital-employed physicians) had the largest share of this expenditure growth, accounting for 53 percent ($141 million) of the total increase. Physician spending (not including hospital-employed physicians) accounted for 19 percent of the increase ($50 million) and drugs and supplies 16 percent ($42 million).
- Drivers of health care spending growth include economy-wide and medical-specific price inflation, population growth, and increases in the use and intensity of medical care services.[27]

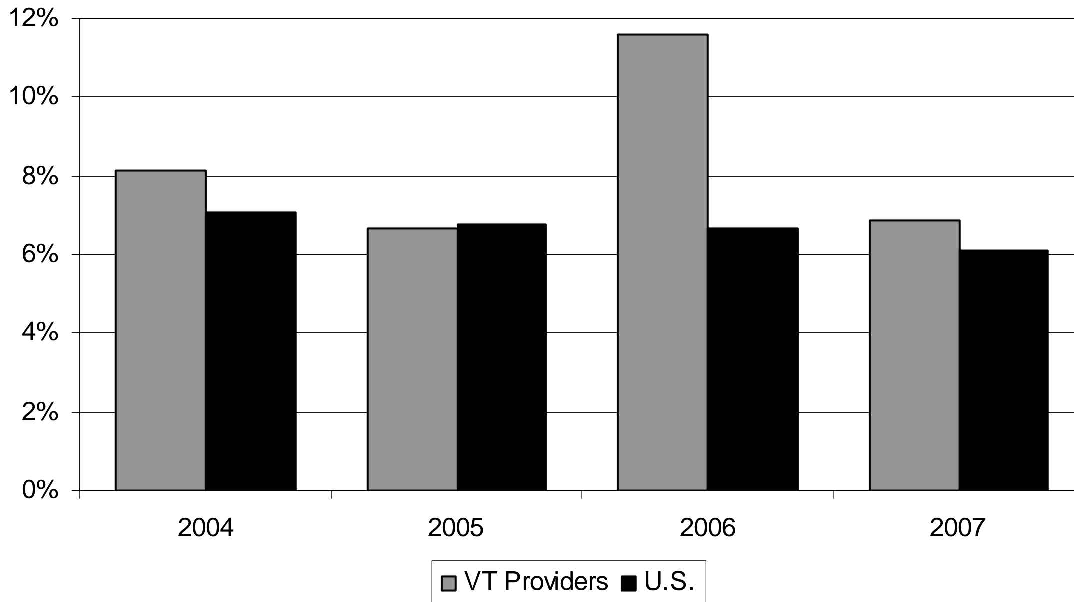


Figure 14

How fast are total Vermont health care provider expenditures growing?

- Health care expenditures by Vermont providers grew 6.9 percent in 2007. This is less than the 8.3 percent average annual growth from 2004 to 2007.
- The U.S. experienced a 6.5 percent average annual increase from 2004 to 2007.
- Similar to the Resident analysis, the higher-than-average increase in 2006 is in part due to revisions to 2006 data, which included the identification of spending that was not reported in the original *2006 Expenditure Analysis*. If this additional spending were not included, the increase in 2006 would be 9.6 percent instead of 11.6 percent. Please see the *Spotlight on Government Health Activities* for more information.

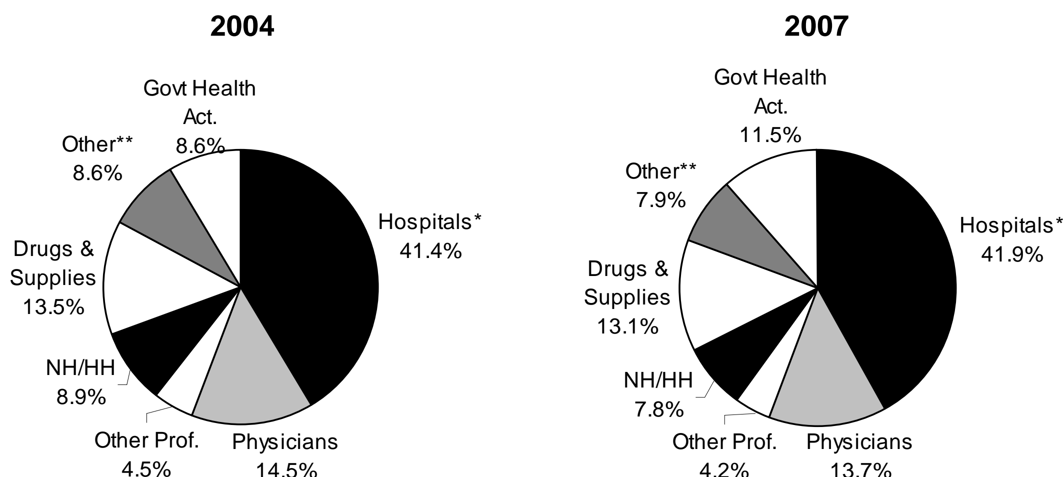


Figure 15

* Hospitals include hospital-employed physicians, who accounted for 5-6 percent of the totals in 2004 and 2007.
** Other includes services rendered by vision and durable medical equip. suppliers, dentists, and other miscellaneous providers.

Note: Although the relative share for each category may increase or decrease over time (see above figure), overall spending increases were reported in all categories from 2004 to 2007 (see Figure 16).

Which Vermont providers account for the most health care expenditures?

- The distribution of the Vermont health care dollar by provider service category has not shifted substantially from 2004 to 2007. Government Health Activities experienced the greatest shift, in part due to the beginning of the Global Commitment and Choices for Care waivers in 2006.

- Hospitals, which include acute care, the Veterans Administration, state psychiatric and private psychiatric hospitals, continue to be the largest provider category in Vermont in 2007, totaling $1.7 billion (42 percent of total provider expenditures).

- Nationally, hospitals accounted for 31 percent of total Provider expenditures in 2007. This figure compares to 37 percent for Vermont after excluding Vermont's hospital-employed physicians ($217 million). These physicians are included in the hospital category in the provider analysis. See *Spotlight on Hospital-Employed Physician Practices* for more information.

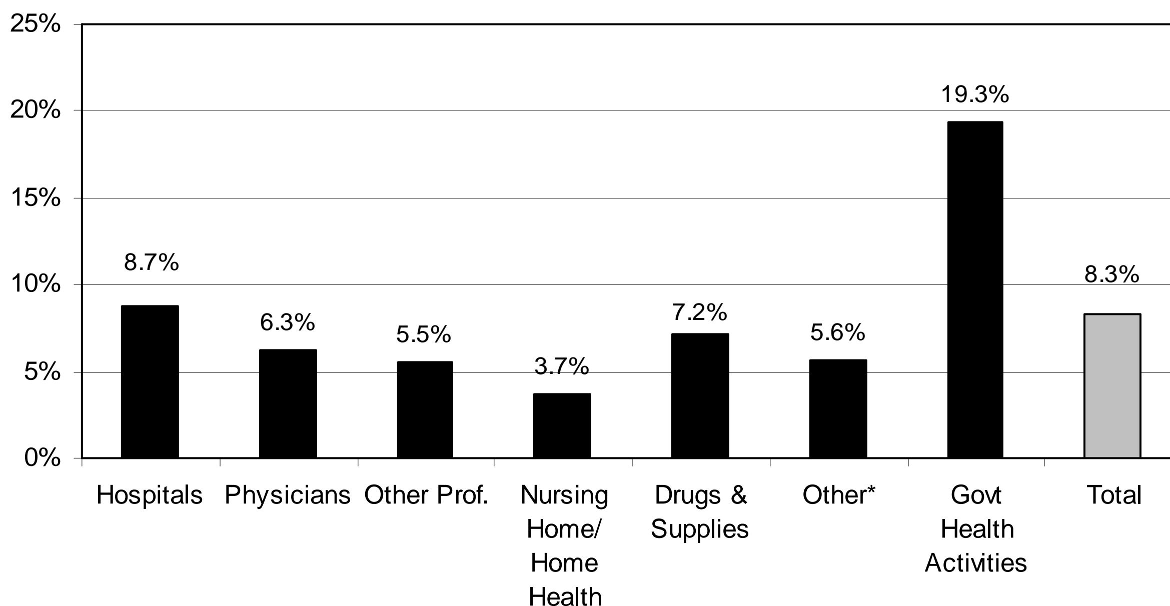


Figure 16

* Other includes services rendered by vision, durable medical equipment, dental, and other miscellaneous providers.

What are the annual growth trends for Vermont providers?

- Total Vermont Provider health care expenditures grew at an average annual rate of 8.3 percent from 2004 to 2007.
- Vermont hospital expenditures grew slightly faster than overall expenditures, at an average annual rate of 8.7 percent from 2004 to 2007. Hospital expenditures for the U.S. grew 7.1 percent annually from 2004 to 2007.
- The category of Government Health Activities was the fastest growing Provider category from 2004 to 2007, increasing at an average annual rate of over 19 percent. Most of this growth occurred from 2005 to 2006, and is explained by the reclassification of a number of expenditure categories into this category, the identification of spending not included in the original *2006 Expenditure Analysis*, and the beginning of Global Commitment and Choices for Care. See *Spotlight on Government Health Activities* for more information.
- Nursing home and home health care expenditures experienced the lowest average annual rate of growth in Vermont from 2004 to 2007, growing at 3.7 percent annually.
- Many factors contribute to health care expenditure growth including price inflation, population growth, and increases in the use and intensity of services.

Spotlight on Hospital-Employed Physician Practices

Expenditures for Vermont's fourteen acute-care community hospitals totaled $1.6 billion in 2007. These expenditures include a large share of physicians who were once in private practice but are now employed by the hospitals. This trend has emerged over the last several years as more physicians seek employment at community hospitals.

The *2007 Expenditure Analysis*, when reporting Provider information, presents this spending as a hospital cost. In the Resident analysis, however, physician expenditures cannot be distinguished as to whether they come from hospital-employed physicians or physicians in private practice. This fact is important to note when trying to compare the Provider and Resident results since it explains some of the difference.

The Provider analysis includes expenditures for hospital-employed physician practices ($217 million in 2007) in the hospital category. This is *down* from $224 million in 2006. Physicians employed by Fletcher Allen Health Care, Vermont's largest hospital, accounted for about $176 million (81 percent) of the $217 million.

Physician expenditures (not including hospital-employed physician practices) totaled about $572 million in Vermont in 2007 (Provider analysis). With hospital-employed physician practices included, total physician expenditures were $789 million.

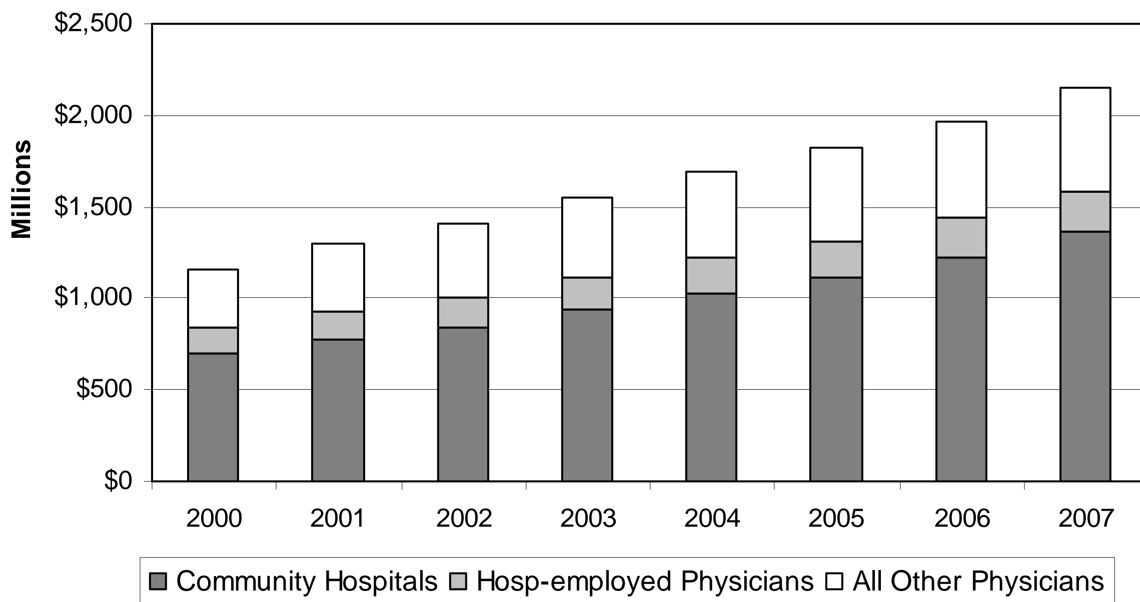


Figure 17

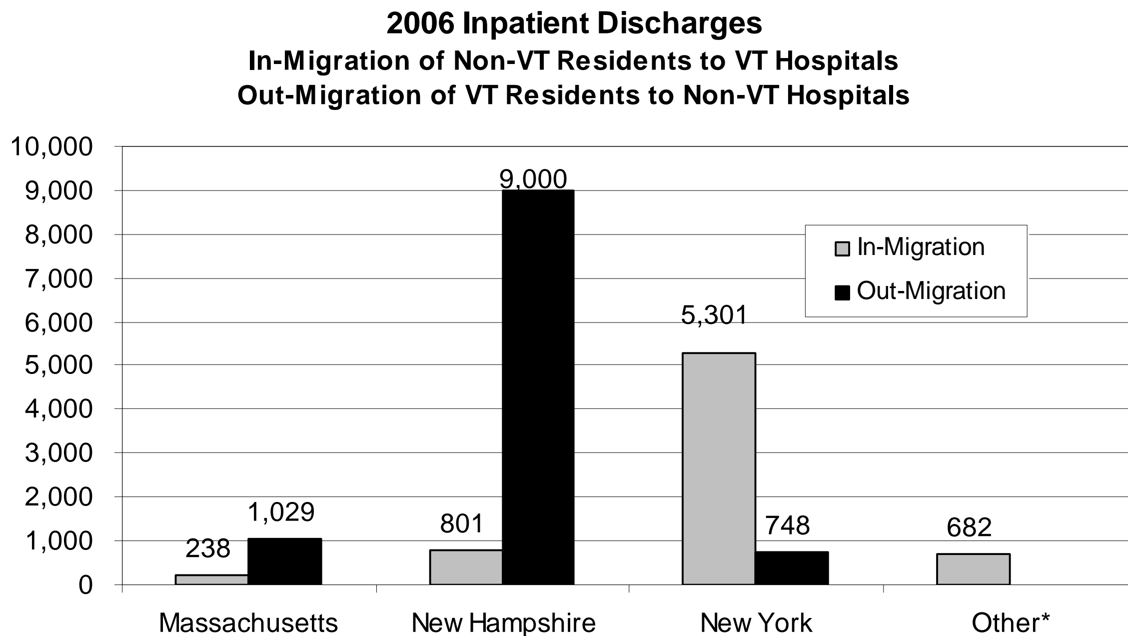
Spotlight on Hospital Inpatient In-Migration and Out-Migration

Many Vermont residents receive medical services from providers located in other states. Similarly, non-Vermonters use Vermont's health care system. The flow of health care dollars among states can be attributed to a number of factors including the presence of border communities, the mix of services or specialties provided within a state, and different health plan benefits.

In 2006, out of a total of 52,091 Vermont resident inpatient discharges, 10,777 (21 percent) were at hospitals in the bordering states of New Hampshire, New York, and Massachusetts. Dartmouth Hitchcock Medical Center in Lebanon, New Hampshire accounted for two-thirds (7,194) of these Vermont resident discharges in out-of-state hospitals.

For hospitals located within the State of Vermont, 15 percent (7,022 out of a total of 48,336) of inpatient discharges were attributed to non-residents in 2006. New York residents accounted for about three-quarters (5,301) of the non-resident inpatient discharges from Vermont hospitals.

Overall, inpatient discharges of Vermont residents from hospitals in border states exceeded the number of discharges of non-residents using Vermont hospitals in 2006, a net out-migration of 3,755 discharges. This was a net increase in out-migration of 438 discharges (13 percent) over 2005, which resulted in a net increase of out-migration charges of $34 million (a 23 percent increase).



* Out-migration data not available for Other

Source: 2006 Vermont Uniform Hospital Discharge Data Set

Figure 18

Notes: VT residents use hospitals in other states in addition to NH, NY and MA, but reporting is currently unavailable. Data excludes discharges from the Veterans Administration Hospital and records with missing charges.

Average charges for Vermont residents at Vermont hospitals were $15,061 in 2006, with an average DRG weight of 1.22. For Vermont residents in out-of-state hospitals, the average charges were $30,793, with a DRG weight of 1.80. This shows that on average, Vermont residents are using more complex and expensive services at out-of-state hospitals than at Vermont hospitals.

Some of the possible reasons for this different relative use of services are differences in the severity of illness, type of services provided, and payer mix. For example, the concentration of complex services in the use of out-of-state hospitals by Vermont residents (such as the Dartmouth Hitchcock Medical Center and the Albany Medical Center) may be higher than the concentration of complex services in Vermont hospitals. Likewise, the lower average charge for Vermont residents' use of Vermont hospitals may be more reflective of a wider menu of services including more routine hospitalizations.

For more information on hospital in-migration and out-migration, please see the "2006 Vermont Hospital Migration Report" at BISHCA's website.[28]

2006 Vermont Residents: Inpatient Hospitalizations

Hospital	Discharges	% of Total Discharges	Total Charges	% of Total Charges	Average Charges	Average DRG Wt*
Total Vermont Residents in Vermont Hospitals	41,314	79.3%	$622,236,882	65.2%	$15,061	1.22
Total Vermont Residents in Out-Of-State Hospitals	10,777	20.7%	$331,855,235	34.8%	$30,793	1.80
Total Vermont Resident Inpatient Hospitalizations	52,091	100.0%	$954,092,117	100.0%	$18,316	1.34

Source: 2006 Vermont Uniform Hospital Discharge Data Set
All figures exclude discharges from VA and records with missing charges; Vermont residents only;
Number of discharges and average DRG weight exclude newborns; charges include newborns.

* DRG weights indicate the relative costs for treating patients during the prior year. For example, a DRG with a weight of 2.0 means that charges were historically twice the national average whereas a DRG with a weight of 0.5 was half the national average.

Table 4

2008-2011
Forecast

Three-Year Projections of Health Care Expenditures

This section describes projected expenditures for Vermont health care providers and on behalf of Vermont residents for the period 2008-2011.

Background

This section was prepared to meet the requirement under 18 V.S.A. § 9406 (b)(1-4) that directs the Department of Banking, Insurance, Securities and Health Care Administration (BISHCA) to annually prepare a three-year projection of health care expenditures made on behalf of Vermont residents. The statute requires that the projections be considered in the evaluation of health insurance rate and trend filings that are submitted to BISHCA, as well as used in connection with the hospital budget review process and the Certificate of Need process. The projections of Vermont health care expenditures are also used in the development of the Unified Health Care Budget.

Update to the Forecast Report

A Three-Year Forecast report was published January 15, 2009. The projections in the report include Medicaid rescission items that were identified before December 2008. Since more data became available after the report was written, this 2008-2011 Forecast serves as an update to the initial report.

The primary revision to the initial report is lower Medicaid projections for 2009 through 2011. This lowered the 2008-2011 average annual increase for Medicaid spending from 8.2 percent to 7.8 percent, and lowered overall Vermont Resident spending from a 7.1 percent average annual increase to 7.0 percent. Revised Medicaid projections result in total Medicaid expenditures of $1.35 billion in 2011, down from the initial finding of $1.37 billion. Total Resident health care expenditures are still projected to be about $5.5 billion in 2011.

Vermont Health Care Expenditures
Updated Projections

($ in millions)	Actual 2007	Projected 2011	2008-2011 Average Annual Change
Out-of-Pocket	$503.7	$638.3	6.1%
Private	$1,722.3	$2,238.5	6.8%
Medicare	$796.5	$1,033.9	6.7%
Medicaid	$997.2	$1,347.5	7.8%
Other Govt	$169.9	$224.9	7.3%
Total	$4,189.6	$5,483.2	7.0%

Note: VT data is from the Resident analysis. 2007 is actual; 2008-2011 is projected.

Table 5

Forecast Model

As its base, the model uses the 2007 Vermont health care expenditure levels in the matrices at the back of this report. Most of the projected expenditures for 2008-2011 are estimated using the provider service projections reported by the U.S. Centers for Medicare and Medicaid Services (CMS) National Health Expenditure (NHE) model.[29] Community hospital projections, however, are based upon data submitted to BISHCA during the annual hospital budget review process, and include projected 2008 and budgeted 2009 data.

For the Provider model, provider service expenditures are projected forward, and then allocated by payer based on the most recent payer distributions that have been reported through 2007. For the Resident model, each payer's (e.g., Medicare, private insurance) provider service expenditures are projected forward from the 2007 base. The one exception is that Medicaid is projected independently in the Resident model based on budgeted growth rates and other information from AHS.

Projections for the Global Commitment for Health (Medicaid) are included in the Resident model. Projections include rescission items that were identified as of mid-January 2009. Aside from that, the forecast model assumes no significant changes in enrollment or significant program policy changes in Medicare or Medicaid. A technical documentation report is available on BISHCA's web site and has a more complete discussion of the forecast model.[30]

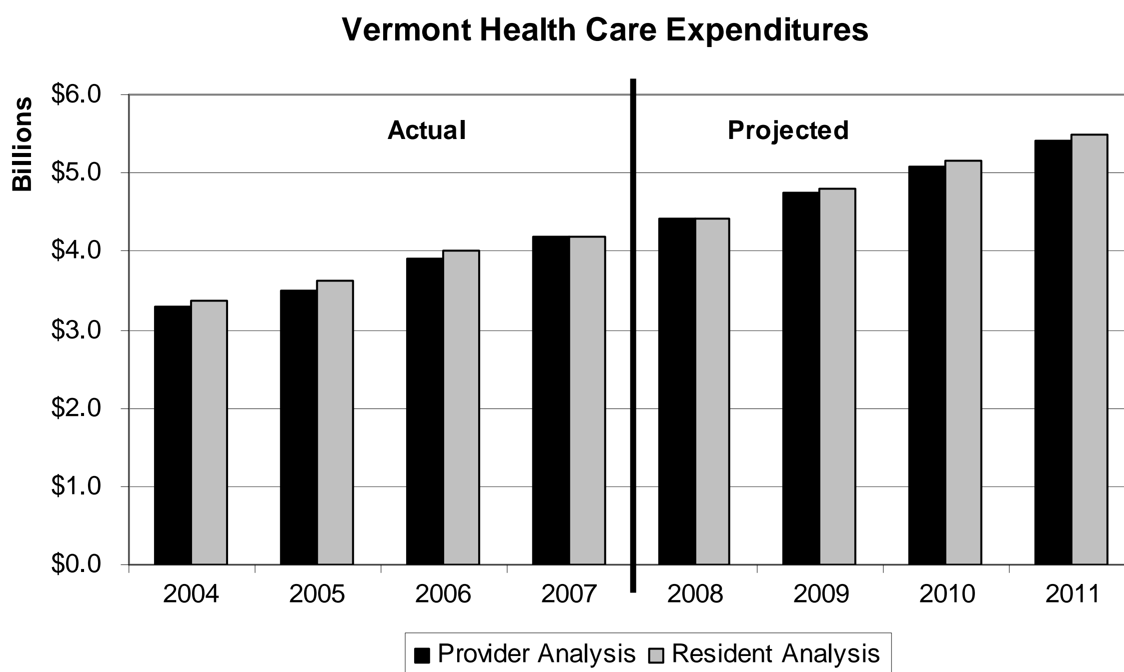


Figure 19

What are Vermont residents' total health care expenditures expected to be in the next few years?

- Total health care expenditures for Vermont residents are expected to reach $4.4 billion in 2008 and close to $5.5 billion by 2011. This is an average annual increase of 7 percent.
- Vermont per capita health care expenditures (calculated based on the Resident analysis) are projected to be approximately $8,765 in 2011. This compares to $6,744 per capita in 2007.
- The average annual increase in Vermont per capita health care expenditures in the 2008-2011 period is projected to be 6.8 percent. National per capita health care spending is projected to grow at an average annual rate of 5.9 percent during the same period. At these projected growth rates, Vermont's per capita health care costs will exceed the U.S. per capita costs in 2019.
- To put the projections in perspective, the average annual growth trend from 2004 to 2007 for Vermont per capita health care expenditures was 7.4 percent compared to 5.6 percent for the U.S. Some of the variance is explained because of differences in reporting by the federal National Health Expenditures data (CMS).

Note: The differences between the Resident and Provider analyses are due to different populations, accounting techniques, reporting definitions, and fiscal year considerations.

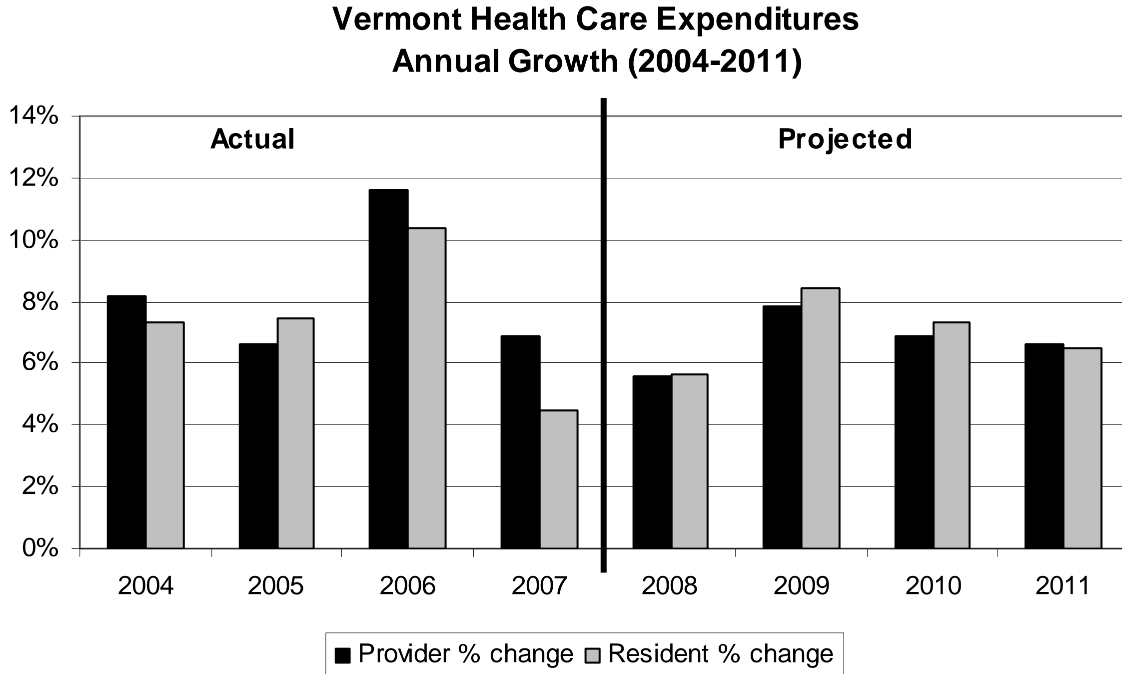


Figure 20

What are the spending trends from 2004 to 2011?

- The figure above highlights the projected annual rates of growth in health care spending for both the Resident and Provider views in Vermont through 2011. After growing above 10 percent in 2001 and 2002 (not shown), the average annual increase from 2004 to 2007 was 7.4 percent in the Resident analysis and 8.3 percent in the Provider analysis.

- The forecast (which is primarily based upon a national model) predicts an average annual increase from 2008 to 2011 of 7 percent for the Resident analysis and 6.7 percent for the Provider analysis.

- The forecast model assumes no significant changes in enrollment or significant program policy changes in Medicare or Medicaid.

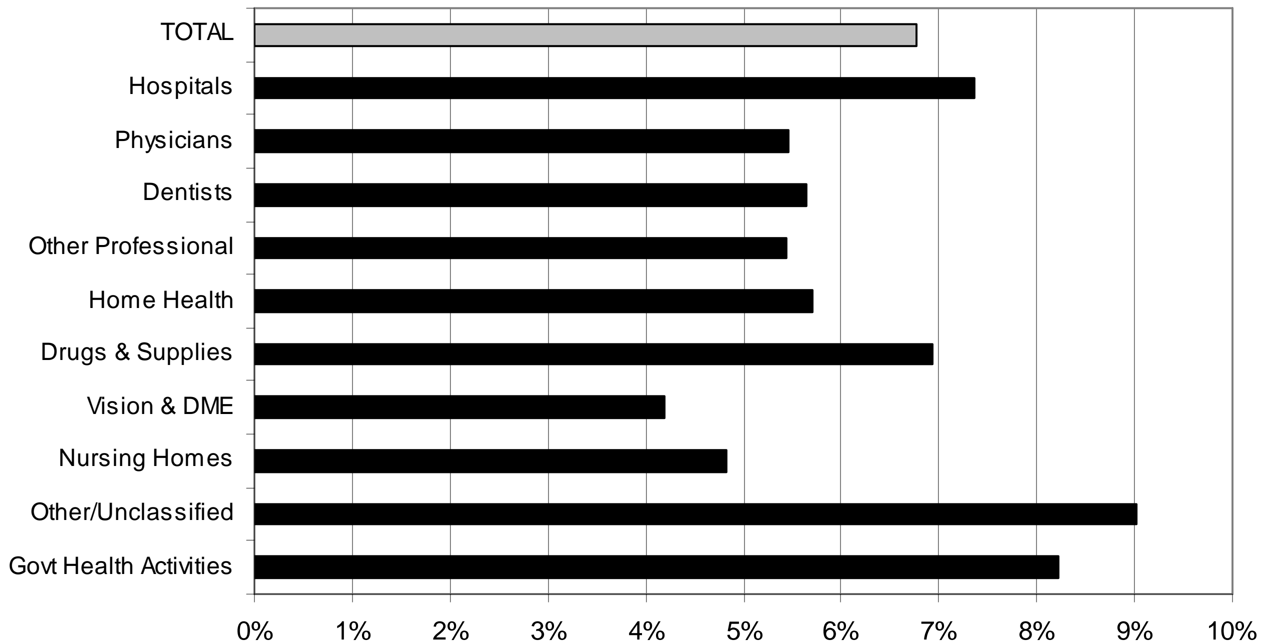


Figure 21

How fast are different health care provider services projected to grow?

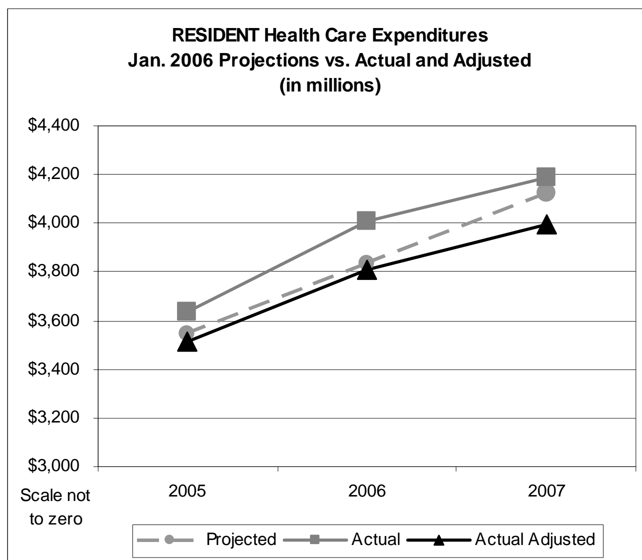
- Total provider services for Vermont residents are projected to experience an average annual increase of 7 percent in the 2008-2011 projection period.
- Other/Unclassified services are projected to grow the fastest at close to 9 percent. However, this category represents only about 1 percent of total Resident spending so small expenditure changes can result in large percentage changes for the category.
- The next highest growing category is Government Health Activities, which shows an average annual growth of 7.8 percent. Over 90 percent of the expenditures in this category are funded by Medicaid. The projections only include rescission items that were identified before mid-January 2009.
- Expenditures for Vision and Durable Medical Equipment suppliers are projected to grow the least among the providers, less than 5 percent annually from 2008 to 2011.
- The increases in Vermont *Provider* expenditures by provider are similar to the increases in Vermont *Resident* expenditures in the figure above since both models are primarily dependent upon provider growth projections. The increases in the totals of the two models (Resident and Provider), however, can be different because of the relative weighting of their respective populations.

Vermont Health Care Expenditures January 2006 Forecast Report and Actuals Comparison			
(in millions)	2005	2006	2007
Projected Resident Expenditures - Jan. 2006 Report	$3,548.7	$3,835.7	$4,125.6
Actual Resident Expenditures - Jan. 2009 Report	$3,633.9	$4,010.4	$4,189.6
Resident Percent Difference	2.4%	4.6%	1.6%
Projected Provider Expenditures - Jan. 2006 Report	$3,367	$3,635	$3,900
Actual Provider Expenditures - Jan. 2009 Report	$3,501	$3,908	$4,176
Provider Percent Difference	4.0%	7.5%	7.1%

Table 6

How do previous forecasts compare with actual results?

- The table above shows Resident and Provider expenditure levels and percentage differences from what was projected three years ago compared with current data. Variability can be greater than the aggregate totals for individual payers and providers.
- There have been revisions to the data since the January 2006 Forecast was published. We have identified new costs that were not previously captured, resulting in higher actual expenditures compared to the forecast.
- Additions since the January 2006 forecast include Workers' Compensation expenditures added to the Resident analysis for 2005-2007 and some previously omitted Government Health Activities spending added to both the Resident and Provider analyses for 2006 and 2007. In addition, there was an adjustment to the Provider analysis due to a change in bad debt accounting for hospitals.
- See below for a comparison of projected, actual, and actual adjusted (as described above) expenditures.



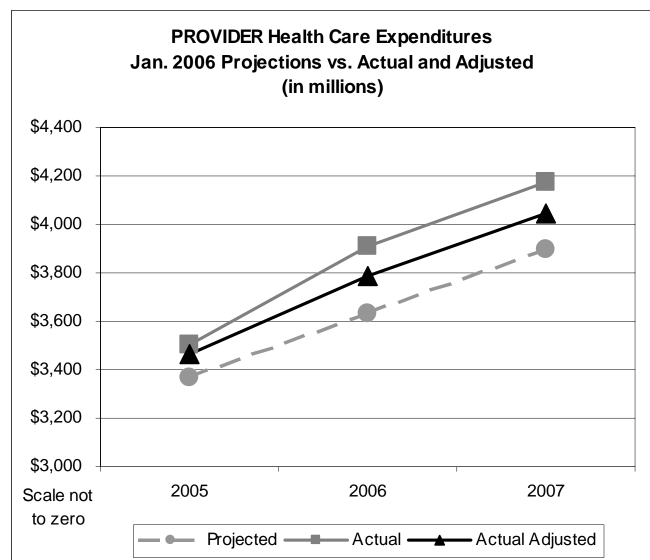


Figure 22

Definitions and Data Sources:
Resident (Payer) Matrix

Expenditure Categories	Definition	Data Sources for Payer Matrix	Allocation to Provider Services
Out-of-Pocket	Includes expenditures made directly by consumers to purchase health care services and supplies: includes deductibles and coinsurance. Excludes payments for insurance premiums that are included in the insurance expenditure category.	2007 was calculated using a 3-year regression analysis and NHE data.	Allocation based on NHE distribution.
Insurance - Private	Includes expenditures made by BCBSVT, MVP, CIGNA and other private commercial payers that sell benefit plans regulated by BISHCA. Includes comprehensive major medical insurance, Medicare supplement insurance, long-term care, and dental insurance. Excludes accident only and disability insurance.	BCBSVT, CIGNA, and MVP reported 2007 data by provider service category. Other private commercial insurance expenditures were calculated from the 2007 Annual Statement Supplement filed with BISHCA.	Allocation as reported by BCBSVT, CIGNA, and MVP. Other private allocation based on BCBSVT and MVP distribution.
- Self-Insured	Includes expenditures by companies that assume financial risk and directly pay for health services for their employees. These plans are exempt from state regulation under ERISA.	The estimate of self-insured lives is a residual based on subtracting data for lives enrolled in fully insured plans, Medicare, Medicaid and the uninsured from the total population. Total lives were multiplied by the Vermont State Employees Medical and Dental Plans' premium rates.	Allocation based on BCBSVT and MVP distribution.
- Workers' Compensation	Includes the medical component of workers' compensation claims. Some of these claims are self-insured and some are private insurance.	Calculated with data from A.M. Best, the National Council on Compensation Ins., and the National Academy of Social Ins.	Allocation based on 2006 workers' compensation medical payments in Oregon.
Medicare	Includes expenditures made by the federal government on behalf of beneficiaries of the national Medicare program, including the elderly and disabled.	2006 claims data for Medicare beneficiaries who are VT residents regardless of location of covered services received, and inflated by a 3-year average increase, with adjustments for drugs and admin.	Allocation from 2006 claims data for VT beneficiaries.
Medicaid	Includes health expenditures for beneficiaries of VT's medical assistance program, a federal-state health insurance program for certain low-income and medically needy people and aged, blind, and disabled residents. The program provides medical and prescription drug coverage.	2007 Medicaid expenditure claims data prepared by AHS. Global Commitment, Long-Term Care, SCHIP, and MCO Investments are included in the data.	Allocation based on claims data and input from AHS.
Other Federal	Includes federal expenditures to operate the V.A. Hospital, grants administered by the VT Dept. of Health for health care services not covered through the Medicare or Medicaid program, and expenditures on federally qualified health centers.	2007 data from the V.A. Hospital, AHS, and the Bi-State Primary Care Association.	Allocation based on input from AHS.
State & Local	Includes public health activities and payments made by the state government for health care services that are not covered through the Medicare or Medicaid program.	2007 data from AHS, the VT State Hospital, the V.A. Hospital, and DHCA.	Allocation based on input from AHS.

Note: The data matrices at the end of this report have been shaded according to data quality. White areas are relatively well documented and refer to Vermont specific sources. Gray areas have Vermont based information from which reasonable estimates can be calculated. Dark gray areas are based on estimates where there is no reliable Vermont specific information. Generally, national sources are used to make estimates in these areas.

Acronyms:

AHS	Agency of Human Services
BCBSVT	Blue Cross Blue Shield of Vermont
BISHCA	Department of Banking, Insurance, Securities and Health Care Administration
CIGNA	Connecticut General Life Ins Co of Amer.
DHCA	Division of Health Care Administration
DME	Durable medical equipment
ERISA	Employment Retirement Income Security Act of 1974
NHE	National Health Expenditures model
V.A.	Veterans' Administration
VPQHC	Vermont Program for Quality in Health Care
SCHIP	State Children's Health Insurance Program

Definitions and Data Sources: Provider Matrix

Expenditure Categories	Definition	Data Sources for Provider Matrix	Allocation to Payers of Services	Forecast Method
Hospitals	Includes net revenues from all inpatient and outpatient acute care services and paid physician salaries and expenses at VT community hospitals, Brattleboro Retreat, VT State Hospital, and V.A. Hospital.	2007 data from all VT non-profit community hospitals, VT State Hospital, V.A. Hospital, and Brattleboro Retreat.	Government expenditures allocated as reported by hospitals. Private expenditures allocated based on resident matrix.	NHE hospital % projection increases except for Community Hospital 2008 projected and 2009 budget from BISHCA hospital budget process, and Brattleboro Retreat 3-year moving average with NHE %.
Physician Services	Includes revenue for all physicians (including osteopathic physicians), rural health clinics, federally qualified health centers, nurse practitioners, and physician assistants. Salaries and expenses paid for Vermont hospital-owned physician practices are excluded (see Hospitals).	2002 U.S. Economic Census, inflated to 2007 with NHE data.	Allocation based on resident matrix. Represents total net practice revenue, not physician net income.	NHE physician % projections.
Dental Services	Includes revenue for dental and oral surgery services.	2002 U.S. Economic Census, inflated to 2007 with NHE data.	Allocation based on resident matrix.	NHE dental % projections.
Other Professional Services	Includes all revenue for services provided by licensed health care professionals who are not physicians or dentists and who directly bill for their services. Includes: chiropractic services, physical therapy services, podiatrist services, psychological services, and all other expenditures for services provided by health professionals that are not specifically identified.	Chiropractic, physical therapy, psychological, podiatrist, and other professional services data from 2002 U.S. Economic Census, inflated to 2007 with NHE data.	Allocation based on resident matrix.	NHE other professional % projections.
Home Health Care	Includes revenue from all services provided by home health agencies.	2007 data from the VT Assembly of Home Health Agencies (non-profit agencies), Professional Nurses Service (PNS), and Associates in Physical & Occupational Therapy.	Expenditures allocated based on resident matrix except government expenditures reported by VT Assembly of Home Health Agencies and PNS.	Average of 3-year moving average and NHE home health % projections.
Drugs and Supplies	Includes all revenue for prescription drugs and non-durable supplies that are purchased by prescription. Non-prescription drugs are included.	2007 Verispan, L.L.C. data (posted by Henry J. Kaiser Family Foundation, State Health Facts Online at http://statehealthfacts.kff.org/) averaged with 2007 NHE drugs growth rate. Estimate for supplies added.	Allocation based on resident matrix.	Weighted average of NHE prescription drugs and non-durable medical supplies % projections.
Vision Products & DME	Includes all revenue for products that aid sight and for all services provided by optometrists and opticians. Also includes expenditures for durable medical equipment purchased from independent vendors.	2002 U.S. Economic Census, inflated to 2007 with NHE data.	Allocation based on resident matrix.	Weighted average of NHE other professional and durable medical equipment % projections.
Nursing Home Care	Includes all revenues received by nursing homes, including intermediate care facilities and skilled nursing facilities.	Expenditure data reported to AHS Division of Rate Setting for 2007. Estimates added for non-Medicaid homes.	Government expenditures allocated as reported by nursing homes to AHS. Private expenditures distributed based on resident matrix.	Average of 3-year moving average and NHE nursing home % projections.
Other / Unclassified Health Services	Includes all services not specified elsewhere (e.g., those provided to college and public school students).	University of Vermont, Vermont Department of Education, others.	Expenditures are classified primarily as out-of-pocket and state & local.	NHE other personal health care % projections.
Government Health Activities	Includes all expenditures for health activities through AHS, public mental health funding, case management services, and VT Department of Corrections health-related spending. State and Federal grants and DHCA expenditures are also included.	AHS and DHCA.	Allocated as reported by AHS. AHS does not include employee or operating costs, only grant programs. DHCA includes employee and operating costs and contract with VPQHC.	Resident Medicaid annual increases projected separately based on AHS/OVHA projections, and applied to this category.

Data Matrices & Tables

2007 Vermont Health Care Expenditures - Resident Analysis

(all amounts in thousands)

All dollar amounts are reported in thousands - Multiply expenditures by 1,000 to arrive at the full expenditure amount.

	Percent of Total	Total	Out-of-Pocket	Private Insurance	Medicare	Vermont Medicaid	Other Federal	State & Local
Hospitals	33.9%	**$1,419,516**	$46,035	$716,770	$410,084	$156,692	$70,086	$19,850
Community Hospitals	31.4%	**$1,314,155**	$42,537	$707,437	$407,311	$156,692	$178	($0)
Veterans Hospital	1.8%	**$73,777**	$2,519	$892	$0	$0	$69,908	$459
Psychiatric Hosp: State	0.5%	**$20,574**	$631	$552	$0	$0	$0	$19,392
Psychiatric Hosp: Private	0.3%	**$11,009**	$348	$7,888	$2,773	$0	$0	$0
Physician Services*	14.7%	**$614,298**	$62,801	$355,366	$109,666	$80,356	$6,175	($65)
Dental Services	3.0%	**$125,205**	$57,976	$51,596	$0	$15,312	$9	$312
Other Professional Services	3.8%	**$158,877**	$41,137	$80,902	$16,399	$20,440	$0	$0
Chiropractor Services	0.5%	**$19,082**	$5,107	$12,311	$1,616	$47	$0	$0
Physical Therapy Services	0.9%	**$39,096**	$9,717	$23,977	$4,150	$1,251	$0	$0
Psychological Services	1.1%	**$46,334**	$12,067	$19,084	$2,209	$12,974	$0	$0
Podiatrist Services	0.1%	**$5,794**	$1,443	$2,706	$1,432	$213	$0	$0
Other	1.2%	**$48,572**	$12,802	$22,824	$6,991	$5,954	$0	$0
Home Health Care	2.2%	**$91,320**	$5,998	$3,304	$55,852	$22,218	$0	$3,947
Drugs & Supplies	13.7%	**$572,075**	$186,237	$226,494	$80,078	$67,553	$778	$10,935
Vision Products & DME	1.9%	**$78,147**	$35,810	$15,385	$20,042	$6,906	$0	$5
Nursing Home Care	5.4%	**$224,568**	$60,323	$5,265	$46,938	$108,789	$0	$3,252
Other/Unclassified Health Services	1.0%	**$41,947**	$7,368	$2,187	$15,253	$2,913	$0	$14,225
Admin/Net Cost of Health Insurance	9.2%	**$384,743**	N/A	$265,000	$42,220	$77,523	$0	$0
Change in surplus	N/A	**n.a.**	N/A	$6,704	n.a.	$0	$0	$0
Administration	N/A	**n.a.**	N/A	$96,111	n.a.	$77,523	$0	$0
Government Health Care Activities**	11.4%	**$478,913**	n.a.	n.a.	n.a.	$438,544	$15,687	$24,681
TOTAL VERMONT EXPENDITURES	100.0%	**$4,189,607**	**$503,686**	**$1,722,267**	**$796,531**	**$997,245**	**$92,735**	**$77,143**
Percent of total expenditures		100.0%	12.0%	41.1%	19.0%	23.8%	2.2%	1.8%

* Hospital-employed physician practices are included in the Physician Services category in the Resident Matrix.

** See Spotlight on Government Health Care Activities in this report for further detail.

Legend	
(white)	Payer reported data
(light gray)	Allocations estimated from VT specific data
(dark gray)	Amounts imputed from National Health Expenditures or other indirect sources
N/A	Not Applicable
n.a.	Not Available

2007 Vermont Health Care Expenditures - Resident Analysis
Private Insurance Detail

(all amounts in thousands)

All dollar amounts are reported in thousands - Multiply expenditures by 1,000 to arrive at the full expenditure amount.

	Percent of Total	Total Private Insurance	Self-Insured	BCBS VT	MVP	Workers' Comp	Other Private
Hospitals	41.6%	**$716,770**	$210,557	$206,082	$46,976	$22,597	$230,558
Community Hospitals	41.1%	**$707,437**	$207,509	$204,025	$45,370	$22,597	$227,937
Veterans Hospital	0.1%	**$892**	$281	$336	$2	$0	$273
Psychiatric Hosp: State	0.0%	**$552**	$29	$35	$0	$0	$489
Psychiatric Hosp: Private	0.5%	**$7,888**	$2,738	$1,687	$1,604	$0	$1,859
Physician Services*	20.6%	**$355,366**	$102,017	$99,004	$23,605	$22,600	$108,140
Dental Services	3.0%	**$51,596**	$22,469	$1,259	$340	$230	$27,298
Other Professional Services	4.7%	**$80,902**	$19,470	$19,545	$3,854	$15,833	$22,199
Chiropractor Services	0.7%	**$12,311**	$3,231	$3,668	$215	$1,479	$3,718
Physical Therapy Services	1.4%	**$23,977**	$4,846	$4,644	$1,180	$5,380	$7,926
Psychological Services	1.1%	**$19,084**	$6,111	$5,751	$1,593	$0	$5,628
Podiatrist Services	0.2%	**$2,706**	$818	$720	$263	$61	$842
Other	1.3%	**$22,824**	$4,463	$4,761	$603	$8,912	$4,085
Home Health Care	0.2%	**$3,304**	$1,079	$1,013	$284	$0	$929
Drugs & Supplies	13.2%	**$226,494**	$67,185	$70,509	$10,237	$4,421	$74,141
Vision Products & DME	0.9%	**$15,385**	$4,277	$3,530	$1,610	$63	$5,904
Nursing Home Care	0.3%	**$5,265**	$1,657	$1,991	$0	$0	$1,618
Other/Unclassified Health Services	0.1%	**$2,187**	$710	$715	$138	$0	$624
Admin/Net Cost of Health Insurance	15.4%	**$265,000**	$30,837	$55,794	$16,185	$57,900	$104,284
Change in surplus	0.4%	**$6,704**	n.a.	$1,809	$4,895	n.a.	n.a.
Administration	5.6%	**$96,111**	$30,837	$53,985	$11,290	n.a.	n.a.
Government Health Care Activities**	N/A	**n.a.**	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL VERMONT EXPENDITURES	100.0%	**$1,722,267**	**$460,257**	**$459,442**	**$103,229**	**$123,645**	**$575,694**
Percent of total expenditures		100.0%	26.7%	26.7%	6.0%	7.2%	33.4%

* Hospital-employed physician practices are included in the Physician Services category in the Resident Matrix.

** See Spotlight on Government Health Care Activities in this report for further detail.

(white)	Payer reported data
(light gray)	Allocations estimated from VT specific data
(dark gray)	Amounts imputed from National Health Expenditures or other indirect sources
N/A	Not Applicable
n.a.	Not Available

2007 Vermont Health Care Expenditures - Provider Analysis

(all amounts in thousands)

All dollar amounts are reported in thousands - Multiply expenditures by 1,000 to arrive at the full expenditure amount.

	Percent of Total	Total	Out-of-Pocket	Private Insurance	Medicare	Vermont Medicaid	Other Federal	State & Local
Hospitals	41.9%	**$1,748,089**	$92,519	$835,629	$499,473	$186,760	$107,737	$25,971
Community Hospitals	37.8%	**$1,578,069**	$87,937	$820,296	$493,815	$176,021	$0	$0
Veterans Hospital	2.8%	**$117,420**	$3,975	$5,437	$0	$0	$107,550	$459
Psychiatric Hosp: State	0.5%	**$19,566**	$47	$1	$0	$0	$127	$19,392
Psychiatric Hosp: Private	0.8%	**$33,034**	$560	$9,896	$5,659	$10,739	$59	$6,121
Physician Services*	13.7%	**$571,857**	$57,963	$327,990	$97,786	$80,275	$7,926	($84)
Dental Services	5.4%	**$227,195**	$105,203	$93,625	$0	$27,784	$16	$567
Other Professional Services	4.2%	**$174,821**	$45,517	$89,821	$18,352	$21,132	$0	$0
Chiropractor Services	0.7%	**$31,210**	$8,354	$20,137	$2,643	$76	$0	$0
Physical Therapy Services	0.8%	**$32,874**	$8,171	$20,161	$3,489	$1,052	$0	$0
Psychological Services	1.0%	**$43,088**	$11,222	$17,747	$2,055	$12,065	$0	$0
Podiatrist Services	0.1%	**$4,138**	$1,031	$1,932	$1,023	$152	$0	$0
Other	1.5%	**$63,511**	$16,740	$29,844	$9,141	$7,786	$0	$0
Home Health Care	2.3%	**$97,632**	$6,232	$5,875	$52,454	$28,964	$161	$3,946
Drugs & Supplies	13.1%	**$546,592**	$177,941	$216,405	$76,511	$64,543	$743	$10,448
Vision Products & DME	1.8%	**$73,786**	$33,811	$14,526	$18,923	$6,520	$0	$5
Nursing Home Care	5.4%	**$227,006**	$38,382	$3,072	$55,499	$123,265	$3,252	$3,535
Other/Unclassified Health Services	0.7%	**$30,092**	$12,426	$2,940	$0	$500	$0	$14,225
Admin/Net Cost of Health Insurance	N/A	**n.a.**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Change in surplus	N/A	**n.a.**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Administration	N/A	**n.a.**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Government Health Care Activities**	11.5%	**$478,913**	$0	$0	$0	$438,544	$15,687	$24,681
TOTAL VERMONT EXPENDITURES	100.0%	**$4,175,981**	**$569,995**	**$1,589,883**	**$818,997**	**$978,288**	**$135,523**	**$83,294**
Percent of total expenditures		100.0%	13.6%	38.1%	19.6%	23.4%	3.2%	2.0%

* Hospital-employed physician practices are included in the Community Hospital category in the Provider Matrix.

** See Spotlight on Government Health Care Activities in this report for further detail.

Legend	
(white)	Provider reported data
(light gray)	Allocations estimated from VT specific data
(dark gray)	Amounts imputed from National Health Expenditures or other indirect sources
N/A	Not Applicable
n.a.	Not Available

2007 Vermont Health Care Expenditures - Provider Analysis
Private Insurance Detail
(all amounts in thousands)

All dollar amounts are reported in thousands - Multiply expenditures by 1,000 to arrive at the full expenditure amount.

	Percent of Total	Total Private Insurance	Self-Insured	BCBS VT	MVP	Workers' Comp	Other Private
Hospitals	52.6%	**$835,629**	$246,013	$240,981	$54,690	$25,368	$268,577
Community Hospitals	51.6%	**$820,296**	$240,877	$236,832	$52,666	$25,332	$264,590
Veterans Hospital	0.3%	**$5,437**	$1,702	$2,032	$13	$35	$1,655
Psychiatric Hosp: State	0.0%	**$1**	$0	$0	$0	$0	$1
Psychiatric Hosp: Private	0.6%	**$9,896**	$3,435	$2,116	$2,012	$1	$2,332
Physician Services*	20.6%	**$327,990**	$94,158	$91,377	$21,787	$20,859	$99,809
Dental Services	5.9%	**$93,625**	$40,772	$2,284	$616	$418	$49,534
Other Professional Services	5.6%	**$89,821**	$21,463	$21,993	$3,801	$18,641	$23,923
Chiropractor Services	1.3%	**$20,137**	$5,285	$6,000	$351	$2,419	$6,081
Physical Therapy Services	1.3%	**$20,161**	$4,075	$3,905	$993	$4,524	$6,664
Psychological Services	1.1%	**$17,747**	$5,683	$5,348	$1,481	$0	$5,234
Podiatrist Services	0.1%	**$1,932**	$584	$514	$188	$44	$602
Other	1.9%	**$29,844**	$5,836	$6,226	$788	$11,654	$5,341
Home Health Care	0.4%	**$5,875**	$60	$2,190	$399	$7	$3,218
Drugs & Supplies	13.6%	**$216,405**	$64,192	$67,368	$9,781	$4,224	$70,838
Vision Products & DME	0.9%	**$14,526**	$4,038	$3,333	$1,520	$60	$5,574
Nursing Home Care	0.2%	**$3,072**	$967	$1,162	$0	$0	$944
Other/Unclassified Health Services	0.2%	**$2,940**	$2,940	$0	$0	$0	$0
Admin/Net Cost of Health Insurance	N/A	**n.a.**	n.a.	n.a.	n.a.	n.a.	n.a.
Change in surplus	N/A	**n.a.**	n.a.	n.a.	n.a.	n.a.	n.a.
Administration	N/A	**n.a.**	n.a.	n.a.	n.a.	n.a.	n.a.
Government Health Care Activities**	0.0%	**$0**	$0	$0	$0	$0	$0
TOTAL VERMONT EXPENDITURES	100.0%	**$1,589,883**	**$474,604**	**$430,690**	**$92,595**	**$69,577**	**$522,418**
Percent of total expenditures		100.0%	29.9%	27.1%	5.8%	4.4%	32.9%

* Hospital-employed physician practices are included in the Community Hospital category in the Provider Matrix.

** See Spotlight on Government Health Care Activities in this report for further detail.

Legend	
(white)	Provider reported data
(light gray)	Allocations estimated from VT specific data
(dark gray)	Amounts imputed from National Health Expenditures or other indirect sources
N/A	Not Applicable
n.a.	Not Available

2004-2011 Vermont Resident Health Care Expenditures

($ in thousands)

					Projected			
PAYERS	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Out-of-Pocket	$471,428	$493,722	$494,072	$503,686	$532,367	$564,086	$599,759	$638,311
Private Insurance	$1,390,164	$1,511,694	$1,633,371	$1,722,267	$1,827,810	$1,970,349	$2,102,038	$2,238,531
Medicare	$544,788	$590,902	$730,539	$796,531	$842,419	$909,045	$969,302	$1,033,913
Medicaid	$855,124	$914,567	$978,419	$997,245	$1,042,839	$1,159,949	$1,268,344	$1,347,530
Other Government	$120,027	$123,018	$173,952	$169,878	$180,538	$195,084	$210,073	$224,872
TOTAL RESIDENT EXPENDITURES	**$3,381,531**	**$3,633,904**	**$4,010,353**	**$4,189,607**	**$4,425,973**	**$4,798,513**	**$5,149,516**	**$5,483,157**
Annual Percent Change	7.3%	7.5%	10.4%	4.5%	5.6%	8.4%	7.3%	6.5%

					Projected			
PROVIDERS	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Hospitals	$1,088,089	$1,192,802	$1,354,059	$1,419,516	$1,500,486	$1,649,129	$1,767,347	$1,889,522
Physician Services	$539,746	$575,958	$601,687	$614,298	$646,173	$679,075	$724,702	$769,056
Dental Services	$129,389	$125,880	$124,531	$125,205	$132,169	$140,471	$149,128	$157,604
Other Professional Services	$136,337	$139,133	$158,014	$158,877	$167,425	$177,420	$188,400	$198,793
Home Health Care	$115,382	$125,705	$87,949	$91,320	$95,940	$102,488	$109,314	$116,292
Drugs & Supplies	$495,759	$523,401	$561,870	$572,075	$607,435	$651,184	$699,455	$750,752
Vision Products & DME	$53,134	$66,063	$70,102	$78,147	$81,605	$84,889	$89,184	$93,296
Nursing Home Care	$202,995	$207,723	$216,337	$224,568	$234,996	$253,443	$271,452	$286,781
Other/Unclassified Health Services	$54,765	$64,337	$37,364	$41,947	$44,539	$48,864	$53,729	$59,062
Admin/Net Cost of Health Insurance	$284,166	$299,025	$320,484	$384,743	$414,401	$454,505	$487,706	$514,873
Government Health Care Activities	$281,770	$313,876	$477,955	$478,913	$500,808	$557,049	$609,104	$647,132
TOTAL RESIDENT EXPENDITURES	**$3,381,531**	**$3,633,904**	**$4,010,353**	**$4,189,607**	**$4,425,977**	**$4,798,517**	**$5,149,521**	**$5,483,162**
Annual Percent Change	7.3%	7.5%	10.4%	4.5%	5.6%	8.4%	7.3%	6.5%

2004-2011 Vermont Provider Health Care Expenditures

($ in thousands)

					Projected			
PAYERS	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Out-of-Pocket	$479,972	$513,514	$539,013	$569,995	$602,709	$640,926	$681,934	$726,139
Private Insurance	$1,258,517	$1,327,132	$1,470,284	$1,589,883	$1,680,616	$1,809,928	$1,930,393	$2,059,689
Medicare	$592,933	$636,288	$735,156	$818,997	$864,900	$934,572	$996,005	$1,062,634
Medicaid	$793,312	$863,150	$947,983	$978,288	$1,027,844	$1,117,582	$1,202,891	$1,278,368
Other Government	$158,693	$161,240	$215,510	$218,817	$232,823	$250,901	$269,628	$288,472
TOTAL PROVIDER EXPENDITURES	**$3,283,427**	**$3,501,323**	**$3,907,946**	**$4,175,981**	**$4,408,894**	**$4,753,909**	**$5,080,850**	**$5,415,302**
Annual Percent Change	8.2%	6.6%	11.6%	6.9%	5.6%	7.8%	6.9%	6.6%

					Projected			
PROVIDERS	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Hospitals	$1,360,087	$1,459,843	$1,607,094	$1,748,089	$1,850,438	$2,029,923	$2,169,904	$2,321,703
Physician Services	$476,643	$505,970	$521,826	$571,857	$602,059	$627,191	$666,704	$707,373
Dental Services	$192,134	$203,427	$214,537	$227,195	$240,145	$253,593	$268,048	$283,059
Other Professional Services	$148,917	$160,419	$166,814	$174,821	$184,436	$194,026	$205,086	$216,161
Home Health Care	$90,325	$93,398	$96,280	$97,632	$102,724	$108,289	$114,522	$121,888
Drugs & Supplies	$444,124	$460,196	$504,743	$546,592	$581,555	$620,357	$664,698	$714,461
Vision Products & DME	$64,364	$68,166	$73,243	$73,786	$77,041	$79,602	$83,273	$86,963
Nursing Home Care	$200,528	$210,370	$218,373	$227,006	$237,700	$248,820	$260,946	$274,065
Other/Unclassified Health Services	$24,535	$25,658	$27,080	$30,092	$31,988	$35,059	$38,564	$42,498
Admin/Net Cost of Health Insurance	n.a.	n.a.	n.a.	n.a.	$0	$0	$0	$0
Government Health Care Activities	$281,770	$313,876	$477,955	$478,913	$500,808	$557,049	$609,104	$647,132
TOTAL PROVIDER EXPENDITURES	**$3,283,427**	**$3,501,323**	**$3,907,946**	**$4,175,981**	**$4,408,894**	**$4,753,909**	**$5,080,850**	**$5,415,302**
Annual Percent Change	8.2%	6.6%	11.6%	6.9%	5.6%	7.8%	6.9%	6.6%

Summary of Data Revisions

This report incorporates data made available during the year. Some data may not have been received in time to include in the analysis and so may necessitate revised estimates. The release of various data, including Medicare data for 2007, will have occurred too late for BISHCA to include herein (see below). If necessary, BISHCA will produce a supplement to this report to reflect the revised data.

Medicare data for 2007 was not available at the time this report was published due to the timing of the release of the data from CMS. However, BISHCA received 2006 Medicare data, which allowed BISHCA to update the Medicare estimates prepared for last year's report for 2006. This updated data revises 2006 Medicare spending in the Resident analysis. In addition, estimates for Medicare prescription drug costs and administrative costs associated with the **Medicare Part D** prescription drug program have also been updated based on more recent national data. Since 2006 was the first year of the Part D program, the Vermont estimates for 2006 and 2007 for this program are based on national data due to the current lack of available State-specific data.

As with last year's report, estimates for **Workers' Compensation** expenditures were included again in the Resident analysis, with data being included for 2003 through 2007. These expenditures were already being captured in the Provider analysis, but were broken out separately for the first time with last year's report on 2006 data. Detail for Workers' Compensation is not available for years prior to 2003.

As noted in the *Spotlight on Government Health Activities*, the State entered into two agreements with CMS in 2006 called the **Global Commitment to Health** and **Choices for Care**, which changed the manner in which **Vermont's Medicaid program** is administered. In addition, reporting improvements occurred with 2006 and 2007 data, which has allowed the data to be categorized and reported more accurately. This resulted in the reclassification of a number of expenditure categories and the identification of spending that was not reported in the original *2006 Expenditure Analysis*. This additional spending not previously captured is included in the 2006 and 2007 data, as well as in the updated projections.

These changes make expenditure comparisons to previous years by subcategories difficult. BISHCA continues to work with AHS to further define how best to analyze and present the health care dollars that flow through the various AHS departments.

BISHCA is committed to continually updating and revising the data and methodologies incorporated in this annual report in order to more accurately reflect Vermont's health care expenditures in the different payer and provider categories. These refinements can change the expenditure levels reported in prior reports. Besides the Medicare and other changes noted above, this latest analysis incorporates other minor revisions to prior data. Please contact BISHCA if you would like further information or would like to provide input to assist in refining the analysis further.

Endnotes:

[1] For example, since an estimated 35% of the patients at the Veteran's Hospital in White River Junction, VT are not Vermont residents, the spending associated with those patients is *not* included in the Vermont resident analysis but *is* included in the Vermont provider analysis. In addition, in the resident analysis, out-of-pocket and self-insured expenditures are estimated due to the unavailability of specific data.
[2] http://www.bishca.state.vt.us/HcaDiv/VHCURES_unif_reporting/VHCURES_index.htm
[3] Payers of health care include private insurers (self-funded, workers' compensation, and private health insurers like Blue Cross Blue Shield of Vermont, MVP, CIGNA, etc.), government programs (Medicare, Medicaid, state and federal grants), and out-of-pocket expenditures made directly by individuals.
[4] Hartman, M. et al., "National Health Spending In 2007: Slower Drug Spending Contributes To Lowest Rate Of Overall Growth Since 1998", Health Affairs, January/February 2009; 28(1): 246-261.
[5] Kaiser Family Foundation's State Health Facts Online: Medicaid Benefits Online Database, http://www.kff.org/medicaidbenefits/index.cfm
[6] The increase in other government expenditures is in part due to including some expenditures estimates for preventive health care that were not previously captured, as well as revising 2006 data based on more accurate reporting. BISHCA is working with AHS to further understand and define spending in this category.
[7] Hartman, M. et al., "National Health Spending In 2007: Slower Drug Spending Contributes To Lowest Rate Of Overall Growth Since 1998", Health Affairs, January/February 2009; 28(1): 246-261.
[8] Total NHE spending.
[9] Martin, Anne B., "Health Spending By State Of Residence, 1991–2004", Health Affairs, November/December 2007; 26(6): w651-w663.
[10] The 9.3 percent average annual growth rate includes an adjustment for the addition of medical workers' compensation costs beginning in 2003.
[11] Shifts in enrollment can occur over time. For more information about the health insurance market in Vermont, please visit the Division of Health Care Administration at BISHCA's web site at http://www.bishca.state.vt.us/HcaDiv/Data_Reports/healthinsurmarket/healthins_market_VT_index.htm
[12] Under insured group plans, a health insurance company is ultimately liable for paying health care claims because an employer or an association has purchased a contract for group health insurance. Persons who cannot obtain group health coverage from an employer or association can purchase individual or non-group health insurance directly from an insurance company (or its producers).
[13] http://www.bishca.state.vt.us/HcaDiv/Data_Reports/healthinsurmarket/healthins_market_VT_index.htm
[14] Data and analysis from the Vermont Medicare analysis prepared for BISHCA by Dan Gottlieb of The Dartmouth Institute for Health Policy & Clinical Practice (TDI). Contact BISHCA for more information about this analysis.
[15] Also includes skilled nursing facility (SNF) rehab stays, some long term hospital stays, hospice, and durable medical goods.
[16] A "snowbird" is one who travels to warm climates for the winter. (Merrian-Webster dictionary)
[17] Less than 0.5%.
[18] Due to the drop in the number of Medicare beneficiaries from 2005 to 2006, the increase in the per capita estimate is lower than the increase in expenditures (excluding the estimate for drugs and administration).
[19] The Dartmouth Atlas of Health Care, http://www.dartmouthatlas.org/index.shtm.
[20] The data included here from the Dartmouth Atlas of Health Care are adjusted for the age, sex and race distribution for the non-HMO, over 65 national Medicare population.
[21] Susan W. Tolle, Virginia P. Tilden. "Changing End-of-Life Planning: The Oregon Experience", Journal of Palliative Medicine. April 1, 2002, 5(2): 311-317. doi:10.1089/109662102753641322. See http://www.liebertonline.com/doi/abs/10.1089/109662102753641322?cookieSet=1&journalCode=jpm.
[22] The Dartmouth Atlas of Health Care, Aligning Forces for Quality report, "Regional and Racial Variation in Health Care among Medicare Beneficiaries", December 2008 update, http://www.dartmouthatlas.org/af4q/AF4Q_FAQ.pdf.
[23] Diagnostic Related Group (DRG) is the method CMS uses to group admission types and pay hospitals capitated rates.
[24] Riley, Gerald F., "Long-Term Trends In The Concentration Of Medicare Spending", Health Affairs, May/June 2007; 26(3): 808-816.
[25] Riley, Gerald F., "Long-Term Trends In The Concentration Of Medicare Spending", Health Affairs, May/June 2007; 26(3): 808-816.
[26] Hartman, M. et al., "National Health Spending In 2007: Slower Drug Spending Contributes To Lowest Rate Of Overall Growth Since 1998", Health Affairs, January/February 2009; 28(1): 246-261.

[27] Catlin, A. et al., "National Health Spending In 2006: A Year Of Change For Prescription Drugs", Health Affairs, January/February 2008; 27(1): 14-29.
[28] For more information about hospital migration, please visit the Division of Health Care Administration at BISHCA's web site:
http://www.bishca.state.vt.us/HcaDiv/Data_Reports/HospitalMigrationReport/index_hospital_migration_report_index.htm
[29] For more information about the National Health Expenditure Data, please visit the Centers for Medicare and Medicaid Services' web site at Hwww.cms.hhs.gov/NationalHealthExpendData/H.
[30] For more information about the Forecast, please visit the Division of Health Care Administration at BISHCA's web site at Hhttp://www.bishca.state.vt.us/HcaDiv/hcadefault.htmH and select "Data & Reports" and look for "Technical Documentation" under the *2007 Vermont Health Care Expenditure Analysis*.