New England seems to be the testing ground for health insurance reform. The Affordable Care Act, now often called Obamacare by its critics, was modeled on health-insurance mandates put into place in Massachusetts under the governorship of Mitt Romney, a Republican, who announced last week that he was formally seeking his party’s presidential nomination in 2012.

Now Vermont has passed legislation moving the state toward a Canadian-style universal, single-payer health-insurance system, to be phased in alongside national health-care changes. The plan relies heavily on the prospect of waivers that will allow it to reallocate some federal Medicaid funds and on other sources of money that have not yet fully specified.

The new law calls for establishment of a five-member board to set reimbursement rates for health-care providers and streamline administration into a single, unified system called Green Mountain Care that will cover all Vermont residents. In the long run, it aims to replace fee-for-service payment with a system that will pay health-care providers a specific amount of money to care for a specific population, providing incentives for preventive care.

The basic outlines represent a left-wing alternative to the health-insurance changes being put in place under the Obama administration, with a stronger commitment to equitable public financing, a single insurance pool and less reliance on the market.

Why has Vermont moved into the vanguard? The possible explanations range from the structural to the personal.

Vermont has less income inequality and racial and ethnic diversity than Massachusetts (despite increasing inequality and diversity in recent years) and probably has higher levels of “social capital.”

It is a small state, with a population of less than 650,000. Private health-insurance companies have less to lose in Vermont than elsewhere, and their lobbyists may have been distracted by the national debate.

Single-payer advocates organized effectively around a “health care is a human right” campaign. The Vermont Workers’ Center, affiliated with the national organization Jobs With Justice, played a vital role in building a robust political coalition in support of change.

Vermont has long been represented in Congress (first as a representative, currently as a senator) by Bernard Sanders, who calls himself a democratic socialist and is a longtime
advocate of universal single-payer health insurance.

Gov. Peter Shumlin, a successful small-business owner, was elected in November after he made a strong case during his fall campaign for the positive impact that single-payer insurance could have on small businesses and job creation.

All these factors enhanced the political impact of economic evidence, which shows that single-payer health insurance can create a simpler, more streamlined payment system, cut administrative costs and expand access to high-quality care.

In testimony before the Vermont State Legislature, William Hsiao, a professor at the Harvard School of Public Health, described his experience designing single-payer health-care systems in several countries, most recently Taiwan. He also presented the results of a detailed analysis of the health-care system of Vermont, providing estimates of potential savings from three different strategies and making a strong case for the single-payer option. (A report written by Professor Hsiao, Steven Kappel and Jonathan Gruber provides more detail.)

My University of Massachusetts Amherst colleague Gerald Friedman, active in efforts to promote a single-payer system in this state, estimates that similar changes in Massachusetts could sharply reduce the cost of billing and processing insurance claims, generating savings of 17 percent. As he puts it, a universal single-payer approach is not just more affordable; in the long run, it may be the only affordable option.

The current Massachusetts health-insurance system, like that emerging on the national level, requires residents to buy health insurance and provides subsidies only to low-income families. As a result, it leaves many people vulnerable to increases in the cost of insurance and may also create political resentments among those with incomes just above the subsidy eligibility level, who are forced to buy insurance they can ill afford.

The system is not “wildly unpopular,” as some conservatives assert, but it’s not wildly popular either.

As Vermont moves forward with its plan, a fascinating standard of comparison should emerge. The Canadian single-payer system grew out of successful innovations in the province of Saskatchewan, which led other provinces to follow suit. Here in Massachusetts, many of us are looking hopefully over our shoulder at the Green Mountain State.