Equitable Health Care Financing

The Vermont Proposals

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Left Forum, May 2015
“As economists, we understand that universal, publicly financed health care is not only economically feasible but highly preferable to a fragmented market-based insurance system. Public financing is not a matter of raising new money, but of distributing existing payments more equitably and efficiently.”

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

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

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

- Dr. Martin Luther King Jr., 1967
What Inequitable Financing Looks Like

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

Healthcare Costs as a Percentage of Income

- Less than $35,526
- $35,526-$255,585
- Greater than $255,585

Source: adapted from Table 4.8 in *The Economic Incidence of Health Care Spending in Vermont*
The percentage of privately insured residents that are underinsured declines sharply with increasing income.

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

Source: 2014 Vermont Household Health Insurance Survey
What Equitable Financing Looks Like

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

- Report published by Vermont Governor Shumlin (December 31, 2014)
Universality
Everyone is included and can meet their needs

Equity
Everyone contributes what they can and gets what they need

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

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

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

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

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

- Income tax: Three quarters of families would pay a tax rate lower than 9%

- Wealth tax: 5% on stocks, dividends, capital gains, interest, and the trading of stocks and derivatives. Over three quarters of revenue would come from those with incomes above $200k.
Income Tax by Household Income
Comparison Governor’s and HCHR Proposals
A family with an income of $50,000 would pay an average of $2500 (or 40%) less in health care costs than if the current system continued.

65% of Vermont’s residents would pay less than under the Governor’s scenario.
Progressive Business Tax

- Based on company size and wage disparity
- Lower for small businesses and for businesses with low wage gaps between the top 1% and bottom 50% of wage earners
Payroll tax contributions of private companies by size

![Bar graph showing payroll tax contributions by company size.](image)
What an innovate payroll tax model can achieve:

- Ensure that companies pay based on their ability and on how equitably they treat their workers
- Incentivize companies to raise rather than lower wages for the majority of workers
- Ensure that businesses with fewer than 50 employees - the vast majority of Vermont businesses – pay less than 11.5% in tax (the Governor’s flat tax rate)
- 60% of businesses would pay an average tax rate of 4%
## Comparison of GMC Balance Sheets, in millions, 2017

<table>
<thead>
<tr>
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<th>Governor</th>
<th>HCHR</th>
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<tbody>
<tr>
<td><strong>Spending</strong></td>
<td></td>
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<tr>
<td>Cost of GMC Services and</td>
<td>-4,340</td>
<td>-4,354</td>
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<tr>
<td>Operation</td>
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<tr>
<td><strong>Revenue</strong></td>
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<tr>
<td><strong>Federal Funding</strong></td>
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<tr>
<td>Federal Medicaid Match</td>
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<td>Federal ACA Waiver Funding</td>
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<td>106</td>
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<tr>
<td><strong>State Funding</strong></td>
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<tr>
<td>State Medicaid</td>
<td>344</td>
<td>344</td>
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<tr>
<td>Hospital &amp; Pharma Tax</td>
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<tr>
<td><strong>New Revenue Needed</strong></td>
<td>-2,580</td>
<td>-2,462</td>
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<td>Payroll Tax</td>
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<tr>
<td>Income Tax</td>
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<td>Non-wage income tax</td>
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<tr>
<td><strong>GMC Fund Fiscal Position</strong></td>
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<td>362</td>
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