Top Story: EAI Launches Radio Campaign

The Ethan Allen Institute launched radio ad and social media campaign on Monday, October 27 in order to bring attention to the language in Act 48 directing the state to “take over” Medicare as part of the single payer healthcare system, Green Mountain Care.

We are delighted that our efforts, which are still ongoing, have helped to force an otherwise unwilling media to cover this issue and to force politicians to answer hard questions about it.

Even with a very modest budget, we have been able to reach tens of thousands of Vermonters via the airwaves, and, so far, nearly 30,000 via Facebook.

We will soon be entering the 2015 legislative session, which the Governor intends to make all about financing the $2.2 billion in new taxes necessary for single payer, and the Speaker of the House intends to make about restructuring how we pay for education.

EAI can have a powerful voice in these debates through paid media campaigns like this one. But we can’t bring that voice without your generous support. Please consider a donation. Thank you.

Please Help Us Fight Back!
Make a contribution to EAI today.
P.O. Box 543
Montpelier, VT 05672

Commentary: Medicare’s Future In Vermont: What Does Single Payer Intend?

By Rob Roper

There is some confusion out there, particularly among seniors, about what will happen to Medicare if Vermont adopts the single payer healthcare program, Green Mountain Care. Does the state intend to “take over” Medicare?

On the heels of this question getting some necessary public attention from Libertarian gubernatorial candidate Dan Feliciano, the single payer advocacy organization Vermont Leads posted, “Just in case you’ve seen this… you should understand the state has no desire (or ability) to take over Medicare.” Robin Lunge, the Shumlin Administration’s Director of Health Care Reform, was quoted as saying, "It's never been our intention to take away or reduce people's Medicare benefits.” (VT Digger,
These statements range from dishonest to misleading.

First, Act 48 as passed in 2011 – which the legislature wrote and voted for and Governor Shumlin signed into law – states pretty clearly, “Green Mountain Care shall assume responsibility for the benefits and services previously paid for by… Medicare….” [(Sec. 2(a)(6)] And, “The agency shall seek permission from the Centers for Medicare and Medicaid services to be the administrator for the Medicare program in Vermont.” [(18 VSA 1827(c)]

Beyond what’s written in the law, Governor Shumlin attended a meeting of Physicians for a National Health Plan in Boston last November where he was confronted by Dr. David Himmelstein. Himmelstein’s complaint about Green Mountain Care was that it couldn’t really be a single payer system because the Vermont system would also have to accommodate several other insurance plans, including those of federal employees, military personnel, ERISA, and Medicare.

Shumlin replied, “But I’m going to try to get the waivers to get everybody [in Vermont] in the pool — everybody. I want everybody in the pool.” This includes seniors currently on Medicare.

There are reasons for such insistence. Getting these waivers and incorporating the federal dollars into Green Mountain Care would be critical to the overall financing of single payer, as well as for, as Himmelstein pointed out, realizing potential savings from the efficiencies of having just one payer.

So, yes, the proponents of single payer do “desire” to take over Medicare. They want to take over the Medicare revenue that currently flows into Vermont and put it into Green Mountain Care, and to take over responsibility for administering healthcare benefits to Vermont seniors.

Do they have the “ability” to do this at present? No. But it is written into the law that the state is legally bound apply for the federal waivers to get that ability by 2017, which is the earliest possible date at which the federal government is legally able to grant Vermont any waivers under the Affordable Care Act:

The director, in collaboration with the agency of human services, SHALL obtain waivers, exemptions, agreements, legislation, or a combination thereof to ensure that, to the extent possible under federal law, all federal payments provided within the state for health services are paid directly to Green Mountain Care. [(Sec. 2(a)(6)]

In fairness, proponents of single payer believe that they can deliver equal or better benefits to seniors through Green Mountain Care, and Act 48 states that by law they must do so. The federal application for the waivers demands that the state demonstrate that it can deliver these benefits, and do so without increasing the deficit. This is what Robin Lunge was hedging at when she said it was not their intention to take away or reduce “benefits.” What they intend is to take control of delivering those benefits.

It is also important to consider that the federal government may not grant Vermont the waivers it desires. It’s under no obligation to do so. Some feel that if the Republicans take over the senate after November the odds of Vermont obtaining Medicare waivers will go from slim to not likely. But, you never know, and the state is going to try.

Three years after its passage there are still a number of basic unanswered
questions regarding single payer even. All Vermonters deserve an honest and open discussion about the costs and impacts of what moving to a single payer system will mean and for whom. The place to start is with the facts about what is written in the law.

Proponents of a single payer system no doubt believe transitioning the financial and administrative responsibility for Medicare benefits to Green Mountain Care will be a “big nothing-burger” for Vermont seniors. But, as we’ve seen, nothing-burgers can turn into big something-burgers pretty quickly in Vermont. After all, these are the same folks responsible for administering the Vermont Health Connect website, which has so far cost taxpayers $100 million dollars -- and it still doesn’t work.

- Rob Roper is president of the Ethan Allen Institute

Commentary: Vermont’s Economic Future - Cloudy at Best

By John McClaughry

How fares the State of Vermont from a fiscal standpoint?

According to the Shumlin administration, state finances, though under pressure, are also under responsible control. A year ago the administration rebutted critics by pointing out that Vermont continues to have a Moody’s AAA bond rating, resulting from “conservative fiscal policies and the maintenance of healthy reserve accounts.”

The governor also argues that under his four year tenure there have been no increases in the three major tax rates – income, sales, and rooms and meals. He reminds us that he stifled a move in the Democratic House last year to raise a number of taxes to produce new revenues to increase state-funded programs. The state’s three stabilization reserve (“rainy day”) funds are filled to the required levels.

That’s all to the good. However here are six unavoidable issues for 2015.

Falling Revenues, Rising Shortfalls: Last July the state’s revenue estimators revised their FY 2015 revenue projection downward by $31 million. The governor rescinded $16 million in unspent funds, redirected some one-time funds, and said that the gap had been covered.

But on October 5 Vermont Digger reported that chief fiscal officer Steve Klein concluded that the 2015 legislature will face an expected shortfall of from $90-120 million for FY2016. The governor immediately directed all state agencies to find a way to reduce spending by 5%. Shumlin offered this not too reassuring observation: “We may well be coming to the end of tight budgets, but you just never know, anything could happen.”

Making the fiscal situation worse is a reduction in Federal Medicaid cost sharing, higher pay and fringe benefits under the Pay Act signed by Shumlin in May, and the pressing need for increasing contributions to pay for retired teacher health costs (see below). Jim Reardon, commissioner of the Department of Finance and Management, said in August that he’s running out of one-time pots to raid.

A fair conclusion: Vermont is maintaining a more costly government than the governor and legislature can make the taxpayers pay for.

Obama Bucks: Vermont profited immensely from a flood of funding from Washington. This included four years of “stimulus” funds, $170 million to create the
failed Vermont Health Connect, $45 million to figure out what health care “payment reform” means, and $37 million to subsidize universal pre-kindergarten. That flood of dollars has driven the national debt to a staggering $18 trillion. Now it’s likely slow down significantly.

Pension Liabilities: The state employees and teachers retirement funds are 40% and 23% underfunded. The total unfunded liability for these funds (pensions plus retiree health benefits) is now over $3.2 billion. A total of $118 million will have to be appropriated next year just to meet annual contribution requirements.

Of particular concern is the retired teachers’ health benefit, which is funded simply by sucking money out of the teachers’ pension fund. Treasurer Beth Pearce persuaded the legislature to (grudgingly) make a small dent in this problem last spring. Solving this problem is likely far beyond the capacity of a legislature eager to keep the spending coming for a wide range of popular programs.

School Property Taxes: The governor and legislature increased the homestead and non-residential property tax base rates in 2013 and 2014, and will have to do it again in 2015. If they don’t, the Education Fund will come up $42 million short. The increasingly likely – and long avoided – response may be Agency of Education school district budget caps.

Unaccountable Taxation: The shortage of revenues to pay for an oversupply of programs has led to the practice of the state forcing other parties to pay the bills, thus avoiding visible taxation. Peter Shumlin has long been a master of this practice.

Over the past eight years the state has extorted millions of dollars from Vermont Yankee to pay for renewable subsidies and algae cleanup in Lake Champlain, and has directed the Public Service Board to make ratepayers finance ever-increasing subsidies for renewable electricity. In 2012 Shumlin personally engineered a utility merger that stiffed CVPS ratepayers to shift even more millions into renewable subsidies. Such unaccountable taxation is arguably unconstitutional, and not a dependable source of revenue.

Green Mountain Care: Looming over the legislature is the grim prospect of voting $2 billion in new taxes – income, sales, payroll, assets, perhaps others – to underwrite Shumlin’s single payer health care plan for 2017. Whether he can keep his liberal majority from fleeing panic stricken out of the state house before a vote on a $2 billion tax increase may be the key question of 2015.

-John McClaughry is vice president of the Ethan Allen Institute.

**Commentary: Why Electric Rates Are Rising**

*by Meredith Angwin*

New England electricity is too dependent upon natural gas-fired power plants. And we are about to pay a lot for that dependence.

In recent days, several New England utilities have announced major price rises for electricity. In Massachusetts, National Grid said that its customers can expect a 37 percent rate increase in November. Liberty Utilities in New Hampshire announced that there will be a 50 percent rate increase, and Unitil, which serves Massachusetts, Maine
and New Hampshire, announced a price rise that will add over $40 a month to the average home electricity bill. These companies explained that the rate increases are due to the increasing cost of power on the grid.

Why is the grid cost increasing? Part of the reason is supply and demand. Supply has decreased. Vermont Yankee (nuclear) and Salem Harbor in Massachusetts (coal) are shutting down and will not be available this winter. During the high demand resulting from the polar vortex in early 2014, New England needed about 20,000 megawatts of power. The grid barely scraped up enough to meet the demand. This year, 1,000 megawatts, or five percent of that power, is going off-line, and no new power plants have been built.

But perhaps a bigger problem is that the New England grid is far too dependent on natural gas. During the polar vortex cold snap, which affected all of New England, many natural gas power plants could not get enough gas to operate. It was being used to heat homes. New England is often described as “pipeline-constrained”: There are not enough pipelines for the natural gas we need.

The grid operator, ISO-NE, a nonprofit company, is responsible for ensuring a reliable electric supply on the New England grid. The way the grid operates is that some plants keep running steadily all the time. The steady-operation plants are nuclear, coal and some of the natural gas facilities — basically, plants that operate on a steam cycle. When demand is higher than these plants can supply, it is met by putting more gas-fired plants into service. However, last winter, many gas-fired plants could not operate.

ISO-NE foresaw this natural gas supply crunch and had a “winter reliability” program in place. It paid $70 million to oil-burning power plants to keep oil available to burn. This was a “capacity” payment. That is, the plants were paid just to have oil on hand. (This payment also increased our electric bills.) But during the polar vortex power crunch, the oil was not enough, and some jet fuel was also burned to make power. In other words, over-dependence on natural gas led to expensive alternatives: oil and jet fuel. Using these fuels caused major price increases.

Also, even without the crunch, the price of natural gas itself has doubled since its low point in 2012.

The two issues (supply and diversity of fuel sources) are going to intersect again this winter. With two power plants closed, a cold snap this winter will require more oil and jet fuel than was required last winter. Utilities are getting their rate increases lined up to deal with the coming price spike.

What about my own local utility? I live in Vermont, and Green Mountain Power told the press recently that because of its “efficiencies” it has lowered prices and will keep them low.

I do not believe prices will stay low in Vermont. GMP is subject to the same factors that affect the other utilities. It buys much of its power on the same markets. GMP also has large contracts with HydroQuebec. Unfortunately, these are “market-follow” contracts. When the market price rises on the grid, HydroQuebec will also raise the price that it charges GMP. Back in 2010, I wrote blog posts on how the new market-follow contracts were “a bad deal with HydroQuebec.” This winter, I suspect we will find out just how bad a deal they are.

What about renewables? For many reasons, renewable build-out is not happening very quickly. As of last year, less than 10 percent of Vermont’s in-state electricity generation was by renewables, not counting hydro.

Also, renewables are generally paired with natural gas (gas-fired plants are turned
on when the wind dies down or the sun sets). So renewables are not going to be much help right now.

I was recently elected to be on the coordinating committee of the Consumer Liaison Group of ISO-NE. Along with 120 people from all over the Northeast, I attended its quarterly meeting in September. Everyone there seemed to have a tale of when the big price rises would hit their local utilities. Many are planning major price increases in January 2015.

What shall we do about these price spikes? Just as in our private lives, diversity is important. I think we need to be willing to accept diversity on the grid: nuclear plants and coal plants. Natural gas is an excellent fuel, but it seems to be the one and only fuel acceptable to many people. However, what is happening on the grid right now is a classic illustration of the old saying: “Don’t put all your eggs in one basket.” Our grid is close to just one basket right now (over 50 percent natural gas). The winter is coming, and power will be expensive if any eggs drop.

- Meredith Angwin of Wilder is a physical chemist who worked for electric utilities for more than 25 years and now heads the Energy Education Project of the Ethan Allen Institute.

**Events**

**November 1.** EAI president, Rob Roper will be a featured presenter at a forum on Health Care and State Budget Issues, 10:00 am Wells Town Office Building Meeting Room, Route 30 Wells, VT 05774. Free and open to the public.

**November 4. ELECTION DAY!**

**News & Views**

**Funny Because It’s True.** “The threat of Ebola maybe be hyped, but the threat of government incompetence is real.” - Charles C. W. Cooke

**Jobs Report.** Vermont’s unemployment rate rose for the fourth straight month in September, to 4.4 percent. The size of Vermont’s labor force held steady at roughly 350,000, but 1,000 Vermonters lost their jobs.

**Another Year, Another Bad Business Rating for VT.** The Tax Foundation released its [2015 Business Tax Climate rankings](#), which are based on more than 100 variables in five areas: corporate, individual income, sales, property and unemployment insurance taxes. The states in the bottom ten, in the words of the authors, “suffer from the same afflictions: complex, non-neutral taxes with comparatively high rates.” Vermont dropped to 46th – a one spot slide from a year ago.

**Property Taxes Are Too High.** Not that we needed anyone to tell us this, but it’s nice to
put numbers to the sentiment. According to a survey done by Vermont Realtors, “76 percent of respondents say that property taxes are too high. The poll also demonstrates that this is a non-partisan issue, with two-thirds of Democrats, 78 percent of independents and 85 percent of Republicans sharing the belief that property taxes are too high.”

**Hospitals Worried About Single Payer (Taxpayers Should Be Terrified).** "I think what concerns me the most is that we move into a single-payer system, and a single-payer system is not adequately financed, and it ends up becoming mercy to yearly budget crunches and budget cuts that the state is faced with." (Thomas Dee, CEO of Southwestern Vermont Medical Center in Bennington). This, of course, means there will be tremendous pressure brought to bear by the hospital lobby to increase spending under single payer. This is Act 60 for healthcare. See the next item…

**Thoughts on the South Burlington Teachers’ Strike.** "I think teachers are amazing. But as of last week, I'm totally disillusioned. Shutting children out of school and wreaking havoc on families across South Burlington is the wrong way to go. It's abominable and it should be illegal." - Michelle Rosowsky, a parent of two children at Rick Marcotte Central School (Burlington Free Press, 10/15/14)

**NEA Support of Single Payer Puts Teachers’ Benefits on the Chopping Block.** A new report done for the Vermont School Boards Association (VSBS) by the lobbying firm KSE Partners calls for moving to single payer and moving teachers away from the plans they have now and into the Vermont Health Connect “gold” plan – a collective reduction in benefits amounting to $39 million that will at least theoretically help reduce property taxes. Teachers, this is what you get for investing over $100K of your dues money into pro-single payer Vermont Leads. Brilliant!

**Politicians Who Can’t Learn Want to Teach Toddlers.** Another study of state run Pre-K programs shows NO LASTING BENEFIT. “The most methodologically rigorous evaluations find that the academic benefits of preschool programs are quite modest, and these gains fade after children enter elementary school. This is the case for Head Start, Early Head Start and also for the “high-quality” Tennessee preschool program. In the words of the investigators, ‘the effects of [Tennessee Voluntary Pre-K] on the . . . achievement measures observed at the end of the pre-k year had greatly diminished by the end of the kindergarten year and the differences between participants and non- participants were no longer statistically significant . . . Similarly, at the end of first grade, there were no statistically significant differences between TN- VPK participants and nonparticipants on the [Woodcock-Johnson] measures with one exception . . . that favored the nonparticipant group.” – CATO http://object.cato.org/sites/cato.org/files/pubs/pdf/pa760.pdf

**Still True.** But for the most part [Peter Shumlin] adopted an airy confidence that single payer is a slam dunk, that he has it under control. He doesn't have it under control, and it probably doesn't help to pretend that he does. – Ham Davis, March, 2013

**Still Clueless.** “I have heard the assertion that we’re somehow hiding the financing plan
for single payer] for political reasons and we’ve got it all figured out and we just don’t want to show it to people….I’m being honest with you when I tell you we haven’t figured it out yet.” - Peter Shumlin, October 2014

Hillary’s Stupid Statement: “Don’t let anybody tell you that it’s corporations and businesses that create jobs,” said Hillary Clinton. Well okay, Mrs. Clinton, let’s see just how many jobs government can create… without first taxing those businesses and corporations or the people they employ and pay salaries to. Go for it. http://freebeacon.com/politics/hillary-clinton-corporations-and-businesses-dont-create-jobs/

Land of the Free. A new report of "economic freedom" around the world finds the US ranked 12th among 152 countries, tied with the United Kingdom, and lower than neighbor Canada or Australia. The index, published by the Cato Institute and Canada's Fraser Institute, has been published since 1996. As recently as 2000, the US ranked 2nd in the world, in terms of boasting a free economy.

Still Free to Leave. The Treasury Department is required to publish a list of people who renounce their U.S. citizenship. So far in 2014, 2,353 people have done so, putting this year on pace to exceed last year’s record total of 2,999. This is a troubling trend.

If The Left Really Cared About Poor People’s Health… Banning soda and other sugary drinks from food stamps would lead to significant drops in obesity and diabetes rates among the poor, according to a new study by Stanford University medical researchers. “It would prevent at least 141,000 kids from getting fat and another 240,000 adults from developing Type 2 diabetes, the kind that usually stems from obesity.” (June issue of the academic journal Health Affairs) Won’t happen, because what politicians really care about is buying votes. Even with Twinkies.

But What Does Owen Patterson Really Think About Wind Farms? “This paltry supply of onshore wind, nowhere near enough to hit the 2050 targets, has devastated landscapes, blighted views, divided communities, killed eagles….” Wind turbines have devastated “the very wilderness that the ‘green blob’ claims to love, with new access tracks cut deep into peat, boosted production of carbon-intensive cement, and driven up fuel poverty, while richly rewarding landowners. [The Green Movement] is the single most regressive policy we have seen in this country since the Sheriff of Nottingham”. Owen Paterson, then the environment secretary for the United Kingdom

Book of the Month

The People Have Spoken and They Are Wrong
The Case Against Democracy
By David Harsanyi
Regnery Publishing, 2014 (230 pgs.)
I confess when I picked this book up (well, downloaded it in this day and age) I did not expect to like it. At all. Democracy is something we celebrate and it is in people we trust. But David Harsanyi does an excellent and necessary job of reminding us that we do not live in a democracy, but rather a representative republic.

The reason for this is to protect the sanctity of individual rights not just from an oppressive government, but also from our neighbors, the mob. As Ben Franklin warned, Democracy should not be two wolves and a sheep voting on what’s for dinner. But, that’s what direct democracy really is. We don’t want that.

As Harsanyi writes in his introduction to the book, “No, ‘democracy’ is not interchangeable or synonymous with the ideas of ‘freedom’ or ‘liberalism.’… No, majoritarian rule is not inherently more moral, or more useful, or more virtuous than the decisions of one person or a minority. No, democracy does not give us an equal say in the decisions that affect our lives…. The more democracy grows, the less say we have, actually. No, the opposite of democracy is not tyranny; in fact as Americas’ Founders knew, democracy itself can be tyrannical…. No, democracy doesn’t always temper extremism (it can fan it)…."

This is an important concept to explore as progressives in Vermont have been framing their “people power” agenda as an appeal to direct democracy. I have often heard them say things like “government is not the problem; we are the government.” Their intent is to cloud the tyranny of the majority (the power of which only a few elites will really wield) with a false sense of liberty. We should not let them do this.

Our government’s power is derived from the consent of the people as a whole, but its moral obligation is to protect the inalienable rights of each individual – not to serve the perceived interests of some particular majority.

When governments abandon the principle of protecting individual rights it opens the door to things like Stalin’s purges, which sacrificed twenty million individuals for the “benefit” of the majority.

Something worth thinking about as we go to the polls on Tuesday.

– Review by Rob Roper, president of the Ethan Allen Institute.

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**Final Thought**

**When Will Montpelier Admit They Were Wrong?**

My wife recently mentioned that she again was unable to access the Vermont Health Connect (VHC) website to download next month’s premium invoice. Such breakdowns have characterized our experience with VHC ever since we signed up for the state-run health plan last December. That experience foreshadowed 10 months of disappointment with a program that elected officials promised would offer simpler, more efficient and cost-effective health plans that would quickly save Vermonters hundreds of millions of dollars. None of these benefits have been delivered.

As happened with many Vermonters, the Internet enrollment process was complex and frustrating. The process took me an entire morning, and even then I was unsure of successful completion. My phone calls to VHC repeatedly put me into “voice
mail jail.” My messages seeking help went unheeded for over a week. Responses to my emails were met with assurances of answers in a week. At the start of the new year, things still weren’t right and I spent more time fixing problems.

The plans we selected had higher premium costs, higher out-of-pocket copayments and deductibles, and reduced benefits compared to our previous Blue Cross Blue Shield plan. So we now pay thousands of dollars more for poorer coverage and inferior service. Then, this summer we were informed that our premium would be due by the 26th of the month prior to the covered month, four to five days earlier than premiums are historically due. The stated reason? To allow more time to process payments. The unstated reason? To hold Vermonters’ money in VHC’s interest-bearing bank account, not ours. But things got even worse.

Given these previous experiences, I urged my wife to notify VHC in July that she would be moving to Medicare on Sept. 1. She was told that VHC could only process her request within 30 days of the change date. So she called again in early August and asked to be removed from VHC coverage as of Sept. 1. She was told her request had been sent to a specialist and they were “working on it.” We received no further communication from VHC that month regarding the requested change.

In early September, she called again for a status report and informed VHC that we would now send premium only for my coverage as she was no longer on the VHC plan. She was startled to learn that this would not be acceptable. Due to processing backlogs, we would be required to continue paying her premium as well as mine for several more months until VHC’s processing backlog was eliminated. My wife presumed that we would then receive a timely refund of overpayments. Wrong again! VHC would keep our overpayment as a credit to be used against my future premium payments. “May we read this policy,” we asked the VHC representative? “Sorry. I can’t send it to you. Things change daily.”

Earlier in October we received two email messages directing us to the VHC website for our November invoice. The website was not running and two days later another email arrived saying, “never mind.” Our most recent invoice just arrived seeking both premium payments once again, but it included a mysterious $154 credit. After spending almost an hour on the phone with VHC they conceded that they improperly credited someone else’s payment to our account. As of mid-October VHC still wants my wife’s premium as well as mine for November. When asked for a status report on this very costly matter, we were told they are working it, perhaps they need more information, and we should call another department for an update. More time on hold, more dropped calls, more wasted time, and more frustration with Vermont’s health care panacea.

At month’s end, I received a letter directing me to call VHC within seven days about “my change.” After speaking with two of VHC’s outsourced representatives in North Carolina, (they had no idea about why I was calling), and being on hold six times during the forty minute call, I was told that last summer’s change request was never processed. “You and your wife will have to fill out change applications.” When I refused I was told they would fill out the forms and call me by the end of the days to confirm details and completion. You guessed it. That call never came.

I recall the outrage from Montpelier and the media a few years back whenever a BCBS policyholder complained about the carrier’s slightest misstep. Yet, despite 10 months of squandered millions, incompetence and confiscation of policyholder funds, politicians urge us to be patient and trust that they know best. They promise to get their grand experiment right, eventually.
Such incompetence and arrogance are what we get, and will be getting more of, as this growing state monopoly — unaccountable to policyholder needs and concerns — continues to take over all critical aspects of our health care system. And we haven’t even gotten to the serious stuff that will eventually impact every Vermonter, not just those stuck with VHC health plans. Single payer’s global budgets, higher costs, doctor shortages, longer wait times, limited access, and an estimated two-plus billion dollar annual price tag are on their way. I long for when I could have taken my business to a competing, more responsive and competent health insurance provider. When will legislators admit their horrible failure?

- Joseph Blanchette was a former benefits director for VT-NEA, and a fiduciary and co-manager of the Vermont Education Health Initiative. He is a former board member of the Ethan Allen Institute