Ethan Allen Institute

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Commentary: Vermont's Coming All Payer "Reform"

By John McClaughry

Hamilton Davis is a veteran Vermont reporter who has participated in health policy debates since his days as the advisor to Gov. Madeleine Kunin thirty years ago. He is now the health reporter for Vermont Digger, where he recently published a lucid description of Vermont's likely health care future.

Davis's account is candid about some of the mistakes made during the Shumlin years. He acknowledges the embarrassing failure of the health insurance exchange, Vermont Health Connect, and especially "the devastating collapse" of Gov. Shumlin's four-year effort to install single payer health care.

That collapse, to Davis, "dealt a powerful blow to health care reform." However, as a long-time advocate for government-run health care, he remains hopeful about the further prospects for "reform".

Davis says there are two main aspects of "reform". One is shifting the non-governmental half of total health care expenditures from individuals and private insurance to the taxpayers. That requires raising over $2 billion a year in some combination of new taxes. That politically impossible "reform" defeated Shumlin's grand single payer plan.

The other main aspect of "reform", he says, is "cost containment", something that Shumlin has declared every year since he began his crusade. The goal of "cost containment" is said to be holding health expenditure increases to 3.5% a year.

Davis applauds the Green Mountain Care Board for reducing the rate of cost increases in the hospital system. How did the Board achieve this? By flexing its regulatory power to cap hospital spending. This brute-force technique for "cost containment" can mandate any desired level of spending – but somewhere the hospital must cut back on patients, services, doctors, nurses, labs, medications, technology, length of stay, amenities and other cost drivers.

In Quebec, which has a similar regulatory regime, the regulatory body (RAMQ) contains costs by limiting the number of doctors, allowing non-doctors to perform more services, limiting the gross revenues of independent practices, reducing available hospital beds, skimping on technology, and above all, making expensive patients wait for treatment, sometimes for more than a year. If patients die while waiting for treatment (as happens in the single payer VA system here), that makes it easier to stay within the government-mandated budget cap.

The major "reform" now under way, Davis says, is "shifting from fee-for-service reimbursement to some sort of block payments to a group of providers to take care of a group of patients." The buzzword, Davis says, is "capitation".

Now here's the plan. The providers – all the hospitals and most of the clinics and practices – will be pushed into an Accountable Care Organization (ACO). Its management will be responsible for somehow getting all the providers to jointly meet the government-approved health care needs of a defined population.

Instead of the several payers (Blue Cross, MVP, Medicaid, Medicare, self-insured companies, etc.) paying for each of thousands of specific patient services, all the moneys of the various payers will be funneled through the Green Mountain Care Board. Since the Board sits astride all the money flow, it has complete regulatory power over premiums, rates, facilities, services, and practices.

Ever mindful of the need to “contain costs”, the Board will decide how many dollars per covered person it will give the ACO annually (“capitation”). The ACO management then somehow decides how to apportion the available money among the providers to meet what the ACO determines to be the legitimate medical needs of all the patients.

In short, the Board that controls all of the money flow will force the ACO to ration care so that it stays within the Board-imposed global budget. The rationing is thus once removed from the government Board that imposes the global budget. The Board likes that.

Davis, who enthusiastically favors a “One Big ACO” model for Vermont, candidly observes, “A [not integrated] system of 14 hospitals and thousands of doctors spending somewhere north of $3 billion each year is hideously complex. How can the Board manage such a thing? The Board can’t possibly do that.” But Davis believes the ACO can magically manage it, backed up by the coercive power of the Board as needed.

The Shumlin Administration went to Washington last week to see if it can wangle a waiver to get its hands on the flow of Medicare funds for Vermont seniors. If it succeeds, we can look forward to one mighty Health Care Authority that controls all providers, specifies all medical services, sets all rates, and consumes unimaginable amounts of tax and premium dollars.

We are the designated financiers – and guinea pigs – of this coming “reform”.

- John McClaughry is the founder and vice president of the Ethan Allen Institute (www.ethanallen.org).

Commentary: Paid Sick Leave A Cynical Issue for 2016

By Rob Roper

At a recent press conference Governor Shumlin and Speaker of the House (and gubernatorial candidate) Shap Smith, flanked by some “socially responsible” businesses called for a new law mandating that all employees offer a paid sick leave benefit to their employees. This issue will be at the top of the priority list when the legislature returns to Montpelier in January.

This is essentially a $14 million tax on poor, small financially vulnerable enterprises throughout Vermont. It’s also a pretty cynical move on the part of the folks advocating for it.

Let me say straight away that offering some sort of paid time off to recover from a cold or deal with a personal issue is a smart benefit for any businesses to voluntarily offer for the purposes of enticing and keeping quality employees. And, most do one way or another, formally and/or informally.

Those that don't – and this is where our politicians either don't understand or don't care – simply can't afford it. It's much like purchasing health insurance. Very few would argue it's a bad idea to purchase health insurance. Over 90 percent of Vermonters have it. The fraction of people who don't have it don't have it because they genuinely don't have the money to buy it. The same is true of small business that genuinely can't afford to pay people who aren't working.

The legislature seems to think that every business has an endless source of cash stuffed in treasure chests hidden away in the attic. The truth is that small businesses are, like people, diverse. Some are poor, operating hand to mouth and struggling each month to make payroll. Many owners of such businesses don't make much more, or even make less than, their employees. Mandates such as this come directly out of their take home pay.

Do we want someone with the flu making our sandwich at the local deli, or looking after of our kids when we drop them off at daycare? Of course not. But we also have to recognize that the deli or the daycare provider may only have enough money on hand to pay one person to prepare the food or look after the children, and not enough to pay a temporary replacement plus the person calling in sick. Is that unfortunate? Yes. Is it reality? Also yes.

So, why is this paid sick leave mandate a cynical ploy on behalf of its advocates?

First, this announcement by the governor and speaker ironically came about the same time that Governor Shumlin called for the legislature to prepare for level funded budgets in 2016. If the state recognizes that it can't afford to do more than it's currently doing, why can't they recognize that many small business may be in exactly the same boat? This is really just a way to levy a hidden $14 million "tax" without having to call it that or be accountable for it in an election year.

It is cynical on the part of those "socially responsible" businesses because the ones advocating for paid sick leave already offer it. It's no skin off their bottom line if the mandate passes – but it will knee-cap their competition by saddling them with a cost they can't afford. Maybe even knock the competition out of business. These folks get to appear all high and noble on the stage wile actually putting the screws to the upstart entrepreneur next door.

If these politicians and established businesses really think all employees should automatically receive compensation for days they do not work then the state should raise $14 million in new taxes (or cut other programs), establish a transparent and accountable program, and write checks to those workers or their employers based on financial need.

I wonder how those "socially responsible" businesses would respond to implementing something like the current health care claims assessment, taxing them each time they pay out a sick leave benefit to an employee with the proceeds going to help other businesses that are struggling financially and genuinely cannot afford to offer paid sick leave on their own? I suspect their tune would change dramatically.

Mandating hidden taxes like this is cowardly, as well as bad policy. A survey by Vermont Business Magazine recently revealed that 20% of small- to medium-sized business owners in Vermont have "put plans in motion during the past 12 months to move their residency outside Vermont," and 45% of respondents to the survey have considered moving. Is it any wonder?

- Rob Roper is president of the Ethan Allen Institute (www.ethanallen.org). He lives in Stowe.

Commentary: Vermont Yankee Closes: The Consequences Were 100% Predictable

By Meredith Angwin

The Vermont Yankee nuclear power plant went off-line seven months ago, on December 29, 2014. The shutdown has had a massive negative economic effect on the region near the power plant. Could this have been predicted?

Well, yes. The economic consequences of closing Vermont Yankee not only could have been predicted, they were predicted. They were predicted early and often.

Local economy takes nine-figure hit

That's correct—nine figures. The yearly hit to the local economy is measured in hundreds of millions of dollars.

In recent days, people have noticed this, and there have been several articles on the financial effects from closing down Vermont Yankee.

I'll start with my own blog post at the Northwest Clean Energy blog: it has many references. Pain from Closing Vermont Yankee Lingers.

Vermont Watchdog has well-researched articles, which were later reprinted in several newspapers in Vermont:

- Economic fallout from closed Vermont Yankee plant to continue for years.
- Brattleboro housing market dives as Vermont Yankee exits region.

For the quick version, a local TV station has brief video clip: Vermont Yankee closure negatively impacting the local economy.

The UMass report comes true

Many articles referenced a report that appeared on Christmas Eve last year. Economic Impacts of Vermont Yankee Closure was ordered by a joint group of planning commissions in three states (Vermont, Massachusetts, and New Hampshire), and written by the University of Massachusetts–Dartmouth and the Donahue Institute. The report appeared a few days before the plant closed down.

The report predicted direct wage losses to the area at $100 million per year, and indirect losses (secondary jobs, economic activity) adding to a total of $480 million losses per year. Yep, that's half a billion a year in losses to the local economy. I describe the report in this blog post. Now the predictions from within that report are coming to fruition, and frankly, the worst effects are yet to come.

Vermont Yankee still employs more than 300 people. Here's the time line: The plant staffing was at 550 people in December 2014, when it went offline forever. In January 2015, all the fuel in the reactor was transferred to the fuel pool for cooling. At the end of January 2015, 234 people were laid off.

That left 316 people employed at the plant. As of this writing, they are still there, and their presence mitigates the economic effects of the plant closing. However, another massive layoff is still ahead. At the end of April 2016, about 200 more people will be laid off, leaving a staff of 127 for monitoring and security.

Several years from now, in 2020, there will be a burst of activity, transferring fuel to dry casks. After that, the staffing will drop even further, and stay very low for years.

The pain was so predictable

Back in 2011, Vermont's Governor Peter Shumlin was touting the idea that the decommissioning of Vermont Yankee would be a billion-dollar jobs bonus. However, decommissioning is not a jobs bonus. In 2011, I wrote posts to challenge that idea, for example Decommissioning: Facts Versus Fantasy. And remember, nuclear plants are often located in fairly rural areas. When they close, the area has a hard time making an economic recovery.

But it wasn't just me predicting that the closing of Vermont Yankee would be terrible for the economics of its region. In 2010, there were two reports showing the same level of economic losses as shown in the recent UMass report. The first of the older reports was commissioned by the International Brotherhood of Electrical Workers (Vermont Yankee's union) and is no longer on the web. The second report was commissioned by the Vermont legislature, and is still easily available. I describe the two reports in this post. Both of the older reports show the local loss of more than 1000 jobs, as well as severe loss of economic activity.

A major graphic of the legislative report is worth a little scrutiny. Employment Impacts Associated With Various Energy Policy Scenarios, found on page 9, describes expected job loss (or gain) from closing Vermont Yankee. Note that "keep Vermont Yankee operating" is shown as the baseline. This means that the jobs the plant contributes are sort of hidden in the graph. If the plant shuts down, there would be approximately 1000 jobs lost in the area (see red line below the baseline). It's almost as if the baseline (plant keeps running) isn't a line at all.

The timeline of the graph extends past 2032, when Vermont Yankee's extended license from the U.S. Nuclear Regulatory Commission would have ended. At that point, the red job line surges upward to just below the baseline. The shutdown job loss number of 1000 is on the graph, but the number doesn't exactly jump out at you.

So, if all these predictions were available in 2010, why is the current economic devastation such a big surprise to anyone?

Politics: Why the economic effects were a "surprise"

The economic losses due to Vermont Yankee shutdown were not a surprise. Perhaps Governor Shumlin and his closest supporters truly believed the "decommissioning is a jobs bonus" rhetoric, but I would say that few others believed it. However, Shumlin's anti-nuclear stance and his "jobs-bonus" pronouncement were important to many people in his political base.

Governor Shumlin is well-known for his recent fierce and unrelenting opposition to the continued operation of Vermont Yankee. Back in 1998, Shumlin did support Vermont Yankee. At that that time, the plant was owned by Vermont utilities, not Entergy.

Did Shumlin change his opinions and begin to oppose Vermont Yankee because Entergy bought the plant—or because of Shumlin's assessment of his own political situation? We will never know, but this blogger would guess it was the latter.

Entergy claims it closed the plant for economic reasons. Although true, some of Vermont Yankee's economic problems were caused by the plant having to defend itself in court against state attempts to shut it down. Also, various new taxes were suddenly levied against the plant, all that directly affected profitability.

Most of my friends at Vermont Yankee would say that the plant closed because of politics, not economics. Entergy management would say it was closed due to economics, not politics. In any case, looking at the consequences of the shutdown, all the studies and reports predicted the negative results from Vermont Yankee closing. These reports were ignored.

In other words, the economic consequences of closing the plant were completely predictable. The economic analysis was done by several groups, at different times, and always with the same basic results. It seems to have been a fairly straightforward calculation.

In my opinion, the economic analysis of the consequences of closing Vermont Yankee was not rocket science. Understanding the politicalscience of why the state wanted the plant to close…now, that is more difficult.

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Thanks to all who have already made a donation to our 2015 campaign! For those who haven't yet, please help us fight all the potential taxes mentioned above and other encroachments on our liberty. Be generous. We're only as strong as you make us. Thanks!

Ethan Allen Intsitute
P.O. Box 543
Montpelier, VT 05601

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News & Views

VT 7th Worst for Taxpayers. The financial publication Kiplinger's released its rankings of the most tax-friendly states and least tax-friendly states—with Vermont placing seventh on the "least" list."

VT 12th Worst for Debt-Related Taxpayer Burden. "A report released Monday from a Chicago-based accounting group says Vermont's real financial debt has reached $3.2 billion…. Of the U.S. states covered in the report, Vermont is the 12th worst when it comes to debt-related taxpayer burden. The Green Mountain State has $7 billion in bills, but only $3.8 billion in available assets to pay those bills, leaving the state $3.2 billion in debt." (VT Watchdog, 9/22/15)

Taking Record Amounts of Tax $ Still Not Enough for VT. "The administration had projected that revenues in the General Fund would rise roughly 4 percent this year. But the state has been unable to meet this target because the personal income tax, the sales tax and the meals and rooms tax have not met their target goals. Johnson notes that overall revenues are running two and a half percent higher than last year." (VPR, 9/4/15)

Bye-Bye, VT. A survey by Vermont Business Magazine revealed that 20% of small- to medium-sized business owners in Vermont have "put plans in motion during the past 12 months to move their residency outside Vermont," and 45% of respondents to the survey have considered moving.

Alps Coffee Roasters. "Keurig Green Mountain has moved its coffee acquisition operations from Vermont to Switzerland, a legal maneuver that could save the company millions in taxes." (VT Digger, 9/8/15)

Promises, Promises. WCAX reports, "GlobalFoundries is looking to trim its workforce at its plant in Essex Junction. GlobalFoundries took over ownership of the plant from IBM in July. The company repeatedly promised to keep the plant open and invest more in the facility. But now the chipmaker says it is seeing a global slowdown in demand for its products and needs to significantly reduce costs."

Renewable Energy Policies Sock it to the Poor. "State renewable-energy policies, such as those encouraging solar use [as in Vermont], are creating a kind of "energy inequality", one that benefits wealthier Americans at the expense of the poor. While solar power itself may be a good thing, government-sponsored sweetheart deals for the solar industry—like "net-metering," for example—are increasing energy costs for low-income households across America… By fostering a system whereby a large portion of low-income Americans are forced to pay more to subsidize the energy use of high-income individuals, regressive net-metering policies are contributing to a widening of America's income gap and a cloudy future for U.S. energy policy." Justin Sykes, (Reason.com 8/7/14)

Government for Sale. The Burlington Free Press reported on pro-renewable lobbying activity in the statehouse. "Vermont Public Interest Research Group alone paid its advocates more than $50,000 between April 1 and the end of the legislative session…. Green Mountain Power spent nearly $50,000 on lobbying efforts during the same period…. Renewable Energy Vermont spent $12,000. Vermont Natural Resources Council spent $10,430. Other supporters included Iberdrola Renewables, reporting $5,100, AllEarth Renewables reporting $3,300, and Conservation Law Foundation, reporting $2,587. Not all of those amounts went toward lobbying on the energy bill…." In contrast, "Vermonters for a Clean Environment spent just $600 about two-thirds of which was spent opposing the energy bill." Surprise! Act 56 passed 121 to 24 in the House and 22 to 6 in the Senate.

Shumlin on School Taxes. "Many of our communities have struggled with profound enrollment declines over the last 20 years, which have undermined educational quality and caused property taxes to rise faster than Vermonters can afford." (Op Ed, 9/3/15). This is indicative of how screwed up our education finance system is: enrollment declines cause school property taxes to rise! So, if we eliminated enrollment altogether, laid of all the teachers and educrats and closed all the schools, school property taxes would become infinite!?

Dartmouth Hitchcock Mulls Suing VT Over Medicaid Reimbursement Policy. "In a letter dated Aug. 6 to Steven Costantino, the commissioner of DVHA, Dartmouth-Hitchcock said that it was getting paid 31 percent less for in-patient care than Vermont hospitals, and that this discrepancy violates both the U.S. Constitution and the federal Medicaid Act." (VTDigger 9/15/15)

CFVT Mulls Suing VT Over Act 46. Act 46 is the school district consolidation bill passed by the 2015 legislature. Campaign for Vermont is mounting a legal challenge, based on the requirements decreed by the Supreme Court in Brigham (1997). Says CfV: "This law is unconstitutional because it caps spending on well-managed school districts while allowing poorly managed school districts to spend even more, thus preventing towns from providing substantially equal access to educational resources. Plus, the equalized pupil system has created vastly different spending levels per pupil across towns." For more information, see campaignforvermont.org.

Matt Dunne on How Well His Party Has Been Running Vermont (Sort Of)… Democratic gubernatorial candidate Matt Dunne said, "I'm running because I'm convinced that Vermont is in a precarious place. Poverty is increasing, the middle class is losing ground, income stratification is growing. At the same time, employers can't find the workers they need. It's clear that the economy is not working for Vermonters and for all of Vermont." We couldn't agree with his assessment more strongly. But how does Dunne reconcile these results with the fact that his party and its policies have dominated Vermont's economy for several decades?

Bernie Math! CBS News asked Sen. Bernie Sanders how much it would cost to install single payer health care in the US. Bernie replied "$15 billion." (9/18/15). Vermont, with one fifth of one percent of the US population, needed $3 billion a year to do single payer, and Gov. Shumlin abandoned the idea. Using that comparison, US single payer would cost $1,500,000,000,000 or $1500 billion.

US Freedom Slipping. The Fraser Institute (Canada) has released its Economic Freedom rankings, based on (1) personal choice, (2) voluntary exchange coordinated by markets, (3) freedom to enter and compete in markets, and (4) protection of persons and their property from aggression by others. Based on 2013 data, here are the top ten countries for Economic Freedom: Hong Kong, Singapore, New Zealand, Switzerland, United Arab Emirates, Mauritius, Jordan, Ireland, Canada, and the United Kingdom. The U.S. ranked 16th. It ranked second as recently as 2000.

Thomas Sowell's Wisdom. In an interview the Wall Street Journal (9/5/15) asked famed economist Thomas Sowell, who grew up black and poor in North Carolina and Harlem, what he would like to hear Obama say to black college students today. Sowell replied that "he should tell the audience that one of the worst things for blacks is the minimum wage. The worst thing," he says, is "the public schools run by the teachers unions who will protect the most incompetent teacher there is, who will fight tooth and nail against your being able to make a choice and go to voucher schools."

Book of the Month

Plunder & Deceit

Big Government's Exploitation of Young People and the Future
By Mark Levin
Threshold Editions, 2015, 256 pgs.

Plunder and Deceit is a tour de force by Mark Levin, president of the Landmark Legal Foundation, author of other books including *Men in Black*, *Ameritopia*, and *Liberty & Tyranny*, but probably best known as a syndicated radio talk show host. In this, his latest book, Levin uses a lawyerly approach, marshaling evidence to build a devastating case of abuse of young Americans by the current governing generation.

Each chapter, covering debt, Social Security, healthcare policy, education, immigration, environmentalism, the minimum wage, national security, and the Constitution, is a treasure trove of facts and history backed up by incontrovertible data. Each represents one facet of how today's politicians and activists are undermining, appropriating and squandering the financial future, and ultimately the very liberty, of today's and tomorrow's youth. The total, taken together, is breathtaking.

Personally, I was drawn particularly to the chapter on education as it best highlights a critical point Levin makes throughout the book: in too many cases the upcoming generation has been brainwashed into encouraging and even participating in their own demise. (I can't help but be reminded of the college kid riding her bike up to my house to cheerily deliver a VPIRG pamphlet.)

In this chapter, Levin warns, "… there is the malignancy of statist-driven political conformity, ideological indoctrination, social engineering, and academic experimentation that have suffused schools with such agendas as multiculturalism, global warming, and the distortion of American history…" that robs young people not just of their money (college loan debt, etc.), but of the kind of genuine learning experience that would better allow them to prosper, thrive, and indeed fight back against what is happening to them.

Christmas is (Yikes!) just a few months away. Put Plunder & Deceit on the list for any Millennial you may know (and/or any Baby Boomer with a conscience), but with the caveat that this is not exactly what I would call an entertaining book. It is sobering. It is thorough. It is engrossing. It is critically important. And, at 250 pages, it is a quick read as well as a must read.

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

The Final Word

October Survey:

Should Act 46 (School District Consolidation) Be Repealed In 2016?

The November 2014 election heard a hue and cry from Vermonters demanding property tax relief. The answer from the legislature in 2015 was Act 46, a law that, in essence, incentivizes school districts to "voluntarily" consolidate by 2018, after which point the state will do it for them. Since passage of Act 46, much confusion has ensued over the fate of school choice in the towns that have it, and questions have been raised regarding whether or not the law will raise rather than lower property taxes. Is this an example of bad law making that needs to be nipped in the bud, or should Act 46 be allowed to move forward in hopes that it will some how work? What do you think?

Make Your Voice Heard! Take the survey at:

https://www.surveymonkey.com/r/T7BVB88