The Demise of Vermont's Single-Payer Plan

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On December 17, 2014, Vermont Governor Peter Shumlin publicly ended his administration's 4-year initiative to develop, enact, and implement a single-payer health care system in his state. The effort would have established a government-financed system, called Green Mountain Care, to provide universal coverage, replacing most private health insurance in Vermont. For Americans who prefer more ambitious health care reform than that offered by the Affordable Care Act (ACA), Shumlin's announcement was a major disappointment. Was his decision based on economic or political considerations? Will it damage the viability of a single-payer approach in other states or at the federal level?

Shumlin's exploration of a single-payer health care system, which included three assessments by different expert groups, was among the most exhaustive ever conducted in the United States. A 2011 study led by Harvard health economist William Hsiao provided optimistic projections: immediate systemwide savings of 8 to 12% and an additional 12 to 14% over time, or more than $2 billion over 10 years, and requirements for new payroll taxes of 9.4% for employers and new income taxes of 3.1% for individuals to replace health insurance premiums (see table).[1] Two years later, a study by the University of Massachusetts Medical School and Wakely Consulting projected savings of just 1.5% over 3 years.[2] Finally, a 2014 study by Shumlin's staff and consultants predicted 1.6% savings over 5 years and foresaw required new taxes of 11.5% for employers and up to 9.5% for individuals. The governor cited these last projections in withdrawing his plan: "I have learned that the limitations of state-based financing, the limitations of federal law, the limitations of our tax capacity, and the sensitivity of our economy make that unwise and untenable at this time . . . . The risk of economic shock is too high," Shumlin concluded.

Two factors explain most of the decline in the plan's financial prospects. First, the anticipated federal revenues from Medicaid and the ACA declined dramatically. Second, Shumlin's policy choices significantly increased the total projected cost of Green Mountain Care: raising the actuarial value of coverage — the expected portion of medical costs covered by a plan rather than by out-of-pocket spending — from 87% to 94%, providing coverage to nonresidents working in Vermont, and eliminating current state taxes on medical providers. Still, even Shumlin's projections indicated that the plan would reduce Vermont's overall health spending and lower costs for the 90% of Vermont families with household incomes under $150,000. Despite differing projections, all three studies showed that single payer was economically feasible.

In reality, the Vermont plan was abandoned because of legitimate political considerations. Shumlin was first elected governor in 2010 promising a single-payer system. But in the 2014 election, his Republican opponent campaigned against single payer. Shumlin won the popular vote by a single-percentage-point margin, 46% to 45%, which sent the election to the Democratic-controlled House of Representatives; though the House reelected him easily in January, a clear public mandate for his health care agenda was nowhere in evidence.

Public disagreement over single payer was clear in an April 2014 survey showing 40% public support, 39% opposition, and 21% undecided.[1] Though Shumlin's team had worked hard on policy development between 2011 and 2014, they had neglected to launch a serious and sustained effort to educate the public — a crucial missed opportunity. Indecision was evident in the Vermont legislature, where strong support for single payer was hard to find. Also, the administration's disastrous launch of its ACA health insurance exchange website, Vermont Health Connect, created doubts about the state's capacity to assume management and administrative responsibilities for the entire health care system.

Asking the legislature to approve a new 11.5% payroll tax on employers and income taxes on households as high as 9.5% to finance Green Mountain Care would have increased the size of Vermont's 2015 state budget, set at $5.6 billion, by 45%. Even though the taxes would have replaced private insurance premiums that employers and individuals currently pay, and even though the Internal Revenue Service had agreed that the taxes would be federally deductible, in political terms it would have been a mammoth increase that would have been glaringly evident on every Vermonter's tax bill, unlike employer-

Financial Estimates from Three Projections for a Vermont Single-Payer Health Plan.*

Variable	2011, Harvard	2013, UMass	2014, State of Vermont
Estimated savings (%)	8–12% short term; 24–25% long term	1.5% over 3 yr	1.6% over 5 yr
Estimated new taxes			
Employers	9.4% of payroll	Not estimated	11.5% of payroll
Employees	3.1% of household income	Not estimated	Sliding scale up to 9.5% of household income
Cost gap to be state financed	NA	$1.6 billion	$2.5 billion
New federal revenues from ACA Section 1332	$420 million	$267 million	$106 million
Total cost of Green Mountain Care	NA	$3.5 billion	$4.3 billion

* ACA denotes Affordable Care Act, NA not applicable, and UMass University of Massachusetts.

based health insurance premiums, which most workers fail to notice. According to research in behavioral economics, people pay more attention to hypothetical losses than to hypothetical gains. The political furor that would certainly have erupted over Shumlin's tax plan — as foreshadowed by the political uproar over the ACA — would have left most Vermonters believing they would be losers. Shumlin's decision to withdraw the plan represented a failure of political will — but sometimes making decisions because of likely political consequences is the necessary, albeit regrettable, thing to do.

In many states, legislators continue filing bills to establish state single-payer systems. Because of Vermont's failure, their path is both clearer and more difficult. Any other state considering this path will find obstacles similar to Vermont's.

An audio interview with Dr. McDonough is available at NEJM.org

For example, Section 1332 of the ACA permits state governments, beginning in 2017, to obtain federal waivers to develop alternative health coverage systems and to claim federal revenues that would otherwise flow into the state under the ACA. The three reports on Vermont's single-payer plan offered widely varying and rapidly descending revenue estimates: $420 million in the 2011 report, $267 million in 2013, and $106 million in 2014.

In the early 1990s, I served as a Massachusetts legislator who took a turn as the state's leading single-payer advocate. After years of failure, I reluctantly concluded that single payer is too heavy a political lift for a state. Though the economic case is compelling, our body politic cares about more than just economics. In 2011, many observers thought that Vermont, a small and progressive state, was the ideal locale in which to try single payer. No more. Even in deeply blue Massachusetts, Donald Berwick, former acting administrator of the Centers for Medicare and Medicaid Services, came in last in the 2014 Democratic gubernatorial primary in a campaign where his single-payer platform represented a compelling difference between him and his two opponents.

At some point, perhaps 5 to 15 years from now, as the size and scope of Medicare, Medicaid, and the ACA subsidy structure balloon far beyond today's larger-than-life levels, our political leaders may discover the inanity of running multiple complex systems to insure different classes of Americans. If advanced by the right leaders at the right time, the logic of consolidation may become glaringly evident and launch us on a new path. If such consolidation is to occur, like it or not, I believe it will happen federally and not in the states — and no time soon.

Disclosure forms provided by the author are available with the full text of this article at NEJM.org.

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1. True M. VTDigger/Castleton poll: Vermonters split on single payer. VTDigger.org. April 23, 2014 (http://vtdigger.org/2014/04/23/vtdiggercastleton-poll-21-percent-seem-confused-term-single-payer).
2. UMass Medical School Center for Health Law and Economics and the Wakely Consulting Group. State of Vermont health care financing plan beginning calendar year 2017 analysis. January 24, 2013 (http://www.umassmed.edu/uploadedFiles/CWM_CHLE/About/Vermont%20Health%20Care%20Financing%20Plan%202017%20-%20Act%2048%20-%20FINAL%20REPORT.pdf).

DOI: 10.1056/NEJMp1501050