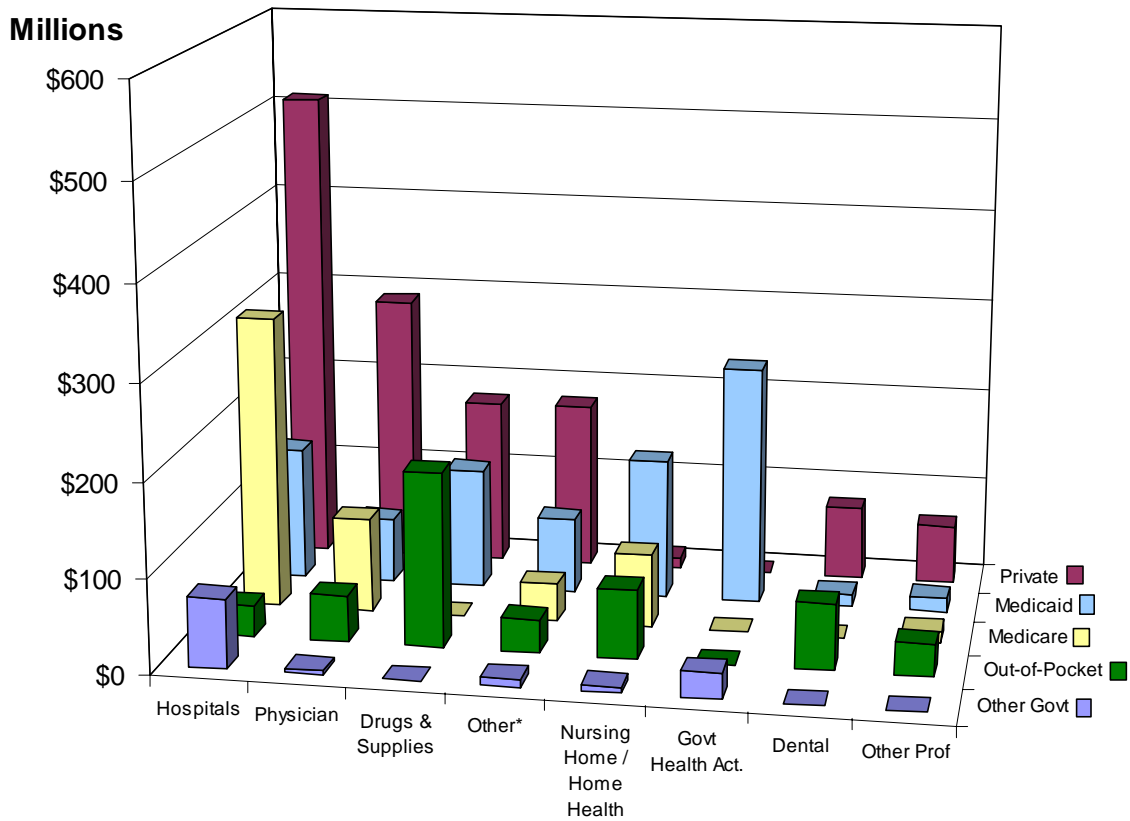


2004

VERMONT HEALTH CARE EXPENDITURE ANALYSIS & THREE-YEAR FORECAST

January 2006



2004 Resident Expenditures

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Acknowledgements

This report would not have been possible without the support of many individuals in government and private industry. The Division of Health Care Administration of the Vermont Department of Banking, Insurance, Securities and Health Care Administration (BISHCA) would like to thank all participants who provided data and feedback in a timely manner.

Introduction

Purpose of the Report

The objectives of the *2004 Vermont Health Care Expenditure Analysis & Three-Year Forecast* are to provide basic information about where financing for Vermont's health care comes from, what it purchases, and to estimate future spending levels and patterns. This analysis answers questions such as "How much is being spent on health care for Vermonters?", "How does Vermont health care spending compare to the nation?", and "How fast is spending on health care increasing in the various provider service sectors, such as hospitals or nursing homes?"

Two Different Analyses

This report summarizes data in two forms: the **resident analysis**, which includes expenditures on behalf of Vermont residents, regardless of where the health care was rendered, and the **provider analysis**, which includes all revenue received by Vermont providers, regardless of where the patient lives. Because some Vermonters obtain health care in other states and some non-Vermonters come to Vermont for care, both of these analytical constructs are necessary to fully understand Vermonters' health care and the State's health care system.

Projections

The Department of Banking, Insurance, Securities and Health Care Administration (BISHCA) is required by law (18 V.S.A. § 9406) to develop a health care expenditure analysis, an annual three-year projection of health care expenditures, and an annual Unified Health Care Budget. The resident analysis serves as the foundation for forecasting expenditures of all health care payers. The provider analysis supports the development of the Unified Health Care Budget by detailing expenditures attributed to Vermont providers.

Data Sources

The data are compiled from a variety of sources but mainly from Vermont payers and providers. The reporting categories are modeled after the U.S. Centers of Medicare and Medicaid Services' (CMS) annual health care expenditure study, the National Health Expenditures (NHE). Some sources are more reliable than other sources. The differences in the reliability of the data are indicated by different shading in the matrices (see pages 28-31). U.S. data for 2004 is projected, as is data for 2005-2008 for both Vermont and the U.S.

<u>Key Data Findings:</u>		
Health Care Expenditures VT & U.S. (2004)		
	VT	U.S.
Total (billions)	\$3.3	\$1,804.7
Per Capita	\$5,324	\$6,040
Annual Change (2003-2004)	8.6%	7.5%
Average Annual Change (2001-2004)	9.5%	8.3%
Share of Gross State/Domestic Product	15.1%	15.4%

Note: VT data is from the Resident Analysis.
2004 U.S. data is projected from NHE.

Cover Figure

The figure on the cover shows the major categories of health care spending for Vermont residents in 2004. The four highest categories – private insurance for hospitals and physicians, Medicare spending for hospitals, and Medicaid spending for government health activities – represent over 40 percent of Vermont residents' total health care expenditures. (*In the figure, Other includes vision, DME, other/unclassified, and administration.)

Executive Summary

Health Care Spending in Vermont Grows 8.6 Percent in 2004

- Health care spending increased 8.6 percent (resident analysis) in Vermont in 2004, totaling approximately \$3.3 billion in expenditures. While this increase is the same as in 2003, it is lower than the double-digit increases in 2001 and 2002. Nationally, health care expenditures increased 7.5 percent in 2004 (projected).
- Health care spending accounted for about 15 percent of Vermont's Gross State Product (GSP) in 2004. Like the U.S., this share of GSP has increased every year since 2000.
- Although the rates of growth in health care spending for Vermont residents have exceeded the national rates in each of the last six years, health care costs on a per capita basis were still lower in Vermont (\$5,324) when compared to the U.S. (\$6,040, projected) in 2004. However, the gap in per capita costs between Vermont and the nation has been narrowing since 1999.

Spending by Health Payers (Resident Analysis)

- Private insurance expenditures totaled \$1.3 billion for Vermont residents in 2004, approximately 40 percent of total health care expenditures.¹ This category grew 5.4 percent in 2004, the lowest growth since 1998. Nationally, private insurance grew 7.6 percent in 2004 (projected).
- Growth in Medicaid spending contributed the most to health care growth for Vermont residents in 2004. This category grew 12.1 percent to \$855 million in 2004, compared to an increase of 7.5 percent in 2003. Most of the growth (58 percent) was split between hospitals and the category drugs and supplies. Medicaid pays for public programs for medical assistance and long term care for low income, elderly, disabled and other vulnerable populations.
- There were no significant enrollment shifts across payers from 2003 to 2004.

Spending by Health Sector (Provider Analysis)

- Hospital expenditures increased 9.1 percent in 2004 (to \$1.3 billion), about the same as the average annual increase over the previous five years. Nationally, hospital expenditures increased 7.0 percent in 2004 (projected).
- The hospital category was the main contributor to health care expenditure growth in the provider analysis from 2003 to 2004, accounting for 50 percent of the total increase.
- Hospitals accounted for 42 percent of total health care expenditures on Vermont providers in 2004, followed by physician services and drugs and supplies, each accounting for 14 percent of the total.

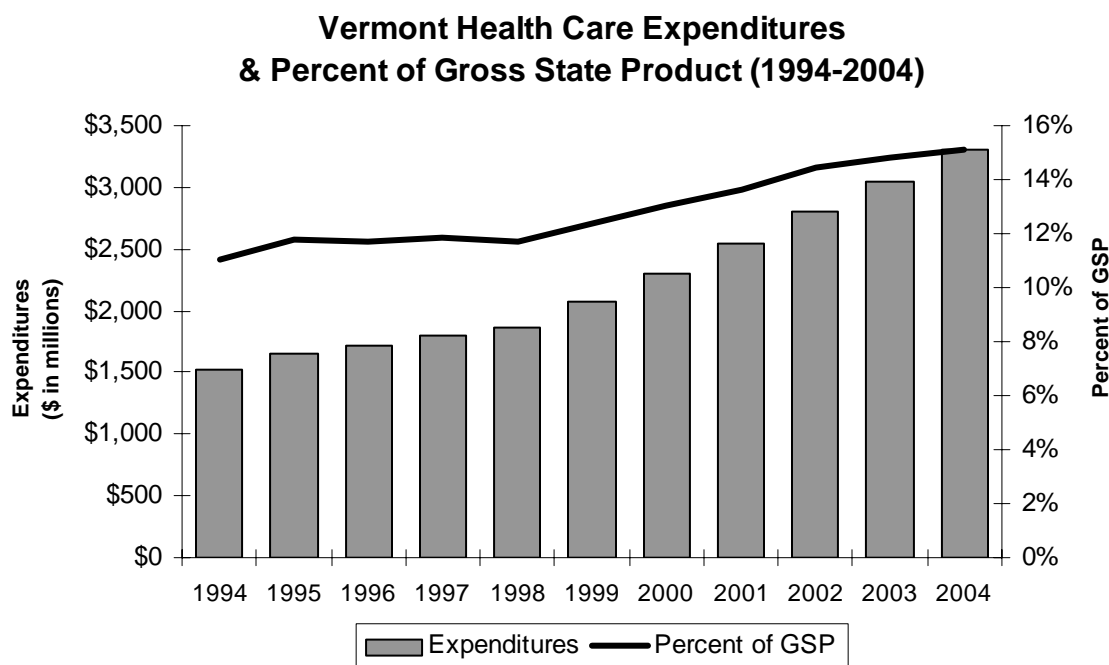
Projections of Health Care Spending

- Health care spending growth is projected to slow slightly from recent trends in Vermont from 2005-2008, growing approximately 7.6 percent per year (resident analysis).
- By 2008, health care expenditures are projected to be over \$4.0 billion in Vermont, with per capita costs reaching approximately \$7,000.
- Growth factors include inflation, population growth, and increases in the use and intensity of services.

Resident Analysis

Health Care Spending for Vermont Residents

The resident analysis is based on reporting from all health care payers.² It measures what is paid on behalf of Vermont residents, regardless of whether they receive services in Vermont or out-of-state.



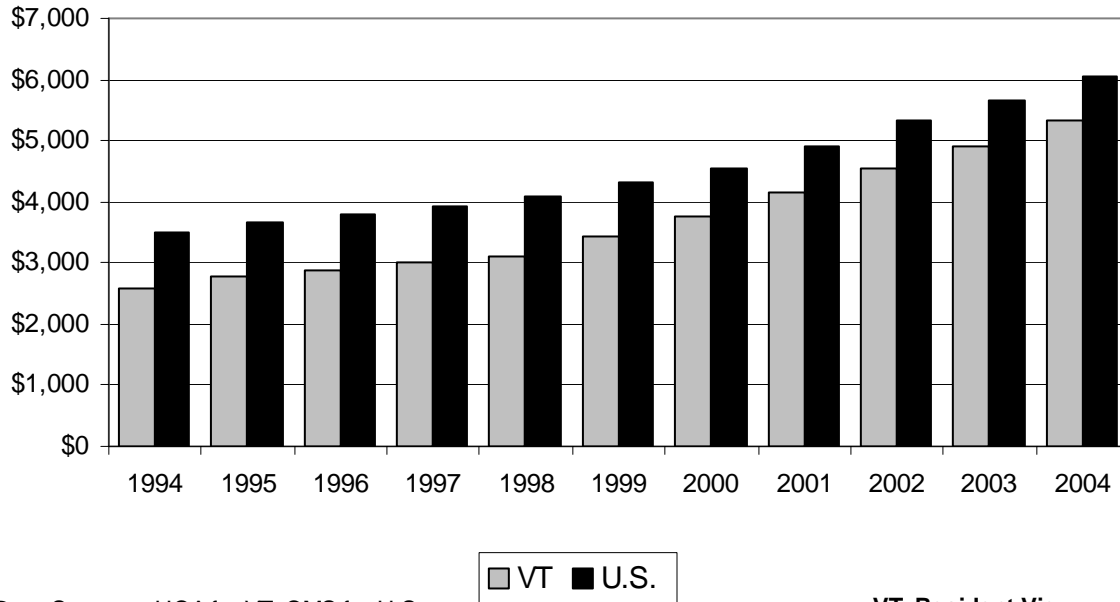
Data Sources: BEA/HCA

Figure 1

VT: Resident View

- Health care spending on Vermont residents totaled over \$3.3 billion in 2004. This represented an increase of 8.6 percent over 2003 levels. Nationally, health care expenditures rose 7.5 percent in 2004 (projected).
- Health care spending both nationally and in Vermont continues to outpace economic growth.
- The share of Vermont's Gross State Product (GSP) accounted for by health care services reached 15.1 percent in 2004, the highest level recorded since tracking of this data began. Vermont's share of GSP was 0.3 percent lower than the national health care spending share of the Gross National Product (15.4 percent) in 2004 (projected).
- In 2003, the Centers of Medicare and Medicaid Services (CMS) attributed more than 50 percent of the growth in health care spending to price inflation, while population growth accounted for about 14 percent of the total, and increase in use and intensity represented the remainder.³

**Health Care Expenditures per Capita:
U.S. and VT (1994-2004)**



Data Sources: HCA for VT; CMS for U.S.
Note: 2004 U.S. data is projected

VT: Resident View

Figure 2

- On average, \$5,324 per Vermonter was spent on health care services in 2004, 13.5 percent lower than the national average (\$6,040, projected).
- According to data compiled by the Centers for Medicare and Medicaid Services and the U.S. Census Bureau, Vermont’s per capita costs were lower than any other New England state in 2000 (the most recent year for which comparative data are available).
- Although Vermont has historically had lower per capita spending in health care than the national average, the difference or gap between the per capita estimates has been narrowing over time. In 1994, Vermont’s per capita was 74 percent of the U.S. per capita; by 2004, Vermont’s per capita costs were 88 percent of the U.S. per capita (projected).⁴

**Health Care Expenditures,
Average Annual Growth Trends: U.S. and VT (1996-2008)**

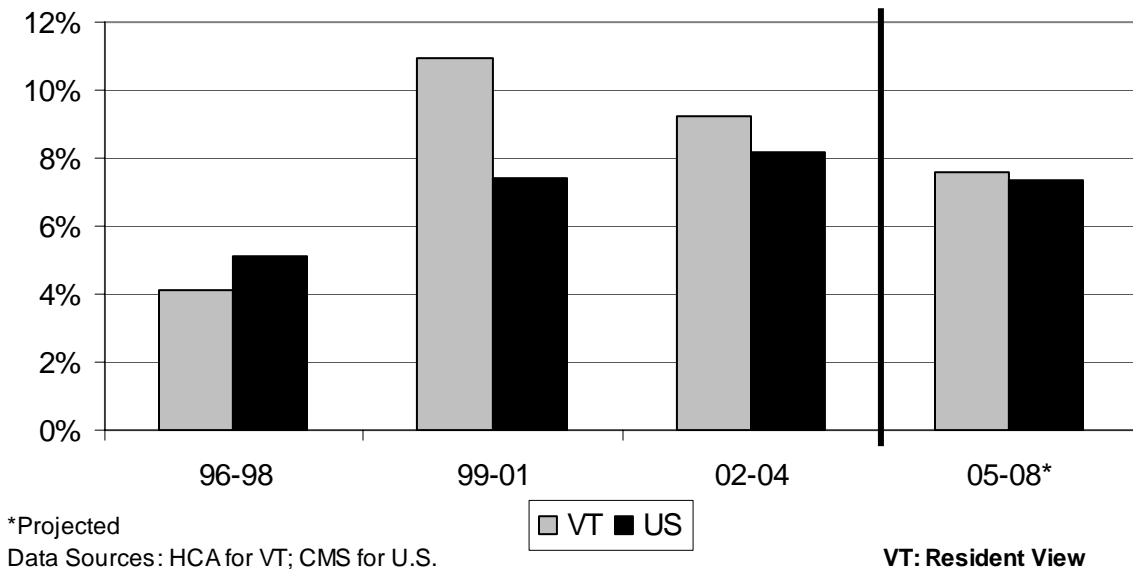


Figure 3

- Vermont has experienced variation in average annual growth in health care spending, with slower growth from 1996-1998 and higher growth of about 11 percent from 1999-2001. Recent increases have moderated and growth is projected to moderate further from 2005-2008. However, health care spending will most likely continue to outpace economic growth.
- The rate of growth in health care spending in Vermont in 2004 was 8.6 percent. National spending on health care grew 7.5 percent (projected).
- Over the last ten years, health care growth in Vermont peaked at 11.1 percent in 2000, compared with U.S. growth which peaked at 9.3 percent in 2002.
- As depicted in Figure 3, Vermont health care expenditure growth has exceeded the national rate of growth over the given period, although Vermont's per capita costs are still lower than the national average (Figure 2).

**Vermont Residents
Source of Health Insurance (2000 & 2004)**

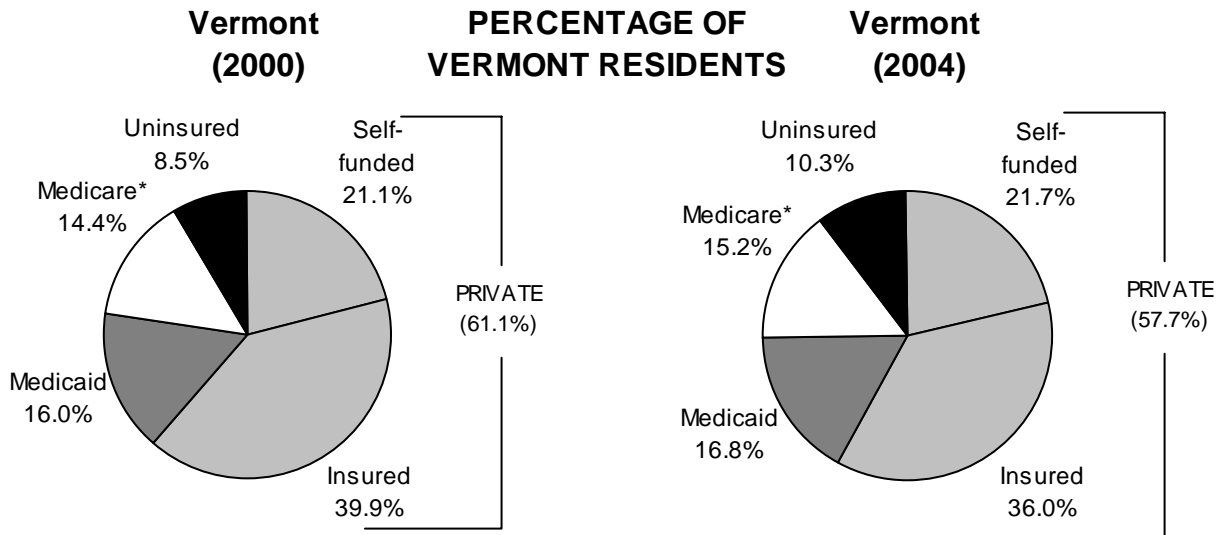


Figure 4

* The count for Medicaid did not include individuals receiving a pharmacy benefit only or persons dually eligible for Medicaid and Medicare. About 15,000 dually eligible persons were counted under Medicare.

Number of Vermont Residents by Primary Coverage Source

	<u>2000</u>	<u>2004</u>	<u>% Chg</u>
Private	371,774	358,445	-3.6%
<i>Self-funded</i>	128,695	135,011	4.9%
<i>Insured</i>	243,079	223,434	-8.1%
Medicaid	97,664	104,567	7.1%
Medicare	87,937	94,379	7.3%
Uninsured	51,453	64,004	24.4%
Total VT pop.	608,828	621,395	2.1%

Table 1

- In 2004, 10.3 percent of Vermont residents (64,004 individuals) lacked health insurance coverage. This compares to 15.7 percent for the nation in 2004.
- From 2000 to 2004, Vermont’s overall population grew slightly, up 2.1 percent. The proportion of uninsured, as well as those enrolled in public health insurance, has increased. The proportion of individuals insured through private insurance declined during this same time period.
- Enrollment in private self-funded plans (where the employer is ultimately liable for paying health care claims) increased by over 6,000 lives (up 4.9 percent) between 2000 and 2004, while enrollment in private insured plans decreased almost 20,000 lives (down 8.1 percent) during the same time period.⁵

Vermont Health Care Expenditures Distribution by Payment Source (2000 & 2004)

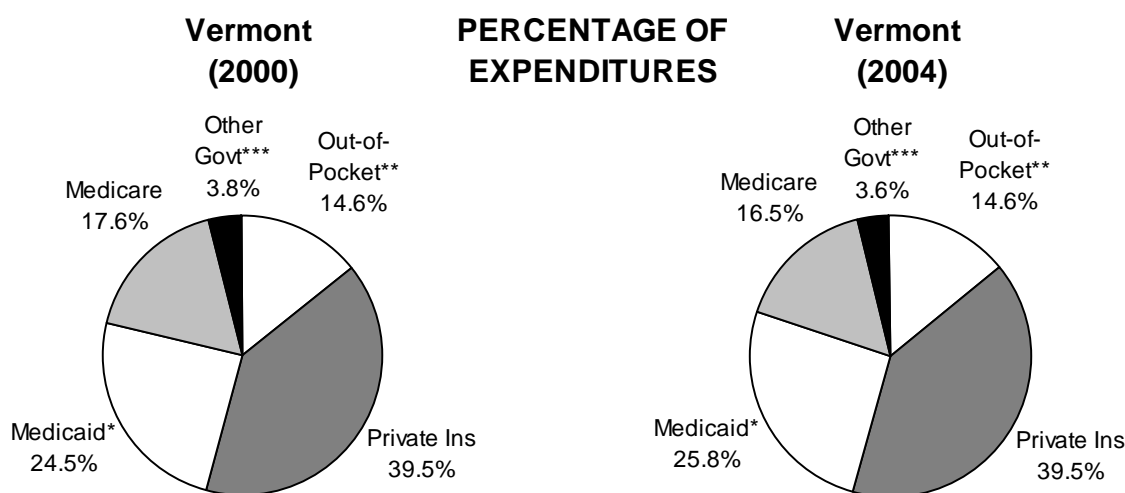


Figure 5

Notes:

* In contrast to other payers for health care services, a large portion of Medicaid spending (about 38%) covers long term care services and community mental health services. About one-third of Medicaid dollars flow through other state agencies that manage a variety of public programs.

** Out-of-Pocket includes deductibles, copayments, payments for services not covered by insurance, and payments made by uninsured persons. It does not include individuals' share of premium payments. Premium dollars are captured under Private Insurance per the CMS National Health Expenditures model.

*** Other Government includes spending for public health activities by federal and state government that is not covered by Medicaid or Medicare. Almost 54% of expenditures in this category is funding for the Veterans Hospital in White River Junction.

- In 2000 and 2004, private payers (which include self-insured and private commercial plans) financed an equal proportion of total expenditures (39.5 percent), a total of \$1.3 billion in 2004. Nationally, private insurance accounted for 40.7 percent of total expenditures in 2004 (projected).
- Decreased enrollment in private plans in Vermont in 2004 compared to 2000 (see Table 1, page 7), combined with the increases in health care spending over this time period, have made private expenditures per enrollee increase on average 10.5 percent per year from 2000-2004.
- In 2004, Vermont Medicaid's share of the health care dollar was 25.8 percent compared to 24.5 percent in 2000. In the U.S. in 2004, the Medicaid program represented 16.3 percent of total health care expenditures (projected). The Vermont Medicaid program is more inclusive in terms of its eligibility and benefits when compared to other state Medicaid programs.⁶ The higher proportion of Medicaid spending compared to the U.S. in 2004 could be related to these factors.
- Workers' compensation continues to be an important government payer of medical and income replacement benefits for work-related injuries. Currently, the resident analysis does not report workers' compensation in its model but development work is underway to estimate its impact on the system. Expenditures for workers' compensation, however, are included in the provider analysis, but are not quantified as a separate item.
- Vermont's distribution of the health care dollar by payment source does not differ significantly from the national experience.

Vermont Health Care Expenditures Increase in Health Spending (2003-2004)

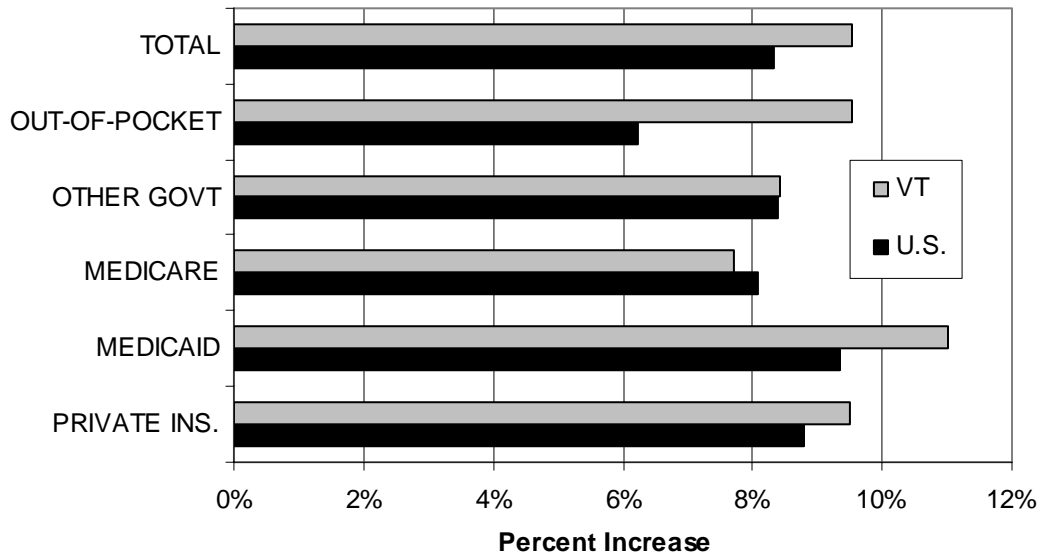
Contribution to 2004 Increase by Payer

Payer	2003 Amount	2004 Amount	Amount of 2003-2004 Increase	Share of 2003-2004 Increase	Share of 2004 Total Amount
Out-of-Pocket	\$431,308,468	\$481,503,881	\$50,195,412	19.1%	14.6%
Private	\$1,239,946,574	\$1,306,666,880	\$66,720,306	25.4%	39.5%
Medicare	\$505,565,848	\$544,684,085	\$39,118,238	14.9%	16.5%
Medicaid	\$762,963,298	\$855,123,893	\$92,160,595	35.1%	25.8%
Other Govt	\$105,573,048	\$120,082,015	\$14,508,967	5.5%	3.6%
Total	\$3,045,357,236	\$3,308,060,755	\$262,703,519	100.0%	100.0%

Table 2

- Although Medicaid represented 25.8 percent of Vermont's health care dollar in 2004, it accounted for 35.1 percent of the \$263 million increase in health care spending between 2003 and 2004.
- Most of the growth in Medicaid in 2004 was due to increases in hospitals and drugs and supplies. Out of the \$92.2 million increase in Medicaid, hospitals accounted for \$27.3 million and drugs and supplies accounted for \$26.4 million.
- Private health insurance expenditures accounted for 39.5 percent (\$1.3 billion) of total health care expenditures in 2004, and represented 25.4 percent of the increase in total health care spending between 2003 and 2004.
- Physician and hospital expenditures accounted for most of the \$66.7 million increase private insurance in 2004, contributing \$23.7 million and \$20.5 million respectively to the total increase.
- See Table 3 on page 11 or the 2004 resident expenditures matrix on page 30 for more detail on the 2004 distribution of expenditures by category.

**Vermont Health Care Expenditures
Average Annual Growth by Payer (2001-2004)**



Note: 2004 U.S. data is projected

VT: Resident View

Figure 6

Note: In contrast to other payers for health care services, a large portion of Medicaid spending (about 38%) covers long term care services and community mental health services. About one-third of Medicaid dollars flow through other state agencies that manage a variety of public programs.

- Vermont’s average annual increase in spending on health care between 2001 and 2004 was 9.5 percent compared to 8.3 percent nationally.
- Medicaid expenditures increased 12.1 percent in 2004, similar to 2001 and 2002 and higher than the deceleration of 7.5 percent experienced in 2003. In the U.S., Medicaid expenditures increased 7.3 percent in 2004 (projected).
- Private insurance grew 5.4 percent in Vermont in 2004, compared to the U.S., which experienced a 7.6 percent increase (projected). This was the lowest growth for this category in Vermont since 1998. From 2001-2004, the average annual increase in private insurance expenditures was 9.5 percent for Vermont and 8.8 percent for the U.S.
- Enrollment in private insurance decreased 3.6 percent during this time period. See Table 1 on page 7 for more information on enrollment changes.

**Vermont Health Care Expenditures
Distribution of Provider Service Category by Payment Source (2004)**

Vermont Health Care Expenditures, 2004

	Out-of-Pocket	Private	Medicaid	Medicare	Other Govt	Total
Hospitals	\$33,334,916	\$510,033,114	\$142,961,878	\$312,830,645	\$73,540,870	\$1,072,701,424
Physician	\$49,182,437	\$288,401,030	\$69,367,091	\$100,734,030	\$4,770,953	\$512,455,542
Other Prof	\$34,224,352	\$63,057,914	\$15,379,153	\$12,342,802	\$0	\$125,004,221
NH/HH	\$73,242,671	\$10,595,341	\$149,520,343	\$78,340,954	\$6,356,209	\$318,055,518
Drugs & Supplies	\$185,647,922	\$177,095,216	\$129,302,898	\$8,847	\$0	\$492,054,884
Other*	\$105,871,582	\$257,484,264	\$93,920,806	\$40,426,807	\$8,260,645	\$505,964,104
Govt Health Act	\$0	\$0	\$254,671,723	\$0	\$27,153,338	\$281,825,061
Total	\$481,503,881	\$1,306,666,880	\$855,123,893	\$544,684,085	\$120,082,015	\$3,308,060,755

Distribution by Service Category, 2004

	Out-of-Pocket	Private	Medicaid	Medicare	Other Govt	Total
Hospitals	6.9%	39.0%	16.7%	57.4%	61.2%	32.4%
Physician	10.2%	22.1%	8.1%	18.5%	4.0%	15.5%
Other Prof	7.1%	4.8%	1.8%	2.3%	0.0%	3.8%
NH/HH	15.2%	0.8%	17.5%	14.4%	5.3%	9.6%
Drugs & Supplies	38.6%	13.6%	15.1%	0.0%	0.0%	14.9%
Other*	22.0%	19.7%	11.0%	7.4%	6.9%	15.3%
Govt Health Act	0.0%	0.0%	29.8%	0.0%	22.6%	8.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* Other includes expenditures for vision, DME, dental, administration, and other miscellaneous providers.

Table 3

- As Table 3 indicates, the distribution of the health care dollar among provider categories varies by payment source. This is a function of both demographics and the structure of benefit programs.
- For private payers, hospitals accounted for the largest share of expenditures (39.0 percent), followed by physician services (22.1 percent), and other miscellaneous providers (19.7 percent) in 2004.
- About 30 percent of Vermont Medicaid dollars flowed through other state agencies (Gov't Health Activities), including expenditures for direct care programs administered by the Vermont Agency of Human Services. (See page 12 for more information).
- In contrast to other payers for health care services, a large portion of Medicaid spending (about 38 percent) covers long-term care and community-based services, including nursing home care, home health services, and community mental health services.
- Medicare reports a different distribution of expenditures among health care services in Vermont, with hospitals accounting for the majority of Medicare expenditures (57 percent) in 2004.
- Drugs and supplies have consistently accounted for the highest share of out-of-pocket expenditures, and were 39 percent in 2004.

Spotlight on Government Health Activities

One of the most frequently asked questions about the Expenditure Analysis report is “What exactly is the category Government Health Activities?” Government health activities primarily includes expenditures for direct care programs administered by the Vermont Agency of Human Services (AHS). Medicaid is the primary payer of these services: of the \$281.8 million spent on government health activities, Medicaid financed 90 percent of the total (\$254.7 million) in 2004. The growth in this category is largely attributed to increased funding for programs and services for mental health and development disabilities.

With the re-organization of the Agency of Human Services, effective in 2004 and which will continue until June 2006, future development work for the Expenditure Analysis will include a re-examination of the category “Government Health Activities” to determine if the dollars currently reported in this category can be reported in other provider service categories. New provider service categories (e.g., community mental health centers) may also need to be created in order to better report how health care dollars are consumed in Vermont.

**Government Health Activities:
Distribution of Expenditures by Program Area (2004)
(\$281.8 million)**

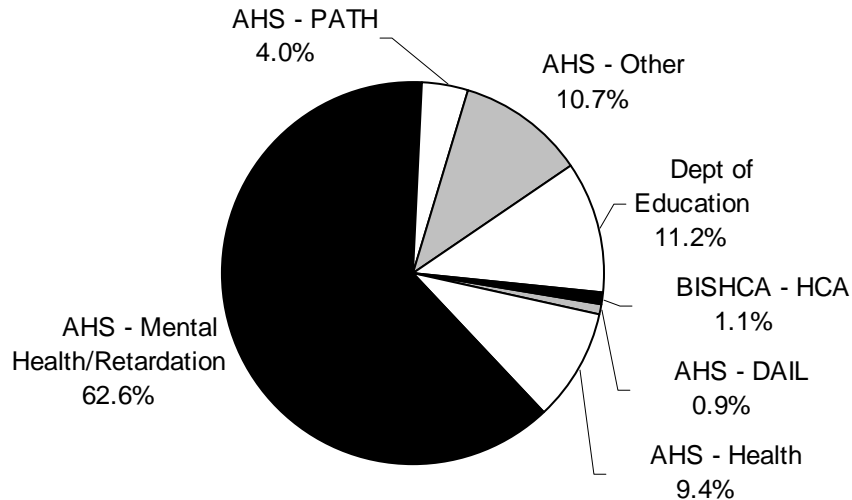
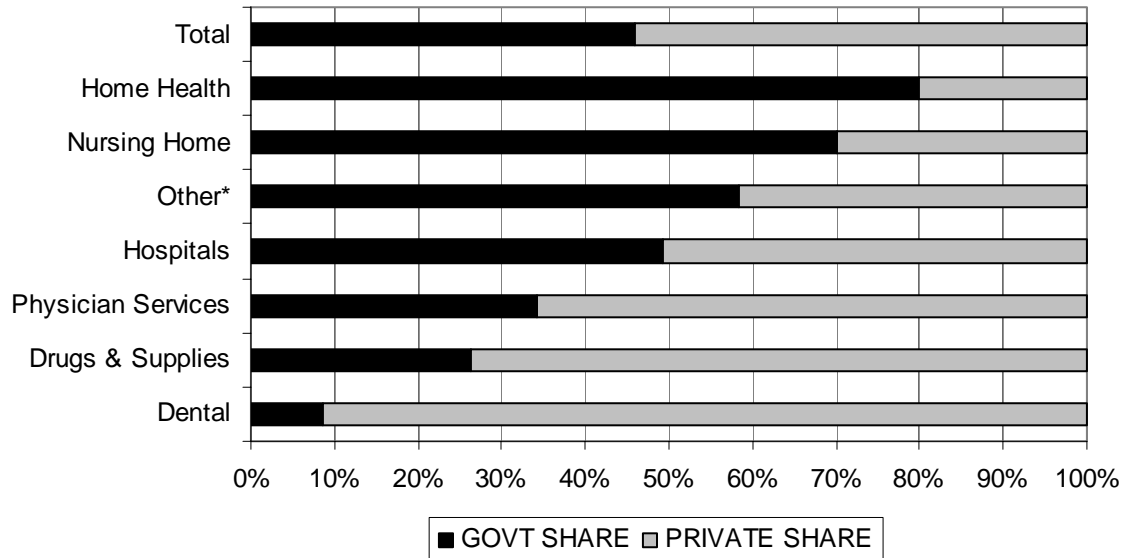


Figure 7

Acronyms

AHS	Vermont Agency of Human Services
PATH	Department of Prevention, Assistance, Transition, and Health Access
BISHCA - HCA	Division of Health Care Administration of the Dept. of Banking, Insurance, Securities and Health Care Administration
DAIL	Department of Disabilities, Aging, & Independent Living

**Vermont Health Care Expenditures
by Type of Funding (2004)**



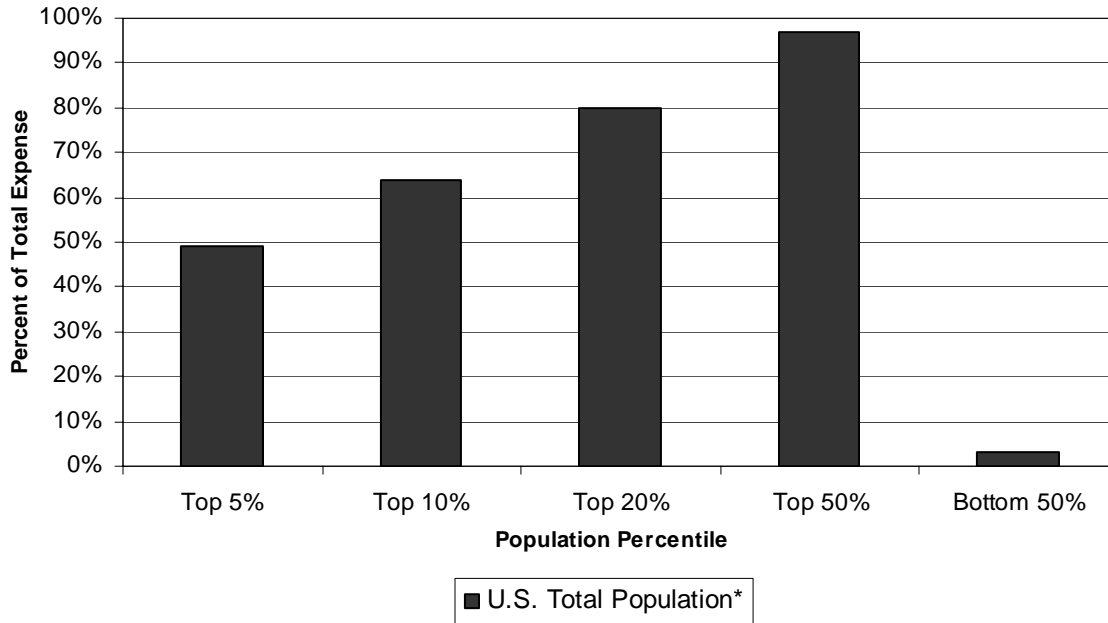
*Other includes services rendered by other professionals, DME suppliers, vision providers, other misc. providers, administrative costs, and government activities.

Figure 8

VT: Resident View

- Total health care expenditures for Vermont residents were financed 54 percent by private payers (includes private insurers and out-of-pocket) and 46 percent by government payers (includes Medicaid, Medicare, and other government) in 2004.
- The percent of care financed by the government or private payers varies considerably at the provider service level. For example, in 2004, home health providers received about 80 percent of their funding from government sources. In contrast, the government financed about 30 percent each for physician services and drugs. Hospitals were funded almost equally from public and private payers.
- These public-private distributions have been relatively consistent over time and are similar to national distributions.

Concentration of Health Care Expenditures: U.S. (2002)



*U.S. data source: MEPS

Figure 9

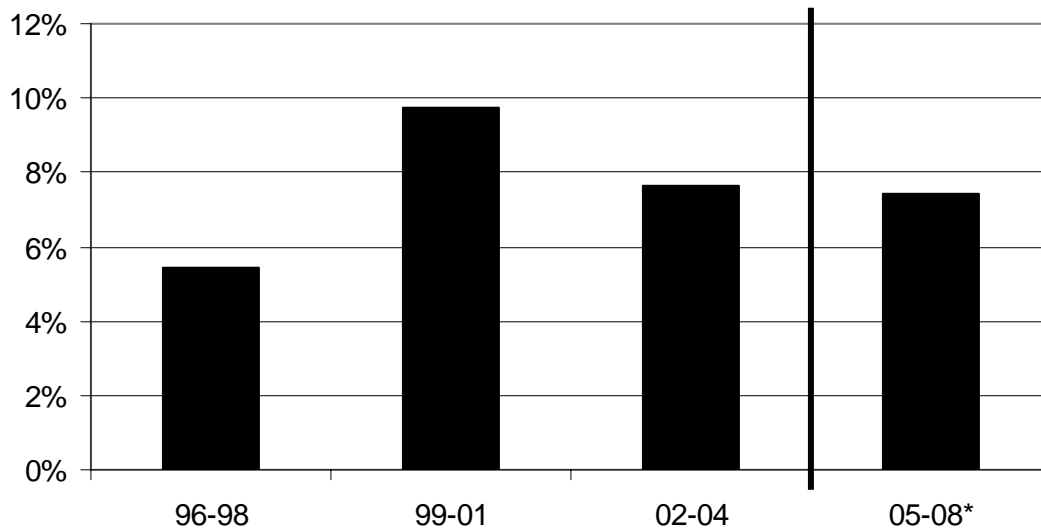
- Although Figure 9 shows only national data, Vermont data has historically shown similar results.
- At any given point in time, a small percentage of the population consumes a relatively large proportion of health care resources.
- For the nation, five percent of the total population accounted for close to 50 percent of total health care spending in the U.S. in 2002.
- Looking at it another way, the bottom 50 percent of the population had few or no health care expenses. This group was responsible for 3 percent of total health care spending in the U.S. in 2002.

Provider Analysis

Health Care Spending for Vermont Providers

The provider analysis includes reporting by entities providing care and services in Vermont. This includes expenditures for Vermont residents and out-of-state residents served by Vermont providers.

**Vermont Health Care Expenditures,
Average Annual Growth Trends (1996-2008)**



*Projected

Figure 10

VT: Provider View

- Similar to the resident analysis, health care growth by Vermont providers has varied. Lower growth from 1996-1998 gave way to higher average annual growth of 9.7 percent between 1999-2001, with growth moderating in recent years from those levels.
- The rate of health care growth is projected to increase around 7.4 percent in Vermont between 2005 and 2008. (More information about Vermont's projected health care costs can be found starting on page 21 of this report.)

**Vermont Health Care Expenditures
Distribution by Provider Service Category
(2000 & 2004)**

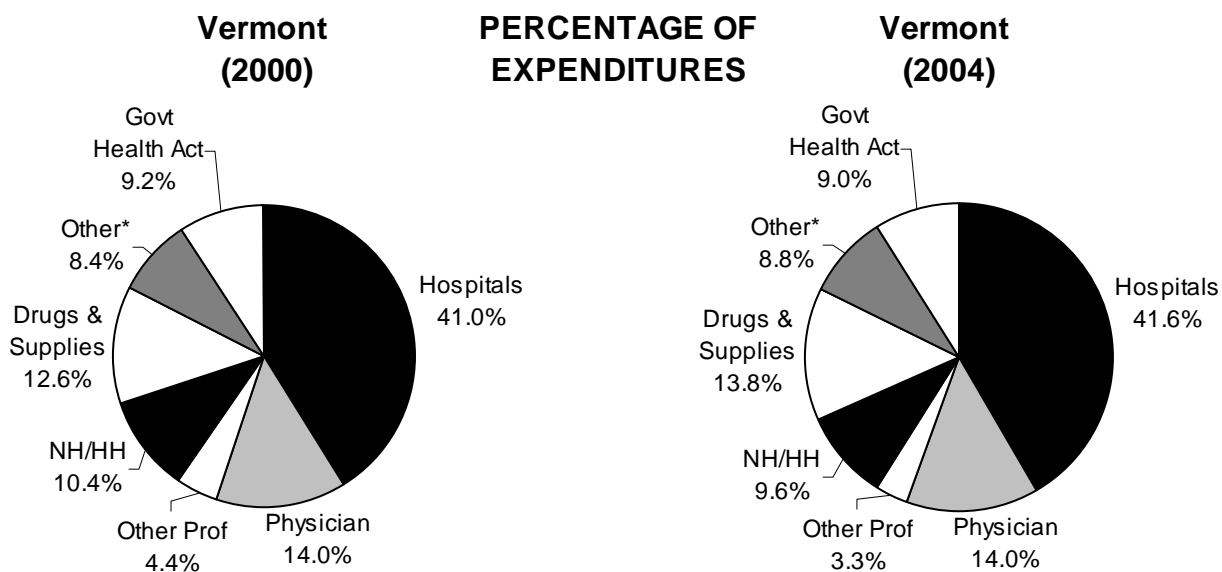


Figure 11

* Other includes services rendered by vision, DME, dental, and other miscellaneous providers.

Note: Although the relative share for each category may increase or decrease over time (Figure 11), overall spending increases were reported in all categories (see Figure 12, page 18).

- The distribution of the Vermont health care dollar by provider service category has not changed greatly between 2000 and 2004.
- Hospitals, which include acute care, the Veterans Administration, state psychiatric and private psychiatric hospitals, were still the largest provider service category in Vermont in 2004, totaling \$1.3 billion (41.6 percent of total expenditures). Nationally, hospitals accounted for 30.6 percent of total expenditures in 2004 (projected), which compares to 35.6 percent for Vermont after adjusting for Vermont's hospital-owned physicians, which are included in hospital category in the provider analysis. See page 19 of this report for more information.
- The biggest change in the distribution of the health care dollar has been the increase in drug spending, both in Vermont and in the nation. Drugs and supplies have been accounting for a larger share of the health care dollar, accounting for 12.6 percent of total health care spending in Vermont in 2000 and 13.8 percent in 2004.
- After adjusting for Vermont's hospital-owned physicians, the distribution of the health care dollar in Vermont was similar to what is projected for the nation in 2004.

**Vermont Health Care Expenditures
Increase in Health Spending (2003-2004)**

Contribution to 2004 Increase by Provider

Provider	2003 Amount	2004 Amount	Amount of 2003-2004 Increase	Share of 2003-2004 Increase	Share of 2004 Total Amount
Hospitals	\$1,197,630,214	\$1,306,566,413	\$108,936,199	49.6%	41.6%
Physician	\$409,945,325	\$439,689,053	\$29,743,728	13.5%	14.0%
Other Prof	\$95,354,415	\$102,505,996	\$7,151,581	3.3%	3.3%
Nursing Home/ Home Health	\$290,302,228	\$301,214,505	\$10,912,276	5.0%	9.6%
Drugs & Supplies	\$398,061,092	\$433,259,980	\$35,198,888	16.0%	13.8%
Other*	\$259,565,881	\$276,205,137	\$16,639,256	7.6%	8.8%
Govt Health Activities	\$270,704,512	\$281,825,061	\$11,120,549	5.1%	9.0%
Total	\$2,921,563,668	\$3,141,266,144	\$219,702,477	100.0%	100.0%

* Other includes services rendered by vision, DME, dental, and other miscellaneous providers.

Table 4

- Hospitals accounted for the largest share of total health care spending in Vermont in 2004 (41.6 percent) and also accounted for the largest share of the \$220 million increase in expenditures between 2003 and 2004 (\$108.9 million or 49.6 percent).
- In 2004, drugs and supplies accounted for 13.8 percent of the total health care dollar in Vermont and 16.0 percent of the increase in total health care spending.
- Drugs and supplies increased by over \$35 million between 2003 and 2004, and the increase was paid for by increases in Medicaid and out of pocket expenditures. Historically, increases in this category have generally been paid for by increases in private insurance. From 2003 to 2004, however, private insurance spending on drugs and supplies decreased 3.3 percent.

Vermont Health Care Expenditures
Average Annual Growth by Provider Service Categories
(2001-2004)

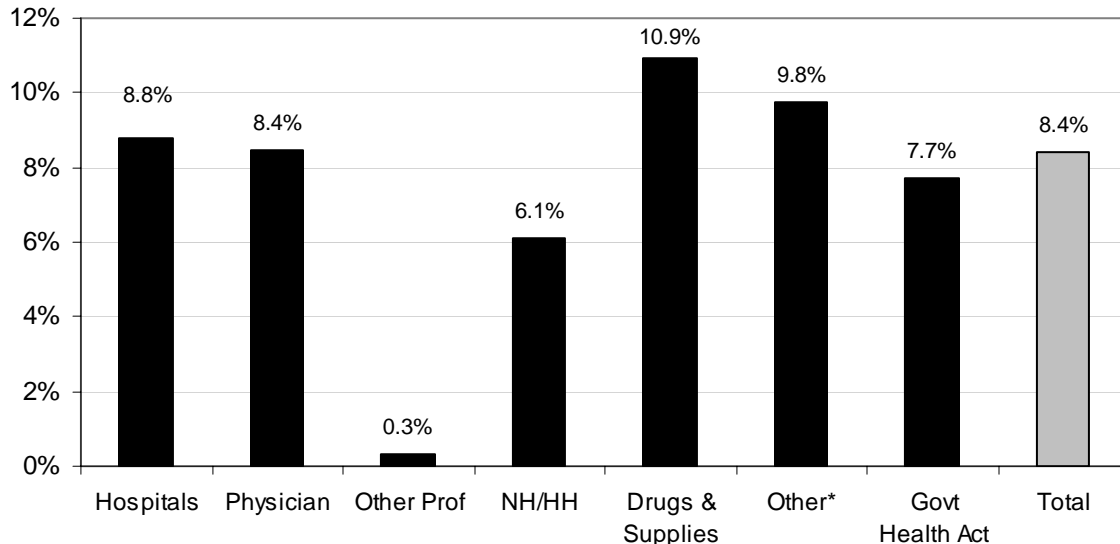
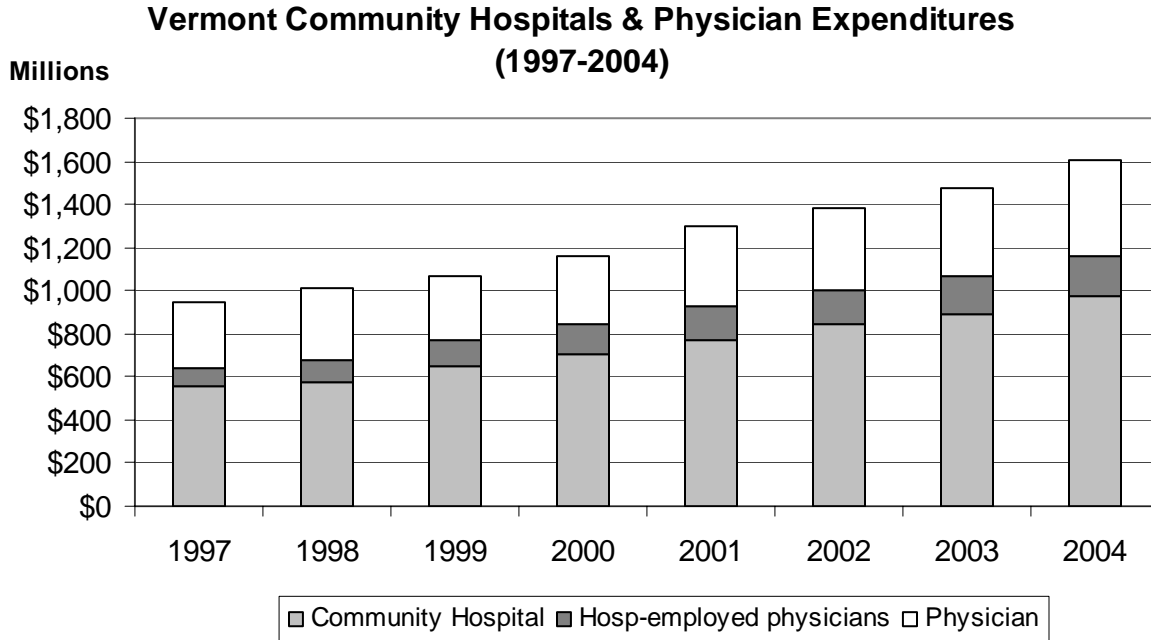


Figure 12

VT: Provider View

* Other includes services rendered by vision, DME, dental, and other miscellaneous providers.

- Drugs and supplies experienced the highest average annual rate of growth in Vermont between 2001 and 2004, followed by other providers as noted above.*
- Nationally, retail sales of prescription drugs and supplies rose 10.7 percent in 2004 (projected), a slight increase in growth after four years of decelerating growth, averaging 11.4 percent per year between 2001-2004.
- The growth in hospital expenditures rose slightly in 2004 after two years of moderated growth, resulting in an average annual increase of 8.8 percent from 2001-2004. Nationally, hospital expenditures increased 7.0 percent in 2004 (projected) and 7.5 percent annually from 2001-2004.
- Many factors contribute to health care expenditure growth including price inflation, population growth, and increases in use and intensity of services.



VT: Provider View

Figure 13

- Expenditures for Vermont's fourteen acute-care community hospitals totaled almost \$1.2 billion in 2004. Other hospital expenditures, which include the Veterans Hospital, the Vermont State Hospital, and Retreat Healthcare, totaled close to \$143 million in 2004.
- In contrast to the resident analysis, the provider analysis includes expenditures for hospital-employed physician practices (\$189 million in 2004) in the hospital category.
- Hospital-employed physician practices are practices funded through the hospitals' budgets. They do not include physicians that are independently operating in private practices. Hospital-employed physician practices are categorized as physician expenditures in the resident analysis, as payers cannot specifically identify expenditures associated with these practices.
- Physician expenditures (not including hospital-employed physician practices) totaled almost \$440 million in Vermont in 2004 (provider analysis). With hospital-employed physician practices included, total physician expenditures were \$629 million.

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2005-2008 Forecast

Three-Year Projections of Health Care Expenditures

This section describes projected estimates of health care spending by Vermont residents and on Vermont providers for the period 2005-2008.

Background

This section was prepared to meet the requirement under 18 V.S.A. § 9406 (b)(1)-(4) that directs the Department of Banking, Insurance, Securities and Health Care Administration (BISHCA) to annually prepare a three-year projection of health care expenditures made on behalf of Vermont residents.⁷ The statute requires that the projections be considered in the evaluation of health insurance rate and trend filings that are submitted to the BISHCA, as well as used in connection with the hospital budget review process, the Certificate of Need process, and the development of the Health Resource Allocation Plan. The projections of Vermont health care expenditures are also used in the development of the Unified Health Care Budget.

Forecast Model

The model uses as its base the 2004 Vermont health care expenditure levels in the matrices on pages 30-31. The projected expenditures for 2005-2008 are estimated primarily using the provider service projections reported by the U.S. Centers for Medicare and Medicaid Services (CMS) National Health Expenditure (NHE) model⁸. Hospital projections, however, for 2005 and 2006 are based upon data submitted to BISHCA during the hospital budget review process. These community hospital data include projected 2005 and budgeted 2006 expenditures.

Projections by funding sources (e.g., Medicare, Medicaid) are made using levels reported in the previous sections of this report. The model assumes no significant changes in enrollment or significant program policy changes in Medicare or Medicaid. This means that the effects of the Medicare Prescription Drug, Improvement and Modernization Act (passed in December 2003) on *payers* are not included in the model. Any *provider* effects, however, are included. At this time, there are no considerations of any projected effects to Medicaid related to the Global Commitment. A technical documentation report is available on BISHCA's web site and has a more complete discussion of the forecast model.

Key Data Findings: Vermont Health Care Expenditure Projections						
(\$ in millions)	Total	Out-of Pocket	Private	Medicare	Medicaid	Other Govt
Total Expenditures - 2004	\$3,308.1	\$481.5	\$1,306.7	\$544.7	\$855.1	\$120.1
Total Expenditures - 2008	\$4,436.9	\$657.1	\$1,742.5	\$711.3	\$1,165.7	\$160.3
2005-2008 Ave. Annual Change	7.6%	8.1%	7.5%	6.9%	8.1%	7.5%

Note: VT data is from the Resident Analysis. 2004 is actual, 2005-2008 are projected.

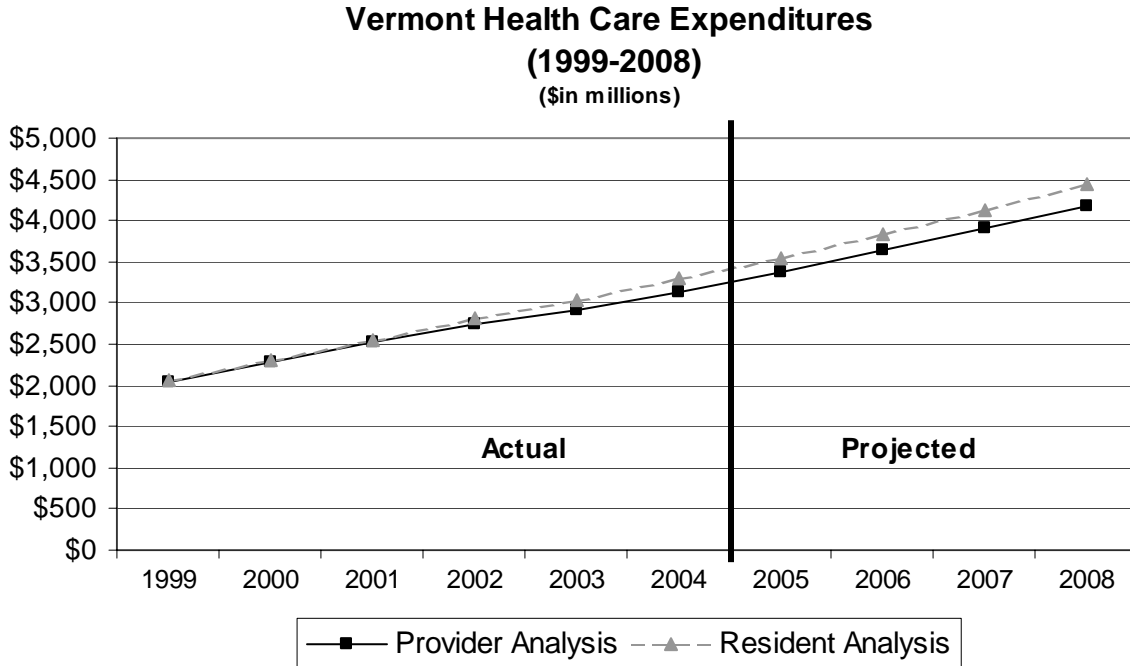


Figure 14

- The average annual increase between 2005 and 2008 is projected to be 7.6 percent in the resident analysis and 7.4 percent in the provider analysis.
- Total health care expenditures are expected to reach approximately \$3.5 billion in 2005 and over \$4.0 billion by 2008.
- On a per capita basis, health care expenditures are projected to increase 7.1 percent per year from 2005-2008, reaching approximately \$7,000 per person (resident analysis) in Vermont by 2008, compared to \$5,324 per person in 2004.
- The differences between the resident and provider analyses are due to accounting techniques, different populations, reporting definitions, and fiscal year considerations.

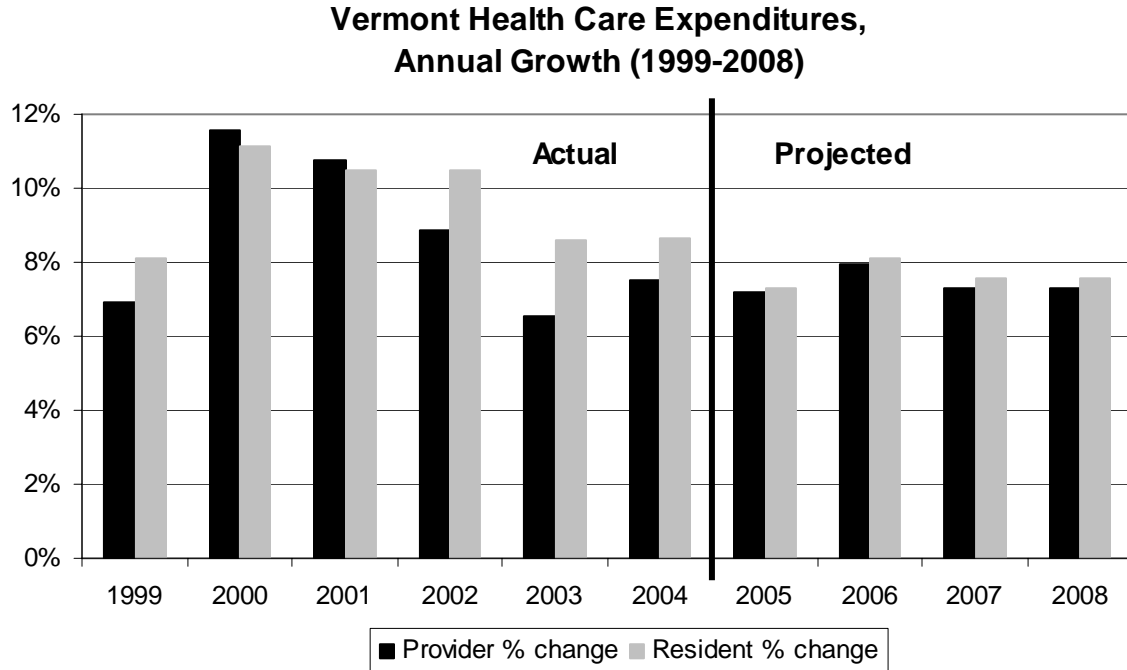


Figure 15

- Figure 15 highlights the projected annual rates of growth in health care spending for both the resident and provider views in Vermont through 2008. The forecast (which is based upon a national model) predicts a leveling off of growth (between 7-8 percent) for the time period of 2005 through 2008.⁹

**Vermont Health Care Expenditures
December 2003 Forecast Report and Actuals Comparison**

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Dec 2003 Projected Resident Expenditures	\$2,762,965,152	\$2,976,151,906	\$3,196,085,431
Actual Resident Expenditures	\$2,804,094,004	\$3,045,357,236	\$3,308,060,755
Resident Percent Difference	1.5%	2.3%	3.5%
Dec 2003 Projected Provider Expenditures	\$2,734,217,833	\$2,933,254,075	\$3,168,752,835
Actual Provider Expenditures	\$2,742,677,248	\$2,921,563,668	\$3,141,266,144
Provider Percent Difference	0.3%	-0.4%	-0.9%

Table 5

- Comparisons of previous forecasts and actual health care expenditures have been relatively close when comparing aggregate totals. Table 5 shows resident and provider expenditure levels and percent differences of what was projected two years ago compared with current data. Variability can be greater than the aggregate totals for individual payers and providers.

Vermont Health Care Expenditures, Average Annual Growth Trends: (1996-2008)

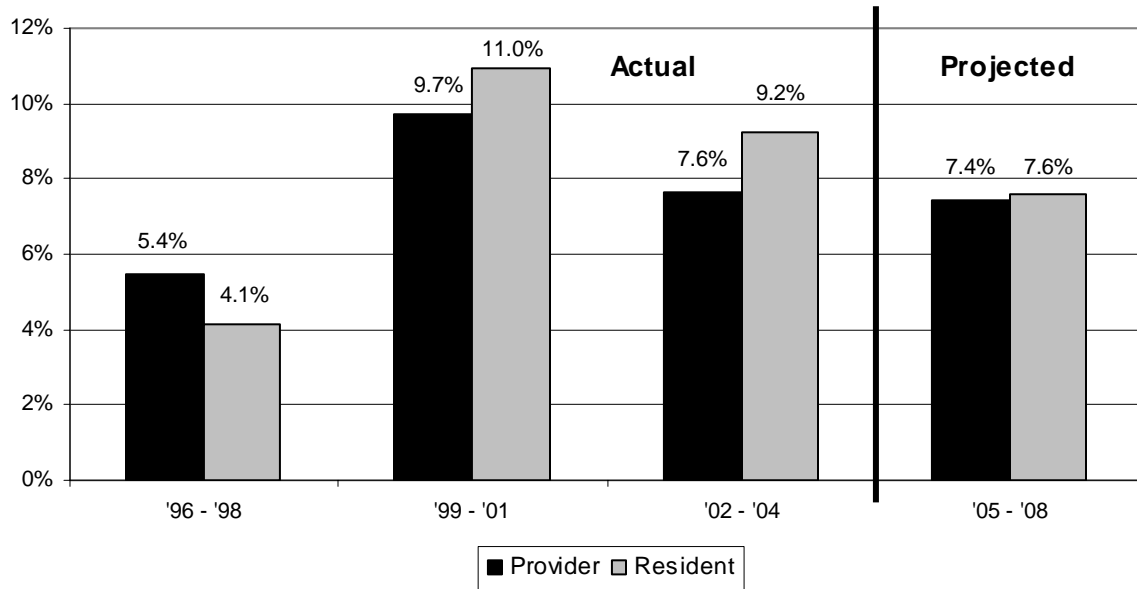


Figure 16

- Figure 16 highlights the average annual rates of growth for four selected time periods in Vermont.
- From 1996 to 1998, the average annual rate of growth was below 5.5 percent. Health care spending accelerated from 1999-2001, when the average annual growth rate grew to almost 10 and 11 percent for the provider and resident analyses respectively. Growth from 2002-2004 has slowed about 2 percent from those levels.
- Because the forecast is based upon the federal Centers for Medicare and Medicaid Services' forecast model, which projects a moderation of national health care spending, health care growth in Vermont is expected to moderate over the next few years, growing at an average annual rate of 7.4 and 7.6 percent from 2005 to 2008.

**Vermont Health Care Expenditures
Projected Average Annual Increase by Payer Category
(2005-2008)**

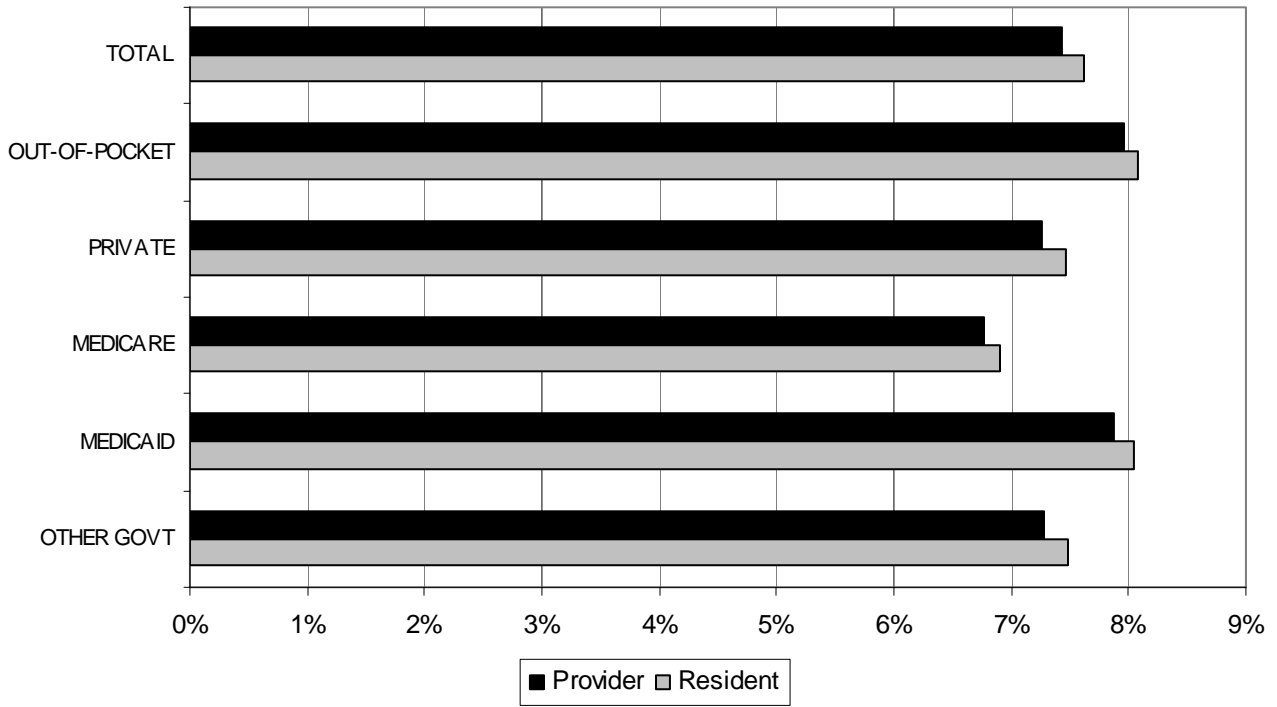


Figure 17

- There is not much variation in health care expenditure growth in the different payer categories for the forecast period of 2005-2008.
- Average annual growth is projected to be 7.6 percent in the resident analysis and 7.4 percent in the provider analysis.
- Among the payers, Medicare is projected to grow at the slowest rate, and out-of-pocket and Medicaid are projected to grow the fastest.¹⁰
- Weighting differences in the resident and provider analyses account for different average annual growth rates.

Definitions and Data Sources: Resident (Payer) Matrix

Expenditure Categories	Definition	Data Source for Payer Matrix	Allocation to Provider Services
<u>Out-of-Pocket</u>	Includes expenditures made directly by consumers to purchase health care services and supplies: includes deductibles and coinsurance. Excludes payments for insurance premiums that are included in the insurance expenditure category.	2004 was calculated using a 3-year regression analysis and NHE data.	Allocation based on NHE distribution.
<u>Insurance</u> - Private	Includes expenditures made by BCBSVT, MVP, CIGNA and other private commercial payers that sell benefit plans regulated by BISHCA. Includes comprehensive major medical insurance, Medicare supplement insurance, long-term care, and dental insurance. Excludes accident only and disability insurance.	BCBSVT, CIGNA, and MVP reported 2004 data by provider service category. Other private commercial insurance expenditures were calculated from the 2004 Annual Statement Supplement filed with BISHCA.	Allocation as reported by BCBSVT, CIGNA, and MVP. Allocation based on BCBSVT and MVP distribution.
- Self-Insured	Includes expenditures by companies that assume financial risk and directly pay for health services for their employees. These plans are exempt from state regulation under ERISA.	The estimate of self-insured lives is a residual based on subtracting data for lives enrolled in fully insured plans, Medicare, Medicaid and the uninsured from the total population. Total lives were multiplied by the annual single and family premium rates for the Northeast in the Kaiser Family Foundation's 2004 Employer Health Benefits Survey.	Allocation based on BCBSVT and MVP distribution.
<u>Medicare</u>	Includes expenditures made by the federal government on behalf of beneficiaries of the national Medicare program, including the elderly and disabled.	2003 claims data for Medicare beneficiaries who are VT residents regardless of location of covered services received, and inflated by an historical average increase.	Allocation from 2003 claims data for VT beneficiaries.
<u>Medicaid</u>	Includes health expenditures for beneficiaries of VT's medical assistance program, a federal-state health insurance program for certain low-income and medically needy people and aged, blind, and disabled residents. The program provides medical and prescription drug coverage.	2004 CMS-64 report prepared by AHS.	Allocation based on input from AHS.
<u>Other Federal</u>	Includes federal expenditures to operate the V.A. Hospital and grants administered by AHS for health care services not covered through the Medicare or Medicaid program.	2004 data from V.A. Hospital, and inflated 2003 data from AHS, and U.S. Department of Health and Human Services.	Allocation based on input from AHS.
<u>State & Local</u>	Includes public health activities and payments made by the state government for health care services that are not covered through the Medicare or Medicaid program.	2004 and inflated 2003 data from AHS and VT State Hospital.	Allocation based on input from AHS.

Note: The data matrices (pages 28-31) have been shaded according to data quality. White areas are relatively well documented and refer to Vermont specific sources. Gray areas have Vermont based information from which reasonable estimates can be calculated. Dark gray areas are based on estimates where there is no reliable Vermont specific information. Generally, national sources are used to make estimates in these areas.

Acronyms: AHS	Agency of Human Services	DME	Durable medical equipment
BCBSVT	Blue Cross Blue Shield of Vermont	ERISA	Employment Retirement Income Security Act of 1974
BISHCA	Department of Banking, Insurance, Securities and Health Care Administration	ICF	Intermediate Care Facility
CIGNA	Connecticut General Life Ins Co of Amer.	NHE	National Health Expenditures model
DHCA	Division of Health Care Administration	SNF	Skilled Nursing Facility
		V.A.	Veterans' Administration
		VPQHC	Vermont Program for Quality in Health Care

Definitions and Data Sources: Provider Matrix

Expenditure Categories	Definition	Data Source for Provider Matrix	Allocation to Payers of Services
<u>Hospitals</u>	Includes net revenues from all inpatient and outpatient acute care services and paid physician salaries and expenses at VT community hospitals, Brattleboro Retreat, VT State Hospital, and V.A. Hospital.	2004 data from all VT non-profit community hospitals, VT State Hospital, V.A. Hospital, and Brattleboro Retreat.	Government expenditures allocated as reported by hospitals. Private expenditures allocated based on resident matrix.
<u>Physician Services</u>	Includes revenue for all physicians, including osteopathic physicians, rural health clinics, federally qualified health centers, nurse practitioners, and physician assistants. Salaries and expenses paid for Vermont hospital-owned physician practices are excluded (see Hospital).	2002 U.S. Economic Census. Inflated to 2004 with NHE data.	Allocation based on resident matrix. Represents total net practice revenue, not physician net income.
<u>Dental Services</u>	Includes revenue for dental and oral surgery services.	2002 U.S. Economic Census. Inflated to 2004 with NHE data.	Allocation based on resident matrix.
<u>Other Professional Services</u>	Includes all revenue for services provided by licensed health care professionals who are not physicians or dentists and who directly bill for their services. Includes: chiropractic services, physical therapy services, podiatrist services, psychological services, and all other expenditures for services provided by health professionals that are not specifically identified.	Chiropractic, physical therapy, psychological, podiatrist, and other professional services data from 2002 U.S. Economic Census inflated to 2004 with NHE data.	Allocation based on resident matrix.
<u>Home Health Care</u>	Includes revenue from all services provided by home health agencies.	2004 data submitted by VT Assembly of Home Health Agencies (non-profit agencies), Associates in Physical and Occupational Therapy, and Professional Nurses Service.	Government expenditures allocated as reported by VT Assembly of Home Health Agencies, Associates in Physical and Occupational Therapy, and Professional Nurses Service. Private expenditures distributed based on resident matrix.
<u>Drugs and Supplies</u>	Includes all revenue for prescription drugs and non-durable supplies that are purchased by prescription. Non-prescription drugs are included.	2003 Verispan, L.L.C. data (posted by Henry J. Kaiser Family Foundation, State Health Facts Online at http://statehealthfacts.kff.org/) inflated with Nat'l Assoc. of Chain Drug Stores data. Estimate for supplies added.	Allocation based on resident matrix.
<u>Vision Products & DME</u>	Includes all revenue for products that aid sight and for all services provided by optometrists and opticians. Also includes expenditures for durable medical equipment purchased from independent vendors.	2002 U.S. Economic Census. Inflated to 2004 with NHE data.	Allocation based on resident matrix.
<u>Nursing Home Care</u>	Includes all revenues received by nursing homes, including ICFs and SNFs.	Expenditure data reported to AHS Division of Rate Setting for 2004. Estimates added for non-Medicaid homes.	Government expenditures allocated as reported by nursing homes to AHS. Private expenditures distributed based on resident matrix.
<u>Other/Unclassified Health Services</u>	Includes all services not specified elsewhere (e.g., those provided to prisoners or students).	University of Vermont, Vermont Department of Education, others.	Expenditures are classified primarily as out-of-pocket and state & local.
<u>Government Health Activities</u>	Includes all expenditures for health activities through AHS, public mental health funding, Corrections, and case management services. Federal grants and DHCA expenditures are also included.	AHS and DHCA.	Allocated as reported by AHS. AHS does not include employee or operating costs, only grant programs. DHCA includes employee and operating costs and contract with VPQHC.

2003 Vermont Expenditure Analysis, Resident Analysis

(all amounts in thousands)

All dollar amounts are reported in thousands - Multiply expenditures by 1,000 to arrive at the full expenditure amount.

	Percent of Total	Total	Out-of-Pocket	Various insurance plans				Medicare	Vermont Medicaid	Other Federal	State & Local
				Self-insure	BCBS VT	MVP	Other Private				
Hospitals	32.4%	\$986,151	\$29,247	\$220,760	\$153,199	\$40,213	\$75,408	\$290,364	\$115,670	\$54,215	\$7,075
Community Hospitals	29.9%	\$910,033	\$27,026	\$216,530	\$151,909	\$38,468	\$73,293	\$288,717	\$114,090	\$0	\$0
Veterans Hospital	1.9%	\$59,372	\$1,762	\$330	\$309	\$0	\$93	\$0	\$0	\$54,215	\$2,663
Psychiatric Hosp: State	0.3%	\$8,669	\$159	\$1,604	\$0	\$576	\$1,378	\$305	\$237	\$0	\$4,412
Psychiatric Hosp: Private	0.3%	\$8,077	\$300	\$2,295	\$981	\$1,170	\$644	\$1,342	\$1,344	\$0	\$0
Physician Services*	15.5%	\$470,683	\$48,159	\$119,358	\$82,471	\$21,563	\$41,308	\$93,499	\$60,707	\$3,617	\$0
Dental Services	4.9%	\$150,108	\$65,106	\$50,496	\$1,104	\$594	\$19,463	\$0	\$13,345	\$0	\$0
Other Professional Services	4.0%	\$122,747	\$33,215	\$29,595	\$16,689	\$5,868	\$13,481	\$11,456	\$12,442	\$0	\$0
Chiropractor Services	0.5%	\$14,928	\$4,008	\$4,351	\$3,256	\$383	\$1,660	\$1,187	\$84	\$0	\$0
Physical Therapy Services	0.7%	\$19,982	\$5,571	\$5,151	\$3,383	\$1,084	\$1,806	\$2,321	\$667	\$0	\$0
Psychological Services	1.2%	\$37,137	\$10,478	\$8,398	\$5,506	\$486	\$4,234	\$1,176	\$6,860	\$0	\$0
Podiatrist Services	0.1%	\$4,290	\$1,114	\$838	\$572	\$154	\$295	\$1,177	\$140	\$0	\$0
Other	1.5%	\$46,409	\$12,045	\$10,857	\$3,973	\$3,761	\$5,487	\$5,596	\$4,692	\$0	\$0
Home Health Care	3.4%	\$104,206	\$18,252	\$1,875	\$1,309	\$392	\$583	\$38,389	\$39,178	\$0	\$4,228
Drugs & Supplies	13.9%	\$423,447	\$148,973	\$77,345	\$58,544	\$9,078	\$26,561	\$8	\$102,937	\$0	\$0
Vision Products & DME	1.9%	\$57,053	\$25,037	\$6,044	\$2,731	\$2,696	\$1,933	\$14,301	\$4,311	\$0	\$0
Nursing Home Care	6.2%	\$188,906	\$50,981	\$2,632	\$2,466	\$0	\$739	\$34,326	\$95,110	\$0	\$2,652
Other/Unclassified Health Services	1.4%	\$43,843	\$12,340	\$1,746	\$1,605	\$0	\$521	\$8,601	\$11,118	\$0	\$7,912
Admin/Net Cost of Health Insurance	7.5%	\$227,509	N/A	\$27,793	\$46,462	\$23,833	\$51,486	\$14,622	\$63,312	\$0	\$0
Change in surplus	N/A	n.a.	N/A	n.a.	\$9,479	\$8,581	n.a.	n.a.	\$0	\$0	\$0
Administration	N/A	n.a.	N/A	\$27,793	\$36,983	\$15,252	n.a.	n.a.	\$63,312	\$0	\$0
Government Health Care Activities	8.9%	\$270,705	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$244,831	\$12,203	\$13,670
AHS - DAIL	0.1%	\$2,380	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$2,380	\$0	\$0
AHS - Health	0.8%	\$24,130	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$10,936	\$11,045	\$2,150
AHS - Mental Health/Retardation	5.6%	\$170,362	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$166,931	\$1,159	\$2,272
AHS - PATH	0.3%	\$9,129	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$9,129	\$0	\$0
AHS - All Other Departments	0.9%	\$28,652	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$22,410	\$0	\$6,242
Dept. of Education	1.1%	\$33,045	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$33,045	\$0	\$0
Administrative Allocation	0.0%	\$0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$0	\$0	\$0
Health Care Administration	0.1%	\$3,005	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$0	\$0	\$3,005
TOTAL VERMONT EXPENDITURES	100.0%	\$3,045,357	\$431,308	\$537,645	\$366,580	\$104,238	\$231,483	\$505,566	\$762,963	\$70,035	\$35,538
Percent of total expenditures		100.0%	14.2%	17.7%	12.0%	3.4%	7.6%	16.6%	25.1%	2.3%	1.2%

* Hospital-employed physician practices are included in the Physician Services category in the Resident Matrix.

	Payer reported data
	Allocations estimated from VT specific data
	Amounts imputed from National Health Expenditures or other indirect sources
N/A	Not Applicable
n.a.	Not Available

The 2003 health care expenditures reported here are included for informational purposes. These data have been revised from the 2003 Vermont Health Care Expenditure Analysis.

2003 Vermont Expenditure Analysis, Provider Analysis

(all amounts in thousands)

All dollar amounts are reported in thousands - Multiply expenditures by 1,000 to arrive at the full expenditure amount.

	Percent of Total	Total	Out-of-Pocket	Various insurance plans				Medicare	Vermont Medicaid	Other Federal	State & Local
				Self-insure	BCBS VT	MVP	Other Private				
Hospitals	41.0%	\$1,197,630	\$49,928	\$251,042	\$175,029	\$45,640	\$85,025	\$350,319	\$147,195	\$83,772	\$9,680
Community Hospitals*	36.6%	\$1,069,848	\$43,082	\$246,005	\$172,116	\$43,837	\$83,607	\$344,551	\$135,302	\$1,346	\$0
Veterans Hospital	3.1%	\$89,130	\$3,420	\$1,497	\$1,403	\$0	\$420	\$0	\$0	\$79,728	\$2,663
Psychiatric Hosp: State	0.4%	\$11,893	\$45	\$8	\$0	\$3	\$7	\$613	\$6,713	\$93	\$4,412
Psychiatric Hosp: Private	0.9%	\$26,759	\$3,381	\$3,532	\$1,510	\$1,800	\$991	\$5,154	\$5,180	\$2,605	\$2,605
Physician Services	14.0%	\$409,945	\$41,945	\$103,956	\$71,829	\$18,780	\$35,978	\$81,434	\$52,873	\$3,150	\$0
Dental Services	6.1%	\$179,357	\$77,792	\$60,335	\$1,319	\$710	\$23,256	\$0	\$15,945	\$0	\$0
Other Professional Services	3.3%	\$95,354	\$25,678	\$23,878	\$13,925	\$4,826	\$10,325	\$9,655	\$7,067	\$0	\$0
Chiropractor Services	0.8%	\$22,342	\$5,998	\$6,512	\$4,872	\$573	\$2,484	\$1,777	\$125	\$0	\$0
Physical Therapy Services	0.7%	\$21,222	\$5,917	\$5,470	\$3,593	\$1,151	\$1,918	\$2,465	\$709	\$0	\$0
Psychological Services	0.5%	\$14,236	\$4,016	\$3,219	\$2,111	\$186	\$1,623	\$451	\$2,629	\$0	\$0
Podiatrist Services	0.1%	\$2,826	\$734	\$552	\$377	\$102	\$194	\$775	\$93	\$0	\$0
Other	1.2%	\$34,729	\$9,013	\$8,125	\$2,973	\$2,814	\$4,106	\$4,187	\$3,511	\$0	\$0
Home Health Care	3.0%	\$87,322	\$7,555	\$776	\$542	\$162	\$241	\$43,544	\$29,473	\$731	\$4,297
Drugs & Supplies	13.6%	\$398,061	\$140,042	\$72,708	\$55,034	\$8,534	\$24,969	\$8	\$96,766	\$0	\$0
Vision Products & DME	1.9%	\$56,652	\$24,861	\$6,002	\$2,712	\$2,677	\$1,920	\$14,200	\$4,281	\$0	\$0
Nursing Home Care	6.9%	\$202,980	\$33,608	\$1,711	\$1,603	\$0	\$480	\$43,307	\$116,378	\$3,241	\$2,652
Other/Unclassified Health Services	0.8%	\$23,557	\$10,434	\$1,820	\$0	\$0	\$0	\$0	\$3,391	\$0	\$7,912
Admin/Net Cost of Health Insurance	N/A	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Change in surplus	N/A	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Administration	N/A	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Government Health Care Activities	9.3%	\$270,705	\$0	\$0	\$0	\$0	\$0	\$0	\$244,831	\$12,203	\$13,670
AHS - DAIL	0.1%	\$2,380	\$0	\$0	\$0	\$0	\$0	\$0	\$2,380	\$0	\$0
AHS - Health	0.8%	\$24,130	\$0	\$0	\$0	\$0	\$0	\$0	\$10,936	\$11,045	\$2,150
AHS - Mental Health/Retardation	5.8%	\$170,362	\$0	\$0	\$0	\$0	\$0	\$0	\$166,931	\$1,159	\$2,272
AHS - PATH	0.3%	\$9,129	\$0	\$0	\$0	\$0	\$0	\$0	\$9,129	\$0	\$0
AHS - All Other Departments	1.0%	\$28,652	\$0	\$0	\$0	\$0	\$0	\$0	\$22,410	\$0	\$6,242
Dept. of Education	1.1%	\$33,045	\$0	\$0	\$0	\$0	\$0	\$0	\$33,045	\$0	\$0
Administrative Allocation	0.0%	n.a.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Health Care Administration	0.1%	\$3,005	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,005
TOTAL VERMONT EXPENDITURES	100.0%	\$2,921,564	\$411,842	\$522,228	\$321,992	\$81,331	\$182,193	\$542,467	\$718,201	\$103,097	\$38,212
Percent of total expenditures		100.0%	14.1%	17.9%	11.0%	2.8%	6.2%	18.6%	24.6%	3.5%	1.3%

* Hospital-employed physician practices are included in the Community Hospital category in the Provider Matrix.

The 2003 health care expenditures reported here are included for informational purposes. These data have been revised from the 2003 Vermont Health Care Expenditure Analysis.

Provider reported data
 Allocations estimated from Vermont specific data
 Amounts imputed from National Health Expenditures or other indirect sources
 N/A Not Applicable
 n.a. Not Available

2004 Vermont Expenditure Analysis, Resident Analysis

(all amounts in thousands)

All dollar amounts are reported in thousands - Multiply expenditures by 1,000 to arrive at the full expenditure amount.

	Percent of Total	Total	Out-of-Pocket	Various insurance plans				Medicare	Vermont Medicaid	Other Federal	State & Local
				Self-insure	BCBS VT	MVP	Other Private				
Hospitals	32.4%	\$1,072,701	\$33,335	\$218,625	\$172,325	\$49,276	\$69,807	\$312,831	\$142,962	\$62,175	\$11,365
Community Hospitals	29.8%	\$985,985	\$30,635	\$215,241	\$170,880	\$47,373	\$68,624	\$311,056	\$142,176	\$0	\$0
Veterans Hospital	2.0%	\$67,649	\$2,139	\$360	\$356	\$0	\$91	\$0	\$0	\$62,175	\$2,528
Psychiatric Hosp: State	0.3%	\$9,905	\$249	\$0	\$0	\$0	\$329	\$328	\$162	\$0	\$8,837
Psychiatric Hosp: Private	0.3%	\$9,162	\$311	\$3,025	\$1,090	\$1,903	\$763	\$1,446	\$624	\$0	\$0
Physician Services*	15.5%	\$512,456	\$49,182	\$125,677	\$93,002	\$31,349	\$38,373	\$100,734	\$69,367	\$4,771	\$0
Dental Services	4.9%	\$162,160	\$70,101	\$56,036	\$1,355	\$589	\$20,194	\$0	\$13,884	\$0	\$0
Other Professional Services	3.8%	\$125,004	\$34,224	\$26,160	\$18,495	\$7,389	\$11,015	\$12,343	\$15,379	\$0	\$0
Chiropractor Services	0.4%	\$14,701	\$4,415	\$3,753	\$3,693	\$21	\$1,471	\$1,279	\$68	\$0	\$0
Physical Therapy Services	0.7%	\$24,212	\$6,332	\$6,332	\$3,976	\$2,289	\$2,105	\$2,501	\$677	\$0	\$0
Psychological Services	1.3%	\$42,285	\$11,400	\$9,095	\$6,086	\$2,913	\$2,765	\$1,267	\$8,760	\$0	\$0
Podiatrist Services	0.1%	\$4,471	\$1,142	\$838	\$633	\$196	\$256	\$1,268	\$138	\$0	\$0
Other	1.2%	\$39,336	\$10,935	\$6,141	\$4,106	\$1,970	\$4,419	\$6,029	\$5,736	\$0	\$0
Home Health Care	3.5%	\$115,159	\$17,981	\$2,263	\$1,317	\$922	\$587	\$41,359	\$46,966	\$0	\$3,762
Drugs & Supplies	14.9%	\$492,055	\$185,648	\$77,027	\$64,871	\$11,344	\$23,853	\$9	\$129,303	\$0	\$0
Vision Products & DME	1.6%	\$53,406	\$24,231	\$3,852	\$3,264	\$547	\$1,221	\$15,407	\$4,884	\$0	\$0
Nursing Home Care	6.1%	\$202,896	\$55,261	\$2,456	\$2,430	\$0	\$619	\$36,982	\$102,554	\$0	\$2,594
Other/Unclassified Health Services	1.6%	\$54,034	\$11,540	\$4,791	\$4,733	\$7	\$1,209	\$9,266	\$14,227	\$0	\$8,261
Admin/Net Cost of Health Insurance	7.1%	\$236,364	N/A	\$27,769	\$50,969	\$15,468	\$65,479	\$15,753	\$60,926	\$0	\$0
Change in surplus	N/A	n.a.	N/A	n.a.	\$11,342	\$3,106	n.a.	n.a.	\$0	\$0	\$0
Administration	N/A	n.a.	N/A	\$27,769	\$39,626	\$12,362	n.a.	n.a.	\$60,926	\$0	\$0
Government Health Care Activities	8.5%	\$281,825	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$254,672	\$13,012	\$14,141
AHS - DAIL	0.1%	\$2,563	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$2,563	\$0	\$0
AHS - Health	0.8%	\$26,529	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$12,397	\$12,188	\$1,944
AHS - Mental Health/Retardation	5.3%	\$176,500	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$173,566	\$825	\$2,109
AHS - PATH	0.3%	\$11,325	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$11,325	\$0	\$0
AHS - All Other Departments	0.9%	\$30,102	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$23,118	\$0	\$6,984
Dept. of Education	1.0%	\$31,702	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$31,702	\$0	\$0
Administrative Allocation	0.0%	\$0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$0	\$0	\$0
Health Care Administration	0.1%	\$3,105	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	\$0	\$0	\$3,105
TOTAL VERMONT EXPENDITURES	100.0%	\$3,308,061	\$481,504	\$544,656	\$412,761	\$116,893	\$232,357	\$544,684	\$855,124	\$79,959	\$40,123
Percent of total expenditures		100.0%	14.6%	16.5%	12.5%	3.5%	7.0%	16.5%	25.8%	2.4%	1.2%

* Hospital-employed physician practices are included in the Physician Services category in the Resident Matrix.

	Payer reported data
	Allocations estimated from VT specific data
	Amounts imputed from National Health Expenditures or other indirect sources
N/A	Not Applicable
n.a.	Not Available

2004 Vermont Expenditure Analysis, Provider Analysis

(all amounts in thousands)

All dollar amounts are reported in thousands - Multiply expenditures by 1,000 to arrive at the full expenditure amount.

	Percent of Total	Total	Out-of-Pocket	Various insurance plans				Medicare	Vermont Medicaid	Other Federal	State & Local
				Self-insure	BCBS VT	MVP	Other Private				
Hospitals	41.6%	\$1,306,566	\$54,581	\$263,136	\$204,854	\$60,682	\$82,883	\$371,884	\$160,055	\$95,192	\$13,300
Community Hospitals*	37.1%	\$1,163,867	\$48,122	\$257,141	\$201,650	\$57,953	\$81,359	\$366,589	\$149,296	\$1,757	\$0
Veterans Hospital	3.2%	\$101,293	\$3,608	\$1,661	\$1,642	\$1	\$419	\$0	\$0	\$91,434	\$2,528
Psychiatric Hosp: State	0.4%	\$13,063	\$61	\$0	\$0	\$0	\$12	\$228	\$3,859	\$67	\$8,837
Psychiatric Hosp: Private	0.9%	\$28,344	\$2,790	\$4,335	\$1,562	\$2,728	\$1,093	\$5,066	\$6,901	\$1,934	\$1,934
Physician Services	14.0%	\$439,689	\$42,199	\$107,831	\$79,796	\$26,898	\$32,924	\$86,430	\$59,517	\$4,093	\$0
Dental Services	6.1%	\$190,836	\$82,497	\$65,946	\$1,594	\$694	\$23,765	\$0	\$16,340	\$0	\$0
Other Professional Services	3.3%	\$102,506	\$28,460	\$21,788	\$16,310	\$5,248	\$9,754	\$11,488	\$9,457	\$0	\$0
Chiropractor Services	0.8%	\$24,017	\$7,214	\$6,132	\$6,034	\$34	\$2,403	\$2,090	\$112	\$0	\$0
Physical Therapy Services	0.7%	\$22,813	\$5,966	\$5,966	\$3,746	\$2,157	\$1,983	\$2,356	\$638	\$0	\$0
Psychological Services	0.5%	\$15,303	\$4,126	\$3,291	\$2,203	\$1,054	\$1,001	\$458	\$3,170	\$0	\$0
Podiatrist Services	0.1%	\$3,038	\$776	\$569	\$430	\$133	\$174	\$861	\$94	\$0	\$0
Other	1.2%	\$37,334	\$10,378	\$5,829	\$3,898	\$1,870	\$4,194	\$5,722	\$5,444	\$0	\$0
Home Health Care	2.9%	\$90,325	\$8,168	\$1,028	\$598	\$419	\$267	\$45,285	\$29,957	\$762	\$3,841
Drugs & Supplies	13.8%	\$433,260	\$163,465	\$67,823	\$57,119	\$9,989	\$21,003	\$8	\$113,853	\$0	\$0
Vision Products & DME	1.9%	\$60,835	\$27,602	\$4,387	\$3,718	\$623	\$1,391	\$17,550	\$5,564	\$0	\$0
Nursing Home Care	6.7%	\$210,889	\$36,571	\$1,536	\$1,519	\$0	\$387	\$45,746	\$119,367	\$3,170	\$2,594
Other/Unclassified Health Services	0.8%	\$24,535	\$10,362	\$2,372	\$0	\$0	\$0	\$0	\$3,540	\$0	\$8,261
Admin/Net Cost of Health Insurance	N/A	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Change in surplus	N/A	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Administration	N/A	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Government Health Care Activities	9.0%	\$281,825	\$0	\$0	\$0	\$0	\$0	\$0	\$254,672	\$13,012	\$14,141
AHS - DAIL	0.1%	\$2,563	\$0	\$0	\$0	\$0	\$0	\$0	\$2,563	\$0	\$0
AHS - Health	0.8%	\$26,529	\$0	\$0	\$0	\$0	\$0	\$0	\$12,397	\$12,188	\$1,944
AHS - Mental Health/Retardation	5.6%	\$176,500	\$0	\$0	\$0	\$0	\$0	\$0	\$173,566	\$825	\$2,109
AHS - PATH	0.4%	\$11,325	\$0	\$0	\$0	\$0	\$0	\$0	\$11,325	\$0	\$0
AHS - All Other Departments	1.0%	\$30,102	\$0	\$0	\$0	\$0	\$0	\$0	\$23,118	\$0	\$6,984
Dept. of Education	1.0%	\$31,702	\$0	\$0	\$0	\$0	\$0	\$0	\$31,702	\$0	\$0
Administrative Allocation	0.0%	n.a.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Health Care Administration	0.1%	\$3,105	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,105
TOTAL VERMONT EXPENDITURES	100.0%	\$3,141,266	\$453,904	\$535,848	\$365,510	\$104,551	\$172,374	\$578,391	\$772,322	\$116,230	\$42,136
Percent of total expenditures		100.0%	14.4%	17.1%	11.6%	3.3%	5.5%	18.4%	24.6%	3.7%	1.3%

* Hospital-employed physician practices are included in the Community Hospital category in the Provider Matrix.

Provider reported data
 Allocations estimated from Vermont specific data
 Amounts imputed from National Health Expenditures or other indirect sources
 N/A Not Applicable
 n.a. Not Available

**2000-2008 Vermont Expenditures
SUMMARY RESIDENT ANALYSIS
(\$ in thousands)**

PAYERS	2000	2001	2002	2003	2004	Projected			
						2005	2006	2007	2008
Out-of-Pocket	\$334,398	\$357,680	\$401,055	\$431,308	\$481,504	\$519,964	\$563,126	\$608,345	\$657,080
Private	\$908,586	\$1,005,937	\$1,127,993	\$1,239,947	\$1,306,667	\$1,397,317	\$1,509,426	\$1,621,663	\$1,742,537
Self-Insured	\$367,195	\$426,578	\$499,338	\$537,645	\$544,656	\$582,920	\$629,093	\$675,033	\$724,575
BCBSVT	\$235,211	\$267,703	\$311,692	\$366,580	\$412,761	\$441,753	\$477,691	\$513,555	\$552,172
MVP	\$120,099	\$123,670	\$101,195	\$104,238	\$116,893	\$124,839	\$134,726	\$144,606	\$155,239
Other Private	\$186,081	\$187,986	\$215,768	\$231,483	\$232,357	\$247,805	\$267,916	\$288,469	\$310,551
Medicare	\$404,548	\$448,697	\$473,692	\$505,566	\$544,684	\$580,332	\$624,464	\$666,552	\$711,317
Medicaid	\$563,024	\$633,960	\$709,857	\$762,963	\$855,124	\$922,362	\$999,315	\$1,079,609	\$1,165,667
Other Government	\$86,909	\$92,115	\$91,497	\$105,573	\$120,082	\$128,737	\$139,352	\$149,473	\$160,283
Other Federal	\$52,956	\$58,452	\$64,809	\$70,035	\$79,959	\$85,266	\$92,117	\$98,371	\$105,054
State & Local	\$33,953	\$33,663	\$26,688	\$35,538	\$40,123	\$43,471	\$47,235	\$51,101	\$55,229
TOTAL RESIDENT EXPENDITURES	\$2,297,465	\$2,538,389	\$2,804,094	\$3,045,357	\$3,308,061	\$3,548,713	\$3,835,683	\$4,125,642	\$4,436,884

Annual Percent Change

PAYERS	2001	2002	2003	2004	2001-2004 Average Annual Change	Projected				2005-2008 Average Annual Change
						2005	2006	2007	2008	
Out-of-Pocket	7.0%	12.1%	7.5%	11.6%	9.5%	8.0%	8.3%	8.0%	8.0%	8.1%
Private	10.7%	12.1%	9.9%	5.4%	9.5%	6.9%	8.0%	7.4%	7.5%	7.5%
Self-Insured	16.2%	17.1%	7.7%	1.3%	10.4%	7.0%	7.9%	7.3%	7.3%	7.4%
BCBSVT	13.8%	16.4%	17.6%	12.6%	15.1%	7.0%	8.1%	7.5%	7.5%	7.5%
MVP	3.0%	-18.2%	3.0%	12.1%	-0.7%	6.8%	7.9%	7.3%	7.4%	7.4%
Other Private	1.0%	14.8%	7.3%	0.4%	5.7%	6.6%	8.1%	7.7%	7.7%	7.5%
Medicare	10.9%	5.6%	6.7%	7.7%	7.7%	6.5%	7.6%	6.7%	6.7%	6.9%
Medicaid	12.6%	12.0%	7.5%	12.1%	11.0%	7.9%	8.3%	8.0%	8.0%	8.1%
Other Government	6.0%	-0.7%	15.4%	13.7%	8.4%	7.2%	8.2%	7.3%	7.2%	7.5%
Other Federal	10.4%	10.9%	8.1%	14.2%	10.9%	6.6%	8.0%	6.8%	6.8%	7.1%
State & Local	-0.9%	-20.7%	33.2%	12.9%	4.3%	8.3%	8.7%	8.2%	8.1%	8.3%
TOTAL RESIDENT EXPENDITURES	10.5%	10.5%	8.6%	8.6%	9.5%	7.3%	8.1%	7.6%	7.5%	7.6%

**2000-2008 Vermont Expenditures
SUMMARY PROVIDER ANALYSIS
(\$ in thousands)**

PROVIDERS	2000	2001	2002	2003	2004	Projected			
						2005	2006	2007	2008
Hospitals	\$932,378	\$1,033,254	\$1,108,698	\$1,197,630	\$1,306,566	\$1,385,982	\$1,496,317	\$1,590,585	\$1,690,791
Community Hospitals	\$839,979	\$932,403	\$1,000,992	\$1,069,848	\$1,163,867	\$1,234,609	\$1,332,893	\$1,416,865	\$1,506,128
Veterans Hospital	\$66,652	\$75,018	\$82,314	\$89,130	\$101,293	\$107,450	\$116,004	\$123,312	\$131,081
Psychiatric Hospital: State	\$7,313	\$6,848	\$7,208	\$11,893	\$13,063	\$13,857	\$14,960	\$15,902	\$16,904
Psychiatric Hospital: Private	\$18,433	\$18,985	\$18,185	\$26,759	\$28,344	\$30,066	\$32,460	\$34,505	\$36,679
Physician Services	\$317,935	\$365,148	\$380,108	\$409,945	\$439,689	\$471,347	\$502,456	\$538,632	\$578,491
Dental Services	\$128,755	\$141,898	\$171,142	\$179,357	\$190,836	\$203,049	\$217,060	\$231,603	\$247,351
Other Professional Services	\$101,212	\$110,424	\$90,555	\$95,354	\$102,506	\$109,169	\$117,138	\$125,572	\$134,613
Chiropractor Services	\$15,673	\$17,099	\$21,217	\$22,342	\$24,017	\$25,578	\$27,445	\$29,422	\$31,540
Physical Therapy Services	\$10,357	\$11,299	\$20,154	\$21,222	\$22,813	\$24,296	\$26,070	\$27,947	\$29,959
Psychological Services	\$31,544	\$34,415	\$13,519	\$14,236	\$15,303	\$16,298	\$17,488	\$18,747	\$20,096
Podiatrist Services	\$2,941	\$3,209	\$2,684	\$2,826	\$3,038	\$3,236	\$3,472	\$3,722	\$3,990
Other	\$40,699	\$44,403	\$32,981	\$34,729	\$37,334	\$39,761	\$42,663	\$45,735	\$49,028
Home Health Care	\$67,310	\$73,830	\$81,367	\$87,322	\$90,325	\$99,810	\$109,391	\$118,908	\$128,302
Drugs & Supplies	\$286,198	\$317,024	\$385,188	\$398,061	\$433,260	\$478,704	\$529,343	\$582,037	\$639,214
Vision Products & DME	\$38,144	\$40,328	\$54,333	\$56,652	\$60,835	\$63,297	\$66,442	\$70,085	\$73,841
Nursing Home Care	\$170,364	\$191,180	\$197,634	\$202,980	\$210,889	\$221,012	\$232,283	\$244,827	\$258,292
Other/Unclassified Health Services	\$23,317	\$19,096	\$21,850	\$23,557	\$24,535	\$27,062	\$29,714	\$32,685	\$35,921
Admin/Net Cost of Health Insurance	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Change in Surplus	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administration	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Government Health Activities	\$209,423	\$227,646	\$251,801	\$270,705	\$281,825	\$307,471	\$334,836	\$364,636	\$396,724
AHS - DAIL	\$4,567	\$3,882	\$1,377	\$2,380	\$2,563	\$2,797	\$3,046	\$3,317	\$3,609
AHS - Health	\$15,502	\$15,993	\$19,082	\$24,130	\$26,529	\$28,943	\$31,519	\$34,324	\$37,344
AHS - Mental Health/Retardation	\$146,551	\$143,859	\$156,966	\$170,362	\$176,500	\$192,561	\$209,699	\$228,362	\$248,458
AHS - PATH	\$632	\$5,156	\$6,137	\$9,129	\$11,325	\$12,355	\$13,455	\$14,653	\$15,942
AHS - All Other Departments	\$9,726	\$22,976	\$25,814	\$28,652	\$30,102	\$32,841	\$35,764	\$38,947	\$42,374
Dept. of Education	\$30,361	\$33,303	\$39,900	\$33,045	\$31,702	\$34,587	\$37,665	\$41,017	\$44,627
Administrative Allocation	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Health Care Administration	\$2,085	\$2,477	\$2,526	\$3,005	\$3,105	\$3,387	\$3,689	\$4,017	\$4,371
TOTAL PROVIDER EXPENDITURES	\$2,275,036	\$2,519,828	\$2,742,677	\$2,921,564	\$3,141,266	\$3,366,901	\$3,634,980	\$3,899,570	\$4,183,542

N/A Not Applicable

n.a. Not Available

**2000-2008 Vermont Expenditures
SUMMARY PROVIDER ANALYSIS
Annual Percent Change**

PAYERS	2001	2002	2003	2004	2001-2004 Average Annual Change	Projected				2005-2008 Average Annual Change
						2005	2006	2007	2008	
Hospitals	10.8%	7.3%	8.0%	9.1%	8.8%	6.1%	8.0%	6.3%	6.3%	6.7%
Community Hospitals	11.0%	7.4%	6.9%	8.8%	8.5%	6.1%	8.0%	6.3%	6.3%	6.7%
Veterans Hospital	12.6%	9.7%	8.3%	13.6%	11.0%	6.1%	8.0%	6.3%	6.3%	6.7%
Psychiatric Hospital: State	-6.4%	5.3%	65.0%	9.8%	15.6%	6.1%	8.0%	6.3%	6.3%	6.7%
Psychiatric Hospital: Private	3.0%	-4.2%	47.1%	5.9%	11.4%	6.1%	8.0%	6.3%	6.3%	6.7%
Physician Services	14.8%	4.1%	7.8%	7.3%	8.4%	7.2%	6.6%	7.2%	7.4%	7.1%
Dental Services	10.2%	20.6%	4.8%	6.4%	10.3%	6.4%	6.9%	6.7%	6.8%	6.7%
Other Professional Services	9.1%	-18.0%	5.3%	7.5%	0.3%	6.5%	7.3%	7.2%	7.2%	7.0%
Chiropractor Services	9.1%	24.1%	5.3%	7.5%	11.3%	6.5%	7.3%	7.2%	7.2%	7.0%
Physical Therapy Services	9.1%	78.4%	5.3%	7.5%	21.8%	6.5%	7.3%	7.2%	7.2%	7.0%
Psychological Services	9.1%	-60.7%	5.3%	7.5%	-16.5%	6.5%	7.3%	7.2%	7.2%	7.0%
Podiatrist Services	9.1%	-16.4%	5.3%	7.5%	0.8%	6.5%	7.3%	7.2%	7.2%	7.0%
Other	9.1%	-25.7%	5.3%	7.5%	-2.1%	6.5%	7.3%	7.2%	7.2%	7.0%
Home Health Care	9.7%	10.2%	7.3%	3.4%	7.6%	10.5%	9.6%	8.7%	7.9%	9.2%
Drugs & Supplies	10.8%	21.5%	3.3%	8.8%	10.9%	10.5%	10.6%	10.0%	9.8%	10.2%
Vision Products & DME	5.7%	34.7%	4.3%	7.4%	12.4%	4.0%	5.0%	5.5%	5.4%	5.0%
Nursing Home Care	12.2%	3.4%	2.7%	3.9%	5.5%	4.8%	5.1%	5.4%	5.5%	5.2%
Other/Unclassified Health Services	-18.1%	14.4%	7.8%	4.2%	1.3%	10.3%	9.8%	10.0%	9.9%	10.0%
Admin/Net Cost of Health Insurance	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Change in Surplus	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administration	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Government Health Activities	8.7%	10.6%	7.5%	4.1%	7.7%	9.1%	8.9%	8.9%	8.8%	8.9%
AHS - DAIL	-15.0%	-64.5%	72.9%	7.7%	-13.4%	9.1%	8.9%	8.9%	8.8%	8.9%
AHS - Health	3.2%	19.3%	26.5%	9.9%	14.4%	9.1%	8.9%	8.9%	8.8%	8.9%
AHS - Mental Health/Retardation	-1.8%	9.1%	8.5%	3.6%	4.8%	9.1%	8.9%	8.9%	8.8%	8.9%
AHS - PATH	715.8%	19.0%	48.8%	24.0%	105.7%	9.1%	8.9%	8.9%	8.8%	8.9%
AHS - All Other Departments	136.2%	12.4%	11.0%	5.1%	32.6%	9.1%	8.9%	8.9%	8.8%	8.9%
Dept. of Education	9.7%	19.8%	-17.2%	-4.1%	1.1%	9.1%	8.9%	8.9%	8.8%	8.9%
Administrative Allocation	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Health Care Administration	18.8%	2.0%	19.0%	3.3%	10.5%	9.1%	8.9%	8.9%	8.8%	8.9%
TOTAL PROVIDER EXPENDITURES	10.8%	8.8%	6.5%	7.5%	8.4%	7.2%	8.0%	7.3%	7.3%	7.4%

N/A Not Applicable
n.a. Not Available

Summary of Key Data Revisions

The U.S. Census Bureau has released the **2002 Economic Census**, a portrait of economic activity at the national and local level collected every five years. The Vermont data has allowed BISHCA to update and revise estimates for a number of provider categories in the provider analysis including physicians, dental, other professional services, vision and durable medical equipment, and drugs and supplies. These categories have been revised for 2002 and 2003.

In the resident analysis, BISHCA received **2002 and 2003 Medicare data** since last year's report when this data was estimated, and this payer category has been updated to reflect the more accurate data for these years.

This report incorporates data made available during the year. Some data may not have been received in time to include in the analysis and so may produce revised estimates once they are incorporated. The release of various data, including national estimates and updated prescription drug expenditures in Vermont, will have occurred too late for BISHCA to include herein. If necessary, BISHCA will produce a supplement to this report to reflect the revised data.

BISHCA is committed to updating and revising the data and methodologies incorporated in this annual report in order to more accurately reflect Vermont's health care expenditures in the different payer and provider categories. These refinements can change the expenditure levels reported in prior reports. Besides the Economic Census and Medicare changes noted above, this latest analysis incorporates other revisions to 2002 and 2003 data from various sources. Please contact BISHCA if you would like further information or would like to provide input to assist in refining the analysis further.

Endnotes:

¹ Private insurance includes self-insured and private health insurer (e.g., Blue Cross Blue Shield of Vermont, MVP, CIGNA) expenditures, as well as premium dollars paid by individuals and employers. This category does not include out-of-pocket or government program expenditures.

² Payers of health care include private insurers (self-funded and private health insurers like Blue Cross Blue Shield of Vermont, MVP, CIGNA, etc.), government programs (Medicare, Medicaid, state and federal grants), and out-of-pocket expenditures made directly by individuals.

³ Smith, C et al., "Health Spending Growth Slows in 2003," Health Affairs, Volume 24, Number 1, p. 186-187.

⁴ The national and Vermont models differ in the manner in which some expenses are reported and also explain some of the variation in per capita spending. For example, expenses in the national model that are not included in the Vermont model are philanthropic expenditures and some categories of research spending. These account for less than 10 percent of all U.S. health care expenditures.

⁵ Shifts in enrollment can occur over time. For more information about the health insurance market in Vermont, please visit the Division of Health Care Administration at BISHCA's web site at <http://www.bishca.state.vt.us/HcaDiv/hcdefault.htm> and select "Data & Reports" and look for "Health Insurance Market in Vermont".

⁶ Kaiser Family Foundation's State Health Facts Online. <http://statehealthfacts.kff.org/cgi-bin/healthfacts.cgi?>

⁷ For more information about the Forecast, please visit the Division of Health Care Administration at BISHCA's web site at <http://www.bishca.state.vt.us/HcaDiv/hcdefault.htm> and select "Data & Reports" and look for "Technical Documentation" under the *2004 Vermont Health Care Expenditure Analysis & Three-Year Forecast*.

⁸ For more information about the National Health Expenditure Data, please visit the Centers for Medicare and Medicaid Services' web site at www.cms.hhs.gov/NationalHealthExpendData/.

⁹ The Forecast projects slightly higher growth than NHE in 2006 due to the inclusion of Vermont community hospital budget data submitted through the hospital budget process.

¹⁰ The forecast model does not include any significant changes among payers; the payer category effects of the Medicare Prescription Drug, Improvement and Modernization Act are not included. Also, the effects of the Vermont Medicaid global commitment are not included.