

James E. Bushnell

To: James E. Bushnell
Subject: Jonathan Gruber and Health Care Modeling

If you'd care to read the whole article, go to:

Attached Message

From:	Vermonters for Health Care Freedom < info@vthehealthcarefreedom.org >
To:	N.W. Patterson < nwp3000@comcast.net >
Subject:	Gruber's Health Care Modelling Has Failed in Three States
Date:	Mon, 15 Dec 2014 12:14:53 -0800



Vermonters for Health Care Freedom Health Care Reform Newsletter #42

Vermonters for Health Care Freedom continues our newsletter series on Vermont's health care reform efforts. We dig deep through national and local media coverage, to bring honest reporting to our client businesses and newsletter recipients. We focus on Vermont's push for a "single payer" health care system, and the problems inherent in such a system. We also report on the federal Obamacare law and Vermont's health benefit exchange. No other Vermont organization is dedicated solely to this work.



Breaking News:

House Oversight Committee Subpoenas Jonathan Gruber's Documents and Work Products, including Vermont's.

In This Issue:

- **Gruber's Health Care Modeling Has Failed For Colorado, Massachusetts, Minnesota, and the Feds**
- **VT Senator Tim Ashe Calls For Universal Health Care First, Single Payer Later**

- **Early Estimates on Single Payer Income Taxes**

Quotes of the Week:

“Congress will not recognize a state’s assertion of executive privilege. It simply does not apply. The state has no say in the matter.”

Brady Toensing, Vermont-based attorney with expertise in executive privilege, who has represented clients in high profile Congressional investigations, including the Clinton White House pardon, commenting on Governor Shumlin’s attempts to keep single payer details under wraps

“They said the great thing about using the Gruber model instead of the standard econometric model is that we’re going to use a lot of survey data. They basically set up a representative population and said this is how people behave based on surveys. That kind of thing works really badly for a small state like Colorado. His models can’t be relied upon for policy. They’re not ready for prime time.”

Linda Gorman, Director Health Care Policy Center at the Independence Institute on Colorado, commenting on the fact that Gruber’s economic modeling has cost her state an additional \$800m.

“Changing from a premium system right now.....to a tax-financed system, has nothing to do with providing another person insurance. It has nothing to do with saving money in the system. It has nothing to do with global hospital budgets. It has nothing to do with increasing the quality of care. It has nothing to do with any of that.”

Senator Tim Ashe, Chair, Vermont Senate Finance Committee

Gruber Subpoenaed For Vermont Documents and Work Products

Things went from bad to worse for Jonathan Gruber last week. After he refused to answer questions before the House Government Oversight Committee, Chairman Darrell Issa issued a subpoena demanding that Gruber produce all documents relating to his consulting work for the Feds and any state governments. That means Gruber must produce all of the Vermont single payer documents that Governor Shumlin has so far refused to divulge, citing “executive privilege”.

Vermont courts recently ruled that the single payer work product may be exempted from disclosure by executive privilege. However, Congress will not recognize a state’s assertion of executive privilege, according to legal expert Brady Toensing. “It simply does not apply. The state has no say in the matter. If Gruber does not comply, he will be risking criminal contempt”, Toensing says. “Congress has a broad and inherent Constitutional prerogative to investigate anything that enables it to carry out its legislative function.”

The subpoena seeks all documents and communications referring to or related to funding – for research or otherwise – from any federal, state or local government agency, including any contracts with federal state or local government agencies. It also seeks work that Gruber created, as well as communications related to the ACA and federal and state exchanges.

Gruber’s Health Care Micro simulation hasn’t worked

Jonathan Gruber's stated belief that a "lack of transparency is a huge political advantage", is coming home to roost. Last week Gruber was taken out behind the woodshed by the House Government Oversight Committee, in a grueling 4-hour session. As Gruber testified about the deception and lack of transparency used to push the Obamacare legislation through in 2010, both his integrity and his data modeling were called into question. When he asserted, "No one has ever questioned my data modeling", Committee Chairman Darrell Issa responded, "I'm questioning it".

The states of Colorado, Massachusetts and Minnesota are questioning it too.

Colorado: VHCF has just learned that Gruber's micro simulation modeling for Colorado was significantly understated, and is currently costing Colorado an additional \$800m. In 2011, Colorado decided to set up its own health care exchange and hired Gruber to forecast enrollment trends. Using his predictive modeling tool (GMSIM), Gruber predicted that Medicaid enrollments would increase from 440,000 in 2011 to 710,000 in 2016. By 2014, Colorado's Medicaid enrollment had already grown to 1,100,000, and it is still growing. At a taxpayer cost of \$2,000 per enrollee, this miscalculation has left Colorado's budget \$800m in the hole so far.

In addition, Gruber's GMSIM model vastly overestimated enrollment numbers for Colorado's exchange plans, Gruber's simulations showed that by 2016, Colorado could expect 470,000 people enrolled in a subsidized plan and 150,000 in an unsubsidized plan. Data for 2014 shows only 16% of the 470,000, or 75,067 enrollees in the subsidized plan - and 35% of the 150,000, or 52,165 in the unsubsidized plan.

Massachusetts: Then-Governor Mitt Romney also relied upon Gruber's micro simulation model to implement the Massachusetts Health Connector, or Romneycare. As with all of Gruber's work, the modeling relies on assumptions. Gruber's assumptions underestimated enrollment numbers for subsidized coverage. As a result, Massachusetts has had to raise taxes, copays and premiums to cover the shortfall.

Minnesota: VHCF has just learned that a Minnesota state lawmaker is asking the state's attorney general for recovery of \$330,000 paid to Gruber between 2011 and 2013. As reported in TwinCitiesNews on November 24, 2014, Gruber was under contract in Minnesota to help the state generate enrollment and other predictions, so that the state could assess the impact of their state exchange, MNsure, on insurance coverage, prices and the state budget.

According to Minnesota Rep. Greg Davids, Gruber's contract called for him to deliver an updated report by October 2012 which was not delivered until February 2013. Gruber's enrollment and other predictions vary significantly from actual experience in the state's first year of operation, and MNsure no longer relies on them. Gruber was required to destroy all non-public data in his possession after the work was completed, but there has been no public confirmation that he has done so.

Rep. Davids cites a state law that allows the attorney general to recover payment in cases where the product rendered to the state is "so unsatisfactory, incomplete or inconsistent that

payment would involve unjust enrichment”.

The Feds: The Gruber Micro simulation Model also misled the federal government. Before the Affordable Care Act became law, Gruber published a widely-quoted analysis using his GMSIM. His model predicted that premiums would decrease once Obamacare became law. Gruber predicted that by 2016, young people would save 13% on their insurance premiums, and older people 31%. By 2012, however, Gruber had reversed course and began informing Wisconsin, Minnesota and Colorado that Obamacare would instead increase individual premiums by 19% to 30%.

What Now? After the release of the damaging Gruber videos, the Shumlin administration sought to distance itself from Gruber by asserting that he would only serve as a “calculator” for single payer financing. That does not bode well for Vermonters.

UVM economist Art Woolf says that economic models have their limits. They generally do not work for large scale modeling, and they break down when trying to predict behavior or rapid structural change, which is exactly what Gruber’s GMSIM purports to do.

The discrepancies in Gruber’s predictions for Colorado, Massachusetts and Minnesota cannot be ignored. Gruber’s modelling has failed significantly on many levels, from botched enrollment numbers to overinflated cost savings predictions. Vermont has asked Gruber to do the same work in which these failures occurred. He is charged with predicting single payer enrollment, including the wild card – the number of ERISA plan enrollees who do not have to participate. Most critically, Gruber is charged with predicting the cost of single payer. Economist Woolf says, “Whatever numbers they come up with are subject to a very large margin of error”, and suggests that the margin could be as high as 20% to 30%.

Clearly a tiny state like Vermont cannot afford to rely on Gruber’s micro simulation model. Even one costing or enrollment error can throw our entire state economy into an irreversible tailspin. The state budget is already \$100m in the hole for FY16, on top of the \$48m in budget cuts so far in FY15.

Vermont is exactly where these states were when they bought into the Gruber model. We are uniquely positioned to avoid the same mistakes. At a minimum, the House Health Care Committee must call the appropriate officials in Colorado, Massachusetts and Minnesota to testify about their adverse experiences with the Gruber micro simulation model. It is time for Vermont’s “Plan B” for universal health care, as VHCF has said for over a year.

Senator Tim Ashe Calls for Universal Health Care First, Maybe Single Payer Later

A key Vermont Senator is concerned that the push for single payer might jeopardize the goal of universal health care for all Vermonters. Senator Tim Ashe, chair of the Senate Finance Committee, told VPR News that the Legislature’s main focus should be making sure every Vermonter has health insurance first, before tackling a complete disruption of the health care system. Senator Ashe is correctly focused on the less than 1% of Vermonters who currently do

not have coverage, approximately 47,000. He is also very concerned about the significant impact that a single payer payroll tax will have on small businesses. “You might put small businesses out of business”, says Ashe.

Ashe believes that the path to universal coverage should be free of the significant political hurdles that confront single payer. He says that the Legislature ought to spend the upcoming session devising a means of achieving universal coverage, rather than slogging through the pros and cons of the single payer plan that Governor Shumlin is supposed to present at the end of this month. Sen. Ashe has a point, based on the documented inaccuracies in Gruber’s calculations for other states.

Single Payer Income Tax Estimates

Vermont economist Art Woolf has reviewed the recently proposed 8% payroll tax for single payer. Unfortunately, the payroll tax would be just enough to pay for half of single payer’s projected cost. Raising the 8% payroll tax any higher would place an impossible burden on Vermont’s businesses and drive many out of the state. So where will the other \$1 billion come from? Mr. Woolf has estimated the impact on Vermonter taxpayers if we have the pay the balance:

SinglePayerTaxChanges				
Income	CurrentIncomeTax	HealthCareIncomeTax	TotalStateIncomeTaxes	EmployerPayrollTax
\$30,000	\$450	\$692	\$1,142	\$2,400
\$50,000	\$1,150	\$1,769	\$2,919	\$4,000
\$80,000	\$2,080	\$3,200	\$5,280	\$6,400
\$100,000	\$3,000	\$4,615	\$7,615	\$8,000
\$150,000	\$5,850	\$9,000	\$14,850	\$12,000

Simply put, single payer would more than double Vermonters’ state income taxes, and cost Vermont businesses significant amounts based on their employees’ incomes. Mr. Woolf says that in order to raise the other \$1 billion for health care, the state would need to raise 150% of what it now raises in personal income taxes. And that’s on top of the current income tax.

Woolf points out that Vermonters earn about \$13 billion in wages, but total income is about \$17 billion. An income tax could capture some of the additional \$4 billion, but a payroll tax cannot. A small number of upper income Vermonters, about 8,000, pay 40% of all the money the state collects. They would likely be required to pay at least 40% of the new income taxes, and probably more, needed for single payer. Right now, a high income Vermont taxpayer is capped at 8.95% in state taxes. Mr. Woolf says that if his estimates are correct, or even close, high income Vermonters will be paying about 15% of their income to the state and face a marginal tax rate in the high teens. No other state even comes close to this.

This legislative session promises to be a fast-paced and divisive one. VHCF will, as always, keep our readers updated on the latest single payer news. **Check out our website at: www.vthealthcarefreedom.com.**

A Message from Vermonters for Health Care Freedom (VHCF)

There is no doubt that the well-funded single payer groups and Governor Shumlin would like to see VHCF go away. But we cannot - and, with your help, we will not.

VHCF is the sole voice of public dissent - in a sea of single payer government-run health care advocates. We represent folks like you, who have not “drunk the Kool-Aid”. No other Vermont organization is dedicated solely to this work. There are many well-funded groups on the other side, spending a lot of money to bring about single payer. But VHCF receives no funding from the big-money groups. We are a grass-roots organization that relies completely on supporter donations to remain in business.

We are grateful for the support we have received, but without continuing support from grassroots Vermonters, we cannot continue to be effective at preventing Governor Shumlin and his like-minded friends from implementing a single payer health plan by 2017.

Thank you to those of you who have recently contributed and supported VHCF efforts.

If you haven't yet made a 2014 donation, please take a moment now to give generously, by clicking the link below, or sending a contribution to: Vermonters for Health Care Freedom, PO Box 1515, Montpelier, VT 05601.

Thank you.

Sincerely,



Darcie L. Johnston
Founder, VHCF



Paid for by Vermonters for Health Care Freedom
