



STATE OF VERMONT  
OFFICE OF THE STATE AUDITOR

April 5, 2011

The Honorable John Campbell  
President Pro Tempore of the Senate  
115 State Street  
Montpelier, VT 05633

Dear Senate President Pro Tempore Campbell,

A handwritten signature in blue ink that reads "John" followed by a horizontal line.

The Latin root of the word auditor is *auditus*: "a listening, a hearing."

I have aggressively listened and sought understanding of the bill H.202:

1. I attended Dr Hsiao's first public hearing in 2010, in Room 11 of the Statehouse when he declared the difficulty.
2. I attended his January 19, 2011, presentation in the House chamber and reviewed his materials.
3. I have reviewed H.202, which is now in your hands.
4. I have listened to medical professionals and reviewed JFO projections (scary in the coming years).
5. I have discussed the matter with insiders who call the process a "train wreck" because "providers are mobile" and "subsidized clients will have to accept basic care with lower service levels --- or will the state have to fund a silver and gold plan too?"
6. I have listened to lawyers who ask about the Constitution and the "privileges and immunities" clause that could draw, logically, unhealthy people here. "Let's go to Vermont for that surgery I've put off." Please note the bill already confirms we have a shortage of doctors.
7. I have read op-eds and listened to radio interviews of thoughtful, informed professionals who have deep concerns that we are moving too fast. Representative Browning articulated her concerns very well, and voted "nay."
8. This bill misleads the public by presenting a stated purpose that includes "introducing a strategic plan", when in reality it demands great energy and resources (millions of dollars) across state government far exceeding scope and possibility.
9. One week ago I participated on a health care panel in Rutland. I said very little except to voice my concerns as an auditor; the impact to the financial statements, bond rating and future liability of the state are unknowns. It was a civil and thoughtful discourse among the audience, legislators, healthcare professionals, insurance salespeople, etc. The unanswered questions were too numerous to document. The cross-border and residency concerns combined with 105,000 ERISA folks opting out were among these issues.

New information on all fronts would lead responsible leaders to push the pause button and gather more information before proceeding. The financial incentives and promises of administrative savings are no longer realistic, given all the amendments arising.

Much has changed since Dr. Hsiao has visited Room 11: *A well intended idea has met its unfeasibility*. Why not work within the operational reality to construct a feasible plan without all the hype and history making? In the auditor's office we live by the creed: "A quality process leads to a quality product." In the attached letter to Congressman Welch last year, I seek to convey that same message. President Obama had a chance to really fix Medicaid and Medicare but he punted. Now Vermont is on track to repeat the same type of mistake.

**This bill is a proposed political solution to a complex financial problem.** Medicaid keeps Joint Fiscal's Steve Klein up at night because leaders have lacked the courage to address the real problems.

Vermont has some other large problems, too. With unfunded pension and OPEB (other post-employment benefits) responsibilities, increased income sensitivity payments, declining income tax revenues, federal ARRA money going away, and infrastructure and demographic challenges, it is time for leaders to lead and financial people to be heard. I hope you hear what I am saying. I have testified on sensitive matters from the Bennington "sick" building, to pre-kindergarten, to the unemployment fund. The fiscal impact of this commitment of resources is unknown without a better formulated strategy in advance.

Please let me know if you would like to discuss further.

Sincerely,



Thomas M. Salmon, CPA  
Vermont State Auditor

P.S. Three relevant quotes

1. "If I had an hour to solve a problem I'd spend 55 minutes thinking about the problem and 5 minutes thinking about solutions." Albert Einstein
2. "The hottest places in hell are reserved for those who, in times of great moral crisis, maintain their neutrality." Dante
3. "Tell them the truth." Michael Obuchowski