Robin Hood in Reverse

Vermont’s 20-year-old Robin Hood in Reverse health insurance rating mandate has become an issue in this year’s gubernatorial campaign.

To understand this, let’s start with auto insurance. It protects the driver against the risk of being sued for causing an accident, and for suffering damage to his or her car due to fire, theft, vandalism, flood, and other disasters.

How much should the insurer charge for assuming these risks, marketing and administering the contract, and earning enough profit to stay in business? The company knows the driving records for twenty year old drivers and sixty year old drivers, and for married and single drivers. The older, married, drivers with a clean driving record will get a discount. The young single drivers, especially males, pay more. No rational person expects the insurer to offer the same rate to the high risk customer as to the low risk customer.

Now look at health insurance. A rational insurer attempts to predict the likelihood of incurring medical expenses for each of many classes of customers, based on age, gender, location, and occupation.

Medical expenses are especially age-dependent. Young people have few costly medical expenses; their grandparents have many expensive medical problems. Their risks are higher, and so insurers rationally charge higher premiums to cover those risks. The good news is that although the older people naturally have higher medical expenses, they also have more resources to cover them.

Ah, but this is Vermont. In 1991 and 1992 the Vermont legislature required that all health insurance small group (up to 50 members) and individual policies be “community rated” – charged one single premium rate, regardless of their age, gender, medical history, and so on.

The same legislature required “guaranteed issue” – that every health insurance applicant be accepted and charged the same community rate, even if they stumbled in the agent’s door with terrible injuries or a far-progressed cancer.

Clearly you can run an insurance business on these terms only when the government prevents the better risks from going to another insurer who can offer discounts for youth and other pro-healthy factors.

Contrary to the cock and bull story put forth last month by Gov. Shumlin, who supported mandatory community rating and guaranteed issue when a freshman Representative in the 1991-1992 legislature, those provisions were not any part of Gov. Dick Snelling’s grand vision for the future of health care. They were lobbied through the legislature by Blue Cross Blue Shield of Vermont to prevent its imminent insolvency.

Why Blue Cross was rapidly going broke is another story, but its board realized that Blue Cross, required by law (1944) to operate un-
What will the new legislature bring? Even if Republicans capture the governor’s office, change of control in the House and Senate seems remote. Continuation of last session’s House and Senate leadership means that many ideas that did not pass in the last biennium will have new life breathed into them come January.

**Energy:** despite incessant lip service to job creation, the energy policy of the past two years will inevitably shrink employment in Vermont. Every sector from manufacturing to farming depends on low cost energy. Our legislatures have banned hydraulic fracturing drilling for natural gas, voted to shut down Vermont Yankee, and put subsidies and guaranteed high prices under wind and solar installations, while our utilities have neglected to negotiate advantageous long term electricity contracts.

**Education:** no workable steps have been taken to expand parental choice, even among public schools. Salaries, pensions, construction costs, and health insurance costs of public schools continue to rise while employment and salaries in the rest of the Vermont economy stagnate.

**Workers’ Rights:** an attempt was made to force all child-care workers to pay tribute to support labor union organizers. That idea died in the legislature, but seems sure to come back. If experience in other states is a guide, if forced unionization for child care is successful, home health care workers will be next.

**Environment:** many initiatives have been floated. The most likely action will be to extend costly storm water runoff regulation to small farms, construction sites, logging jobs, and parking areas. Mitigation costs and fines are being discussed.

Fewer people in Vermont are working in the private economy than four years ago. Don’t look to the likely next legislature to do anything constructive about it.
Frontline’s Climate Change Consensus

On October 23, PBS’s Frontline presented a feature entitled “Climate of Doubt: Frontline investigates how climate skeptics mobilized, built their argument and undermined public acceptance of a global scientific consensus.” Its aim was to give viewers a tour through the shadowy world of sinister interests selling the idea that anthropogenic (“human-caused”) global warming is a myth, a hoax, and a scam.

PBS reporter John Hockenberry put on screen crowds of Tea Party activists holding that view, and interviewed conservative activists like Tim Phillips (Americans for Prosperity) and Myron Ebell (Competitive Enterprise Institute). These were described as “fighting science with doubt and delay”.

Hockenberry interviewed – and heavily edited – only one skeptical climate scientist, Dr. Fred Singer. In response to Hockenberry’s implication that the skeptics were few and unqualified, Singer replied that some 31,000 persons with scientific degrees had signed the 1998 “Oregon Petition”, the key sentence of which is “There is no convincing scientific evidence that human release of carbon-dioxide, methane, or other greenhouse gases is causing or will in the foreseeable future, cause catastrophic heating of the Earth’s atmosphere and disruption of the Earth’s climate”. There were, incidentally, 51 signers from Vermont, 22 of them with doctorates in science or medicine.

To dismiss the Oregon Petition, Frontline asserted at least twice during the program that “97 percent of active climate researchers” believe that humans are a significant cause of global warming. (“Significant” can range from “the most influential” to “barely detectable”.) Thus, why should you few skeptics be taken seriously?

The origin of this often-quoted percentage is curious. Canadian environmentalist Lawrence Solomon was a global warming believer until he authored a 2008 book entitled The Deniers: The world-renowned scientists who stood up against global warming hysteria, political persecution, and fraud. More recently he traced the origin of the “97 percent” assertion back to a two-minute online survey of 10,257 earth scientists, conducted in 2009 by two researchers at the University of Illinois.

The researchers, Doran and Zimmerman, deliberately excluded the solar scientists, space scientists, cosmologists, physicists, meteorologists and astronomers who might have thought that the sun and planetary movements might have something to do with Earth’s climate.

They also decided that neither academic qualifications nor scientific accomplishment would be a factor in whose responses could be accepted – about 1,000 of those surveyed did not have a PhD, and some didn’t even have a Master’s degree. They reduced the list to 3,146 who responded to these two questions:

1. When compared with pre-1800s levels, do you think that mean global temperatures have generally risen, fallen, or remained relatively constant?
2. Do you think human activity is a significant contributing factor in changing mean global temperatures?

Ninety percent of the respondents answered “risen” to the first question, presumably assuming it referred to the pre-1850 Little Ice Age. Eighty two percent of the respondents answered “yes” to the second question.

Those percentages weren’t impressive enough for the researchers, so they further reduced the sample until only 77 remained. Seventy five of the select 77 said “yes” to both questions, producing the desired “consensus” finding that “97 percent of “active climate researchers” believe that humans are a significant cause of global warming. Those human activities, incidentally, include land use changes as well as greenhouse gas emissions.

This manufactured “consensus” is obviously dishonest, but Frontline repeated it twice while alleging that skeptical scientists were largely funded by fossil fuel interests and other undesirables.

One Vermont politician who has made himself a champion of a supposed climate change consensus is Gov. Peter Shumlin. He has repeatedly blamed human-caused “climate change” for every noticeable weather event, and predicts that unless checked it will lead to an “unspeakably horrid future”. “The evidence is overwhelming,” he has declared, “and any other conclusion is simply irresponsible.”

So you must accept Shumlin’s personal conclusion about the Menace of Global Warming, or you’re simply irresponsible, well beyond the pale of civilized discussion.

This would be merely annoying, but for the fact that Shumlin’s nonexistent climate change consensus is the indispensable rationale for his sweeping program of energy taxes, mandates, subsidies, regulations, and credits, many of which seem to produce wealth for his friends in the renewable industrial complex at the expense of everybody else.
Vermont Tagged 47th Worst Place to Do Business

BY ROB ROPER


In each of the five categories studied, Vermont scored 43rd for corporate taxes, 47th for income taxes, 14th for sales taxes, 22nd for unemployment insurance, and 48th for property taxes for the overall ranking of 47th. This marks a decline from two years ago. In 2011, Vermont was ranked 45th.

The best three places to do business in the analysis are Wyoming, South Dakota and Nevada, none of which has a corporate or individual income tax. Vermont’s neighbors to the east, New Hampshire and Maine, both distinguished themselves. New Hampshire was in the Top 10 places to do business, coming it at No. 7. Maine, which elected Republican majorities in both their House and Senate in 2010, along with electing a Republican governor, was rewarded with the most dramatic positive move in the rankings, improving from 37th to 30th. To our south, Massachusetts came in a slightly better than average 22nd.

Vermont’s poor business ranking follows a recent observation by new assistant professor of management at the University of Vermont School of Business, Dr. Allison Kingsley, that Vermont resembles a risky, third-world, emerging market. In a recent article published in the [Burlington] Free Press, Kingsley described doing business in the Green Mountain State as, “… eerily similar to what I hear about doing business in Kazakhstan, Argentina, or Indonesia”.

Applying a Political Constraints Index (POLCON) policy risk model to Vermont, Kingsley reports, “Vermont’s 2012 score is 0.45 out of 1.00. This places Vermont in the same policy (in)stability category as countries like El Salvador, Sri Lanka, Burundi, Panama, and Mali. In the U.S., Vermont ranks in the bottom quartile of states.”

A big part of the problem here is what the Tax Foundation referred to as non-neutral taxes. Non-neutral taxes exist when the tax code is politicized for social engineering purposes, ideological reasons, or simple cronyism. Government usurps the role of picking winners and losers from the free market, creating inherent uncertainty in the minds of anyone considering an investment of capital. Your investment isn’t safe if it’s subject to the whims of erratic legislators rather than stable law.

Kingsley describes this phenomenon in Vermont, “What becomes clear then is that Vermont’s politics interact with its ideology-motivated opponents to create an environment of significant policy uncertainty for private business.” This uncertainty makes investing in Vermont unattractive for new and existing businesses and puts their business sustainability at risk.

We know the problems in Vermont. Everybody knows the problems in Vermont. We know the solutions to the problems in Vermont. The question is, do we follow Maine’s example and actually do something to fix it?

Shumlin’s Plug In State

A week ago in a debate with Sen. Randy Brock, Gov. Shumlin tossed out the idea that he wanted to make Vermont “the Plug-in State”. By that he meant that Vermont would lead the nation in plug-in electric vehicles on the roads. That presumably would reduce Vermont dependence on petroleum.

As I noted in a commentary back in June, subsidizing people to install charging stations in their garages would be a great convenience to people who have just bought a subsidized Chevy Volt subcompact for $32,000 or a Fisker Karma for $95,000. Some might say that they ought to install the charging stations in their own garages at their own expense.

Unfortunately for the Plug-in State, GM is losing over $30,000 on every Chevy Volt it sells, and last month they shut down production so they wouldn’t lose money so fast.

Since Shumlin’s passion for electric cars is driven by his theological belief in the Menace of Global Warming, maybe he ought to take note of a recent study from Norway that explains that electric car batteries are mainly manufactured in China using coal-powered electricity, and plug-in cars are actually worse for carbon-dioxide emissions that the same-sized petroleum cars.

He ought to, but he won’t. Instead he’ll think up ever more subsidies to help out the rich people who want trendy plug in cars. Count on it.

– John McClaughry, WDEV Radio, October 2012
Green Mountain Care Financing

When Gov. Peter Shumlin designed the taxpayer-financed single payer Green Mountain Care bill in 2011, he made sure that his administration wouldn’t have to disclose the source of the $3 billion in new taxes needed to make it work before the 2012 election.

When Republican legislators including notably Sen. Randy Brock tried to push the disclosure date to this month, before this election, Democrats voted every attempt down on a party line vote.

Now Gov. Shumlin is determined to push the bad news back until after yet another election, in 2014. His administration secretary Jeb Spaulding said “I can’t imagine the Legislature would even consider passing a finance plan for something that didn’t take affect for another couple of years – …we will not be asking the Legislature to pass a finance plan for Green Mountain Care this coming winter”.

Jeff Wennberg of Vermonters for Health Care Freedom observes that Act 48 requires Spaulding to deliver a plan in January recommending “the amounts and necessary mechanisms to finance Green Mountain Care and any systems improvements needed to achieve a public-private universal health care system … It is now apparent that Shumlin has no intention of complying with these requirements”.

Meanwhile the Shumlin administration dropped $300,000 more dollars on a UMass consortium to find out what to do about all this. Maybe he can figure it all out next year – on his own time.


Robin Hood in Reverse

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nder community rating and guaranteed issue in return for not paying the two percent premium tax, could not survive if its healthier customers fled to lower cost for-profit insurance companies not burdened by those government mandates.

Imposing community rating and guaranteed issue on all sixteen of the then active for-profit insurers made it impossible for them to price their product rationally. They exited the state, leaving Blue Cross with most of the small group and non-group markets. Blue Cross, already a ward of the state, did whatever the state demanded to stay in business.

The state’s single payer advocates, and Rep. Shumlin, were happy with this deal. Although it didn’t deliver single payer right then, it banished the insurance companies that opposed single payer.

It ought to bother liberals, but it doesn’t, that this is Robin Hood in Reverse. For two decades the state has allowed wealthier Vermonters to enjoy discounted health insurance premiums, while their grandchildren are paying off education debts, starting families, buying homes, climbing the income ladder – and subsidizing grandpa and grandma’s premiums.

Sen. Randy Brock, in his health plan, called for at least backing off Robin Hood in Reverse. Gov. Shumlin, after falsely attributing community rating to Gov. Snelling, exercised his talent for wild exaggeration by blasting Sen. Brock for wanting to make the sick, disabled or individuals with preexisting conditions pay a fantastic 300 times as much as the young and healthy.

This was despite Brock’s position, that Shumlin claimed he had read three times, advocating “protecting the uninsurable or those with serious, high cost preexisting conditions through targeted reinsurance and high risk pools.”

If Gov. Shumlin has his way, the community rating debate will end in five years. Health insurance will disappear altogether. In its place will be single payer Green Mountain Care, universal and efficient, guaranteeing to every Vermonter as much “appropriate health care, at an appropriate time, in an appropriate setting” as the Green Mountain Care Board will approve, and as Vermont’s taxpayers can be made to pay for.
North Bennington School News: At EAI’s annual Friedman Day program July 31 (see August EA Letter), leaders of the new North Bennington Village School described their efforts to convert a public school to an independent school, to avoid being swallowed up in an anticipated Regional Education District.

On October 23 North Bennington voters gave what they thought was the final approval to the plan, on a 294-268 vote. A day later a resident announced a revote petition, claiming confusion about the status of tax exempt bonds still outstanding for the public school. (Bennington Banner 10/25/12)

Important Health Policy Book: Dr. John C. Goodman, one of the nation’s leading health care economists, has published a new book called Priceless: Curing the Healthcare Crisis (Independent Institute, 2012).


In Priceless, he dissects today’s welter of inefficient and stultifying government regulations and programs and calls for moving away from third party payments with artificial pricing to empowered and informed consumers making rational economic decisions.

Indiana vs. ObamaCare is the title of an exceptional article in the Weekly Standard (10/22/12). William and Claudia Anderson describe Gov. Mitch Daniels’ brilliantly successful Indiana health care program, built around consumer-driven health plans and Health Savings Accounts.

But ObamaCare advocates hate the idea of consumers managing their own health, and HHS may disqualify HSA plans by not including employee contributions in the ObamaCare-required “medical loss ratio”. You can read it at http://www.weeklystandard.com/articles/indiana-vs-obamacare_654423.html.

Honorable Mention: “One key sticking point during the creation of Shumlin’s plan was how much money it would actually save. ‘The single payer advocates have forever insisted that we do not have a ‘system’ in America, just a random collection of payers, insurers, and providers,’ said [EAI VP John] McClaughry.

‘Yet the expert who designed the plan, Harvard economics professor William C. Hsiao, has since been disavowed by the Shumlin administration. ‘Hsiao declared in 2010 that the single payer plan would produce $590 million in immediate first-year savings. Liberal legislators whooped the bill through, excitedly discussing how to spend these great ‘savings.’ Hsiao even suggested using $50 million to subsidize doctors so they won’t depart or retire,’ said McClaughry.

‘Soon, however, the Shumlin administration disavowed Hsiao,’ continued McClaughry, ‘and said the only savings will be bending the cost curve downward, not the initial $590 million drop. This has to be biggest bait and switch in Vermont political history.’ – Health Care News (10/26/12)

State Government Job Surge: “As the recession grabbed hold late in the past decade, Vermont state government shrank in size and salaries. Staff vacancies went unfilled, workers were laid off, furloughs were enacted, and pay was cut. In 2012, two years into a new governor’s tenure and with the economy arguably in less dire straits, staffing and salaries are inching back up.” (BFP 10/21/12)

Comment by Robert Maynard: “If the State Government workforce is in the process of rebuilding at the same time that the overall workforce is declining, the logical conclusion is that the private sector workforce is declining even faster than the overall workforce.” (TNR 10/24/12)

Power Sources? “The source of 32 percent of Vermont’s electric power in 2016 is yet to be determined. At this time Vermont’s utilities do not have commitments to meet this portion of the state’s projected demand.” (VTEP energy outlook, 10/16/12)

Good News Department: State-BudgetSolutions.org ranked the states for their state debt per private sector worker (2011). Vermont came in 40th from the top, after FL, ID, IN, IA, NE, ND, SD, TN, and VA. Vermont’s number was $22,828 debt per private worker. The study did not, however, include the unfunded liabilities of the state’s two public pension funds – $3 billion.

First Anniversary Oldie: “the [Shumlin Comprehensive Energy] Plan’s vision of a state with 90 percent of its total energy produced by renewables by 2050 can only be achieved by heroic, costly government intervention into the energy market, over the growing protests of taxpayers and ratepayers called upon to finance the ever-expanding renewable industrial complex.”

“Legislators, bureaucrats and Governor need to consistently remind themselves that markets work, and that ordinary people usually turn out to make better use of their resources than what is prescribed for them by the experts who prepare ‘comprehensive energy plans’. “ (EA Letter November 2011)

Shumlin on Fiscal Policy: The libertarian Cato Institute released its biennial Fiscal Policy Report Card on the Nation’s Governors. Gov. Shumlin was rated “D”, with this commentary: “Governor Shumlin has taken a generally expansionist approach to fiscal policy. In 2011, he signed a 38-cent-per-pack tax increase on cigarette consumers after initially opposing it. He also approved a tax increase on health care providers. In 2012, he ap-

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proven increases in automobile license and registration fees. His spending increases have been quite large. The general fund budget is expected to increase 12 percent between fiscal 2011 and fiscal 2013.”

This grade seems a bit harsh, since Shumlin didn’t support increases in income, sales, or meals and rooms taxes, and state spending was heavily impacted by Tropical Storm Irene. But Cato did not take into account the looming threat of financing $3 billion in single payer health care, which will likely earn Shumlin a “Z” rating if and when it happens. – JMc

Wind Power in the UK: “Soviet-style” green subsidies for wind farms must be scrapped because charities are blighting local communities, the new [UK] Environment Secretary said on Tuesday. Owen Paterson said wind developers should ‘stand on their own two feet’ instead of asking for money from the state. He said green technologies such as wind farms might actually have a worse impact than climate change, because they are causing ‘public insurrection’”. – Rowena Mason, (Daily Telegraph, 10/10/12)

The Biodiesel Threat: WCAX ran a feature (10/24) on a new biodiesel plant in Morrisville, obtaining its fuel from restaurant deep fryers. Said the owner, “From a business perspective, it’s not the brightest thing we’ve done …” Wait ‘til AG Sorrell cracks down on deep fryers in the name of his War Against Obesity …

Obama’s War on Coal: “Europe is seeing a ‘golden age of coal’ thanks to cheap U.S. exports, said a senior gas analyst at the International Energy Agency (IEA), an advisory body which last year proclaimed the world was heading for a ‘golden age of gas’. Anne-Sophie Corbeau, senior gas analyst at the IEA, said gas was losing the battle in Europe’s power plants against cheap coal coming from the U.S., where the discovery of shale gas has left huge oversupply in unwanted coal.” – (Reuters, 5 October 2012)

Al Gore Gets Rich on Obama Subsidies: “Fourteen green-tech firms in which Gore invested received or directly benefited from more than $2.5 billion in loans, grants and tax breaks, part of President Obama’s historical push to seed a U.S. renewable-energy industry with public money.” (Washington Post 10/10/12). The article also says that Gore’s net worth has jumped from $2 million in 2001 to an estimated $100 million since he became a leading Global Warming guru.

Climate Buncombe: “Of the 16 variables identified in the [UN’s] IPCC report as forcing agents of global warming/climate change used in its models (a number of natural forcing agents are missing), the IPCC report specifies that the level of understanding for 11 is very low to low. Yet the IPCC comes up with a 90 to 99 percent certainty in the results of its models [supporting human-caused global warming]. (SEPP 10/13/12)

Single Payer’s a Comin’: “In a meeting in St. Albans between doctors, dentists and legislators a show of hands was requested for doctors who had started to investigate moving their practice out of state as a result the passage of the Vermont reform law last year. Half of the 25 doctors in the room raised a hand.” (VHCF 3/13/12)

Coming Soon to Vermont? “The so-called ‘Umlage’ – charges levied on German consumers to support renewable power – will rise to 5.3 euro cents per kilowatt hour in 2013 from 3.6 cents in 2012, the source said.” (Reuters 10/10/12)

What Global Warming? “The world stopped getting warmer almost 16 years ago, according to new data released last week. The figures, which have triggered debate among climate scientists, reveal that from the beginning of 1997 until August 2012, there was no discernible rise in aggregate global temperatures.

“The new data, compiled from more than 3,000 measuring points on land and sea, was issued quietly [by the UK Met Office] on the internet, without any media fanfare, and, until today, it has not been reported.” – David Rose, London Daily Mail 10/14/12

The Met Office is the UK’s national weather service. It plays a major role in supplying data to the UN and is an unabashed advocate for the UN’s global warming policy. So when the Met Office says global warming has stopped, it’s significant. – JMc

On Raising the Debt Limit: “The fact that we are here today to debate raising America’s debt limit is a sign of leadership failure. It is a sign that the U.S. Government cannot pay its own bills. It is a sign that we now depend on ongoing financial assistance from foreign countries to finance our Government’s reckless fiscal policies. Increasing America’s debt weakens us domestically and internationally. Leadership means that, ‘the buck stops here.’ Instead, Washington is shifting the burden of bad choices today onto the backs of our children and grandchildren. America has a debt problem and a failure of leadership. Americans deserve better.” – Sen. Barack Obama, March 2006.

Reagan on America: “Tonight America is stronger because of the values that we hold dear. We believe faith and freedom must be our guiding stars, for they show us truth, they make us brave, give us hope, and leave us wiser than we were. Our progress began not in Washington, DC, but in the hearts of our families, communities, workplaces, and voluntary groups which, together, are unleashing the invincible spirit of one great nation under God. Four years ago we said we would invigorate our economy by giving people greater freedom and incentives to take risks and letting them keep more of what they earned. We did what we promised, and a great industrial giant is reborn.” (State of the Union, 1985)
While the left-leaning Progressive Change Campaign Committee [of Washington, DC] poll found that 53 percent of Vermonters approve of single payer healthcare in the abstract, 55 percent oppose it if it will require tax increases to pay for it. So, in other words, 55 percent of Vermonters oppose single payer healthcare. The $5 billion program will require roughly $3 billion in new taxes.

But, the poll says that Vermonters will support tax increases to pay for the program if they are small and leveled only on the wealthiest 2 percent of the population. [VPB reporter Peter] Hirshfeld quotes Adam Green of PCCC, “If Democrats make clear that … the burden will largely be asked to be taken on by the richest taxpayers, this is overwhelmingly popular.”

Unfortunately, if Democrats make this argument, they will be lying through their teeth. There is no way that just 2 percent of Vermont’s 620,000 citizens can shoulder a $3 billion tab. In 2010, the total amount in income taxes the state collected from ALL Vermonters was about $570 million. If we want single payer, all Vermonters are going to have to pay for it in a big way. This reality is why Vermont Democrats voted to hide plans for how the program will be paid for until after this November’s election.

The options for paying for single payer in Vermont are at least a 14 percent payroll tax, more than doubling the state income tax, raising and/or expanding the state sales tax to services, or some combination of these, possibly supplemented in part by a sweetened beverage tax or overall junk food tax. Governor Peter Shumlin confirmed (pretty reluctantly) to VPR moderator Bob Kinzel in his first gubernatorial debate with Randy Brock that these are the options.

If PCCC polled Vermonters on how they feel about these options, they didn’t release the results. But, why should they care? They do not live here. They will not have to reach into their own pockets to pay the bill. We do. And, we will.

– Rob Roper