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STATE AUDITOR

STATE OF VERMONT
OFFICE OF THE STATE AUDITOR

To: Senator Becca Balint, Senate President *Pro Tempore*
Representative Jill Krowinski, Speaker of the House
Date: 19 January 2021
Re: Olsen's Overwrought Opprobrium

As revenge for conducting audits of independent (private) schools who receive public dollars, Mr. Oliver Olsen, a member of the Vermont Board of Education (and well-known private school champion[1]), has weaponized the public records law and inundated my office with requests and aggressive communications. His apparent intent is to discredit the Auditor's Office and divert attention from the education reports.

Our work is intended to inform the discourse and assist policymakers, public officials, and citizens. I welcome discussion about our findings, which is the point after all.

But, at least until now, Mr. Olsen has devoted himself to scrutinizing our adherence to our own internal professional standards. He quickly found that the audit work is fully compliant as evidenced by our successful peer reviews. So, he focused instead on our investigative work, referred to as non-audit inquiries.[2]

Rather than address the substance of the reports, Mr. Olsen has concentrated on marginal procedural matters having no effect on the work itself. He then peddled a narrative that our work could not be trusted. This politically motivated attack on our credibility was not intended to add value to the dialogue on public administration or policy; it was simply character assassination.

Things changed last week when Mr. Olsen sent his latest "assessment" of our work. This time, he left the shallow end of the pool and came to the deep end where facts matter.

He reviewed our recent report on health care expenditures and (breathlessly) reported what he claimed were numerous factual errors and serious methodological shortcomings.[3]

As I explain below, Mr. Olsen's reach exceeded his grasp. His examination was generally uninformed, superficial, and deficient. As a result, it is fatally flawed. I focused on the core issues he raised, though he advances other misinformation. I encourage you to read these few pages. It will provide context for Mr. Olsen's communications about the work of my office.

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1 VTDigger - Oliver Olsen appointed to education board he once antagonized

2 Upon taking office in January 2013, I repurposed one of the four exempt position in the office from a communications professional to what we now call a government research analyst. The intent was to increase the capacity of the office to conduct research and publish reports. The work of this position would meet the same rigorous standards for research, but not be burdened with the extensive requirements of GAGAS (Generally Accepted Government Audit Standards). This has increased our output and shed light on many important issues at much less cost than GAGAS audits. These reports and memoranda can be seen here.

3 Attached as an addendum to this memo.

Issue: Data in report was updated by federal agency

> "*I have found…errors with data used in the report that have resulted in inaccurate statements and representations throughout the report…After reviewing the SAO's spreadsheet used to calculate this figure, and comparing the annual per capita healthcare spending data in that spreadsheet with source data from the BEA, I found that data in the SAO's spreadsheet did not match BEA data for several years, including 2018, resulting in a faulty calculation that overstates the increase in Vermont's per capita healthcare spend. The table below highlights these discrepancies*."

Actually, it is Mr. Olsen who is mistaken. Mr. Olsen didn't "find" errors. He either made an uninformed mistake or is intentionally trying to mislead people. Let's start with his table, which is reproduced here.

	2010	2011	2012	2013	2014	2015	2016	2017	2018
BEA data	$6,591	$6,863	$7,171	$7,502	$7,741	$8,017	$8,381	$8,507	$8,853
SAO data	$6,592	$6,872	$7,177	$7,503	$7,740	$8,130	$8,488	$8,639	$9,076

As experienced analysts know, many federal data sets are revised over time as departments and agencies collect and analyze more recent data.

In this case, the figures from the Bureau of Economic Analysis (BEA) that Mr. Olsen presented are correct, but they are not what BEA reported last year when we did the job. **In his haste to discredit our work, he seems to have missed this rather important notice on the BEA website, which is immediately below the data.**

> "***Last updated: October 8, 2020****-- new statistics for 2019;* ***revised statistics for 2010-2018***" (emphasis added).

We issued our report in August of last year, two months before the revised data was published by BEA.

People who work with this type of data regularly know to expect these revisions over time. But reports, such as the one Mr. Olsen is trying to discredit, represent data from a snapshot in time. What Mr. Olsen labelled as SAO data is simply BEA data prior to the Bureau's October revision.

Mr. Olsen's mistake is especially puzzling because we warned him explicitly about the challenge of checking dated federal figures. This is what we said in our response to his request for the spreadsheets.

> "*…please note that this report relied on federal data (BEA, Census, etc.) at a specific point in time. Since some of these data sources are updated periodically, a current search of those sites may show different figures*" (emphasis added).

This was a critical failure in Mr. Olsen's so-called "assessment" of our report. Either he failed to see that the BEA data had been revised or his intent was to mislead. And he missed or ignored our very clear warning about the subject. Thinking we had stumbled; Mr. Olsen went on to allege multiple errors in our report. In fact, every single claim by Mr. Olsen of erroneous data in our report is false, and all of his recommendations are based on flawed conclusions.

Lastly, the fundamental point made with these data still holds true. Even if we use the updated figures, Vermont's per-capita health care expenditures rose at a quicker rate between 2000 to 2018 than in any other New England state over this period. This poses significant challenges for the affordability of health care in Vermont. Mr. Olsen seeks to obfuscate these facts that have real-world impacts for Vermonters in order to advance his own political agenda.

Issue: Accounting for public health care expenditures provides an accurate and comprehensive record

"*The problem with this analysis is that it does not account for federal funding of healthcare expenditures through Medicaid, Medicare, and other government programs*."

Mr. Olsen would have you believe that we somehow forgot how Medicare and Medicaid influence the analysis. But once again, Mr. Olsen got ahead of himself and misunderstood the data and the goal of the analysis. Here is what Mr. Olsen claims is the cause of our purported blunder.

> "*The BEA data on healthcare expenditures does not isolate spending by Medicare, Medicaid, and other government programs that are partially or wholly funded by the federal government. So, for example,* ***the claim on page 1 that "Vermonters spent 16.7 cents of every dollar on health care services in 2018" is inaccurate and misleading*** *, because it was calculated using data that includes not only personal spending on healthcare (premiums, co-pays, deductibles, and other out of pocket costs),* ***but also government spending on healthcare services"*** (emphasis in the original).

The point of this graph was to put into perspective total health care spending in Vermont on a per-capita basis. Government expenditures – both state and federal – are a major component of these expenditures. To follow Mr. Olsen's suggestion and exclude publicly funded expenditures would be "inaccurate and misleading."

In the Green Mountain Care Board's latest Health Care Expenditure Analysis the Board also includes Medicare and Medicaid expenditures when estimating per capita spending. The document includes a link to the Vermont Health Care Expenditure Analysis Manual, which explains the methodology used.

Mr. Olsen has noted elsewhere the importance of "peer reviews," and he claims here that "The significance of this flaw in the SAO's methodology cannot be understated." But Mr. Olsen's defective analysis raises questions based on apparent misunderstandings and his own opinions.

Issue: Use of provider expenditure data was appropriate for the application

"*Several aspects of the report rely on data from the Green Mountain Care Board's provider expenditure analysis. The report fails to call attention to a critical issue with this dataset, specifically, that it includes expenditures for in-state and out-of-state residents at Vermont healthcare providers, while excluding expenditures for Vermont residents seeking healthcare out of state*."

First, Mr. Olsen is mistaken that "Several aspects of the report rely on data from the…Board's provider expenditure analysis." There is only one part of the report that relies on that data.

That aside, we used provider expenditure data for an analysis of the distribution of new spending for medical services, the majority of which went to hospitals and their physician practices (see p.4 of the report). We were curious about consolidation in the health care industry. For these purposes, it was irrelevant whether providers were serving Vermonters or out of state residents. And, by definition, it had nothing to do with expenditures for Vermont residents obtaining services out of state.

It would appear that Mr. Olsen misread the report and/or intentionally misrepresented it in order to make a point, however immaterial.

Issue: Clear about intent, hospital consolidation is a known cost driver, but analysis is not exhaustive

"*While the report offers no conclusions, it seemingly suggests that consolidation of hospital systems in Vermont is a driving factor behind increased healthcare spending. The report does this through the presentation of data that could be coincidental or causational, yet fails to account for other influencing factors, and provides no specific analysis that establishes a clear causational relationship. The dicta from national research is informative, but the report fails to establish any link between an analysis of Vermont data and the national research*."

Mr. Olsen's comments are intended to obfuscate the issue and to suggest that we didn't do it justice.

First, the section on "The Economics of Health Care Market Concentration" is exactly one-page, although it is jam-packed with 19 footnotes to peer-reviewed literature. As we said in our response to the Board's comments on the report, "This report aimed to communicate information not typically provided to Vermonters. **It was not intended to be exhaustive**…" (emphasis added).

Instead, we were very clear about our intent. This is the last sentence in that section.

> ***A review of these trends concludes that vertical integration poses a threat to the affordability of health services and merits special attention from policymakers and antitrust authorities***"[4] (emphasis added).

Perhaps not coincidentally, Mr. Olsen's remarks echo those of the Board. Here is how we responded to the Board's concerns.

> "*I addition to the growing cost of health care in Vermont, the report focused on the affordability of health care for Vermonters, which is notably missing from the Board's annual Vermont Health Care Expenditure Analysis. We then looked at a known driver of increased health care spending – hospital market consolidation – and the extent to which Vermont's market has concentrated.* ***The analyses in this report did not isolate the exact impact of hospital consolidation on health care prices in Vermont, and we do not purport to do so*** (emphasis added).
>
> ***But, the absence of such an analysis does not negate the well-researched and documented negative impact that concentrated markets (across a broad range of industries) can have on consumers in the absence of competition and/or effective regulation. It is why antitrust law exists***."

As is often the case, with Mr. Olsen's critiques, he cherry picks and ignores evidence that doesn't support his predetermined view. In this case, we twice noted the limitations of our scope, but he somehow neglected to acknowledge that.

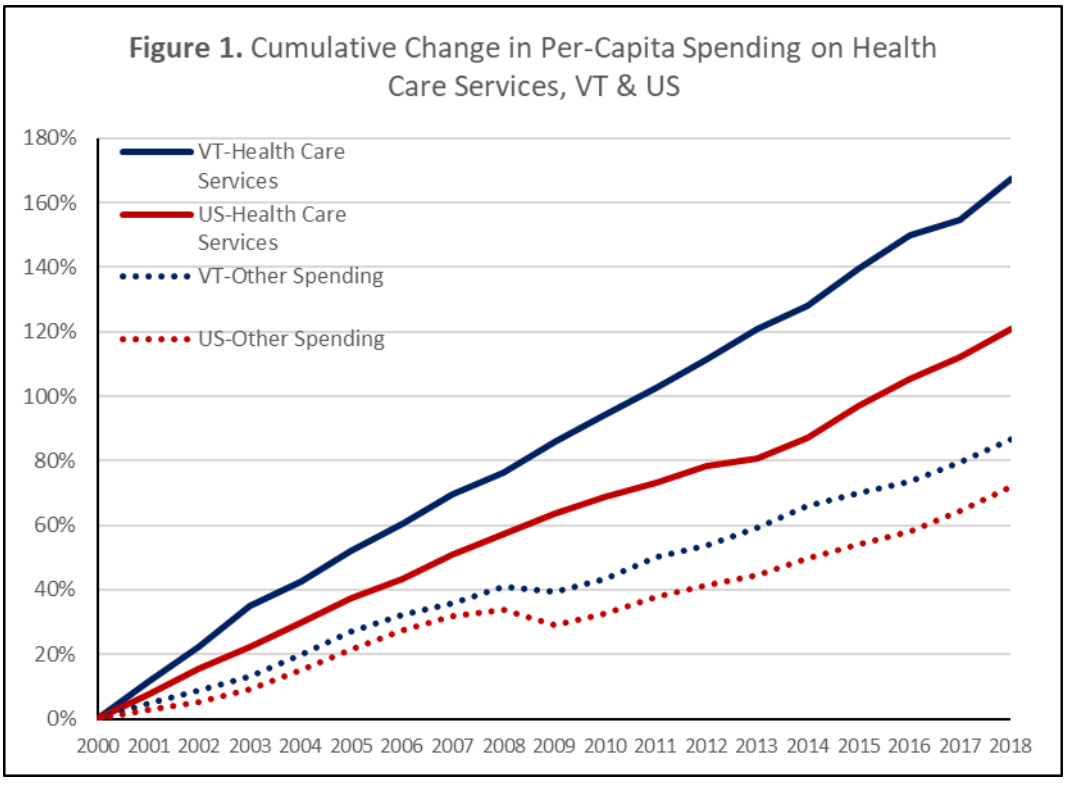
[4] Post, Brady, Tom Buchmueller, and Andrew M. Ryan. "Vertical Integration of Hospitals and Physicians: Economic Theory and Empirical Evidence on Spending and Quality:" Medical Care Research and Review, August 29, 2017, 399.

Issue: Data and analysis was available for public review and verification

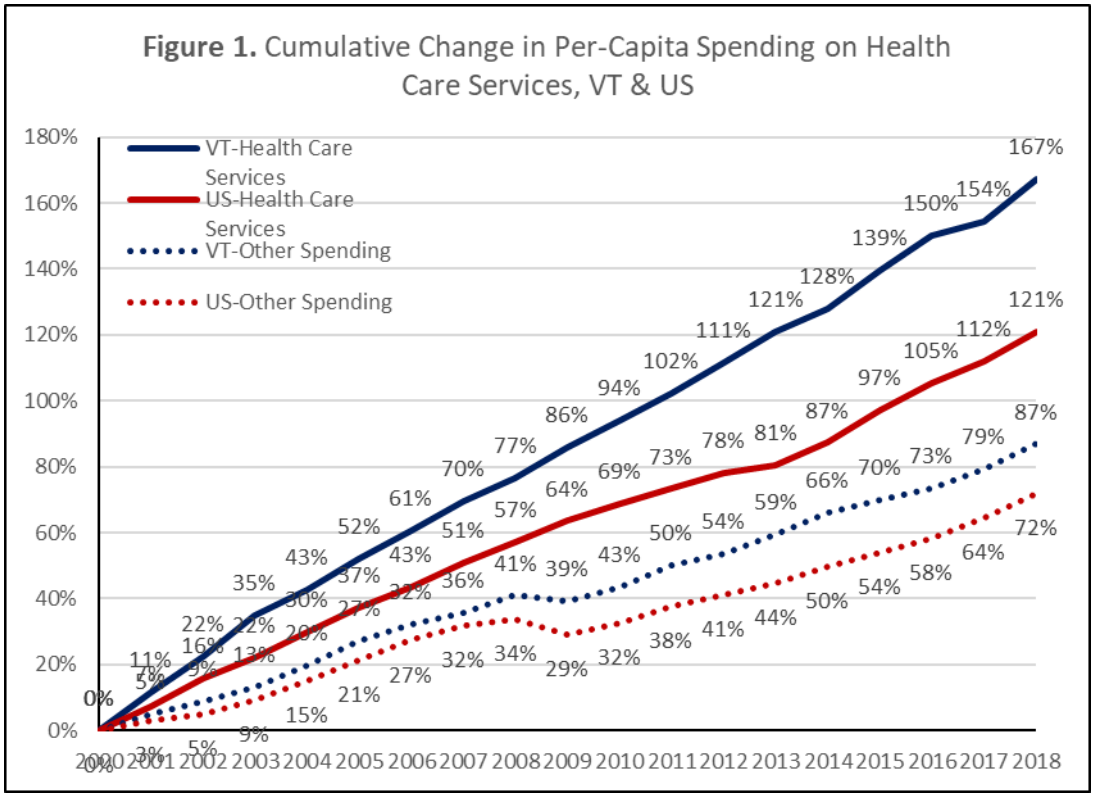
"*The report contains a number of visual graphs, but very few of the data points are labeled with numerical values and there are no data tables to accompany the graphs. This makes it impossible to verify the accuracy of your analysis against source data*."

1. First, and most importantly, if a reader wishes to review the data in our reports (extremely rare), the information can be obtained through a records request, as was the case here.
2. Our reports include extensive footnotes, many of which have hyperlinks, so it is not difficult for interested readers to "verify the accuracy of [our] analysis against source data."
3. Adding numerical labels for all data points can be confusing in some graphs. For example, Figure 1 below contains 76 data points; 19 for each line. If we added them, the graph would not be terribly inviting (see page 2).
4. Four of the eight graphs are bar graphs, and all have data labels, so "very few" is a gross exaggeration.
5. The text prior and adjacent to Figures 7 and 8 explain the main takeaway of each graph and include the relevant percentages so readers know exactly what's going on.
6. Mr. Olsen seems to have forgotten that the Y axis in graphs is there for a reason. It provides an easy visual reference to help readers when data labels are not provided.
7. Finally, it is not uncommon to forego labels for certain types of graphs, (especially time series line graphs). See the list on the next page for some examples from various State government entities.

Here is Figure 1 as shown in the report.



Here is the same graph with data labels. The graph is very busy visually when presented this way, and it doesn't arrive at a different conclusion.



Here are examples of reports by other state entities that use the same general presentation we did in this report (i.e. don't provide data labels or tables for graphs).

JFO - 10-Year Tax Study (Figures 1, 2, 4, 9, etc.)
https://ljfo.vermont.gov/assets/docs/reports/6ca6f1666c/2017-10-Year-Tax-Study-Full-Report-Compressed.pdf

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VHFA - Recent demographic shifts in Vermont (pages 3, 5, 10, 11 and 12)
https://www.vhfa.org/documents/publications/Demographic%20Trends.pdf

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AHS - Annual Report on The Vermont Blueprint for Health (pages 12, 15, 17, 27 and 34)
https://legislature.vermont.gov/assets/Legislative-Reports/2018_Blueprint_for_Health_Annual_Report_final.pdf

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ANR / DEC - UNIFORM ENVIRONMENTAL ENFORCEMENT ACT REPORT (page 9)
https://dec.vermont.gov/sites/dec/files/ced/documents/2019%20ANR%20Annual%20Enforcement%20Report.pdf

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PSD - 2020 Annual Energy Report (pages 10, 15, 19, 20, 21, etc.)
https://publicservice.vermont.gov/sites/dps/files/documents/2020%20Annual%20Energy%20Report.pdf

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Tax - ACT 51 VERMONT CORPORATE INCOME TAX REPORT (13, 14, 16, 17 and 18)
https://tax.vermont.gov/sites/tax/files/documents/RP-1232.pdf