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QUALITY, AFFORDABLE HEALTH CARE:
A WORK IN PROGRESS, A WINDOW OF
OPPORTUNITY

By Dr. Robert McAfee

The American people have been waiting a long time for private markets and the federal government to devise workable solutions to the rising cost of health care and address the needs of nearly 47 million U.S. residents who have no health insurance or can no longer afford health insurance. Health care and the economy are the two pressing issues on the minds of voters this year and the presidential candidates are being pushed to deliver not just ideas but answers. A robust economy requires healthy people. Families want to be assured their children will grow up healthy and strong. Not able to wait for a national consensus, over the past decade many states have attempted to create new models to meet the growing need for access, affordability and quality of care. Maine was one of the first.

For over four decades, under several governors and legislatures, Maine has undertaken a number of initiatives to improve health care quality, access and affordability. During his first campaign Governor Baldacci pledged to further address health care. Among his first acts was to convene dozens of people in "Health Action Teams" in order to develop landmark legislation and advance affordable quality health care for all Mainers. In 2003, Maine was the first state to set the bold and important goal of assuring access to health care for all Maine people. The Dirigo Health legislation was enacted by more than a two-thirds vote in the legislature.

Since its inception, the program has provided affordable coverage to over 28,000 Mainers. Today, more than 18,000 families, individuals and small businesses have health security through their Dirigo coverage; over 700 businesses all across the state are thriving because they have affordable health coverage for their employees. The Maine Quality Forum, an integral part of the Dirigo Health initiative, works with Maine's physicians, nurses and hospitals to assure that all of us get the highest quality of care here in the State of Maine. These and other efforts have provided Maine with one of the lowest rates of un-insurance compared to all other states. When Dirigo Health was launched, Maine had



Maine's
leadership efforts
in health care
reform has led
to the lowest
uninsured rate in
New England

the highest rate of uninsured in New England. Since Dirigo began, all other New England states saw their rates of uninsured grow-only Maine's dropped, bringing us from the highest to lowest rate of uninsured in New England.

Not surprisingly, this innovative, ambitious and untested program has encountered challenges in implementation. Many people's high expectations were not realized soon enough. Other states, working off our blueprint, have discovered different delivery and financing systems. Improving our state's health care system is a work in progress. The fact that we aren't there yet should not be allowed to obscure the very real progress Maine has made toward our shared goals.

Dirigo Health is now in its fifth year. Legislation adopted in the most recent session to strengthen and finance the state's health care program included a small increased tax on beer, wine and soda. A recent 'people's veto' effort to rescind that legislation ignores the stronger will and desire of Maine people to maintain and preserve affordable health coverage particularly in tough economic times.

DirigoChoice, the insurance product, is only one aspect of the broader Dirigo Health Reform legislation. The broad reforms set forth a series of actions to assure all Mainers have affordable coverage. The DirigoChoice product was designed to cover Maine's uninsured, most of whom have incomes below 300%

of poverty and who work in small businesses. Yet there are significant numbers of uninsured with incomes less than 100% of poverty, many of

the state ended its contract with its original partner and joined forces with the non-profit Harvard Pilgrim Health Plan, consistently ranked the

“Dirigo has made a huge difference in our healthcare. Being self employed we really appreciate the program and it would be unfortunate for the people in the State of Maine to lose this program.”

Sharon Trull, South Berwick

whom may be eligible for, but are not enrolled in, MaineCare - the program that harnesses federal funds to support coverage for certain low income people. Through the Dirigo legislation, MaineCare was expanded so that all parents of MaineCare eligible children also had access to coverage.

About 30% of Maine's uninsured are over 300% of the federal poverty level. That's why the broader Dirigo Health Reform is bigger than the insurance product. Recognizing that everybody needs affordable coverage, the reform also made investments in public health to prevent costly disease, in cost containment strategies and insurance rate regulation designed to check the rapid growth of health care costs and provide assurance that those who have coverage can continue to afford it.

DirigoChoice was designed as a public/private partnership administered through an insurance company. Recently,

number one health plan in America, thereby infusing new competition into Maine's insurance market.

The DirigoChoice product is a comprehensive one, with first dollar preventive coverage, no pre-existing condition exclusions and mental health parity. Initially, it provided a Healthy Maine Reward incentive to members who chose a primary care physician and completed a health risk assessment. In this way the product was specifically designed to support prevention and early detection of costly and debilitating chronic illnesses. The program operates on a sliding fee scale designed to help individuals afford coverage based on their ability to pay. This model of a sliding scale subsidy has been copied by reforms later enacted in Vermont and Massachusetts.

From the first debate about the health reform program, financing has been a serious issue. The design of the Dirigo Health Reform was

a comprehensive one and included a variety of approaches to reduce the extraordinary growth of health care costs in our state. The program was designed to create savings in the skyrocketing costs of health care and reinvest those savings to support coverage expansions.

Some of those savings came simply by covering the uninsured; others from broader system reforms. We know that when people who are uninsured, under-insured or cannot afford payment, get sick and go to the hospital, their care is paid for through a hidden tax passed on to premium payers. But, we also know that 37% of premium costs are the result of chronic illnesses that are largely preventable. We know, too, that in health care supply drives demand and that more services do not necessarily result in better care. Thus, the 2003 health reform legislation included the creation of a State Health Plan that sets forth a series of tasks to make Maine the healthiest state with the highest performing, most efficient and affordable health care delivery system. The Act included new provisions to strengthen the certificate of need review process to assure that Maine has all the new buildings, equipment and other capital equipment we need, but not more. Finally, the law instituted new rate regulation in the small group market that has helped keep prices in check. This resulted in one health insurance company returning \$6.6 million this year to small businesses that had purchased this company's health insurance product.

In short, the broad 2003 reforms were focused first on affordability. The work of investing in public health and bringing efficiencies and effectiveness to our health care delivery system takes time, but from the outset critics raised doubts about the program's financing. In 2003, the initial legislative proposal that created the program was to be funded by an assessment on insurers and those administering plans for the self-insured that could *not* be passed on to premium payers. Insurers and others objected. A compromise was reached to replace that funding with a Savings Offset Payment (SOP). Instead of a fixed assessment that could not be passed on to premium payers, the Savings Offset Payment required the Dirigo Health Agency to determine how much the Dirigo initiatives had saved each year and asked the Superintendent of Insurance, in an independent adjudicatory review, to determine how much savings had accrued in the system. This intensive and expensive effort to document savings has resulted in the documentation of \$110 million in savings over the last three years of the program. When those savings were determined, the Dirigo Health Agency assessed insurers and those who administer self-insured plans for the amount of the savings. The Board, by law, could not assess a greater amount than had been independently documented as savings by the Superintendent of Insurance.

The Savings Offset Payment was contentious and was challenged in court. While

the highest court in Maine upheld the Savings Offset Payment, critics continued to denounce it and in 2006 Governor Baldacci established a Blue Ribbon Commission on Dirigo Health chaired by Dr. Sandra Featherman, the former President of the University of New England. This bi-partisan group, upon which I served, studied the program and made a series of recommendations including one regarding alternative financing. The Commission endorsed funding the program from the General Fund to reflect the importance of the program to all the people of Maine but noted that General Funds need not be the sole source of funding. Possibilities endorsed by the Commission to generate revenues for the General Fund included taxes on specific behaviors and products that have a negative influence on health. Specifically, the Commission endorsed increasing taxes on tobacco products, a snack tax,

Covering the Uninsured," which incorporated many of the recommendations of the Blue Ribbon Commission, including alternative financing. That bill was enacted by the Legislature and marked important progress in both expanding access for the uninsured and making coverage more affordable. Specifically, the new law addresses concerns about the unpredictability of the Savings Offset Payment by reducing the current assessment of 2.1% to a fixed 1.8% of paid claims. In addition, the bill establishes excise taxes on soda, syrup, beer and wine.

The program will generate approximately \$58 million in state fiscal year 2009 and \$62 million in 2010. Importantly, these funds will support the continuation of the DirigoChoice product, the coverage of MaineCare parents and important new reforms that will bring rate relief to almost 40,000 Maine

of older and sicker individuals, which results in even higher rates.

The new law includes two important market reforms directed at making the market more affordable and more attractive to young people. First, it allows rates to be lowered for younger people – bringing about a 40% rate relief after medical trends are factored in – and it protects older people from any rate increases beyond what they could expect in the current marketplace. In addition, it establishes a re-insurance plan. Certain high cost claims will be paid for by the Dirigo subsidies – thereby bringing rates down for all in the individual market. Furthermore, the law establishes important new opportunities, regulated by the Bureau of Insurance, to design and test new lower cost affordable products to attract younger people to buy insurance. When younger, healthier people enter the individual market, prices are held in check for all.

Enactment of LD 2247 marked important progress as we work to strengthen and improve Dirigo Health. With the new law, the program could be re-opened in late summer or early fall.

A so-called “people’s veto”, however, threatens the opportunity to realize the promise of the new legislation. As provided in the Maine State Constitution, if opponents of the law can gather signatures equal to 10% of voters in the last gubernatorial election prior to the law becoming

“DirigoChoice is an economic driver, as it was one of the critical factors that encouraged me to move back to Maine.”

Skip Moskey of Meadowshire Communications, Limerick

a tax on bottled soft drinks and syrup, and a tax on beer and wine.

In the recent legislative session, Rep. Hannah Pingree was the lead sponsor of LD 2247, “An Act to Continue Maine’s Leadership in

people who are now covered in the individual market. This market, comprising Maine people who aren’t covered by any group plan, has been the subject of extraordinary rate increases and, as a result, is disproportionately comprised

effective on July 18th, the Dirigo Health Agency will be prohibited from implementing those portions of the law that

Rescinding LD 2247 would threaten the state's capacity to continue to provide affordable coverage to 18,000

“DirigoChoice has put my company at a competitive advantage, as I’m able to provide health insurance to my employees at a reasonable rate.”

Bill Keleher of MicroTechnologies Inc., Richmond

are subject to the “people’s veto” until such time as the veto is put out to referendum and voted on by the people of Maine in November 2008.

The “people’s veto” would repeal the new, more stable funding plan for Dirigo. The petition is sponsored by the Maine Beverage Association and multi-national beverage companies, who are providing financial support, attention, and paid signature gatherers to the effort.

Maine people currently on the program. That includes about 700 small businesses in Maine who have been helped. When small businesses are helped all of Maine is helped since the majority of new jobs created in Maine are created by firms with less than ten employees – precisely the firms who, because of Dirigo, can now afford health insurance for owners and their employees.

Should sufficient signatures be secured, the Dirigo Health

Agency will revert back to current law. The very issue that initiated the opposition to the program – the Savings Offset Payment, will again be our source of revenue. Where the new law would restrict the surcharge to 1.8% of health care claims (about \$36 million), the current law makes it possible for the SOP to be as high as 4% of paid claims (about \$82million).

This is not the time to turn away from Maine’s leadership efforts to provide quality, affordable health care to all of its citizens. Staying on course with continuing health care reforms will allow us to continue to cover 18,000 families, including 700 small business people, establish new competitive insurance plans for young people, bring rate relief to the individual market and reduce the current surcharge on insurance claims. The new taxes on discretionary spending – eighteen cents on a six pack of beer, seven cents on a bottle of wine and seven cents on large, twenty ounce

soda – seem a fair price to pay to bring affordable health care to hard working parents, their children and small businesses across our state.

About the Author:



Dr. Robert McAfee practiced general surgery in Portland for many years and is a past president of the Maine and American Medical Associations. He was appointed by Governor John Baldacci to chair the Dirigo Health Agency at its inception in January 2004.

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Tel: 207-622-7381
Fax: 207-622-0239

66 Winthrop Street
2nd Floor
P.O. Box 437
Augusta, ME 04332

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