

The Maine Dirigo Health Reform Plan

In 2002, John Baldacci's gubernatorial campaign emphasized health reform, and once elected into office he appointed a Health Action Team to design a health reform proposal for Maine. In June 2003, Gov. Baldacci signed into law the Dirigo Health Reform Act. The act created Dirigo Health, a new state agency tasked with administering DirigoChoice, the state's new insurance plan for small businesses, self-employed residents, and other eligible uninsured individuals and families. The state contracted with Anthem Blue Cross Blue Shield (BCBS) to administer the plan. Dirigo Health subsidizes premiums on a sliding scale. The plan aims to insure up to 110,000 individuals by 2009, achieving near universal coverage in Maine. In addition to DirigoChoice, the Dirigo Health Reform Act included provisions aimed at containing health care costs through modifications to the state's certificate of need (CON) laws, voluntary cost-control actions by providers, and quality initiatives mostly aimed at strengthening the state's health information technology infrastructure.

PROPOSAL SUMMARY

DirigoChoice: DirigoChoice is the centerpiece of Maine's health reform plan. DirigoChoice aims to provide an affordable health insurance option to residents who have traditionally faced difficulty accessing health coverage – small employers, the self-employed, and the unemployed – and other individuals who lack access to employer-sponsored insurance and do not qualify for the state's Medicaid program. The DirigoChoice plan is administered through the private insurance market. However, it includes some features less frequently included in private health plans, such as mental health parity, a prohibition on pre-existing condition exclusions, and incentives for prevention, such as first-dollar coverage for preventive services and incentives for selecting and visiting a primary care physician.

The Dirigo Health Agency is responsible for administering DirigoChoice. The agency has contracted with Anthem BCBS, to offer the health plan. Maine initially entered into an exclusive two-year contract with Anthem, which was set to expire in 2006, but the state extended the contract for an additional year. Enrollees' DirigoChoice premiums can be subsidized by employer contributions, discounts from the state, or a combination of the two. Small employers participating in DirigoChoice must contribute at least 60 percent of the premium for each individual (not each family). The employee is expected to contribute the other 40 percent; however, the state gives sliding-scale discounts based on income for households under 300 percent of the federal poverty level (FPL). Discounts are delivered in the form of a monthly cash allowance loaded on a debit card.

For example, an individual with a household income of \$27,000 (135 percent FPL) and a family of four purchasing a policy without an employer contribution would have a monthly cost of \$1,213 for family coverage but would receive a cash discount of \$971, reducing their contribution to \$243 per month. Employees of small businesses participating in DirigoChoice would have their personal contribution reduced further due to the employer contribution.

Proposal in Brief

Target population: Employees of small businesses, self-employed residents and individuals without access to employer-sponsored insurance.

Sources of Coverage: Affordable, private insurance.

Coverage Incentives: Ability for individuals to access group health insurance; premium subsidies for individuals and families based on household income.

Financing: General fund appropriations, tobacco settlement fund allocations, contributions by employers and employees, and assessments on insurance revenues.

Timing: DirigoChoice launched in 2004; goal to reach near universal coverage by 2009.

Maine Quick Facts

Population:

1,301,460 (US total: 292.9M)
40th in population

No. and Percent Uninsured:

136,830; 11% (US: 46.6M; 16%)
38th in uninsured

Median Household Income:

\$42,006 (US: \$44,684)
15th lowest

Undocumented Immigrants:

Under 20,000; <1.5%
(US: 9.3M; 3%)
Among the lowest number of
undocumented immigrants

Avg. Annual Cost of Employer-Sponsored Insurance (ESI)

(individual per year):

\$4,116 (US: \$3,705)
5th highest

Medicaid Enrollment:

265,050; 20% (US: 38M; 13%)
2nd in % pop. covered

Medicaid Coverage of Working Parents:

207% FPL (US avg: 65% FPL)

Sources: Kaiser State Health Facts; Urban
Institute Estimates of Undocumented
Immigrants, January 2004.

Cost Containment: The Reform Act contained a number of provisions aimed at controlling health care costs. First, the state expects the plan will reduce bad debt and charity care by expanding health insurance coverage. Second, Dirigo Health reformed the state's CON process by expanding the requirement beyond hospitals to include other health care providers. It also issued a moratorium on new health care building projects until a State Health Plan was prepared that would assess state health needs and establish a budget to direct future health care expenditures. In addition to the State Health Plan, Maine established a commission to review the cost of hospital care, as well as the financial health of the state's hospitals. Finally, the Reform Act asked providers to adhere to a voluntary cap on their costs and operating margins, and it required providers to make health care prices more readily accessible and transparent to consumers.

Interaction with Medicaid: Maine also contracted with Anthem to deliver a health plan under MaineCare, the state Medicaid program. As a result, residents participating in DirigoChoice who are found to be Medicaid-eligible are charged Medicaid cost-sharing and receive Medicaid wraparound services that are not covered by the DirigoChoice plan. If their eligibility changes they will be able to stay in the same plan and have access to the same providers. This arrangement ensures that employees and their dependents, whose eligibility for Medicaid may change over the course of the year, have continuity of coverage.

OTHER KEY COMPONENTS

Wellness, Prevention, & Care Coordination: No cost-sharing is required for preventive care, including physicals, mammograms, blood testing or well-baby care, while enrolled in DirigoChoice. The Healthy Maine program also awards \$100 cash incentives for members who engage with a primary care physician and complete a health risk assessment.

Quality: The Reform Act created the 17-member Maine Quality Forum, which collects and disseminates research regarding the quality of health care in Maine, uses quality and performance measures to compare providers, promotes evidence-based medicine, and makes recommendations for the State Health Plan and CON program, among other functions.

Health Information Technology: Several provisions of the Reform Act centered on promoting the effective use of health information technology in Maine. These plans include a statewide electronic health record system, and online access to Maine quality data and provider performance data. The Maine Quality Forum oversees the implementation of these initiatives. The group's Web site currently provides some hospital quality data for consumers, but the data is reported by grouping hospitals into peer groups rather than presenting individual hospital statistics.

BUDGET AND FUNDING

In 2005, DirigoChoice payments to Anthem totaled \$24 million, with funding split almost evenly between state subsidies and employer and member contributions. In late 2006, the Dirigo Health Agency estimated that annual payments to Anthem would exceed \$50 million. This significant growth can be largely attributed to the 87% enrollment increase from 2005 to 2006. Administrative operating costs for the Dirigo Health Agency, including staff salaries and marketing expenses, were about \$3.7 million in 2006.

In its first year of operation, DirigoChoice premium subsidies (or discount payments) were financed by state general revenue funds. In subsequent years the state expected to fund premium discounts using "savings offset payments" (SOPs) from insurers. SOPs are payments made from insurers to the state, based on the state's estimates of health care savings achieved by DirigoChoice. The state anticipated that DirigoChoice would reduce the amount of money spent on charity care to the uninsured and providers' bad debt, which they believed would lower costs across the health care system, particularly to insurers whose payments help providers subsidize care to the uninsured. Insurers would then be required to pass a portion of these savings along to the state.

In 2005, Maine estimated that insurers owed the state \$43.7 million due to savings to the health system in DirigoChoice's first year of operation. The insurance industry filed suit to prevent this assessment, arguing that the state could not justify this amount, and that factors other than DirigoChoice were responsible for decreases in Maine's health costs. In 2006, the Dirigo Health Agency Board of Directors voted not to assess the second year SOP. In late 2006, Gov. Baldacci appointed a Blue Ribbon Commission on Dirigo Health, which suggested that the state raise cigarette taxes and several other product taxes to fund DirigoChoice.

EXPERIENCE AND ONGOING ISSUES

In addition to Maine's funding dilemma, enrollment in DirigoChoice has been lower than anticipated. As of September 2006, only 19,352 beneficiaries were enrolled in the program. Many feel that DirigoChoice is too expensive for employers and cheaper options exist in the marketplace. Furthermore, estimates indicate that only a minority of DirigoChoice enrollees were uninsured prior to enrolling. DirigoChoice funding and enrollment continue to be the focus of debate over the future of the program.

The Governor's Blue Ribbon Commission on Dirigo Health released a report in January 2007 with its recommendations for the future of DirigoChoice. The commission recommended that DirigoChoice should prioritize covering the uninsured and underinsured under 300 percent of FPL, consider bidding pharmacy coverage separately from the health benefit or join a multi-state drug purchasing pool, and pursue alternative sources of revenue such as an increased tobacco tax and taxes on alcohol, soft drinks and junk food.

In addition to DirigoChoice, Maine's other Reform Act initiatives have moved forward. In April 2006, the State Health Plan was published. It emphasized Maine's need for a strengthened public health system and recommended priorities for the CON program. The Commission to Study Maine's Hospitals' report was released in February 2005. The state legislature considered that commission's recommendations, including examining options to consolidate and regionalize the hospital system; however the legislature chose to pass more limited measures such as the creation of a new advisory group to review hospital billing procedures.

SOURCES

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