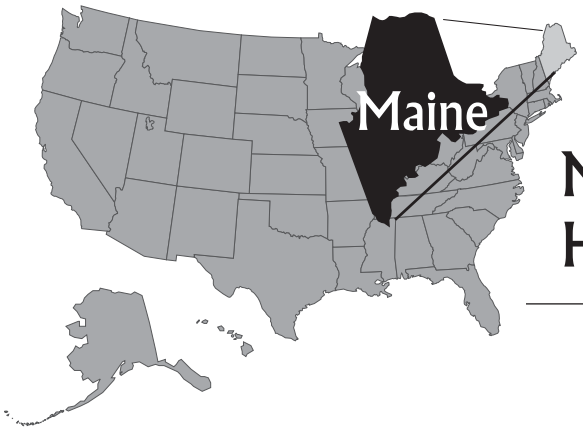

Maine's Dirigo Health Reform of 2003

November 2007

Where Did the State's Coverage Expansion Efforts Start?

In 2003, Maine passed Dirigo Health Reform, which aimed to cover uninsured and underinsured Mainers, improve health care quality, and lower health care costs. The reform created a new private health insurance program, called DirigoChoice, for individuals, sole proprietors, and small businesses at any income level, and it expanded the state's Medicaid program. Under the new program, subsidies would be made available to DirigoChoice applicants with low and moderate incomes.

Prior to the passage of Dirigo Health Reform, Maine had already undertaken several initiatives to make both public and private insurance more affordable and accessible. During the 1990s, the state took important steps to protect health care consumers by regulating the private insurance market. For example, insurers that offer small group and individual coverage in Maine must use "modified community rating" and "guaranteed issue and renewal." Under modified community rating, insurance companies cannot charge different premiums based on applicants' health status, claims history, or gender. Under guaranteed issue and renewal, insurers cannot deny someone a policy, or renewal of a policy, because of his or her health status.

In addition to a regulated private insurance market, the state had established a strong health care safety net for low-income families. Through its Medicaid and SCHIP programs, called MaineCare, the state already covered children and pregnant women with family incomes up to 200 percent of the federal poverty level ($34,340 for a family of three in 2007), parents with incomes up to 150 percent of poverty ($25,755 for a family of three in 2007), and some non-disabled, childless adults with incomes up to 100 percent of poverty ($10,210 for an individual in 2007).

In 2003, Governor Baldacci took office and made health reform one of his top priorities. He created the Office of Health Care Policy and Finance in January 2003 with the goal of further expanding health coverage through various cost, quality, and access initiatives. His leadership brought advocates and other key stakeholders to the table, and with their input, Dirigo Health Reform was developed and later passed in June 2003. After two years of planning, DirigoChoice went on the market in 2005. (For more information on how the plan is administered, see "What Governing Bodies Administer Dirigo Health?" on page 15.)

Who Is Eligible for the Coverage Expansion?

In 2005, when Dirigo Health began, Maine had about 135,000 uninsured individuals under the age of 65, which was about 12 percent of the state's non-elderly population.[1] Dirigo Health Reform included a Medicaid expansion for some low-income Mainers, and it created a new program called DirigoChoice to provide private coverage to individuals and small businesses.

Expansion of Public Programs

Dirigo Health increased the income eligibility level for parents in MaineCare from 150 percent of poverty to 200 percent of poverty ($34,340 for a family of three in 2007). The law also raised the MaineCare enrollment cap for non-disabled, childless adults, allowing more adults with incomes below 100 percent of poverty ($10,210 for an individual in 2007) to enroll.

Dirigo Health also authorized the Department of Health and Human Services (the state's Medicaid agency) to extend MaineCare coverage to non-disabled, childless adults with incomes below 125 percent of poverty (about $12,763 for an individual in 2007). However, because Maine covers childless adults using a federal Medicaid waiver, the state had to find funding for the expansion without increasing its overall MaineCare budget. Unfortunately, Maine could not find the funding, and the coverage expansion for this group was never implemented.

Creating Affordable Private Coverage

The Dirigo Health Reform created DirigoChoice, a public/private partnership health plan. DirigoChoice provides more affordable health coverage to the following groups:

- Small businesses with 2-50 eligible employees. To participate, a small business must enroll 75 percent of its employees who do not have coverage through another source (such as coverage through a spouse);
- Individuals employed by a small business (2-50 employees) that does not offer health coverage;
- Self-employed individuals, including sole proprietors;
- Part-time workers who do not work more than 20 hours per week for a single employer;
- Early retirees who worked for an employer that does not contribute to the retiree's health insurance;
- Individuals employed by a household who work more than 20 hours per week; and
- Unemployed individuals.

The state contracts with a private insurance company to provide coverage for DirigoChoice enrollees. "Premiums" and deductibles are subsidized on a sliding scale for individuals with incomes below 300 percent of poverty ($51,510 for a family of three in 2007). (**Note**: Premiums are called "payments" in the Dirigo Health statute.)

The Dirigo Health Reform also included a provision stating that, after DirigoChoice had been operating for a year, enrollment would be opened up to businesses with between 50 and 100 employees. However, this provision has not been implemented.

MaineCare and DirigoChoice–How They Work Together

MaineCare and DirigoChoice are two separate coverage programs. And because MaineCare eligibility levels vary among children, parents, and childless adults, some members of a family may be eligible for MaineCare, and others may qualify only for DirigoChoice. In order to ensure that enrollees in both programs receive the subsidies and benefits for which they are eligible, the Maine Department of Health and Human Services (DHHS) and the Dirigo Health Agency work together to create a seamless enrollment process for MaineCare and DirigoChoice.

When a person enrolls in DirigoChoice—either individually or through an employer—and applies for a discount, the Dirigo Health Agency and the DHHS work together to review the discount application and determine whether or not the individual is eligible for MaineCare.

- If an employee applies for DirigoChoice through his or her employer and the employee qualifies for MaineCare, DirigoChoice will provide the employee's primary coverage, and MaineCare will provide services that DirigoChoice does not cover (wraparound coverage).
- If a person applies for DirigoChoice individually (not through an employer) or as a sole proprietor and he or she qualifies for MaineCare, he or she will be enrolled directly in MaineCare only.

MaineCare benefits are administered by the DHHS, and DirigoChoice coverage, currently provided by the private insurance company Anthem Blue Cross Blue Shield, will be provided by Harvard Pilgrim Health Care beginning on January 1, 2008.

How Much Do People Pay for Coverage?

MaineCare

Individuals and families enrolled in MaineCare have no annual deductible, but they may be required to pay small "premiums" and nominal copayments, depending on the type of person enrolled (e.g., child, childless adult, or parent).

DirigoChoice

Small businesses enrolled in DirigoChoice have several options regarding the health coverage they offer to their employees. They can choose to offer one of the following plans: Plan 1, Plan 2, or Plan 3. Or, they may choose to offer their employees a set of "triple option" deductible levels. Sole proprietors and individuals who are not enrolled through an employer have two plan options: Plan 2 and Plan 3. All of the plans and triple option levels have the same benefits package; they differ in only how much they cost.

Plans 1, 2, and 3

Plans 1, 2, and 3 each have different "premiums," deductibles, and out-of-pocket maximums.

DirigoChoice enrollees who do not qualify for MaineCare and who have incomes below 300 percent of poverty ($51,510 for a family of three in 2007) receive subsidies to reduce their "premiums," deductibles, and cost-sharing.

- **"Premiums"**
  DirigoChoice plans are community rated, meaning that "premiums" cannot vary based on a person's health status or claims history. "Premiums" may vary slightly based on factors such as geography, age, group size, and the industry in which the individual is employed.

  Businesses enrolled in DirigoChoice are required to pay at least 60 percent of "premiums" for employee coverage. They are not required to contribute to dependent coverage. The current unadjusted "premiums," *before* any discounts or employer contributions are deducted, are shown in Table 1.

Table 1

Monthly "Premiums" for DirigoChoice Coverage through an Employer, 2007 (includes employer and employee share of the "premium")

	One Adult	One Adult and Children	Two Adults	Two Adults and Children
Plan 1	$374.64	$674.35	$861.67	$1,123.92
Plan 2	$346.64	$623.95	$797.27	$1,039.92
Plan 3	$340.92	$613.66	$784.12	$1,022.76

Individuals and sole proprietors enrolled in DirigoChoice pay the monthly "premiums" shown in Table 2 (minus any subsidy for which they are eligible).

Table 2

Monthly "Premiums" for DirigoChoice Coverage through Individual Enrollment, 2007

	One Adult	One Adult and Children	Two Adults	Two Adults and Children
Plan 2	$424.38	$763.88	$848.76	$1,273.14
Plan 3	$417.30	$751.14	$834.60	$1,251.90

- **"Premium" Subsidies**

  DirigoChoice enrollees with family incomes under 300 percent of poverty ($51,510 for a family of three in 2007) receive a discount on their "premiums." The discount is between 20 and 80 percent, depending on household income. For individuals who receive DirigoChoice coverage through their employer, the discount is taken after employer contributions are taken into account.

  DirigoChoice enrollees with incomes above 300 percent of poverty are not eligible for subsidies. They pay the full cost of "premiums," or the full employee share of "premiums" if they are enrolled through their employer.

- **Deductibles**

  DirigoChoice plans have annual deductibles that vary based on family size and income, as shown in Table 3.

  Preventive services, such as physical exams, are not subject to the annual deductible, and they do not have copayments.

Table 3

Annual Deductibles for DirigoChoice Enrollees, 2007

	Individual	Family
Plan 1		
Family income below 300% FPL*	$250-$1,000	$500-$2,000
Family income above 300% FPL	$1,250	$2,500
Plan 2		
Family income below 300% FPL	$500-$1,450	$1,000-$2,900
Family income above 300% FPL	$1,750	$3,500
Plan 3		
Family income below 300% FPL	$500-$2,000	$1,000-$5,000
Family income above 300% FPL	$2,500	$5,000

* FPL = federal poverty level

- **Out-of-Pocket Maximums**

  DirigoChoice limits how much enrollees spend out of pocket on health care each year, including copayments and deductibles. Limits on out-of-pocket spending vary based on income.

Table 4

Annual Out-of-Pocket Maximums for DirigoChoice Enrollees, 2007

	Individual	Family
Plan 1		
Family income below 300% FPL*	$800-$3,200	$1,600-$6,400
Family income above 300% FPL	$4,000	$8,000
Plan 2		
Family income below 300% FPL	$1,600-$4,600	$3,200-$9,200
Family income above 300% FPL	$5,600	$11,200
Plan 3		
Family income below 300% FPL	$700-$2,800	$1,400-$5,600
Family income above 300% FPL	$3,500	$7,000

* FPL = federal poverty level

Triple Options

If an employer does not choose to offer Plan 1, 2, or 3, it may offer one of the two sets of triple options listed below (deductibles listed are for one person). The employee then chooses his or her deductible level from among the three different options in that set. Each deductible level has its own "premiums" and out-of-pocket maximums.

- $750/$1,250/$2,500, or
- $1,125/$1,750/$2,500.

For more information about cost-sharing in DirigoChoice, see http://www.dirigohealth.maine.gov/dhsp02b.html.

What Benefits Do People Receive?

As mentioned previously, MaineCare and DirigoChoice are separate but coordinated programs. Enrollees are all entitled, at a minimum, to the basic benefits package provided by DirigoChoice (including all of the benefits that private insurers are required to provide under Maine law). Covered benefits provided by DirigoChoice include the following:

- Inpatient and outpatient hospital care,
- ER services,
- Physician office visits,

- Specialist care,
- Diagnostic tests and procedures,
- Prescription drugs,
- Mental health care,
- Speech and physical therapy,
- Durable medical equipment,
- Smoking cessation,
- Skilled nursing facility care, and
- Hospice services.

People in MaineCare receive a more comprehensive benefits package. Benefits that are included under MaineCare but not DirigoChoice include the following:

- Dental care,
- Hearing tests and hearing aids,
- Long-term care,
- Non-emergency transportation, and
- Interpreters.

For more information on MaineCare benefits, go to www.mejp.org/medicaid.htm#1.1.

People enrolled in DirigoChoice with MaineCare wraparound benefits receive all of the services covered by MaineCare.

In DirigoChoice, the same benefits are offered in Plans 1, 2, and 3, as well as both sets of "triple options." DirigoChoice also includes some consumer protections that other private insurance plans in the state are not required to follow. For example, DirigoChoice does not exclude coverage of pre-existing conditions. In addition, it offers mental health parity, meaning that it covers mental health and substance abuse services at the same level as physical health services for all of its members.

For a more extensive list of DirigoChoice benefits, see the DirigoChoice Web site at http://www.dirigohealth.maine.gov/dhsp02b.html.

Who Provides Coverage?

MaineCare

MaineCare benefits are administered by DHHS, the state's Medicaid agency.

DirigoChoice

The 2003 reform permits the Dirigo Health Agency (DHA) to contract with one or more private carriers to provide DirigoChoice. Anthem Blue Cross and Blue Shield of Maine has been the sole provider of DirigoChoice coverage since the program began.

However, an important provision of Dirigo Health Reform states that, if private insurers do not apply to offer DirigoChoice coverage, the state is allowed to self-administer DirigoChoice with legislative approval. Since early 2006, Governor Baldacci proposed self-administration, arguing that it would create a more efficient program and achieve greater cost savings. This proposal was part of a 2007 Dirigo reform package dubbed "Dirigo 2.0." Proponents of the legislation maintained that self-administration would save $3.6 million that would otherwise go to Anthem in profits, and it would create additional savings by removing the "middleman."[2]

In June 2007, Maine passed legislation that allowed DirigoChoice to self-administer whether or not a private carrier had applied to offer DirigoChoice. (The text of LD 431, "An Act to Enable the Dirigo Health Program to Be Self-Administered," is available online at http://janus.state.me.us/legis/LawMakerWeb/externalsiteframe.asp?ID=280022890&LD=431&Type=1&SessionID=7.) However, the state ultimately decided not to self-administer and opted instead to sign a two-year contract with a different private carrier, Harvard Pilgrim, a nonprofit insurer. That contract will begin on January 1, 2008.

What Mandates or Incentives Encourage Participation in This Expansion?

No mandates require employer or individual participation in Dirigo Health at this time. However, the subsidies do provide an incentive for individuals and employers to participate in DirigoChoice.

How Is Dirigo Health Financed?

Dirigo Health is financed through employer and enrollee contributions, federal Medicaid dollars, insurer assessments, and state general funds. In its first year, 2005, Dirigo Health Reform required $53 million in state funds for start-up costs.

The 2003 law established a unique (and contentious) funding source—assessments on insurers and third party administrators called savings offset payments. The law allows the state to collect savings offset payments if it is able to show that, as a result of greater levels of insurance coverage and savings through Dirigo Health cost-containment measures, overall health care

costs have declined. If the state finds that program reforms do result in savings, then insurers[3] that benefit from these savings are required to pay a savings offset payment. The payment is an assessment of up to 4 percent on each insurer's paid claims, depending on the yearly savings the state has realized. Savings offset payments are used to fund DirigoChoice subsidies for people with family incomes below 300 percent of poverty, as well as administrative costs for the Maine Quality Forum. The Dirigo Health statute also requires insurers to negotiate lower rates with health care providers based on the cost savings.

One year after implementation, the Dirigo Health Agency Board of Directors and the Department of Insurance Superintendent found that the reforms had saved $43.7 million in Maine's health care system. The Maine Association of Health Plans and the State Chamber of Commerce and others filed suit against the state over this amount, arguing that the Dirigo Board searched for health system savings more broadly than the law allowed. In late May 2007, the Maine Supreme Court ruled that the $43.7 million figure was a legitimate estimate, which validated the savings offset payments as a funding mechanism.

According to the Dirigo Health Agency, Dirigo Health costs for 2007 are estimated to total $40 million, and the state is looking for additional funding sources.[4] The Maine State Legislature rejected new funding sources that were proposed in 2007.

For more details on Dirigo Health program funding, see http://janus.state.me.us/legis/ros/lom/LOM121st/10Pub451-500/Pub451-500-116.htm#P8439_963849.

Does Dirigo Health Reform Insurance Regulations?

While Maine's insurance market already provided more consumer protections than most states, Dirigo Health introduced greater regulation of "premium" rates. For example, the new law requires that small group insurers spend 75 percent of the "premiums" they collect on medical claims, retaining only 25 percent for administration, marketing, and profit. This is called a 75 percent medical loss ratio.

Insurance companies are subject to rate review by the Bureau of Insurance (BOI), which can call hearings to evaluate how well the companies are complying with the required medical loss ratio. An insurer can avoid the hearing process and file its rates on an informational basis, without further review, if it agrees to spend an even higher proportion of "premiums" on medical claims. To avoid the hearing process, the insurer must agree to a medical loss ratio of 78 percent over a continuous three-year period. If the company fails to meet the 78 percent medical loss ratio, it must refund the excess "premium" dollars it has collected to policyholders.

The requirements are different for individual plans—they need only meet a medical loss ratio of 65 percent.

The insurer that administers DirigoChoice must abide by all of the benefit mandates that apply to other state-licensed insurers. DirigoChoice also includes several additional protections for enrollees: It has no lifetime benefit caps, provides parity for mental health services, and does not exclude coverage for pre-existing conditions.

What Are the Other Major Provisions of Dirigo Health?

Dirigo Health Reform was among the first comprehensive state expansions to include measures designed to contain health system costs and improve quality. To increase efficiency and bring down spending, the legislation established the following:

- Increased regional planning and cost oversight through an expanded Certificate of Need (CON) program and an annual, statewide budget for capital investment projects (such as new health care facilities, services, and equipment). Under the Certificate of Need program, hospitals and other health care facilities must apply for approval and demonstrate the necessity of new medical technology and devices prior to purchasing them.
- Voluntary limits on cost growth for hospitals, insurers, and doctors. For example, hospitals were asked to place a voluntary 3 percent limit on operating margins and a 3.5 percent limit on cost increases, targets that are still in place. Health care practitioners voluntarily limited their net revenue growth for a year. Health insurers were asked to voluntarily limit their profits to 3 percent for a year. Many, but not all, insurers complied with the requirement.
- An Advisory Council on Health Systems Development, which advises the Governor's Office of Health Policy and Finance in the development of a State Health Plan. The State Health Plan, every two years, assesses the state of health care in Maine with regard to cost, access, and quality. It also sets goals within each of these categories and lays out steps the state should take to reach those goals.

How Has Enrollment Progressed Since the Program Started?

- The modest expansion of MaineCare eligibility for parents (the income eligibility limit was raised from 150 percent of poverty to 200 percent of poverty) went into effect in May 2005, and as of July 2007, 5,596 parents were covered under the expansion.
- DirigoChoice enrollment for small businesses and sole proprietors opened on January 1, 2005. Individual enrollment began in April 2005. As of July 2007, about 15,063 people were enrolled in DirigoChoice.[5] According to the Dirigo Health Agency, in November 2007, about 28,000 people have been served since the program began.
- There is a cap on the number of individuals—both subsidized and unsubsidized—that the plan may enroll. There is also a budgetary limit on the amount of subsidy the Dirigo Health Agency can provide. This enrollment cap was reached on July 1, 2007, for

individuals, and the budget limit for total subsidy was reached on September 1, 2007. This means that DirigoChoice enrollment is currently open only to small businesses and sole proprietors not seeking a subsidy. There are certain exceptions to these caps, however. For example, people laid off as a result of business going to another country (Health Coverage Tax Credit—HCTC eligibles) may enroll and may be eligible for subsidies. In addition, for small businesses that are currently enrolled in DirigoChoice, new employees and employees with "qualifying events" will be granted subsidies based on their household income.

- In its July 2007 enrollment report, the Dirigo Health Agency reported that 23 percent of DirigoChoice enrollees were signed up for coverage through their employer, 27 percent were sole proprietors, and 50 percent were signed up as individuals.

What Are the Lessons Learned So Far?

- The Dirigo Health Reform has expanded access to health coverage, particularly for small businesses and self-employed people. The reform has covered thousands of people who were previously uninsured or underinsured. In addition, Maine has taken important steps to control rising health care costs and improve the quality of care. Maine is one of the few states that has not seen an increase in the number of uninsured in recent years, despite the proliferation of high-deductible health plans and double-digit growth in private health insurance premiums.
- The Dirigo Health Reform provides a model for other states that are interested in expanding coverage while operating within certain budgetary constraints. Dirigo Health uses a unique funding mechanism that calculates savings generated by its cost controls and requires insurers and third-party administrators to share a portion of their savings in order to fund subsidies that make coverage affordable. While this funding mechanism, called savings offset payments, has been criticized by insurers and large businesses, it has been upheld by Maine's Supreme Court. The Supreme Court ruling is an important milestone for states interested in creating funding mechanisms that are based on cost savings and that may avoid ERISA challenges. Because of its structure, the savings offset payment system was not challenged under ERISA, and it is widely believed to meet ERISA standards. For more information about ERISA, see our *Glossary of Health Care Terms*, available online at www.familiesusa.org/assets/pdfs/health-care-terms-glossary.pdf. For more information on the savings offset payments court case, see the decision in *Maine Association of Health Plans, et al. v. Superintendent of Insurance, et al.*, available online at http://www.courts.state.me.us/opinions/2007%20documents/07me69di.pdf.

- DirigoChoice enrollment has grown steadily, but it has not met initial projections (30,000 people within the first year), particularly among small businesses. The program has been popular with individuals, whose enrollment is limited to 50 percent of program participants, and individuals have therefore met their enrollment cap. It has also been popular among small businesses whose workers qualify for subsidies, and thus, the subsidy funds have been exhausted. In addition, it has been popular with very small businesses (businesses with fewer than 10 employees) who tend not to get good premium rates in the private market. Some observers believe that participation among other businesses has been more limited than initial projections because many business owners shop chiefly for low premiums, rather than benefits and deductibles, and they can find cheaper policies elsewhere, and because some businesses think that their contribution toward employees' coverage should also be subsidized.
- Marketing is important. Agents and brokers alone are not likely to reach the target population of uninsured small businesses and individuals. Therefore, in order to reach people, states need to engage in the type of social marketing that has been done in the Children's Health Insurance Programs (CHIP), including community outreach campaigns and advertising on TV, radio, and bus ads.
- Affordability is difficult to achieve in a product that is influenced by private market forces. Joe Ditre, Executive Director of Maine's Consumers for Affordable Health Care, says that premium subsidies should be indexed to premium increases from the outset to keep premiums within reach for low- and moderate-income people. Nonetheless, Dirigo Health has proven that providing coverage based on a person's ability to pay is critical to expanding access to health coverage. Total out-of-pocket costs—premiums, deductibles, and maximum out-of-pocket expenses—all need to be subsidized.
- Cost containment is absolutely critical. Cost containment efforts, though opposed by powerful interest groups, are critical to the sustainability of health reform efforts. Since underlying health care costs are growing at rates that far outpace inflation, the reality is that health coverage is expensive. Adequate funding for subsidized coverage is critical to expanding access. In addition, meaningful cost containment efforts are necessary to slow the growth in health care costs.
- Public/private partnerships can pose challenges for public programs. The insurance company that currently contracts with the state to provide DirigoChoice coverage, Anthem, also offers other insurance products in the individual and small group markets. These products compete with DirigoChoice and create a conflict of interest for Anthem. The marketing and outreach efforts for DirigoChoice have not been sufficient to overcome this dilemma.
- An effective public relations effort is critical to a positive public perception of a large-scale health care reform effort. Messaging about the complex details of health reform can be challenging, and there are many powerful special interest groups that benefit from

the current health care system. Because these groups have a large amount of resources and capacity when it comes to public relations, a coordinated communications plan is critical to maintain public support for health reform. The Dirigo Health Reform has largely been a success, but there has been negative press on the low enrollment and on whether the savings offset provision is fair to insurers and hospitals. As noted previously, however, the Maine Supreme Court has upheld the savings offset payment mechanism as a funding source and, to date, all legal challenges to it have been defeated.

The Future of Health Reform in Maine—What's on the Horizon?

During the spring of 2007, several health care reforms were introduced in the state legislature, both by Governor Baldacci and by the Maine Statehouse. Most of Baldacci's proposals, collectively called "Dirigo 2.0," did not pass the House or Senate by the close of the 2007 legislative session. However, some of the reforms Baldacci supported were passed by the legislature and signed into law, as follows:

- "An Act to Enable the Dirigo Health Program to Be Self-Administered" (LD 431) allows Dirigo Health to choose to self-administer rather than contracting with a private insurance carrier. Proponents of the law say this change will help Dirigo Health operate more efficiently and save money that currently goes to the private insurance carrier's profits and administration. (The bill text is available online at http://janus.state.me.us/legis/LawMakerWeb/externalsiteframe.asp?ID=280022890&LD=431&Type=1&SessionID=7.)
- "An Act to Extend Health Insurance Coverage for Dependent Children up to 25 Years of Age" (LD 841) requires insurers to continue coverage for dependents until they are 25 years old, as long as they remain dependent and have no dependents of their own. (The bill text is available online at http://janus.state.me.us/legis/LawMakerWeb/externalsiteframe.asp?ID=280023451&LD=841&Type=1&SessionID=7.)
- "An Act to Protect Consumers from Rising Health Care Costs" (LD 1849) requries the Advisory Council on Health Systems Development to study factors that contribute to rising health care costs in Maine. The council will make recommendations to the legislature on ways to reduce or contain health care spending without harming consumers.

For a more complete list of the health care bills that were passed by the 123rd Maine Legislature and signed by the governor, please see the governor's Web site at http://www.maine.gov/tools/whatsnew/index.php?topic=Portal+News&id=40189&v=article-2006.

Governor Baldacci's other proposals related to Dirigo Health, found in "A Bill to Make Health Care Affordable, Accessible and Effective for All" (LD 1890), did not pass the legislature this session. These proposals were based on recommendations by the Blue Ribbon Commission on Dirigo Health, and some of them are likely to resurface. The proposed reforms include:

- A requirement that all individuals obtain health insurance (individual mandate).
- An employer "pay or play" assessment, which would require employers to either provide health coverage for their employees or pay a fee to the state fund to administer health coverage for their employees.
- Replacing the savings offset payment with a surcharge on insurers based only on hospital bills. The Dirigo Health Board of Directors would calculate how much MaineCare and DirigoChoice have saved hospitals on uncompensated care.
- New requirements that insurance companies alter benefit packages and cost-sharing.
- Increasing the medical loss ratio (the portion of health premiums insurers must spend on medical services) from 75 percent to 78 percent for small group policies. If insurers failed to spend 78 percent of the amount they've collected in premiums on health claims, they would be required to refund the excess premium amounts to policyholders.
- A new reinsurance program called the Maine Individual Reinsurance Program. This program would reinsure all of the insurance companies that offer coverage in the individual market. All carriers in the individual market would have to be reinsured by January 2009. The program would be primarily funded by a premium tax imposed on all insurance companies in the state. (Reinsurance is insurance for insurance companies. Its basic structure involves a primary insurance company transferring high-cost claims to a reinsurance pool. The reinsurance pool then takes on this risk and pays for some or all of these high-cost claims. Reinsurance can be used to spread the risk of high-cost cases more equitably among insurers in both the large and small-group markets.)
- Reducing the employer requirements for participation in DirigoChoice. Currently, employers must enroll at least 75 percent of their workers and pay at least 60 percent of employee "premiums." The bill would allow employers to contribute less than 60 percent toward the cost of "premiums." It would allow employers to count part-time workers (rather than just those working more than 30 hours a week) to meet the 75 percent enrollment requirement.

For more information, the full text of LD 1890 is available online at http://janus.state.me.us/legis/LawMakerWeb/externalsiteframe.asp?ID=280025326&LD=1890&Type=1&SessionID=7.

What Governing Bodies Administer Dirigo Health?

- In 2003, Governor Baldacci created the **Office of Health Care Policy and Finance** to come up with a plan for state health reform. After Dirigo Health Reform passed and became law, the Office of Health Care Policy and Finance became the coordinating body for implementation. The office collaborates with other state agencies, including the Bureau of Insurance and the Department of Health and Human Services.
- Dirigo Health Reform instituted the **Dirigo Health Agency (DHA)**, an independent state agency governed by a board of directors that represents providers, consumers, businesses, and labor. Members of the board are appointed by the governor and confirmed by the Senate. DHA is responsible for running DirigoChoice and the Maine Quality Forum. The agency contracts for a benefits package and negotiates the level of "premiums," deductibles, and other cost-sharing with Anthem Blue Cross Blue Shield of Maine. DHA designs the subsidy schedule for DirigoChoice, and it collects savings offset payments.
- The Dirigo Health Agency runs the **Maine Quality Forum**, which collects and makes public data on health care quality throughout the state's health care system. It also conducts disease management and public health promotion campaigns. The forum is advised by the **Maine Quality Forum Advisory Council**. For more information, see http://janus.state.me.us/legis/statutes/24-A/title24-Asec6952.html.
- The Dirigo Health Reform established an independent **Advisory Council on Health Systems Development**, which must advise the Governor's Office of Health Policy and Finance in drafting a State Health Plan every two years. The State Health Plan is a report that assesses the state's spending on its health care system, evaluates the efficiency of its resource allocation, and sets goals for health care savings. The council's 11 members are drawn from provider and consumer groups.
- The **Commission to Study Maine's Hospitals** was established to analyze hospital finances, structures, technology, and staffing needs. Its five members are appointed by the governor and reviewed by the legislature. For more information, please see http://janus.state.me.us/legis/LawMakerWeb/externalsiteframe.asp?ID=280024978&LD=1849&Type=1&SessionID=7.
- The governor established (by executive order) the **Public Purchasers Steering Committee**, which is tasked with finding opportunities within public programs to coordinate the purchase of health care supplies.[6]

Where Can I Get More Information?

- The Dirigo Health Agency Web site: http://www.dirigohealth.maine.gov/dhlp01.html.
- Report of the Blue Ribbon Commission on Dirigo Health, January 2007, available online at http://www.dirigohealth.maine.gov/BRC%20Final%20Report.pdf.
- Consumers for Affordable Health Care Web site: http://www.mainecahc.org/foundation/default.htm.
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