

**Dirigo Health Agency
Board of Trustees
Minutes of Meeting
October 23, 2007**

The Dirigo Health Agency Board of Trustees held a meeting on Tuesday, October 23, 2007. Dr. Robert McAfee, Chair, convened the meeting at 1:08 PM in the Dirigo Health Agency Board Room, located at 211 Water Street in Augusta. Other Board members in attendance: Jonathan Beal, Edward David, Rebecca Wyke, Lloyd LaFontaine, Trish Riley, David Lemoine, Mary McAleney, and Mary Anne Turowski. Also in attendance: Karynlee Harrington, Executive Director of the Dirigo Health Agency, William Kilbreth, Deputy Director of the Dirigo Health Agency, and Dr. Joshua Cutler, Director of the Maine Quality Forum.

Dr. McAfee introduced the new members of the Board of Trustees: David Lemoine, State Treasurer, Mary Anne Turowski, and Mary McAleney.

Dr. David asked that the minutes for the September 19, 2007 Board meeting be changed to clarify that the Executive Session ended and no formal action was taken. The Trustees unanimously approved the minutes with this revision.

DHA and Harvard Pilgrim-Karynlee Harrington

Ms. Harrington announced that, exercising the authority the Board provided her with, the Agency had successfully negotiated a contract with Harvard Pilgrim Health Care for the continuation of the DirigoChoice product effective January 1, 2008.

Summary of the key provisions of the agreement:

- The Bureau of Insurance approved the financial terms and conditions of the contract
- The agreement allows the Agency to manage the DirigoChoice program within the Agency's existing budget
- There is no Experience Modification Program or any kind of risk sharing in the agreement
- The Agency will move all 14,758 DirigoChoice members to Harvard Pilgrim on 01/01/2008
- Harvard Pilgrim will honor DirigoChoice members' existing rates until their anniversary dates in 2008
- Small groups will incur a rate increase of 2% in 2008 on renewal (assuming no other demographic changes)
- Individuals and sole proprietors will incur an average rate increase of 17% in 2008 on renewal (assuming no other demographic changes)
- Harvard Pilgrim developed the 2008 rates based on the experience of the DirigoChoice population, targeting a 90% medical loss ratio.
- Harvard Pilgrim built the rates assuming 90% would go towards medical costs and 10% would go towards administration, premium tax, and broker commission costs, i.e., rates are written at break even / no profit.
- The demographic adjustments HPHC will apply to the community rate are consistent with those Anthem applied in past years.
- The agreement will renew for a one year period assuming that by August 1, 2008 the parties have met provisions outlined in the Agreement.

- The schedule of benefits with Harvard Pilgrim is consistent with the current schedule of benefits
- The current network of participating providers is similar to the current network of participating providers. We have identified where there is network disruption and HPHC is actively recruiting and contracting.

Ms. Harrington referred the Board to the DHA/HPHC agreement and the schedules.

- The first schedule is the Business Associate Agreement between DHA and HPHC.
- The second schedule outlines the unadjusted community rates. The rates will vary by group, individual, and sole proprietor based on specific demographic adjustments.
- The last schedule is a schedule of the billing process.

Ms. Harrington stated that the structure of the Agreement between DHA/HPHC is similar to the structure of the existing Agreement between DHA/Anthem BCBS of Maine. The Agency worked closely with the Bureau of Insurance and with legal in the development of the Agreement. Assuming approval by the Board, the Agency will submit the agreement to Purchasing and the Bureau of Insurance for final approval.

Board members asked Ms. Harrington several questions. Dr. McAfee reminded the Board and staff that medical care ratio is a better term to use vs. medical loss ratio.

Ms. Harrington requested a vote from the Board of Trustees approving the Agreement between the Dirigo Health Agency and Harvard Pilgrim Health Care.

Jonathan Beal made a motion to approve the Agreement between DHA/HPHC. The motion was seconded and unanimously approved by the Board.

Mr. Beal asked if the 50% cap for individuals is flexible in the event that the Legislature provides adequate funding.

Ms. Harrington responded that the 50% threshold has been in place for several years as a way to manage the program expenses to the Agency's budget and keep the price point competitive for the other populations. Ms. Harrington expressed concerns going beyond the 50% but is willing to discuss further when looking at year 2009.

Mr. Beal suggested that the agency focus its marketing strategies on the other half of the group as a way to expand individual enrollment. Ms. Harrington agreed the marketing strategy must be focused on small groups. Ms. Harrington reiterated that the Agency needs appropriate funding to support program growth.

Ms. Harrington introduced Bruce Bullen, Chief Operating Officer for Harvard Pilgrim Health Care. Mr. Bullen expressed HPHC's excitement to be part of Dirigo and said he looked forward to ensuring the long term viability of the program. Mr. Bullen went on to say that this is a good step for HPHC in the Maine market as it increases their visibility.

Bruce Bullen, Dr. Robert McAfee, and Karynlee Harrington all signed the Agreement between DHA/HPHC.

Legislative Update-Trish Riley

The need to address the individual market is still a big concern. Governor tried to advance reform last session through LD1890 but unfortunately did not pass. Ms. Riley is working with Leadership to try and determine what makes sense. How can we address the industry's concerns and the consumers concerns that we protect people as much as possible. Continue to work on a proposal that meets in the middle specific to market reform as well as alternative financing for Dirigo. The discussions are ongoing and positive. More to come as the discussions move forward and a proposal is developed.

The Advisory Council on Health Systems Development has been expanded to 19 members including legislative representation. The Council is charged with conducting a systemic review of cost drivers in the State's health care system. This Council is then required to make specific recommendations relating to the cost drivers to the Joint Standing Committee of Insurance and Financial Services as well as Health and Human Services. The work of this Council will significantly inform the initiatives in the next State Health Plan.

Statewide health care forums are being conducted with Maine CDC. The focus of the forums are healthcare costs in Maine. The McKinsey Study which has helped inform the discussions compares U.S. to other Countries concludes that the U.S. spends \$477B more on healthcare than we need to. The U.S fails to cover everyone and we do not have the best outcomes. New England spends more than the nation on healthcare and Maine spends more than New England. The system is not as efficient as it should be. Ms. Riley went on to summarize the key points in the study. See attached report.

Other Legislative issues: Legislative Council must act so that we know what bills will be moved forward in the upcoming session.

Quality Update-Dr. Josh Cutler

Dr. Cutler updated the Board and gave a brief summary on the projects that the MQF has been working on and continues to work on. (Refer to handout)

- Data Collection and Reporting: Paid Claims Database is a continuing effort with Health Dialog Analytical Solutions.
- Healthcare Associated Infections
- In a Heartbeat Initiative: The rationale of the initiative is to promote best practice and the goal is for standard treatment for STEMI and the MQF is awaiting data collection from the project contractor.
- Voluntary Practice Assessment: The MQF is contracting with MMA and the goal is quality and practice assessment for "unaffiliated" practices and the status of the project is entering the 2nd of a 3 year plan.
- Website Development
- Quality Counts/AF4Q: MQF working with Robert Wood Johnson Foundation for inventory and alignment of effort in performance measurement and public reporting.
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Dr. Cutler stated that the Agency's priorities are to continue variation analysis through the Paid Claims Database and discharge data analysis, In a Heartbeat, reconvene HAI workgroup, VPAI, release a new website, and staff recruitment.

Future projects for the Agency are new metrics for behavioral health, specialty medicine, emergency medicine, oral health and chiropractic.

New projects are expansion of paid claims data and analysis, CAH collaborative, antibiotic stewardship, and practitioner database.

Financial and Enrollment Update- William Kilbreth

Mr. Kilbreth informed the Board that on October 3, 2007 the State Department of Audit released their report for 2006 and the Dirigo Health Agency was included. The points that Mr. Kilbreth wanted to raise about the report were:

- The Department of Audit stated that the Agency did not produce in a timely fashion supporting documentation to support their ending accounts receivable balance
- The Agency agrees that it did not produce the documentation in a timely fashion. However, it was able to submit the appropriate support and the Department of Audit agrees with the final balance reported.

Mr. Kilbreth noted that the Agency was in an unusual position for a state organization in having to depend upon a fiscal agent, in this case Anthem BCBS, to produce the appropriate documentation to support its receivable balance.

Mr. Kilbreth stated that enrollment for the agency is:

- Total members-14,758
- New DirigoChoice members-130
- Annual PMPM is 98% of projections

Mr. Kilbreth reminded the Board that discount enrollment had been capped effective September 1. New dependents of existing subscribers, non-discount eligible Sole Props and Small Groups, and new employees of existing Small Groups are all still able to enroll in DirigoChoice.

Agency Update-Karynlee Harrington

Ms. Harrington reminded the Board that the agency went to the Legislature for an allocation request of \$100 million to cover expenses in SFY08. The session ended with no additional funding and as such the Agency decided to cap enrollment in order to manage the program within anticipated revenue. The reforecast for SFY08 expenditures is \$90M.

Ms. Harrington passed out to the Board a transition timeline specific to the move to HPHC. The timeline highlights key milestones.

Regarding cash flow, Ms. Harrington added that in August of 2006 the Board made a decision to delay the application of the Year 2 SOP to a July 1 effective date instead of a January 1 effective date to address the concerns the payors raised regarding timing and the desire to let the Legislative process unfold. The 6 month delay and the construct of the law specific to the collection of the SOP has created a cash flow problem. It takes up to 24 months to collect one year of SOP. The Agency is working closely with the controller's office on this matter.

Ms. Harrington made the recommendation to the Board that until the law changes the Agency needs to move forward with planning for determining aggregate measurable savings for year 4.

Jonathan Beal asked if there have been any appeals concerning SOP year 3. Ms. Harrington answered that as far as she knew there were no appeals filed specific to Year 3.

Dr. McAfee agreed with Ms. Harrington that it is in the best interest of the Agency to begin the determination of a methodology for year 4. Efforts to look at alternative methodologies and to find consensus with the methodology would be a positive step.

Dr. David asked Ms. Harrington how she was going to plan ahead with all the differing opinions. Dr. McAfee stated that exploring options that will get us to consensus is desirable. Mr. Beal raised the concern of the expense associated with determining aggregate measurable cost savings.

Ms. Harrington stated she will come back to the Board with an estimate of the cost associated with developing a methodology for Year 4. The methodology however will not be disclosed until an adjudicatory hearing.

Ms. Harrington stated that the agency will meet with Bill Laubenstein, Assistant Attorney General, to discuss the various options regarding the process.

The Board directed Ms. Harrington to proceed and keep the Board updated as much as possible regarding Year 4. Dr. David reinforced his desire that the Agency work closely with the Agency's AAG as year 4 planning begins.

Public Comments

Bob Downs of Harvard Pilgrim Health Care reminded the Board that the transition is a large and complicated project and to please be patient with the change over process.

Next Meeting

The next Board of Trustees meeting has been tentatively scheduled for Monday, December 10, 2007 at 1:00 PM dependent on the agenda the meeting may be postponed until the New Year.

The meeting was adjourned at 3:08 PM.

