



JOHN ELIAS BALDACCI  
GOVERNOR

STATE OF MAINE  
**DIRIGO HEALTH AGENCY**  
211 WATER STREET, 53 STATE HOUSE STATION  
AUGUSTA, MAINE 04333-0053

KARYNLEE HARRINGTON  
EXECUTIVE DIRECTOR

TO: Christopher Nolan  
FROM: Karynlee Harrington, Dirigo Health Agency  
CC: Trish Riley, Director of Governor's Office of Health Policy and Finance  
William Kilbreth, Dirigo Health Agency  
DATE: April 27, 2007  
RE: LD 431

The revised fiscal note provided for LD 431 fails to recognize that, should this bill become law, and a self insured arrangement is the recommendation to the Board after all the analysis, DirigoChoice would not become self insured until January 1, 2008. To accurately reflect this scenario the amount in the fiscal note needs to be revised to show that premium taxes will be paid on the program for the first six months of FY08.

Similarly, the Agency's preliminary estimates reflect a potential \$4.5 million in avoided expense by converting to a self insured funding arrangement effective January 1, 2008 – June 30, 2009 (representing the second half of FY 2008 and all of FY 2009).

The avoided expense is due to a combination of administrative savings and flexibility with plan design.

The assumptions in our estimate include:

- Distribution of individual types, discount levels, and plan selection
- Medical trend
- Reserve requirements
- Stop loss insurance costs
- Administrative costs
- Level of employer contribution
- Disease management costs
- Take up rates
- Membership retention
- Subsidy design

The Agency's actuaries will adjust these estimates as actual data becomes available through the following process:

1. Release RFP to market (includes ASO and fully insured options)
2. Evaluate vendor responses and prices
3. Negotiate terms/prices

At the conclusion of these steps (assuming the Legislature passes LD 431) the Agency will recommend to the Board either a premium (fully insured) or premium equivalent (ASO) for the 2008 plan year based on the bids received and a complete actuarial analysis.

Please do not hesitate to contact me with additional questions.



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