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**FINAL REPORT TO THE DIRIGO HEALTH AGENCY
BOARD OF DIRECTORS
BY THE BAD DEBT AND CHARITY CARE (BDCC) WORKING GROUP
April 20, 2007**

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I. CHARGE TO THE BAD DEBT AND CHARITY CARE (BDCC) WORKING GROUP

The BDCC Working Group is convened by the Dirigo Board of Directors pursuant to the recommendation of the Governor's Blue Ribbon Commission on Dirigo Health. The Governor's Blue Ribbon Commission (BRC) on Dirigo Health was established pursuant to the Executive Order issued on May 24, 2006, An Order Regarding Dirigo Health Reform. As part of the final report of the Blue Ribbon Commission, dated January 2007, it was the recommendation that the Dirigo Health Agency convene a Working Group on bad debt and charity care and have that group determine the methodology and mechanism through which bad debt and charity care will be captured and redirected. To complete its charge, the BDCC Working Group focused on providing recommendations on the following tasks:

- A. Definitions to be used in the BDCC calculation;
- B. Data source(s) to be used in the calculation
- C. Methodology for calculating the BDCC savings based on A and B above
- D. Timeframe for the calculation
- E. Collection process for BDCC savings

II. BDCC WORKING GROUP MEMBERSHIP AND PROCESS

Membership

Per the BRC's recommendation, the Dirigo Health Agency convened a group consisting of interested parties including providers, consumers, employers and insurers to participate in the process. For ease of identification, members representing the interests of insurers, self-insured entities and third party administrators are described collectively as the Payor Group and the members representing the interests of State, the Dirigo Health Agency and consumers are described collectively as the Dirigo Group.

Working Group members representing the Dirigo Group:

- Karynlee Harrington – Dirigo Health
- William Kilbreth – Dirigo Health
- Joseph Ditre', Esq. – Consumers for Affordable Health Care
- Hillary Schneider, Esq. – Consumers for Affordable Health Care
- Sara Gagne-Holmes – Maine Equal Justice Partners

No one was named to be in one group or the other - the designated MS should be removed.

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Working Group members representing the Payor Group:

- Gordon Smith, Esq. – Maine Medical Association
- Kristine Ossenfort, Esq. – Maine State Chamber of Commerce
- David Winslow – Maine Hospital Association
- Amy Cheslock – Anthem Health Plan
- Katie Fulham Harris – Anthem Health Plan
- Joseph Mackey, Esq. – Public Affairs Group
- Katherine Pelletreau – Maine Association of Health Plans

Resources available to Working Group:

- Al Prysunka, Maine Health Data Organization
- Debra Dodge, Maine Health Data Organization
- Joanne Rawlings-Sekunda, Maine Bureau of Insurance
- Steven Schramm, schramm-raleigh Health Strategy

Process

The Working Group met on five occasions before submitting this Report to the Board and Working Group in draft form on April 20, 2007.

considered for inclusion in the

The Working Group members unanimously expressed concerns about discussing definitions prior to determining the final methodology as definitions may change depending upon their use in the methodology. For example, the Working Group originally ~~focused its definition of "bad debt" upon the charges incurred by insured, under-insured, and uninsured individuals ultimately not reimbursed to hospitals, physicians, ambulatory surgery centers, free clinics, pharmacy assistance programs, and other providers.~~ Similarly, the Working Group's definition of "charity care" was based upon up-front foregone charges incurred by insured, under-insured, and uninsured individuals ~~forgiven immediately by hospitals, physicians, ambulatory surgery centers, free clinics, pharmacy assistance programs, and other providers.~~

There was no agreement on pharmacy assistance programs.

Upon further reflection during discussions over data sources, the Working Group chose to alter its definitions of bad debt and charity care to be a single combined measure of new dollars to the system based on actual claims incurred by the previously uninsured and under-insured. This change is reflective of the inter-related nature of the first three tasks. While recognizing that none of the tasks could be examined in a vacuum, as much as possible, the Working Group endeavored to keep Tasks A, B, and C separate.

These items were discussed but not agreed to but it implies that there was some agreement.

III. BASELINE ASSUMPTIONS OF THE WORKING GROUP

The baseline assumptions going into the Working Group are extremely important as they establish the framework upon which each participant uses to evaluate any proposed

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changes and either support, reject, or propose modifications to the recommendations forwarded by the Working Group to the Board. As with many of the issues surrounding the Savings Offset Payment (SOP) and Aggregate Measurable Cost Savings (AMCS), the baseline assumptions of the Payor Group and the Dirigo Group differ.

The Payor Group expressed concerns that ~~their expectation was that~~ the Baldacci Administration would have already forwarded its legislative proposal for changing the SOP and AMCS methodology, including any changes to estimating BDCC savings. The going-in position of the Payor Group was that these discussions would lead to a completely revised AMCS calculation based solely upon a revised BDCC calculation to be determined, to the extent practicable, by this Working Group.

I'm not sure
this is an
accurate
characterization.

~~Without seeing the Baldacci Administration's proposed legislative changes to the SOP and AMCS methodology during the Working Group process, the Payor Group is unable to commit to any specific recommendations contained within this report.~~

The Dirigo Group noted that the BRC report listed a variety of funding alternatives including capturing and redirecting BDCC and that the Working Group was charged with examining the alternatives. The Dirigo Group assumed that the recommended changes to the BDCC calculation would be incorporated within the "alternative approach to funding" for the Dirigo program that is described in the final BRC report. The Dirigo Group further assumed the revisions would be incorporated, regardless of whether that alternative approach to funding was based solely on revisions to the BDCC methodology or wholesale changes to the AMCS.

The Dirigo Group recommends that the proposed methodology for estimating BDCC savings recommended herein by the Dirigo Group be included in the "alternative approach to funding" adopted by the Board as improvements to the current BDCC savings methodology.

IV. TASK A: RECOMMENDATIONS CONCERNING DEFINITIONS IN THE BDCC CALCULATION

The Working Group discussed definitions during all five meetings of the Group. The first two meetings were spent compiling an exhaustive list of definitions that are critical to any BDCC calculations. The next two meetings were comprised of discussions between Working Group members discussing each definition in more detail and identifying any further research needed. The focus of the discussions included discussions not only of the current definitions used by Dirigo Health in its Year 2 calculation of BDCC savings, but also alternative definitions and any modifications requested by Working Group members. The fifth meeting was spent highlighting where the two groups differed in their underlying assumptions on the definitions and the definitions themselves.

Definitions with Consensus:

The Payor Group believed that any revised methodology for BDCC should replace the SOP as a source of funding for the Dirigo Health program, consistent w/ the BRC recommendations.

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The Working Group agreed to the following list of definitions:

Bad Debt and Charity Care

The Working Group members unanimously agreed to ^{use} a definition of bad debt and charity care, for purposes solely of measuring bad debt and charity care savings, ~~to be~~ "claims incurred by the previously uninsured and under-insured* during the assessment period".

*A portion of the Payor Group joins this consensus only to the extent that the definition focuses on claims incurred during the assessment period. At this time, not all members of the Payor Group are ready to accept the under-insured as part of the BDCC calculation. See *Definition of Under-Insured* below for further discussion of this issue.

Definitions without Consensus:

Population

^{Some D} The Working Group members representing Payors recommend that the eligible populations for this calculation include only those individuals enrolled in DirigoChoice that meet the definition of previously uninsured and previously under-insured, specifically excluding any increased MaineCare enrollment or parent expansion populations. The Working Group members representing Dirigo Health's interests do not agree with this limitation.

Discussion ^{Some members} Payor Group believes that BDCC calculations should be limited only to those populations directly enrolled in the DirigoChoice product. The Dirigo Group maintains that the enabling legislation establishing Dirigo and the savings offset payment, P.L. 2003 c. 469, clearly states "...including MaineCare expansions..." in the definition, the MaineCare Parent Expansion results in new dollars to the system and must therefore be included in the calculation.

BDCC Claims

The Working Group members representing Payors recommend that pharmacy claims be excluded from the definition of BDCC claims. Working Group members representing Dirigo Health recommend that pharmacy claims be included from the definition of BDCC claims.

Discussion - The Payor Group contends that pharmacy should be excluded as pricing and any resultant cost-shifting is not controlled by any of the players in Maine, and therefore no savings are available to be recouped. The Dirigo Group maintains that pharmacy dollars are a significant source of new dollars to the

(1)

(2) There is no bad debt associated with Rx claims - if an individual could not pay for the medication they did not receive it; and (3) There is no charity care provided by Maine providers

use concept using

I don't know what everyone felt the same way.

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healthcare system that had not been there in the absence of Dirigo, they are critical to current practice of medicine, without them costs would increase significantly and should be included.

Uninsured

The Working Group members representing Payors expressed concern that the current definition of previously uninsured, based on counting anyone who was uninsured at any point within the last year prior to joining DirigoChoice is overly broad. The Working Group members representing Dirigo Health's interests do not agree with this concern.

Discussion – Payor Group believes that BDCC calculations should use a shorter and continuous period for the definition of uninsured, pointing to other states' waiting periods (also known as "go-bare" periods) for eligibility in their subsidized programs. The Payor Group discussed defining uninsured as having been without insurance for each of the last 60, 90, or 180 days as an alternative to the current definition. The Dirigo Group maintains that the definition based on uninsured at any point within the last twelve months is consistent with uninsured definitions used nationally by such entities the Census Bureau in its Current Population Survey and the Commonwealth Fund's Biennial Health Insurance Survey. According to the Congressional Budget Office, using a single point in time or period estimate would significantly underestimate the total impact of the uninsured. As a result, the Dirigo Group maintains the definition of uninsured should therefore remain unchanged at this time.

Under-Insured

The Working Group members representing Payors are not unanimous in their support of including previously under-insured in the BDCC calculation. In addition, other members of the Payor Group, while supportive of including the under-insured, instead expressed concerns that the definition was overly broad and classified too many individuals as under-insured. The Working Group members representing Dirigo Health's interests do not agree with excluding the previously under-insured from the BDCC calculation. Further, members of the Dirigo Group expressed concern that the current definition of under-insured used in the BDCC calculation is overly narrow and does not adequately capture individuals as under-insured.

Discussion – Members of the Payor Group believe that BDCC calculations should be limited only to the previously uninsured as that can be directly measured and, in their opinion, under-insurance cannot be directly measured. The Dirigo Group maintains that the previously under-insured moving into the DirigoChoice product does result in a reduction to BDCC as DirigoChoice is better coverage than that

which they had previously, that the improvement can be estimated and must therefore be included in the calculation. It should be noted the Superintendent of Insurance, in his review of the BDCC calculations for Years 1 and 2 of the Savings Offset Payment, included savings from the under-insured in the Bureau of Insurance's approved savings figures.

V. TASK B: RECOMMENDATIONS CONCERNING DATA SOURCES TO BE USED IN THE CALCULATION

At the fourth meeting of the Working Group, a proposal was forwarded by the Payor Group to consider capturing bad debt and charity care by directly measuring the actual claims incurred for previously uninsured individuals.

Recommendations with Consensus:

The Working Group recommends utilizing data directly on actual claims incurred by those previously uninsured and under-insured. Depending upon the populations to ultimately be included within the calculation, this would include claims data from Anthem on the DirigoChoice enrollees and MaineCare on the MaineCare via Dirigo enrollees and MaineCare Parent Expansion enrollees.

Discussion: Upon further research, it is not possible to specifically identify claims for all of the previously uninsured and under-insured individuals currently enrolled in the DirigoChoice product. The survey work done by Muskie in Year 1 of the program to determine the percentage of individuals previously uninsured or under-insured is not available at a member level. Recognizing this, the Working Group recommends transitioning to a methodology based on the actual claims incurred by those previously uninsured and under-insured as soon as the data supports the approach. In the meantime, a percentage adjustment will be used for previously uninsured and percentage adjustment will be used for the previously under-insured to separate out the claims for the previously uninsured and under-insured.

What is meant by this?
Folks who enrolled in D/C and ME Care or who enrolled in only ME Care after applying for D/C.
I would agree w/ #1 but not #2.

I'm not comfortable recommending this at this point in time.
There are too many unresolved issues.

VI. TASK C: RECOMMENDATION CONCERNING METHODOLOGY FOR CALCULATING BDCC SAVINGS

The Working Group was sent a preliminary description of a methodology based on claims incurred:

Description of Proposed Methodology

The group considered looking at directly capturing BDCC by using actual claims incurred data from DirigoChoice enrollees that were previously uninsured and under-insured.

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- *All providers would be represented in the claims data and proxies would not need to be used.*
- *A single data source, (Anthem or MHDO)*
- *The sum of the claims incurred by the previously uninsured and under-insured would represent the BDCC savings to the system.*
- *A downward adjustment to the previously under-insured claims would need to be made to account for the portion of their claims that are not new dollars to the system.*

Discussions with Anthem would need to take place to determine if claims for the previously uninsured and under-insured could be directly identified. If they cannot be directly identified, a possible solution suggested was using the DirigoChoice previously uninsured and under-insured percentage to allocate the claims incurred for the DirigoChoice previously uninsured and under-insured members.

The calculation could be:

- 1. Sum actual total claims for all DirigoChoice enrollees.*
- 2. a) Separate out total claims for DirigoChoice enrollees identified as previously uninsured and under-insured, or
b) If Anthem cannot separately identify the claims incurred for the previously uninsured and under-insured, estimate what portion was incurred by the previously uninsured and under-insured using the DHA survey data.*
- 3. Adjust the under-insured claims figure downward to account for the portion of the claims that are not new dollars to the system.*
- 4. Sum the total claims for the uninsured and the adjusted claims for the under-insured to determine total estimated BD/CC.*

Comments were received back from representatives of the Payor Group and the Dirigo Group;

Payor Group

- *Methodology should reflect differing experience of BDCC collections for physicians versus institutions. Physicians tend to have stronger “personal” relationships than institutions and thus would be less likely to have BDCC on smaller claims*
- *Pharmacy claims should be excluded from the definition of paid claims as no savings are available to be recouped for pharmacy dollars*

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- Methodology should recognize that the uninsured have lower utilization than the insured prior to receiving health insurance
- Methodology should recognize that enrollees in DirigoChoice could have BDCC due to their DirigoChoice deductible

Dirigo Group

- BDCC savings for people who enroll into MaineCare via Dirigo need to be captured
- BDCC for the MaineCare parents expansion population need to be captured

VII. TASK D: RECOMMENDATIONS CONCERNING TIMEFRAME FOR THE BDCC CALCULATION

The Working Group discussed the timeframe to which this revised BDCC methodology would be applicable during the last meeting. There was a substantial amount of discussion concerning the context in which this Working Group was making decisions. As noted previously in this report, the Payor Group expressed concerns that the Baldacci Administration's proposal had not yet been forwarded to the Legislature while the Working Group was completing its work and it is therefore not known for what time period a new methodology would be applied.

Recommendations with Consensus:

The Working Group recommends applying the revised methodology for estimating savings due to BDCC as soon as possible. Practically, this appears to be a measurement period of calendar year 2007 (CY07) with an assessment year beginning July 1, 2008.

Discussion: The going-in position of the Payor Group was that this new methodology would completely replace the current AMCS methodology in its entirety and would be used immediately. The going-in position of the Dirigo Group was that this new methodology would replace the BDCC and Medicaid Expansion Parents portions of AMCS. The Group discussed the current legislative environment and the Dirigo Board's recommendation for a State Fiscal Year 2008 (SFY08 - July 1, 2007 to June 20, 2008) SOP assessment. Recognizing the current process is in place for SFY08, the Working Group recommends applying the new methodology for estimating savings due to BDCC as soon as possible, no later than SFY09.

VIII. TASK E: RECOMMENDATIONS CONCERNING COLLECTING THE ESTIMATED BDCC SAVINGS

Again there are too many unresolved issues - I'm not comfortable w/ such a recommendation at this point in time.

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The Working Group discussed the method of collection during the last meeting of the Working Group. The discussion briefly addressed the complexity associated with the issues surrounding the collection process and recognized the substantial amount of work that was conducted previously to craft the current assessment and collection process.

Recommendations with Consensus:

The Working Group recommends utilizing the current assessment and collection process. The going-in assumption of the Working Group was that the current assessment and collection process would continue.

We discussed this and were at a loss for other suggestions but that does not translate into a recommendation.

IX. APPENDICES

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a. Proposed Methodology and Preliminary Estimates of the BDCC Savings using the Payor Group Recommendations

Payor Group Proposed Estimated BDCC Savings Methodology (example below using CY07 as the measurement year)

1. Sum actual total incurred claims for all DirigoChoice enrollees for CY07. Remove pharmacy claims and member share from the total claims figure. Adjust for claims completion if necessary.
2. As the current Carrier cannot separately identify the claims incurred for the previously uninsured and under-insured^a, estimate what portion was incurred by the previously uninsured and under-insured using the DHA survey data. For uninsured, the current figure is 36%^b of enrollees and for under-insured, the current figure is 24% of enrollees.
3. Adjust the uninsured and under-insured claims figure downward to account for the portion of the claims that are not new dollars to the health care system.
4. Adjust the enrollment figures for the percentage of DirigoChoice members that would no longer be considered likely to be uninsured or under-insured after 3 years for purposes of this savings calculation.
5. Sum the total adjusted claims for the uninsured and the under-insured to determine total estimated BDCC savings for CY07.

^a The Payor Group is split as to whether under-insured should be included. For purposes of this illustration, we have included the under-insured

^b The Payor Group is split as to whether the definition of uninsured is too broad. For purposes of this illustration, we have used the current definition and resulting 36% (according to the most recent Dirigo Health Agency Annual Report). Use of a more restrictive definition as proposed by the Payor Group would most likely result in a lowering of the 36% figure for previously uninsured DirigoChoice members

I'm not comfortable with this -
I'm not sure it accounts for an increase in utilization and it uses assumptions regarding the number of un and under insured that we are not comfortable with.

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b. Proposed Methodology and Preliminary Estimates of the BDCC Savings using the Dirigo Group Recommendations

Dirigo Group Proposed Estimated BDCC Savings Methodology (example below using CY07 as the measurement year)

1. *Sum actual total incurred claims (including pharmacy) for all DirigoChoice enrollees for CY07, actual total incurred claims for MaineCare via Dirigo enrollee for CY07s, and actual total incurred claims by MaineCare for Parents Expansion enrollees for CY07. Remove member share from the total claims figures. Adjust for claims completion if necessary.*
2. *Since the current Carrier cannot separately identify the claims incurred for the previously uninsured and under-insured, estimate what portion was incurred by the previously uninsured and under-insured using the DHA survey data. For uninsured, the current figure is 36% of enrollees and for under-insured, the current figure is 24% of enrollees.*
3. *Adjust the uninsured and under-insured claims figure downward to account for the portion of the claims that are not new dollars to the health care system.*
4. *Adjust the enrollment figures for the percentage of DirigoChoice members, MaineCare via Dirigo members, and MaineCare Parent Expansion members that would no longer be considered likely to be uninsured after 3 years for purposes of this savings calculation.*
5. *Sum the total adjusted claims for the uninsured, the under-insured, and the MaineCare Parents expansion to determine total estimated BDCC savings for CY07.*

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c. Summary of Preliminary Savings Estimates

Estimated BDCC Savings (in millions)

Payor Group - Option 1	<i>Uninsured population only</i>	
	<i>Does not include pharmacy</i>	
	Low	High
SFY09	\$ 11.1	\$ 13.2
SFY09 (with 'go bare' provision)	\$ 13.9	\$ 14.9

Payor Group - Option 2	<i>Uninsured & Under-insured populations</i>	
	<i>Does not include pharmacy</i>	
	Low	High
SFY09	\$ 14.5	\$ 17.3
SFY09 (with 'go bare' provision)	\$ 17.2	\$ 18.4

Dirigo Group	<i>Uninsured, Under-insured, MaineCare Parents Expansion populations</i>	
	<i>Includes pharmacy</i>	
	Low	High
SFY09	\$ 23.6	\$ 27.6
SFY09 (with 'go bare' provision)	\$ 27.0	\$ 29.0

Note: Figures do not include those people who enroll into MaineCare after first presenting to Dirigo.

I'm not comfortable attaching numbers -
when we haven't been provided
with the underlying data and/or
calculations.