

**Report of the Blue Ribbon Commission
On Dirigo Health**

January 2007



Final Report of Blue Ribbon Commission on Dirigo Health

1. Charge to the Commission

The Blue Ribbon Commission on Dirigo Health was created by an Executive Order issued by Governor Baldacci on May 24, 2006 (Appendix 1). The duties of the Commission were the following:

- Review and make recommendations for alternatives for funding, which may include the savings offset payment, the Dirigo Health Program and subsidies under the program in a fair, equitable and broadly distributed manner.
- Review and make recommendations on methods proven effective in reducing and controlling health care costs and create savings in Maine's health care market, including how such methods may be incorporated in the DirigoChoice health insurance product

2. Membership of the Commission

The Commission was comprised of twenty members, representing a broad spectrum of interests and perspectives:

Dr. Sandra Featherman, former President, University of New England, Chair

David Brenerman, Assistant Vice President of Government & Public Affairs, UnumProvident Corporation, Portland

Joe Ditre, Executive Director, Consumers for Affordable Health Care, Augusta

Joan Donahue, owner, Hummingbird Home Care, Warren

Carol Epstein, owner, Epstein Commercial Real Estate, Bangor

Kevin Gildart, Vice President, Bath Iron Works, Bath

Tammy Greaton, Director, Maine People's Alliance, Portland

Merton Henry, Attorney, Jensen, Baird, Gardner and Henry, Portland

Mike Keenan, President, Local S6, Bath

Dr. Robert McAfee, Chairman, Dirigo Health Board of Directors, Portland

Steven Michaud, President, Maine Hospital Association, Augusta

Chip Morrison, President, Androscoggin County Chamber of Commerce, Lewiston and member, Advisory Council, Maine Quality Forum

Katherine Pelletreau, Executive Director, Maine Association of Health Plans, Yarmouth

Ed Pineau, President, Pineau Policy Associates, Inc., Manchester

Keith Small, Director, Down East Business Alliance, Milbridge

Gordon Smith, Executive Vice President, Maine Medical Association, Manchester

Dr. Peter Toussaint, physician, New Canada

Barbara Trafton, realtor, Keller Williams Realty, Auburn

Mary Anne Turowski, SEIU Field Representative, Maine State Employees Association, Augusta

Trish Riley, Director, Governor's Office of Health Policy and Finance, Augusta, ex officio

3. Meetings and Process

The Commission met nine times in total over a period of five months. In its initial meeting, on August 9, 2006, the Commission agreed on a set of operating procedures to be followed throughout the Commission's tenure. All meetings were open to the public.

For each meeting, an agenda was prepared and transmitted to Commission members, along with draft minutes from prior meetings and other materials for review. Minutes for the prior meeting were reviewed and approved at each meeting. During the meetings, presentations were made to the Commission on a variety of topics to provide them with background information for their discussions. Individuals assembling and presenting information to the Commission included:

- Karynlee Harrington Executive Director of the Dirigo Health Agency
- Beth Kilbreth, Kimberly Fox and Gino Nalli from the Institute for Health Policy, Muskie Institute of Public Service, University of Southern Maine
- Cindy Mann, Georgetown University
- Steven Tringale and Karen Quigley from Hinckley, Allen and Tringale
- Frank Johnson, Director of the State Employees Health Plan
- Dennis Shubert, Director of the Maine Quality Forum

The staff also responded to requests for clarification or additional information requested by Commission members.

A survey was sent to legislative leaders and members of relevant Committees. A summary of the responses to this survey was prepared and reviewed with the Commission. A similar survey was conducted among the Commission members themselves.

Finally, several members of the Commission circulated proposals to the Commission for their review.

After reviewing and discussing the information provided, the Commission considered a series of options regarding target populations for the DirigoChoice program, design and management of the DirigoChoice program, alternative financing sources for the DirigoChoice program, initiatives to make health care coverage more affordable overall, and reform of the individual insurance market in Maine. The Commission voted a series of recommendations based on their consideration of those options.

When voting occurred, standard Rules of Order were followed. Based on the Commission's agreement regarding operating procedures, the Commission strove to achieve consensus whenever possible.

Materials used by the Commission, are available at www.dirigohealth.maine.gov/dhsp07ja.htm

4. Final Recommendations

The Commission expresses its unanimous support for the Dirigo Health Program and its goals and notes that the financing issue that has been the focus of so much contention is one piece of the larger Dirigo effort. DirigoChoice is a key part of the program, providing affordable coverage for over 13,000 citizens. The Commission was united in its opinion of the importance of its charge and in its commitment to work towards strengthening the program, and it hopes and expects that with the financing issue resolved, stakeholders will continue working together to advance Dirigo's goals of improving health care cost, quality, and access in Maine.

The Commission report is a majority report; while many recommendations reflect consensus, vote counts are included where consensus was not achieved.

Regarding the target populations for the DirigoChoice program, the Commission voted to endorse the following (unanimous on all):

- the highest priority should be the uninsured and under-insured under 300% FPL;
 - the needs of part time and seasonally employed adults should be addressed;
 - Dirigo's definition of a part time workers should, consistent with the state's insurance law, allow employers to offer coverage to employees that work ten or more hours per week; and
 - Adult individuals, sole proprietors, and employees of small businesses are eligible for DirigoChoice subsidy, however marketing should focus on sole proprietors and small businesses.
- Regarding the design and management of the DirigoChoice product, the Commission voted to endorse the following:
 - the program should consider bidding pharmacy coverage separately from the health benefit and should explore purchasing prescription drugs coverage through the multi-state purchasing pool (11-6-0).
 - DirigoChoice should have an option to self-insure, as long as the program maintains a "level playing field" with other small group plans in terms of benefit mandates and legislative oversight (11-6-0).
 - the program should make increased use of focused chronic disease management, with an understanding that savings will not accrue until after 2007 (11-6-0).
 - the program should examine strategies to maximize federal Medicaid matching funds, such as using Medicaid funds to pay for employer sponsored insurance, and finding better ways to inform members of potential Medicaid eligibility (10-3-3).
 - Regarding alternate financing sources for the DirigoChoice program, the Commission endorsed funding the program from the General Fund, to reflect the importance of the program to all the people of Maine but that general funds need not be the sole source of funding. For its deliberations, Commission members relied on data from the Dirigo Health Agency that estimated calendar year 2007 program costs at \$57 million.

Possibilities endorsed by the Commission to generate revenue for the General Fund include taxes on specific behaviors and products that have a negative influence on health; revenues generated by these options could be earmarked specifically for DirigoChoice:

- increased taxes on tobacco products, including smokeless tobacco, specifically with a \$.50 increase in taxes on each pack of cigarettes (15-1-1)
- a snack tax (11-6-0)
- a tax on bottled soft drinks and syrups (13-4-0)
- a tax on beer and wine (14-2-1)

and by the following initiative:

- capturing and redirecting bad debt and charity care funding (14-3-0). The Commission further recommends that a group consisting of interested parties, including, but not limited to providers, consumers, employers, and insurers be convened to meet with the Dirigo Board and staff as soon as possible to determine the methodology and mechanism through which bad debt and charity care savings will be captured and redirected (unanimous).
- Regarding making health care coverage more affordable overall, the Commission endorsed the following initiatives:
 - increase transparency of insurance rates by building publicly available data sets that allow consumers and employers to review health plan offerings against broad set of comparative metrics. Premium build-up for medical trend, administrative costs, provider pricing (network costs) will be available to the public, as well as groupings of products of similar design and actuarial value to allow informed purchasing decisions (11-5-1).
 - allow sole proprietors to purchase coverage in the small group market (unanimous)
 - require insurers to cover dependents on parents' policy to age 30 (13-3-1)
 - create options to allow non-subsidized individuals and employees to purchase health care coverage using pre-tax dollars (unanimous)
 - require insurers to give premium discounts for worksite wellness programs and non-smokers (16-0-1)
 - review Rule 850 to allow insurers to design plans in such as way as to increase incentives for use of high quality providers (9-5-2).
- Regarding individual market reform, the Commission recommends that the Governor appoint a work group representing the Bureau of Insurance, GOHPF, consumers, insurers, providers and employers to begin immediately to conduct an analysis of three options – (1) high risk pools, (2) merger of the individual and small group markets, and (3) reinsurance options applied to the individual market or merged market option – as well as combinations of and different versions of these options, and that the results of that study guide policy makers in proposing specific solutions to the individual health insurance market in 2007 (unanimous). Attachment 1 provides detail.
- Regarding employer and individual mandates, the Commission endorses the concept of an employer mandate along with a mandate for individuals with income over 400% FPL, and recommends that the Governor move forward to

explore the parameters of how such mandates would work, including, but not limited to such issues as: what is considered credible coverage; what would be a reasonable payment for businesses who elect not to purchase coverage; and how the individual mandate would be enforced (10-5-1).

- Regarding cost containment throughout the health care system, the Commission recommends that a group be formed to conduct an independent, data driven investigation of cost drivers in health care that effect both providers and payers (unanimous).

Attachment 1: Proposal for Individual Market Reform

Create a short term group charged with looking at the expected impact of, and advantages and disadvantages of the following policy options. These options are suggested for detailed analysis based upon the Blue Ribbon Commission's conclusion that the existing individual market must be restructured in the state of Maine. The options are:

1. High Risk Pool(s)
2. Merger of Individual and Small Group Markets in Maine
3. Re-insurance options applied to the individual market or merged market option

The criteria for review shall include but shall not be limited to:

1. The impact on affordability and accessibility to individual health insurance products for consumers in Maine.
2. The impact on affordability to small group and large group consumers of health benefits based upon reallocation of risk or surcharges by the identified proposals.
3. The impact on the current position of Maine insurers and the expected impact on competitiveness in the health insurance market.
4. The consistency of the proposed solution with broader policy goals of the Dirigo program, particularly extending and improving access to affordable coverage to all citizens of Maine.
5. The administrative requirements, both short and long term of each policy option.

The Commission urges the Governor to appoint a work group representing the Bureau of Insurance, GOHPF, consumers, insurers, providers, and businesses to begin immediately to conduct an analysis and that the results of that study guide policy makers in proposing specific solutions to the individual health insurance market in 2007.

Appendix 1

AN ORDER REGARDING DIRIGO HEALTH REFORM

WHEREAS, Dirigo Health Reform promotes the efforts of the State of Maine to achieve universal health care coverage, improving the affordability and accessibility of all Maine people; and

WHEREAS, health care is a matter of fairness; quality health care must be available to everyone in Maine; and

WHEREAS, DirigoChoice, the subsidized insurance product, is an essential element that is working for Maine families and small businesses; and

WHEREAS, Dirigo Health Reform is working for Maine families, achieving \$43.7 million in savings in the first year of DirigoChoice and having covered more than 16,000 people in the first 15 months; and

WHEREAS, it is necessary to continue the promise of DirigoChoice in achieving these goals; and

WHEREAS, we must continue to expand Dirigo so that more Maine working families have health insurance coverage

NOW, THEREFORE, I, John E. Baldacci, Governor of the state of Maine, by the authority vested in me, do hereby order the creation of the Blue Ribbon Commission on Dirigo Health:

I. Purpose

The Blue Ribbon Commission on Dirigo Health will make recommendations with respect to long-term funding and cost containment methods to continue the efforts of Dirigo Health in increasing the affordability, accessibility and quality of health care for the people of Maine.

II. Duties

The Blue Ribbon Commission on Dirigo Health shall undertake the following duties:

- Review and make recommendations for alternatives for funding, which may include the savings offset payment, the Dirigo Health Program and subsidies under the program in a fair, equitable and broadly distributed manner.
- Review and make recommendations on methods proven effective in reducing and controlling health care costs and create savings in Maine's health care market, including how such methods may be incorporated in the DirigoChoice health insurance product
- Conduct interviews with Legislators recommended by Democratic and Republican leadership and members of the Joint Standing Committees on Health and Human Services and Insurance and Financial Services before the second

meeting of the Blue Ribbon Commission in order to inform the Commission's agenda and financing options; and

- Seek input from and report regularly to Legislative leadership and the Joint Standing Committees on Insurance and Financial Services, Health and Human Services and Appropriations throughout the Commission's deliberations.

III. Responsibilities

The Blue Ribbon Commission on Dirigo Health shall submit a report with recommendations to the Governor no later than December 15, 2006.

IV. Membership

The Blue Ribbon Commission on Dirigo Health shall consist of no more than twenty (20) members. The Governor shall appoint the chair. Members shall include representatives of key constituencies including, but not limited to, business, providers, insurers, consumers, labor, the Dirigo Health Agency Board, enrolled businesses and the Governor's Office of Health Policy and Finance.

The Blue Ribbon Commission will be staffed by members of the Governor's Office of Health Policy and Finance and the Dirigo Health Agency, and, as necessary, by the Bureau of Insurance, the Department of Administrative and Financial Services, and the Department of Health and Human Services. Additional assistance will be provided the staff of the Muskie School of Public Policy and its consultants.

Effective Date

The original effective date of this Executive Order is May 24, 2006. It was amended by a subsequent Executive Order with an effective date of July 6, 2006.

John E. Baldacci, Governor