May 4, 2007

Karynlee Harrington, Executive Director
Dirigo Health Agency
53 State House Station
Augusta, Maine 04333

Trish Riley, Director
Governor's Office of Health Policy and Finance
15 State House Station
Augusta, ME 04333

Dear Karynlee and Trish:

I am writing on behalf of the Board of Directors of the Maine Association of Health Plans to express our disagreement with the methodology described in the draft report of the bad debt and charity care working group. Although we generally support using an "actual claims" approach, the methodology outlined in the report is fundamentally flawed because it includes claims that do not contribute to bad debt and charity care. We have never agreed that categories such as the underinsured should be included or that pharmacy claims should be counted.

We are disturbed and disappointed that the $27-29 million dollar figure cited in the draft report of the bad debt and charity care work group was adopted in the Governor's Dirigo 2.0 proposal. The choice of this number and its corresponding methodology reflects a disregard for the concerns that our members raised at the work group. Further, it is derived from a draft report that had never even been reviewed by work group members. The work group did not have the chance to review even preliminary estimates of dollar figures associated with the approach we were considering despite several requests. This figure dwarfs any previously discussed bad debt and charity care savings amount. The Blue Ribbon Commission discussed a bad debt and charity care savings amount of $5-8 million and the loose figures guestimated at the bad debt and charity care work group were $7-11 million. The $27-29 million amount appears to have been constructed to meet Dirigo's financial needs rather than be an accurate and legitimate measure of bad debt and charity care "savings". In effect, by choosing this number, the Administration has usurped the work group process entirely.

Another key concern is the characterization of the work group as being divided into two factions, the Payor group and the Dirigo group. This division implies that carriers, as members of the payor group, do not support Dirigo. This is not true. Our expectation and intention going into the work group was to engage in a constructive process that would involve compromise on all sides with the shared outcome goal being a bad debt and charity care methodology that was acceptable to all parties. Instead, the Administration appears to have adopted an expansive methodology that far exceeds any previous estimates and relies on the broadest possible interpretation of virtually all the issues we discussed. This does not reflect any spirit of compromise or fair consideration of different perspectives or any inclination to reach a mutually agreeable solution. Rather, the Administration's proposal simply relies on employers to pay the claims costs for the majority (60%) of DirigoChoice members.

Our concerns about the methodology have remained consistent throughout the work group process and are described below.

- Premise of work group. The premise of the work group was to agree on a methodology for determining bad debt and charity care savings that would completely replace the current Savings Offset Payment ("SOP"). Further, this would constitute just one portion of a broader alternative funding mechanism that the Administration would propose. At no time did we contemplate that this payment would replace only the bad debt and charity care portion of the current SOP (currently under $5 million).

- The uninsured. We agree that Dirigo has generated savings to Maine's health care system by enrolling people who were previously uninsured in health insurance. We further believe that the appropriate method of calculating those savings is to use actual claims paid for medical services received by previously uninsured Dirigo Choice members. We feel strongly that the definition of uninsured needs to account for measurable changes in people's individual circumstances. The definition should include some reasonable time period during which a person did not have insurance coverage prior to enrolling in DirigoChoice. The definition advocated by the Dirigo Health Agency is the absence of health insurance for any period of time (i.e. a single day) during the previous twelve months.

- The underinsured. We do not support the inclusion of the underinsured in the bd/cc payment formula. "Underinsured" is a poorly defined concept that is open to various interpretations and a topic on which there was no consensus among participants in the working group. Our focus and what we understood Dirigo and the Administration's focus to be is to reduce the number of uninsured.

- MaineCare enrollment. It is our position that expansions in MaineCare through DirigoChoice enrollment and MaineCare parent expansion enrollees cannot be included in a bad debt and charity care savings calculation, particularly as the Dirigo Health Agency has no record of how many of these individuals were previously uninsured.

- Pharmacy claims. We remain strongly opposed to the inclusion of pharmacy claims in the calculation of savings. The original premise was that bad debt and charity care savings would replace the uninsured cost shift currently paid by insurers and third party administrators in the form of increased prices. Pharmaceuticals do not represent any direct cost shift to payors, and thus cannot be included in a reasonable methodology.

- Timing. It has been our understanding and intention that a modified bd/cc payment agreed upon by the work group, would be applied as soon as possible, as one aspect of an alternative funding mechanism for Dirigo that would no longer rely on a SOP. We adamantly reject the notion that this new increased bd/cc payment should replace the current bd/cc portion of the 2006 and 2007 SOP already being collected.

We acknowledge the efforts of the Dirigo Health Agency staff to reflect in the draft report the differences of opinion expressed at the work group. We remain concerned and disappointed that the methodology presented does not represent a fair and legitimate accounting of bad debt and charity care savings. Further, that none of the complexity or disagreement in the draft report is reflected or acknowledged in the Administration's Dirigo 2.0 proposal particularly given that the majority of participants did not reach consensus on the issues now reflected in the proposal.

Sincerely,

Katherine D. Pelletreau

Cc: Erin Hoeflinger, Anthem Blue Cross and Blue Shield
David Mannis, CIGNA Health Care, Inc.
Susan Tully Abdo, Aetna, Inc.
Bob Downs, Harvard Pilgrim Health Care
Kristine Ossenfort, Maine State Chamber of Commerce
David Winslow, Maine Hospital Association