



**Consumers for  
AFFORDABLE  
Health Care**

*Advocating the right to quality, affordable  
health care for every man, woman and child*

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To: Dirigo Health Agency Board of Trustees  
From: Consumers for Affordable Health Care  
Date: July 17, 2009

**RE: Memo in Response the DirigoChoice Survey**

Sent via email and hand-delivered to:  
Dirigo Health Agency Board of Trustees  
c/o Karynlee Harrington, Exec. Director  
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Thank you for the opportunity to offer comment in response to the recent DirigoChoice survey and the recent passage of LD 1264 “An Act to Stabilize and Enable DirigoChoice to Reach More Uninsured” enacted as Public Law 2009, Chapter 359. Consumers for Affordable Health Care has been an enthusiastic supporter of the Dirigo health reforms and the DirigoChoice insurance product since its inception. The Dirigo reforms ushered in the first in the nation comprehensive approach at providing universal coverage at a state level. Its balanced focus of advancing reform simultaneously in the areas of cost, quality and access was unprecedented.

1) What We Like Most About DirigoChoice:

The creation of the DirigoChoice insurance product with its sliding scale subsidies based on the ability to pay offered thousands of Maine people the opportunity to obtain quality, comprehensive coverage at an affordable rate. In markets dominated by high deductible health plans with expensive premiums this was welcome relief to hard working Maine people and small business owners struggling to provide quality coverage for their employees.

2) What we like least about DirigoChoice:

It has been disappointing for consumers to see enrollment in the program capped as the funding mechanism faced numerous legal and structural problems. We are also concerned that even with income discounts; the DirigoChoice products are becoming unaffordable for many enrollees. The passage of LD 1264 offers renewed hope that the program can now move forward on a stable footing and that the cap on enrollment can be lifted.

3) Importance of low monthly premiums, deductibles, and out of pocket expenses:

According to the most recent US Census Bureau Current Population Statistics (2007), Maine's median household income is \$47,160, which ranks Maine 31st in the nation. Moreover, almost 84 percent of Mainers who lack health insurance coverage have household incomes at or below 400 percent of the federal poverty level (CPS 3-year average 2006-2008). Making matters worse for Maine residents, health care and health coverage costs are the second highest in the nation.

When taken together, these facts make affordability of coverage a top priority for the consumers, workers, small business owners, large businesses, and taxpayers, whom we represent.

For consumers, DirigoChoice's lower monthly premiums, deductibles, and out of pocket expenses are what sets the coverage apart from other products in the market. For our members, affordability is the key to accessing quality medical care when we need it. Many of our members on DirigoChoice are already struggling with the current premium and deductible costs, even with income based discounts. While this is more common for sole proprietors in any category, callers to our help line in categories E, D, and C are also experiencing similar affordability issues. We encourage the Board of Trustees to develop an affordability standard to guide your decisions. For these reasons, we ask that you support:

- An affordability scale that includes all out of pocket costs -- premiums, deductibles, coinsurance, and copayments;
- An affordability scale that is a progressive sliding scale relative to income;
- An affordability scale that ensures that families and individuals with incomes under 200% of the federal poverty level are exempt and that those with incomes between 200% and 400% make only modest contributions towards their coverage; studies conducted in CA, CO, OH, and MA demonstrate the need for subsidies up to 500% FPL;
- An upper limit on family health care spending that includes all out of pocket costs; again the limit should reflect their income levels; families with incomes above 600% FPL should not pay more than 7% of their income on health care and those with incomes between 200% - 600% should pay less than that amount on a progressive scale;
- An affordability standard that is easy to administer and easy for the average Maine consumer to understand, with necessary information and tools, to determine premium subsidies and affordability limits based on their income.

#### 4) Preserving benefits is important:

DirigoChoice's comprehensive benefit design with a strong emphasis on primary and preventative care for all products offered is integral to improving and maintaining the health of enrollees. We have spoken with many people who are grateful for the 100% coverage of primary and preventative care aspects of DirigoChoice. Some have firmly stated that this aspect of the DirigoChoice product has saved their life as it allowed them to catch cancer early on, and has helped many others manage their chronic health conditions. We urge the Board to support guaranteed, standardized comprehensive benefit plans with benefits and actuarial values that at a minimum are equivalent to the Maine State Employee Health Benefit Plan;

#### 5) Instituting higher co-payments will discourage certain services:

While it might seem attractive to increase co-pays, co-insurance, and out of pocket expenses, in an effort to reduce premiums and contain costs as you are re-designing DirigoChoice products, recent research suggests that instituting value based purchasing designed to improve adherence to recommended treatment programs, especially for those patients with chronic conditions within the context of disease management, to be a preferable approach.

A study by Michael Chernew, published in Health Affairs in 2008, found that reductions in copayments increased medication treatment adherence. According to Chernew's study "Impact of Decreasing Copayments on Medication Adherence within a Disease Management Environment":

As health care cost pressures mount, the prevailing cost containment approaches increasingly shift costs to patients. The evidence is strong, however, that increased cost sharing leads to decreased adherence to potentially life-saving medications, with likely serious deleterious health effects. These adverse health outcomes can be mitigated if cost-sharing provisions are explicitly designed with value in mind. This analysis demonstrates that such value-based insurance design programs can effectively increase adherence to important medications and complement existing disease management programs. As policymakers consider future quality and cost containment initiatives, it is important that health benefit reform proposals include safeguards against unwanted clinical effects resulting from misaligned financial incentives.

Chernew's 2004 study "Barriers to Health Care Cost Growth", published in Health Affairs in 2004 states that, "most health care economists concur that the use of innovative technology has historically been the driving force behind health care cost growth." The study concludes that the driving force behind utilization of such technology to be provider/physician driven, and that plan administrators had limited effectiveness in using coverage policy to contain costs. Given these findings, the Board may want to consider adopting a form of capitation for the utilization of high cost technologies in the DirigoChoice plan design, rather than cost shifting onto enrollees in the form of higher co-pays to discourage the overutilization of expensive technologies.

Perhaps a pilot project can be developed for inclusion in the request for the RFP.

6) Preserving choice of doctors and prescription drugs is important to access.

Consumers believe that cost containment, not reduction of choice of doctors or services, such as prescription drugs, will result in a more efficient and effective health care and health coverage system. Limiting choice of provider requires careful consideration of the countervailing costs. For example, the State of Maine recently decided that one provider, Maine General Medical Center, did not meet its quality standards. As a result, employees of the State of Maine's health program had to choose between getting certain services with lower cost sharing at Inland Hospital in Waterville or paying higher cost-sharing at Maine General. Obviously, the greatest economic burden fell NOT on the providers, who continue to make higher incomes relative to the average income of a state worker, but rather on the state worker who now has to expend greater resources in terms of lost work time and travel costs to go from Augusta to Waterville to obtain services without additional cost sharing. While intended to penalize the providers for poor performance, the program, in effect, has penalized the consumer.

The State of Maine could have decided to reduce the reimbursement rates of poor performing providers without penalizing the ultimate payer -- the consumer. Consumers, who are already spending too much for ineffective care, become even more cynical of payment reforms. Policymakers have to remember that when additional payment reforms are proposed -- reforms that will likely force the consumer to obtain fewer services while the prices will still be as high if not higher than they are already paying when you take the ACTUAL costs of obtaining the services -- i.e., traveling further and losing work time -- into consideration, they face the possibility of a backlash comparable to the backlash to managed care. Managed care promised cost savings that would be available systemically to expand access and lower prices - neither of which happened. Rather HMOs took the savings as profits and consumers -- and many providers

- were left holding the bag. It brings to mind an important statement by one philosopher: "Those who cannot remember the past are condemned to repeat it." George Santayana.

#### 7) Implementation of national health reforms and options

We trust that as the Board develops more affordable products and procedures to reach uninsured and underinsured residents of the state, that it will maintain a keen eye on the national reform efforts underway and that it will adopt policies, procedures and develop products that that will utilize the Dirigo subsidies to maximize federal initiatives whether through the Dirigo or MaineCare platforms. Indeed many of the components of the national reforms are Maine inspired. Any RFP developed by the Board should take this consideration into account and provisions adopted accordingly.

#### 8) A voucher-based program likely will not provide needed health insurance benefits to low and moderate income households

Consumers for Affordable Health Care does not support a voucher program for DirigoChoice. Such a system, which assumes an ability to navigate complex insurance choices, would not benefit the average consumer in any meaningful way. Not only should Dirigo's risk pool be kept intact, the DirigoChoice products are far superior because of their comprehensive benefit design, and the income based subsidies make the products more affordable than other comparable products on the market offered by for profit carriers. It would not make sense to expend subsidy dollars, either Maine or federally derived, on inferior products or to give to those subsidy dollars to carriers who are not operating at least a 90% medical loss ratio.

#### 9) Establishing an Asset Test for DirigoChoice Enrollees Would Not Save the Program Sufficient Funds to Justify the Cost

Although an asset test may seem like a good idea to some, in reality we do not believe that it could be administered with any effectiveness. The cost of administering and staffing a comprehensive financial asset audit to over ten thousand potential enrollees would be enormous and would quickly devour any perceived cost benefit. Unless the Dirigo Health Agency takes on enforcement capabilities of the Maine Revenue Service, how could such an asset test be enforced if someone was deliberately obfuscating their assets? Additionally, if the goal and directive to the Board under the provision of Public Law 2009, Chapter 359 is to expand coverage to Maine's uninsured and underinsured, barring enrollment in a DirigoChoice product because they are marginally over a subjectively set asset amount does not seem a productive way to expand coverage to all Maine families and individuals.

When income subsidies were still available for the DirigoChoice products, we spoke with many people who could not qualify for MaineCare due to the fact that they were older and had retirement accounts, or who were left a little bit of land or property in the will of a family member. DirigoChoice was their only option to maintain their health and safeguard themselves from bankruptcy resulting from medical debt. Adopting an asset test for Dirigo may create similar barriers to coverage. Indeed, studies by the Center for Budget and Policy Priorities indicate that states found that asset tests were a substantial barrier to enrolling eligible children in both CHIP and Medicaid and that most states have eliminated them. A 2005 study by the Retirement Security Project found that asset tests have also shown to have a negative impact on modest family savings.

If some or all of a family's or individual's retirement savings are counted toward a program's asset test, the family or individual can be forced to deplete those savings to qualify for benefits, even when doing so would involve a financial penalty. As a result, the asset tests often penalize low-income families that save for retirement and discourage others from saving in the first place.

As such, asset tests should not be adopted when developing enrollment standards for any DirigoChoice product as they will act as a barrier to providing affordable, comprehensive coverage to all Maine people

#### 10) Ideas to Make DirigoChoice More Affordable

While the passage of LD 1264 creates a stable funding base of approximately \$38 million to provide subsidies for DirigoChoice enrollees, the amount is fixed and will always be threatened by rising health care costs. Hence, the challenge for maximizing enrollment in the Dirigo program, while preserving affordability will be directly linked to cutting edge cost containment mechanisms that should be considered, and where appropriate, adopted.

We encourage the Board to consider adopting value based purchasing as part of a disease management strategy for Dirigo enrollees. Lowering the co-payments for preventative and diagnostic services and certain prescription drugs can improve a patient's commitment to a prescribed care regimen thereby improving health outcomes and containing overall costs. As most economists have concluded that the use of innovative technology has historically been the main driving force behind health care cost growth, the Board should consider adopting a provision in the RFP to institute some form of capitation for the utilization of high cost, high tech services.

The Board should consider pay for performance models while aligning itself with the emerging data and quality metrics of the Maine Health Data Organization and the Maine Quality Forum, so that the Dirigo Health Agency and a prospective administrative carrier can take advantage of future payment reform efforts that tie compensation levels to cost and quality outcomes for enrollees.

As the Board considers the provisions of Public Law 359 and crafts its RFP, we encourage it to explore the option to self-administer afforded by the 123<sup>rd</sup> Maine Legislature. Under provisions of the law, 2.5 months of premiums would have to be held in reserve, or approximately \$8 million dollars. If the Board were to move in this direction, a third party administrator (TPA) would need to be identified and provisions included in the RFP proposal. The Board may want to consider the feasibility of using the MaineCare platform or assess the feasibility of utilizing the TPA for the Maine state employee health plan as viable options. Any RFP developed by the Board should include flexibility for the potential carrier to offer a quote for both fully insured and self insured plans.

Consumers for Affordable Health Care appreciates the opportunity to offer comments and suggestions as you deliberate on potential changes to the DirigoChoice product offerings to expand comprehensive, quality, affordable coverage to Maine people and small business owners. We will always be available to offer the perspective of Maine's health care consumers.