

Authorization

Chapter 112 H.P. 1093 – L.D. 1568

Resolve, To Explore the Feasibility of Enrolling the Legislature as an Employer Group in Dirigo Health

Sec. 1. Legislature as an employer group explored. Resolved: That the State Employee Health Commission, in consultation with Dirigo Health, shall evaluate and issue a report on the feasibility of enrolling the Legislature as an employer group in the Dirigo Health Program pursuant to Title 21-A, chapter 87. The evaluation must take special consideration of the effect of the Legislature's being part of the Dirigo Health Program on retirees who are Legislators and may not consider the inclusion of legislative employees and their dependents. The commission shall submit its report to the Joint Standing Committee on Insurance and Financial Services by December 15, 2007 with any suggested legislation. The Joint Standing Committee on Insurance and Financial Services is authorized to submit a bill concerning this report to the Second Regular Session of the 123rd Legislature.

The State Employee Health Commission has conducted the review required by Chapter 112. In its examination the Commission identified several issues which were deemed relevant to a policy discussion of the Legislature enrolling in Dirigo Health as an employer group. The purpose of this report is to assess these issues and to disclose the Commission's findings. Among these issues were: potential cost savings, comparison of benefits packages, the impact on claims experience, current practices and the policy implications of the proposal.

The State employee health plan has an enrollment of roughly 14,800 active employees, approximately 3,500 non-Medicare retirees, and 5,560 Medicare retirees. Including dependents total enrollment averages about 40,000 covered lives. The Legislature comprises a very small portion of health plan enrollment. While there is some fluctuation in enrollment, active subscribers normally total between 160 and 170 Legislators. There is an additional 115-120 dependents of current Legislators on the State employee plan. Fairly recent enrollment data reveal that there were 7 non-Medicare retirees among former Legislators and 78 Medicare retirees.

The relative small size of the Legislators sub-group suggests that the departure of that population from the State employee plan to the Dirigo Health Program would have little, if any, affect upon claims experience. While the Legislators as a group are slightly older than the active employee population, there is virtually no difference in actual claims experience.

Because of benefit design and group member demographics, there are fairly significant differences in the premium rates between the State employee health plan and the Dirigo Health Program. One of the major reasons for the State employee plan's higher rates is the group's substantial non-Medicare retiree population. Over 12% of the State employee's enrollment is non-Medicare retirees compared to the Dirigo Health product which has no retirees.

With respect to the benefit design both the State employee and Dirigo Health plans provide comprehensive coverage with an emphasis on preventive care. In order to maintain affordability the Dirigo Health product has greater out-of-pocket requirements for members. The most notable distinction is that the State employee individual annual deductible is \$200 compared to \$1,250 for Dirigo Health. Additionally, most medical services are covered at 80% after the deductible on the Dirigo Health Program whereas services are covered at 100% after deductible under the State employee plan.

Based upon current premium equivalent rates and enrollment Legislators are expected to require approximately \$1,539,474 to fund the employer share of premium (100% for the Legislator and 50% for dependents) for FY2008 under the State employee plan. By comparison the estimated employer obligations for premium would be \$1,099,018 if the group was enrolled in Dirigo Health. ¹

Because of current eligibility restrictions, retired Legislators would not be allowed to enroll in the Dirigo Health Program. The only viable option for continued coverage for

retired Legislators would be to remain with the State employee health plan. Enabling retired Legislators to retain eligibility under the State employee plan runs directly counter to the Commission long-standing policy that sub-groups that leave the plan must assume the obligations for current and future retirees. The principle behind that position is quite simple. The Commission has a fiduciary responsibility for the plan and it is not a prudent policy to assume the risk of retirees while allowing active members to terminate coverage in pursuit of other prospects.

As noted above the volume of retired Legislators is not significant but the Commission is concerned about the logic and precedence of the State employee plan assuming the risk for a retiree population that is no longer eligible to participate as active members. While the relatively modest number of retired Legislators is not likely to have a meaningful affect on claims experience or rates, the Commission is reluctant to endorse a departure from its policy.

Another question that demands attention is if Legislators were to enroll in Dirigo Health what affect would that have on eligibility for other group benefits administered by Employee Health & Benefits? The general policy has been that if an individual is eligible for the group health plan, by extension the individual is also eligible to enroll in group dental, vision care, long term care insurance and can access EAP services. For ease of administration we would strongly recommend that if Legislators are eligible to enroll in Dirigo Health they not retain their eligibility for other group benefits administered by Employee Health & Benefits. It may be possible for the Dirigo Health Program to secure group coverage for dental and other benefits.

In conclusion the answer to the direct question of feasibility is that it is possible to enroll the Legislature as an employer group in the Dirigo Health Program. Policy questions remain regarding the status of current and future retired Legislators, specific statutory language to provide for the Legislature eligibility, and Legislators' eligibility for other group benefits. The Commission was not tasked with developing recommendations on these issues.

¹ The cost estimates for Dirigo were based on rates that had been developed several months ago and were adjusted to reflect medical trend. The Legislature would be rated as an employer group under Dirigo. We do not have current claims data required to provide reliable rate projections at this time. This estimate is for comparative purposes only.