



**SFY 2012 - 2013 Proposed Budget
Presentation to Board of Trustees
August 9, 2010**

Background

- Time Period: July 1, 2011 – June 30, 2013
- Proposed Budget due to Budget Office September 1, 2010
- Governor has until February 11, 2011 to submit budget to Legislature

Purpose

The purpose of the DHA budget is to support its legislative mission: to arrange for the provision of comprehensive, affordable health care coverage to eligible small employers, including the self-employed, their employees and dependents, and individuals on a voluntary basis¹ and for monitoring and improving the quality of health care in this State.

Goal

The proposed biennial budget for State Fiscal Years 2012 - 2013 reflects the Agency's goal as it relates to both access and quality.

Access: To maintain the enrollment levels in its programs established in Fiscal Year 2011. The Parent Expansion is the exception as the budget assumes current growth levels continue in both years. However, the level of membership in DirigoChoice will depend on the group's experience over the course of SFY 2011, 2012, and 2013. The same is true for the Voucher program.

Quality: To continue to move the agenda forward as it relates to improving the quality and safety of health care in the State. We will continue to build off of the work we begin in SFY11 as it relates to comparative provider specific cost/quality measurement and reporting in a consumer friendly way, continued efforts towards advancing the goals of the Patient Centered Medical Home Pilot and preparing for the evaluation as well as working through the tasks assigned to MQF in the State Health Plan.

Resources (Revenue)

¹ The board may define "eligible business" to include larger public or private employers.

Resource SFY Comparison

	SFY 2010 Actual	SFY 2011 Budget	SFY 2012 Proposed Budget	Variance 2012 vs. 2011	SFY 2013 Proposed Budget	Variance 2013 vs. 2012
Employer & Individual's Contributions	\$ 25,831,705	\$ 29,700,000	\$ 35,265,747	19%	\$ 35,837,198	2%
Membership Fees	\$ 643,271	\$ 700,029	\$ 857,407	22%	\$ 857,407	0
HRSA Grant	\$ 5,677	\$ 8,025,000	\$ 8,329,880	4%	\$ 8,329,880	0
Cohen Foundation Grant		\$ 35,000	N/A	N/A	N/A	N/A
Other Grants	\$ 11,719	\$ 37,500 (Coalition and Quality Counts)	N/A	N/A	N/A	N/A
Savings Offset Payments	\$ 7,138,860	N/A	N/A	N/A	N/A	N/A
Access Payments	\$ 36,304,947	\$ 42,099,996	\$ 43,565,936	3.4%	\$ 45,066,646	3.4%
Allocation of Healthy ME Funding PL 2007 629	\$ 4,683,444	\$ 4,441,791	\$ 4,291,311	-3%	\$ 4,291,311	0
Pre-Existing Condition Funding		\$ 4,857,143	\$ 4,857,143	0	\$ 4,857,143	0
Misc (e.g., non-sufficient funds)	\$ 151,147	Not a budgeted item	Not a budgeted item	N/A	Not a budgeted item	N/A
Total	\$ 74,770,769	\$ 89,896,459	\$ 97,167,424	8%	\$ 99,239,585	2%

Proposed Budget Resource Detail

Item	2012	2013	
Employer & Individual Premium Payments	\$ 35,265,747	\$ 35,837,198	<ul style="list-style-type: none"> Premium Payments represent the amount paid by DirigoChoice Employers and Individuals for the DirigoChoice insurance coverage with Harvard Pilgrim Health Care (HPHC). Monthly HPHC bills DirigoChoice small groups, individuals and self-employed members. DirigoChoice members send their payments to the DHA DHA adds its portion of the premium (subsidy) to the member payments and forwards the total payment to Harvard Pilgrim Health Care. <p>Assumption: The 19% increase in SFY12 over SFY11 projections represents a membership base that is fully ramped up with a 3.5% increase in premium; 2% increase in premium SFY13 and flat membership over 2012.</p>
DirigoChoice Membership Fees	\$ 857,407	\$ 857,407	<p>Monthly Fees are:</p> <ul style="list-style-type: none"> Individual / Self-Employed: \$12.50 Businesses from 2-9 employees: \$12.50 (per business) Businesses from 10-24 employees: \$20.83 (per business) Businesses from 25-50 employees \$29.17 (per business) <p>Assumption: Flat year to year as plan maintains membership levels.</p>
HRSA Grant	\$ 8,329,880	\$ 8,329,880	<p>Federal funds to pay for voucher program.</p> <p>Assumption:</p>

			Assumes year 3 and 4 renewal.
Access Payments	\$ 43,565,936	\$ 45,066,646	MRSA 24-A §6917 - All health insurance carriers, 3rd-party administrators and employee benefit excess insurance carriers shall pay an access payment of 2.14% on all paid claims. Assumption: Budget assumes an annual 3.4% increase in paid claims base.
Allocation of Healthy ME Funding PL 2007 629	\$ 4,291,311	\$ 4,291,311	PL 2007, Ch 629 established an ongoing allocation to the Agency from the Fund for Healthy Me in the amount of \$5 M each year. Assumption: Because of an anticipated reduction in revenue in the fund for Healthy Maine the allocation to DHA has been adjusted downward from SF11 projection by 3%.
Pre-Existing Condition Funding	\$ 4,857,143	\$ 4,857,143	Federal funds to offset projected payments to HPHC for claims that exceed a 90% medical loss ratio for the identified population. Assumption: \$17M funding over 42 months
Totals	\$ 97,167,424	\$ 99,239,585	

Expenses

Expense SFY Comparison

	SFY 2010 Actual	SFY 2011 Budget	SFY 2012 Proposed Budget	Variance 2012 vs. 2011	SFY 2013 Proposed Budget	Variance 2013 vs. 2012
Staff	\$ 1,231,862	\$ 1,360,020	\$ 1,321,204	-3%	\$ 1,361,436	3%
Contracts	\$ 810,001	\$ 1,023,631	\$ 1,057,897	3%	\$ 984,822	-7%
Other Operating	\$ 331,570	\$ 428,170	\$ 441,120	1%	\$ 422,518	-4%
Quality Contract Work	\$ 188,568	\$ 1,072,500	\$ 1,000,000	-7%	\$ 1,000,000	0
DirigoChoice Subsidy	\$ 30,367,701	\$ 32,700,000	\$ 38,827,944	19%	\$ 39,457,117	2%
Employer & Individual Premium Costs	\$ 25,803,805	\$ 29,700,000	\$ 35,265,747	19%	\$ 35,837,198	2%
Parents	\$ 3,967,084	\$ 5,100,000	\$ 5,460,163	7%	\$ 6,383,145	17%
HRSA Voucher	\$ 5,677	\$ 8,936,206	\$ 8,936,206	0	\$ 8,936,206	0
Pre Existing	N/A	\$ 4,857,143	\$ 4,857,143	0	\$ 4,857,143	0
Prior year expenses	\$12,064,501	\$ 4,200,000	N/A	N/A	N/A	N/A
Totals	\$ 74,770,769	\$ 89,386,070²	\$ 97,167,424	9%	\$ 99,239,585	2%

² The delta in expenses vs. revenue is estimated at \$510,000. This is the Agency's reserve for late access payments etc.

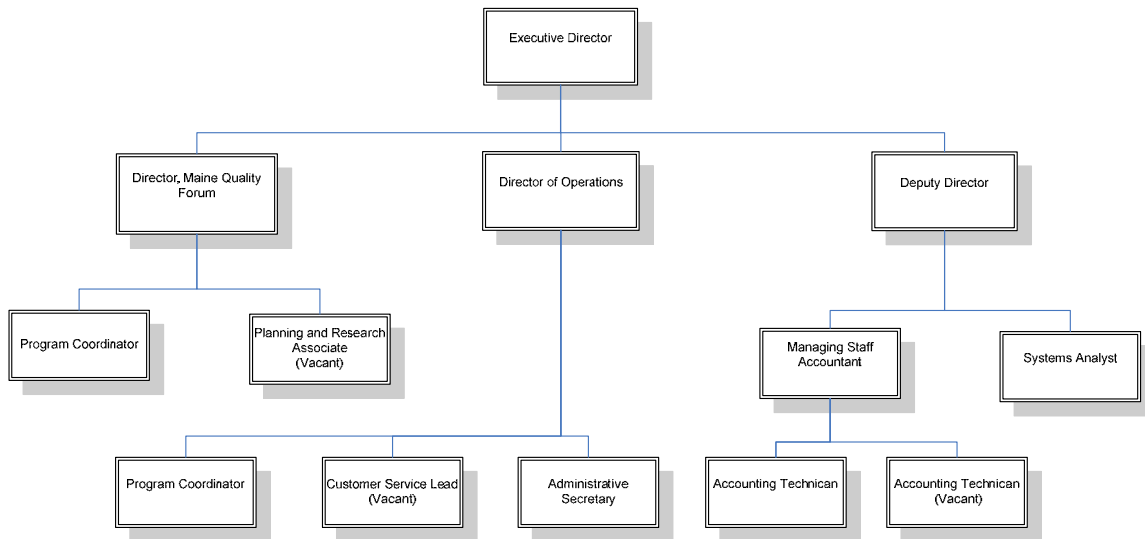
Proposed Budget Expense Detail

Item	2012	2013	
Staff	\$ 1,321,204	\$ 1,361,436	<p>There are 13 state budgeted positions. 10 of the 13 positions are filled. Refer to Organization chart on page 6.</p> <p>Staff costs represent 1.36% of the Agency's total expenses in FY 2012 and 1.37% of the Agency's total expenses in FY 2013</p> <p>State assumptions reflect projected increases for benefits and any applicable merit increases.</p> <ul style="list-style-type: none"> • 8% increase in employee health insurance • 4% increase in dental. • Worker's Compensation increases are not yet determined. • Merit increases were frozen in the 2010-2011 biennium. The Legislature and Governor will determine if merit increases will be included in the next budget.
Board Stipend	\$ 8,400	\$ 8,400	<p>Assumption: 7 members collecting per diem at \$100 per meeting for 12 meetings per year. (included in Other Operating Costs in above roll up)</p>
Contracts	\$ 1,057,897	\$ 984,822	<p>Includes contracts for HRSA grant activities as well other DHA contracted services.</p> <p>Assumption: SFY12 is a 3% increase over SFY11 and 6% reduction in SFY13.</p>
Other Operating	\$ 432,720	\$ 414,118	<p>Includes, rent, travel, Board stipends, training, insurance, postage, office supplies, utilities, technology, etc.</p>
Quality	\$ 1,000,000	\$ 1,000,000	<p>Consulting and project costs associated with improving health care quality and safety.</p>
DirigoChoice Subsidy	\$ 38,827,944	\$ 39,457,117	<p>Private health insurance coverage offered through Harvard Pilgrim Health Care. Qualifying enrollees receive subsidies to help pay for their coverage</p> <p>Includes HCTC members. HCTC is a federal program that the Agency administers that helps workers who have lost their jobs because of trade with foreign countries enroll in DirigoChoice</p> <p>Assumptions: Budget assumes a 19% increase in subsidy costs in SFY12 over SFY11 b/c no prior period obligations with a 3.5% increase in premium; 2% premium increase in FY 2013 with flat membership.</p>
Employer & Individual Premium Payments	\$ 35,265,747	\$ 35,837,198	<p>Premium Payments is the portion of the Premium charged by HPHC that the DirigoChoice members are responsible for.</p> <p>The Member premium payments (revenue) match the Member Premium Costs (expense).</p> <p>Assumptions: The 19% increase in SFY12 over SFY11 projections represents a membership base that is fully ramped up with a 3.5% increase in premium; 2% increase in premium SFY13 and flat membership over 2012.</p>
Expansion Parents	\$ 5,460,163	\$ 6,383,145	<p>Parents between 150% - 200% of federal poverty (\$31,800 - \$42,400 for a family of four) that the Agency provides state share for.</p> <p>Assumptions:</p>

			Match rates provided by DHHS for the period are 62.79% FY 12 and 62.65% FY 13. Budget assumes a monthly 1.2% increase in membership consistent with past 18 month experience.
Voucher Program	\$ 8,936,206	\$ 8,936,206	Program to assist uninsured, part-time or seasonal, low-income, employees purchase their employer's insurance. Assumptions: Assumes Year 3 and 4 grant approval. Voucher subsidies include \$1.4 million of DHA funding.
Pre Existing Condition Insurance Plan	\$ 4,857,143	\$ 4,857,143	Program for individuals who have been uninsured and have been diagnosed with certain medical conditions (100% Federally funded).
Totals	\$ 97,167,424	\$ 99,239,585	

Staffing Detail

Legislative Positions
(13 authorized)



Key Agency Operational Functions

- Managing payments to EBT/EFT accounts (discount process)
- Managing payments to HPHC including daily reconciliation of funds received from subscriber payments and Agency fund payments to insurance carrier.
- Manage payments to DHHS for the Parent Expansion
- Reconciling member billed and paid accounts
- Manage Access Payment receipt and collection process
- Producing monthly income statements and balance sheets
- Producing year end financial statements
- Working with State Controller and Office of Audit to manage adjustments and the annual audit process

- Coordinating DHHS, HPHC, Federal, and DHA accounting
- Managing Federal fund draw downs and reconciliations for HRSA grant and Pre-Existing Condition program
- Researching and resolving subscriber payment exception issues.
- Handling outstanding accounts receivable collection process resulting from insufficient funds and discount transactions.
- Communicating with members and insurance carrier regarding issues relating to members' account balances and/or funds transfer requests.
- Researching, resolving, and responding to members regarding account balances and unresolved collection balances.
- Account coding of received invoices.
- Compiling and maintaining list of accounts submitted to Maine Revenue Service for collection.
- Compiling, maintaining, and completing journal entries for list of accounts submitted to Unclaimed Property.
- Responding to requests for ad hoc financial reporting
- Processing electronic debit card or electronic funds transfers for appropriate members.
- Examining and verifying over 9,000 annual insurance application/renewal packets, reports, and benefit eligibility requirements in order to ensure accuracy and completeness of materials to make correct benefit eligibility determinations.
- Responding to over 30,000 annual inbound calls and documenting calls in call tracking system.
- Contacting applicants, members, insurance carrier, and insurance brokers to obtain pertinent eligibility information. Clarifying and resolving with same entities inconsistencies in documentation.
- Compiling, organizing, and preparing files of members' medical insurance applications in order to establish and maintain all necessary enrollment and renewal documentation.
- Determining subsidy amounts using applicable eligibility and income and asset criteria.
- Keying applicant/member information into DHA enrollment system application within specified timeframes.
- Performing quality checking prior to submitting applications/renewals to insurance carrier.
- Researching and compiling members' records, reports and other necessary documentation to assist in the preparation of benefit eligibility appeals.
- Interpreting and explaining applicable regulations and policies to members and dependents to assist in proper benefit utilization.
- Communicating with insurance brokers, insurance carriers, and the public to create awareness of the Agency's objectives and to disseminate program information.
- Assisting in special projects as needed that may require obtaining additional information from members and performing large mailings.
- Managing and producing enrollment reports and ad hoc data requests
- Managing enrollment data files sent to and received from HPHC
- Developing and maintaining website and online tool development
- Providing end user system support
- Developing and maintaining call tracking, financial, and enrollment systems

Contract Detail

	SFY 2012	SFY 2013	
HRSA-Funded			
Actuarial	\$ 50,000	\$ 50,000	Consulting services to assist in the modeling of the program design and costs at all levels. The various actuarial models will help inform the impact analysis which will quantify take up rates as well as other key variables, including: eligibility standards; household income and or asset test thresholds; credible coverage standards, considering both premium and deductible/out-of-pocket costs; subsidy algorithms, considering the number of different employer plan designs relative to benefit levels and costs and selective provider networks with limited risk sharing provisions.
Marketing	\$ 535,000	\$ 535,000	Consulting services to assist in developing a targeted marketing plan designed to build public support for expanded access initiatives, encourage large businesses with low-income, part-time/seasonal, uninsured employees to support the program, promote awareness of the program among low-income, part-time/seasonal, uninsured employees. The plan will define the Agency's objectives, creative strategy and approach, customer insight, value proposition and overall tactics
Staffing	\$ 130,000	\$ 130,000	Services to assist in the enrollment, eligibility determination, household income and asset verification, and customer service operational functions of the new programs. This budget represents 3 FTEs.
Quality			
Patient Centered Medical Home Pilot	\$115,000	\$115,000	Supports the Pilot Director's activities. There will be a competitive bidding process and scope of work will be determined as part of that process
Practice Level Claims Analysis	\$260,000	\$260,000	Analysis of the cost and quality of primary care practices and specialists which will be publically reported. There will be a competitive bidding process and scope of work will be determined as part of that process
Patient Experience of Care Survey	\$300,000	\$300,000	Statewide survey of patients of primary care physicians and specialists used to gauge the quality of care from the patient perspective. Results will be reported publically
Web Development	\$25,000	\$25,000	Work relating to Chapter 350 (consumer web access to quality and cost information) as well as further development to improve accessibility to the Quality Forum site.
Quality Initiative Project	\$75,000	\$75,000	A project similar to In A Heartbeat and the Pressure Ulcer Summit. The exact initiative to be determined based on outcome of data analysis.
Muskie Cooperative Agreement	\$225,000	\$225,000	Technical assistance with designated tasks assigned to MQF in State Health Plan and by the Legislature. The Scope of work will be determined as we work through the projects in SFY11. The amount projected for the Co Op is consistent with SFY11 projections.
Other Agency			
Staffing	\$ 254,173.80	\$ 243,221.80	Services to assist with eligibility determination, household income and asset verification, and customer service operational functions for renewals and new enrollment in DirigoChoice, HCTC, the Parent Expansion, and the Pre-Existing Condition program as well as payment reconciliation. Assumptions: 7 contractors and a 4.5% reduction in costs in SFY13.
Lockbox Services	\$ 35,000.00	\$ 35,000.00	Contracted services to receive and deposit member premium payments and Access Payments. Assumptions: Assumes no increase in fees
Web Development	\$ 53,723	N/A	Building increased functionality for online eligibility

Other Operating Costs Detail

Item	2012	2013	
Professional Services (By State Agencies)	\$ 82,000	\$ 82,000	Charges from DAFS and the AGs office for administrative and legal services, respectively. Assumption: No increase year over year.
Travel (In State)	\$ 12,400	\$ 12,400	Assumptions: Augusta parking passes: \$5,500. No increase Board member travel: \$1,300. No increase The remainder is Agency travel to approved conferences and events, and travel relating to the HRSA project.
Travel (Out of State)	\$ 4,100	\$ 4,100	The majority of this item is for required HRSA conferences (requirement of the grant and funded by the grant).
Utilities	\$ 4,700	\$ 4,700	Internal electricity (lights and computers). Other utilities are included in rent (e.g., snow plowing, heat, hot water, HVAC). Assumption: 4% increase in SFY12, Flat in SFY13 (\$0.66 per square foot)
Rentals (Building & Other Misc Items)	\$ 123,250	\$ 124,000	Rent is \$14.31 for 7113 square feet (\$101,787). Assumption: \$14.31 stays flat in both years and a 3.5% annual increase in the escalator (\$18,929 in FY 2012 and \$19,591 in FY 2013). Operating costs at \$2,534 and \$2,622.
Insurance (Building, General Liability, etc.)	\$ 1,000	\$ 1,000	Assumption: Flat
General Operations (Postage, Printing, Advertising, etc.)	\$ 65,500	\$ 46,148	Assumption: Higher costs in SFY12 as part of ramp up and then reduction in SFY13.
Employee Training	\$ 120	\$ 120	
Technology (Phone, PC, Software, etc.)	\$ 101,000	\$ 101,000	OIT (computers and phone lines) represents approximately 72% of this charge. The remainder includes EBT card charges, conference call lines, cell phone charges. Assumption: Flat
Minor Equipment	\$ 5,750	\$ 5,750	Equipment leases (printer, fax, copier) funded by HRSA grant.
Office Supplies	\$ 6,500	\$ 6,500	Flat
State Assessment (Stacap)	\$ 26,400	\$ 26,400	DHA share of fixed State costs. Assumption: DHA rate for SFY 2012- 2013 is 0.763%. (same rate as SFY11)