

Dirigo Health Agency
Board of Directors
Minutes of Meeting
December 28, 2006

The Dirigo Health Agency Board of Directors held a meeting on Thursday, December 28, 2006. Dr. Robert McAfee, Chair, convened the meeting at 1:05 PM in the Dirigo Health Agency Board Room, located at 211 Water Street in Augusta. Other Board members in attendance: Ned McCann, Jonathan Beal, Commissioner Rebecca Wyke and Acting Commissioner Anne Head. Also in attendance: Karynlee Harrington, Executive Director of the Dirigo Health Agency, Will Kilbreth, Deputy Director of the Dirigo Health Agency and William Laubenstein, III, Esq. Assistant Attorney General.

Dr. McAfee provided the Board with an in-depth overview of the process and recommendations of the Blue Ribbon Commission based on the draft narrative that the Commission is currently reviewing. Dr. McAfee noted that the final report of the Commission is being developed and will be reviewed and approved by the Commission before being presented to the Governor and made public early January.

Highlights:

Commission voted to unanimously show its support for the Dirigo Health program and its goals.

Commission also voted the following:

- Highest priority specific to the target populations for DirigoChoice should be the uninsured and underinsured, under 300% FPL.
- Part time and seasonally employed adults should be a target.
- Dirigo's definition of a part time employee should be consistent with the states insurance law which allows employers to offer coverage to employees that work ten hours or more per week.
- Adult individuals, sole proprietors and employees of small business are eligible for DirigoChoice subsidy; however marketing should focus on sole proprietors and small business.

Commission recommended endorsing the following specific to DirigoChoice design and management of the product:

- Program should consider bidding pharmacy coverage separately from health benefits through the multi- State purchasing pool.
- 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.
- Program should make increased use of focused chronic disease management with understanding that savings will not accrue until after 2007.
- Program should examine strategies to maximize federal Medicaid matching funds.

Regarding alternate financing sources for the DirigoChoice program the Commission endorsed the following:

- Funding the program at \$57M for CY2007 from the General Fund; but that General Funds need not be the sole source of funding.
- Possibilities to generate revenue for the General Fund include; increased taxes on tobacco products, including smokeless tobacco, snack tax, tax on bottled soft drinks and syrups and beer and wine.
- Capturing and re-directing bad debt and charity care savings. Group should be established to meet with Dirigo Board and Staff to determine how to capture and re-direct these savings.

Regarding Health Care Coverage more affordable overall, Commission endorsed the following:

- Increase transparency of insurance rates.
- Allow Sole Proprietors to purchase coverage in the small group market
- Require Insurers to cover dependents on parents' policy to age 30.
- Create options to allow non-subsided individuals and employees to purchase coverage using pre-tax dollars.
- Require Insurers to give premium discounts for worksite wellness programs and non-smokers.
- Review Rule 850 to increase incentives for the use of high quality providers.

Individual Market Reform:

Commission recommends that the Governor appoint a workgroup representing the BOI, GOHPF, Consumers, Insurers, Providers and Businesses to begin to immediately conduct analysis of three options: High Risk Pools; Merger of Individual and Small Group Markets; Reinsurance Options applied to the individual market or merged market options as well as combinations of these options.

Employer and Individual Mandates:

Commission endorsed the concept of linking an Employer mandate with a mandate for individuals with incomes over 400% FPL. The recommendation is that the Governor move forward to explore the parameters of how such mandates would work.

Cost Containment:

Commission recommends a Group be formed to conduct an independent, data driven review of the cost drivers in the health care system.

In most cases endorsements and recommendations represented votes with a substantial majority.

Dr. McAfee concluded that the funding recommendations of the Blue Ribbon Commission may create timing issues for the Agency. Dr. McAfee asked Karynlee to provide the Board with a status report.

Highlights of Report:

- Three PPO options effective in 2007
- Benefit Design Changes approved by Superintendent
- HealthyMe incentive program will apply to uninsured in 2007
- Morbidity load and EMP eliminated in 2007 pricing
- Small group increase in community rate (base rate) with benefit changes is 5.5%
- Superintendent approved an average rate increase of approximately 13% in the individual and sole prop segment with benefit changes.
- No change in Employer contribution rate
- No change in application of subsidy
- Off-cycle termination rate is 2%/month
- Persistency rate is 93%
- Loss ratio in aggregate for claims paid through October 2006 is 78.9% (101.7%-individuals, 64.4%-small group and 72.4%-sole props)

\$56.99M is the estimate of the total program cost for CY2007 that was presented to the Blue Ribbon Commission. The estimate provided was before November and December actuals were available. The Agency experienced a significant increase in sales in November and December. The revised program cost estimate with November and December actuals is \$59.4M. This estimate assumes no changes in enrollment projections, includes managing individual member months at approximately 50% of total member months. End of CY2007 approximately 16,000 members.

Another option is to cap enrollment as of April 1, 2007 for all segments. March 2007 would be the last month of bringing new membership into the program. The program would continue to renew existing membership. This scenario creates a total program cost of \$50.1M for CY2007.

Revenue sources: SOP Year 1, 2.408% assessment to generate \$43.7M. To date, Q1-Q3 SOP payments has generated \$17.5M of the \$43.7M. We project an additional \$23.7M for year one assessment. The last Year one assessment payment will be made in March 2008 (less than \$1M of the \$23.7M). Assessment is based on plan year/ anniversary date. Anthem's actuary has estimated that the initial 2006 EMP settlement done end of month paid in January is \$9.9M. The final settlement will be done in May of 2007. Given Anthem's comments specific to the erosion of the individual segment, Agency will bank a lesser amount closer to \$8.9M. Total anticipated revenues is \$32.6M. Agency will work with Controller regarding cash flow issues key is the Agency can guarantee the revenues.

Board members discussed the following:

Statutory obligation to determine annually an assessment. Determine assessment as a placeholder while the recommendations of the Blue Ribbon Commission are reviewed and the Legislative process unfolds.

Following Motion was made:

Move forward with the collection and assessment of the Savings offset payment as determined by our previous proceedings and affirmed by the Superintendent of Insurance. Motion amended with the following: Determine the Savings Offset amount to be applied for CY07 to be the amount which we previously determined in May as subsequently ratified by the Superintendent. Motion amended with the following: Instruct Staff to arrive at an appropriate notification period before collection.

There was some discussion and then voted on with no changes; unanimously approved.

The next Board Meeting which was previously scheduled for January 8, 2007 will occur.

Public Comment:

Representative from the Insurance Industry reminded the Board that there is a law that requires insurance carriers to give their members a 60 day notice of rate increases as such a 60 day notice to the insurance carrier is not acceptable. Raised concerns with retroactivity. Appreciates the challenging position the Board is in. Request was made that staff work with the insurance carriers to determine the mechanics of the implementation.