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STATE OF MAINE  
**DIRIGO HEALTH AGENCY**  
211 WATER STREET, 53 STATE HOUSE STATION  
AUGUSTA, MAINE 04333-0053

KARYNLEE HARRINGTON  
EXECUTIVE DIRECTOR

TO: HSA Sub- Committee on Insurance and Financial Services

FROM: Karynlee Harrington, Executive Director, Dirigo Health Agency

CC: Trish Riley, Director of Governor's Office of Health Policy and Finance  
Dr. Robert McAfee, Chair of the Dirigo Health Agency Board of Directors

DATE: January 4, 2006

RE: Impact of HSA option

I would like to take this opportunity to provide the HSA Sub-Committee with an overview of the information the Agency received from Anthem Blue Cross and Blue Shield of Maine specific to their High Deductible Health Plans.

To determine what the impact would be on both the employer/employee contributions and the Agency's subsidy program, the Agency had hoped we would be able to compare the current DirigoChoice monthly rates with an estimated rate for a DirigoChoice High Deductible option.

After several conversations between representatives from both the Dirigo Health Agency and Anthem Blue Cross and Blue Shield both parties agree that the Agency does not have the information from Anthem required to conduct an extensive analysis of the impact of introducing a High Deductible Plan.

Anthem Blue Cross and Blue Shield has provided the Agency with their Small Group filed unadjusted community rate for an employee only contract for their Blue Choice High Deductible Health Plans effective January 1, 2006. The ranges of deductibles provided: \$1250, \$1500, \$2000, \$2500 and \$4000. Comparing the unadjusted small group community rates for the Blue Choice High Deductible Plan with the DirigoChoice unadjusted community rates for Plan Option 2, I offer the following:

The filed unadjusted community rate for an employee only contract for the \$4000 High Deductible plan is \$251.52/month. Please note: Anthem's actuary has indicated that the total premium associated with a HSA option is typically lower because contracts with dependents are cheaper due to the absence of the embedded deductible. The distribution of contracts across contract type is what determines how much lower the total cost will be.

The current contract distribution for DirigoChoice:

Employee Only: 65%  
EE+Spouse: 17%  
EE+Child (ren): 6%  
Family: 11%



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Based on the current contract distribution, Anthem's actuary estimates there would be an additional reduction in the total premium across all contracts. For the purposes of this review we are using a 1.5% reduction to the employee only rate. This application revises the rate to approximately \$248/month. The unadjusted community rate for employee only, Group F for DirigoChoice Plan Option 2 effective January 1, 2006 is \$313/month.

The out of pocket costs for both the deductible and coinsurance for the \$4,000 high deductible plan is \$5000 with a \$3M life time maximum. The out of pocket costs for DirigoChoice Plan Option 2 is tiered based on income group. There is no lifetime maximum.

Current DirigoChoice Income Group Distribution:

A: 1%  
B: 43%  
C: 16%  
D: 11%  
E: 6%  
F: 23% (over 300%) FPL

Deductible and Out of Pocket levels for Option 2 for Employee only coverage:

A: N/A  
B: \$500/\$1000  
C: \$800/\$1600  
D: \$1125/\$2250  
E: \$1450/\$2900  
F: \$1750/\$3500

Subsidy applied to employee contribution by Income Group:

A: 100%  
B: 80%  
C: 60%  
D: 40%  
E: 20%  
F: N/A over 300%FPL

- Based on the unadjusted community rates used in this review there is a savings in the monthly rate for the employer.



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- Assuming the same level of subsidy as applied currently in the DirigoChoice program, there are savings for the employees; however, the savings get smaller proportionally as the subsidy gets larger.
- When the monthly rate is lower there is a savings for the Dirigo Health Agency as the current subsidy program is based on the monthly rate. There is also a savings for the Agency by eliminating the incremental payment made to Anthem for the reduced deductible and out of pocket levels. However, this would require the Agency to subsidize the \$4000 deductible and \$1000 out of pocket costs for those contracts under 300% FPL at the equivalent level. This additional subsidy would require the use of all the savings gained plus cost the agency additional dollars.
- For the lowest income groups based on the unadjusted community rates used in this review the savings the Agency enjoys in the monthly rate and incremental changes does not offset the costs associated with funding a significantly higher deductible.
- The maximum amount that one can contribute into an HSA account as of January 1, 2006 for self only coverage is \$2700. Currently for Plan Option 2, Group B the maximum out of pocket (deductible and coinsurance) for an employee only contract is \$1600. The maximum out of pocket (deductible and coinsurance) for the \$4000 high deductible plan is \$5000. For the lowest income groups it is unclear at this time how the Agency would fund the gap between the \$2700 limit on contribution and the maximum out of pocket exposure.
- Based on the unadjusted community rates used in this review the HSA option works best for the non-subsidized group and those income groups with a very low subsidy.