



JOHN ELIAS BALDACCI
GOVERNOR

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

KARYNLEE HARRINGTON
EXECUTIVE DIRECTOR

TO: Joint Standing 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 Trustees
Will Kilbreth, Deputy Director, Dirigo Health Agency

DATE: April 24, 2009

RE: Follow up to issues raised at the April 14th Public Hearings specific to the Dirigo related bills.

Please find outlined below responses to the issues/questions raised at the April 14th, 2009 public hearing specific to the Dirigo Health Agency:

1. List the studies and or audits that have been conducted:

Response:

Formal Evaluations:

Mathematica Policy Research, Inc.-In the fall of 2007 Mathematica Policy Research Inc. released a report which was an evaluation of the Dirigo Health coverage expansion initiatives. A copy of the report can be found at <http://www.mathematica-mpr.com/publications/PDFs/dirigooverview.pdf>

The Muskie School of Public Service at the University of Southern Maine and Harvard University were awarded a grant from the Robert Wood Johnson Foundation under the State Health Access Reform Evaluation (SHARE) initiative to study healthcare reform efforts in Maine, Vermont and Massachusetts.

The study is underway and will focus on new subsidized insurance products created by the reforms in ME, VT and MA and the impact of benefit design on enrollment, utilization, program costs and sustainability. Muskie is also talking to key stakeholders in all three states to understand the political and financial context for the program's initial design, perceived impact and support for the program after implementation and the implications for sustainability over time. The purpose of the study is to inform policymakers at the state and federal level about the successes and challenges faced with implementing healthcare reform.

Audits:

The Office of the State Controller is currently conducting a financial audit of the Agency (this is standard practice). The OSC is testing the assertions the Agency has made regarding assets, liabilities, and fund balances as stated on the Agency's balance sheet(s). The audit will also test the Agency's revenue stream and expenses as stated on its income statement(s).

Consistent with the State's overall financial procedures and year end process, the Dirigo Health Agency is audited annually by the State Department of Audit. The Department of Audit conducts this audit in accordance with auditing standards generally accepted in the United States of America and the standards



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applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that the Agency is able to provide reasonable assurance as to whether its financial statements are free of material misstatement. The Department of Audit had no findings relating to the Agency's financial statements in SFY 2007 and 2008.

2. Where can I find monthly enrollment numbers for DirigoChoice and the MaineCare Parents that the Agency is responsible for?

Response: The Agency posts its monthly numbers on our website under Program Enrollment Reports at http://www.dirigohealth.maine.gov/Pages/agency_stats.html.

3. Explain the status of new enrollment into DirigoChoice.

Response:

The DirigoChoice program is currently **open** to:

- New **non subsidized** small employers and sole proprietors
- New **subsidized** employees of existing DirigoChoice employers
- New **subsidized** dependents of existing DirigoChoice members
- Those eligible for the Health Coverage Tax Credit (HCTC) which is certified under the Trade Adjustment Assistance Act.

The DirigoChoice program is currently **closed** to:

- All individuals (except HCTC, as specified above)
- New subsidized small employers and sole proprietors

4. What are the total administrative costs of the DirigoChoice Program?

Response: In SFY08, the Dirigo Health Agency's administrative costs were 2.8% of the total DirigoChoice program costs. If the costs for determining the aggregate measurable cost savings (AMCS) which is what the SOP is then based on were excluded in SFY08 the Agency's administrative costs would have been 1.8% of the total DirigoChoice Program Costs.

Provided below is the historical and year to date operating expenses of the Agency related to the DirigoChoice program.



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SFY	Personal Services	All Other	Total	Total excluding AMCS (aggregate measurable cost savings)
2006	\$1.0M	\$3.7M	\$4.7M	\$3.9M
2007	\$0.9M	\$2.0M	\$2.9M	\$2.1M
2008	\$0.7M	\$2.1M	\$2.8M	\$2.0M
2009 (through March)	\$0.6M	\$1.0M	\$1.6M (estimate ending SFY09 at \$2.7M)	\$1.9M (annual estimate)

5. What is the average annual cost of the consulting fees the Agency spends on developing the Aggregate Measurable Cost Savings (AMCS) as required by 24-A MRSA section 6913 sub 2?

Response: The Agency's average annual cost associated with the development of AMCS is approximately \$800,000. This cost does not include Agency staff or legal time dedicated to the process of preparing the methodology and defending it at both public hearings and in the courts. The Bureau of Insurance has estimated their annual costs associated with AMCS to be approximately \$170,000.