

STATE OF MAINE

DIRIGO HEALTH AGENCY

RE: DETERMINATION OF)
AGGREGATE MEASURABLE COST) MAINE ASSOCIATION OF
SAVINGS FOR THE FOURTH) HEALTH PLANS' DISCLOSURE OF
ASSESSMENT YEAR (2009)) WITNESSES AND DOCUMENTS

FILING COVER SHEET

TO: Board of Directors
DIRIGO HEALTH AGENCY
Attn: Ruth.A.Burke@maine.gov
53 State House Station
Augusta, ME 04333-0053

DATE FILED: June 23, 2008

PARTY: Maine Association of Health Plans

DOCUMENT: Witness and Document Disclosures

CONFIDENTIALITY: None



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STATE OF MAINE

DIRIGO HEALTH AGENCY

RE: DETERMINATION OF) MAINE ASSOCIATION OF
AGGREGATE MEASURABLE COST) HEALTH PLANS' DISCLOSURE OF
SAVINGS FOR THE FOURTH) WITNESSES AND DOCUMENTS
ASSESSMENT YEAR (2009))

Pursuant to the ("DHA Board") Procedural Order on Intervention and Procedures, dated May 20, 2008, by the Board of Directors of the Dirigo Health Agency, intervenor Maine Association of Health Plans ("MEAHP") hereby files this designation of witnesses, identifying each person it may call as a witness, together with a summary of the expected testimony of each witness, and a disclosure of documents it may introduce as exhibits, at the hearing before the Board to determine aggregate measurable cost savings ("AMCS") for the fourth assessment year ("Year 4").

Notwithstanding this disclosure of witnesses and documents to be offered as exhibits, MEAHP notes that MEAHP received DHA's recommended estimate of and methodology for calculating the amount of AMCS for Year 4 ("DHA's Year 4 Report"), together with a voluminous body of supporting documentation contained on a compact disk, on June 2, 2008. DHA's Year 4 Report is more than 80 pages long, presents complex calculations of putative savings in the two categories using brand new methodologies – hospital savings based on a cost per case mix adjusted discharge ("CMAD") methodology using a new multistate, multivariate regression projection model, and Bad Debt/Charity Care savings based on a similar multi-state, multivariate regression projection model. These new methodologies use formulas and numbers never before seen by MEAHP, and the report contains various charts and spreadsheets never before seen by MEAHP, and references many thousands of pages of supporting data, worksheets, spreadsheets, reports, and other documents.

MEAHP has since then, on June 3 and June 9, 2008, received two additional compact disks of supporting calculations and spreadsheets, and several more zip files via email dated June 7, 2008, containing enormous numbers of pages of spreadsheets and other documents. MEAHP estimates that the total page count of the supporting documentation produced by DHA exceeds 25,000 pages. Moreover, as of June 19, 2008, four days before this filing was due, DHA had not yet produced additional information on various assumptions and calculations that is necessary for experts retained by MEAHP and the Maine State Chamber of Commerce to be able to understand the underlying assumptions, calculations, steps and variables in the DHA methodology.

DHA's Year 4 Report was prepared by a private contractor, schramm-raleigh Health Strategy ("srHS"), using two additional subcontracting expert firms, at a cost of

\$950,000. Quite clearly, srHS, in conjunction with DHA, spent several months compiling data, doing calculations, reviewing reports, and considering vast quantities of other documentation before concluding that AMCS for Year 4 amounted to \$190.2 million. MEAHP within the limited time allowed has begun to digest the vast filings of DHA to develop its own expert and other witness testimony and to identify documents it will offer as exhibits. Thus, the designations herein are of necessity preliminary in nature, and MEAHP reserves the right to supplement and amend this disclosure as we receive and review additional materials and our witnesses continue their analysis of the various AMCS methodologies proposed by DHA in its report.

MEAHP reserves the right to revise and/or supplement its lists of witnesses and documents to be offered as exhibits at any time prior to the hearing as circumstances may require based on MEAHP's continued review of DHA's Year 4 Report and all of the additional material produced by DHA in connection with this hearing. MEAHP reserves the right to call the individuals listed herein to testify at hearing, but does not affirmatively represent that any such individuals will ultimately be called to testify at hearing. MEAHP also reserves the right (1) to call all witnesses designated by any other party to this proceeding, (2) designate other witnesses should any of its witnesses become unavailable for hearing, and (3) designate other witnesses based upon the receipt of documents and other information produced in this proceeding, including without limitation, to supplement and amend this disclosure with any witnesses, in rebuttal to the DHA filing of its pre-filed testimony and any documents obtained in response to a Public Records Request dated June 2, 2008 from the Maine Automobile Dealers Association Insurance Trust ("MADAIT"). Subject to these reservations, MEAHP provides the following designations:

A. WITNESSES

1. Daniel Fishbein, M.D.
Aetna, Inc.
175 Running Hill Road, Suite 301
South Portland, ME 04106
Tel: 207-791-7950

Dr. Fishbein is the Head of Health Plan Alliances for Aetna, Inc. Previously he was general manager for Aetna's Maine operations. He will testify as a representative of Aetna on behalf of MEAHP. He has participated in prior years' assessment hearings. The topics upon which Dr. Fishbein will testify in this proceeding, as well as the substance of his testimony, will depend largely on his continued review of DHA's Year 4 Report and all of the additional material produced by DHA in connection with this hearing.

At this time, and given the caveats noted above, Dr. Fishbein is expected to testify about (1) Aetna's experience negotiating contracts with Maine hospitals and physicians, (2) the relationship between the amount of savings claimed by DHA and the actual medical cost trends incurred in Aetna's health plans in Maine and elsewhere; (3) how potential savings already are built into in Aetna's premium rates, (4) the implications of a savings offset payment ("SOP") on the cost of health insurance in Maine, (5) the implications of MaineCare funding cuts on potential savings, (6) unsupported and

unreasonable assumptions in the proposed methodologies presented in DHA's Year 4 Report, including but not limited to: (a) reliance on hospital costs rather than hospital charges; and, (b) failure to accurately account for factors other than Dirigo Health and its related programs that cause a reduction in cost growth trends in Maine, and (7) the underlying facts and associated issues relating to the so-called "Medical Loss Ratio" ("MLR") initiative contained in the srHS report, including without limitation, how Aetna reported its MLR to the Maine Bureau of Insurance ("BOI"), how the premium refund was calculated by the BOI, and which Aetna policyholders will receive these refunds.

2. Adam Rudin, FSA, MAAA
CIGNA HealthCare
Actuarial Senior Director
900 Cottage Grove Road
Hartford, CT 06152
Tel: (860) 226-6548

Mr. Rudin is an actuary with CIGNA HealthCare who is responsible for analyzing the impact of healthcare reform proposals and setting health insurance premium rates in the Individual and Small Groups markets, and Consumer-Directed HealthCare Products nationwide. He will testify as a representative of CIGNA on behalf of MEAHP. The topics upon which Mr. Rudin will testify in this proceeding, as well as the substance of his testimony, will depend largely on his continued review of DHA's Year 4 Report and all of the materials produced by DHA in connection with this hearing.

At this time, and given the caveats noted above, Mr. Rudin is expected to testify about (1) the disconnect between hospitals' costs and hospitals' charges to payors, (2) the implications of an SOP on the cost of health insurance in Maine, (3) the connection between increased costs of private health insurance and an increased number of uninsured Maine citizens, (4) the relationship between the amount of savings claimed by DHA and the actual medical cost trends incurred by CIGNA's health plans in Maine and elsewhere, and (5) numerous unsupported and unreasonable assumptions underlying the proposed methodology presented in DHA's Year 4 Report, including but not limited to its failure to account for numerous drivers of fluctuation in hospital costs which are totally unrelated to Dirigo such as (a) national and local cost trends, (b) changes in hospitals' volume and/or the type of care provided (*i.e.*, utilization trends), and (c) the underwriting cycle.

B. EXPERT WITNESSES

1. Jack P. Burke, F.S.A.
Consulting Actuary
Milliman
1550 Liberty Ridge Drive, Suite 200
Wayne, PA 19087-5572
Tel: (610) 687-5644

Jack P. Burke is a principal and a consulting actuary with the Philadelphia office of Milliman, the leading company providing independent actuarial consulting services to

the health industry. He has extensive experience in all aspects of the small employer managed care market, including operations, systems, product design and development, legislation, underwriting, pricing, management of distribution systems, and overall business strategy. He has been involved in a variety of projects concerning small and large group commercial products and Medicare. He also has developed expertise in consumer-driven products, including Healthcare Savings Accounts and analysis of single-payer legislative proposals. Prior to joining Milliman, Mr. Burke worked at United Healthcare, where he was vice president in charge of product management of health plan products, including the open-access product. Prior to that, Mr. Burke was vice president of a small group, responsible for growing United Healthcare's share of the small-employer market. Prior to working at United Healthcare, Mr. Burke spent 13-years at Aetna where he gained broad management experience, including running an 180-person production unit and managing a large HMO system development project. At Aetna Health Plans, Mr. Burke was the CFO for, and ultimately head of, a 600-person, \$1.6 billion strategic business unit selling group insurance and managed care to small employers. Mr. Burke is a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. Mr. Burke will testify as an expert on behalf of MEAHP. His firm is being compensated for his attention to this matter at the rate of \$340 to \$530 per hour.

The topics upon which Mr. Burke will testify in this proceeding, as well as the substance of his testimony, will depend largely on his continued review of DHA's Year 4 Report and all of the materials produced by DHA in connection with this hearing. At this time, and given the caveats noted above, Mr. Burke is expected to provide a report and testify about unsupported and unreasonable elements in the proposed methodologies for all three savings categories presented in DHA's Year 4 Report, which make them unreasonable measures of savings, including but not limited to: (1) adherence to unsupported and unreasonable assumptions, (2) dependence on faulty calculations, (3) reliance on hospital costs rather than hospital charges, (4) failure to reasonably account for numerous drivers of fluctuation in hospital costs which are unrelated to Dirigo, including without limitation national, regional and Maine medical cost trends, (5) failure to account for hospitals' manipulation of outpatient charges, reductions in MaineCare payments to hospitals, and actual operating margins of hospitals in Maine, (6) failure to reasonably account for the reduction in the number of uninsured Maine people due to Dirigo by projecting this number using a regression analysis based on overall population trends when actual data exists, and by failing to reasonably account for other causes of any such decrease, (7) failure to account for an overlap in savings calculated under the CMAD and Bad Debt/Charity Care initiatives, and, (8) a flawed assumption that providers will pass on 100% of any increased payments made to them by or on behalf of people previously uninsured or unenrolled and now covered under Dirigo Choice or enrolled in MaineCare as a result of certain MaineCare expansions.

Mr. Burke's opinions will be based on (1) his extensive experience as a healthcare actuary and consultant, (2) his review of DHA's Year 4 Report and the supporting data, (3) his review of the records and decisions regarding hearings for the first, second and third assessment years, (4) his own testimony before the DHA board in the year three AMCS hearing, and (5) his review of other relevant documentation, including but not limited to actuarial and econometric research and analysis of DHA's calculations using hospital finance data and hospital cost reports, and analysis of experts offered by the

Maine State Chamber of Commerce and Anthem Blue Cross Blue Shield of Maine.

3. MEAHP reserves the right to supplement and amend this disclosure of expert witnesses with any expert witness identified by any intervenor or other party in this proceeding.

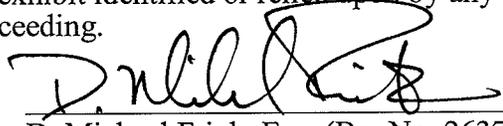
4. MEAHP reserves the right to supplement and amend this disclosure with any expert witness, in rebuttal to the DHA filing of its pre-filed testimony and any documents obtained in response to a Public Records Request dated June 2, 2008 from the Maine Automobile Dealers Association Insurance Trust ("MADAIT").

C. EXHIBITS

MEAHP may introduce any of the following documents and other exhibits at the hearing:

1. DHA's Year 4 Report and supporting documentation and discovery materials produced on June 2, 2008.
2. All documents produced by DHA on June 3, June 7, and June 9, 2008 in support of DHA's Year 4 Report.
3. All documents and information, if any, to be produced by DHA in response to the intervenors' requests relating to various assumptions and calculations that are necessary for experts retained by MEAHP and the other intervenors to fully understand the underlying assumptions, calculations, steps and variables in DHA's new methodologies.
4. All documents DHA produces in response to MADAIT's public records request dated June 2, 2008.
5. The entire record of the hearing before the DHA Board regarding the First, Second and Third Assessment Years.
6. Any other documents which may be created, relied upon or offered as an exhibit by any of the witnesses listed above as they continue to prepare to testify.
7. Any other document or other exhibit identified or relied upon by any other intervenor or other party in this proceeding.

Dated: June 23, 2008


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Attorneys for the Maine Association of
Health Plans

CERTIFICATE OF SERVICE

I, D. Michael Frink, certify that on June 23, 2008, pursuant to the paragraph 3 of the Order on Intervention and Procedures, I caused to be filed electronically the foregoing document by emailing a true copy to:

Board of Directors, Dirigo Health Agency at Ruth.A.Burke@maine.gov

I further certify that on June 23, 2008, pursuant to paragraph 3(b) of the Order on Intervention and Procedures, I caused to be served by sending an identical electronic copy of the foregoing document to:

Consumers for Affordable Health Care	jditre@mainecahc.org
Maine Automobile Dealers Association Insurance Trust	bgerrity@preti.com
Anthem Health Plans of Maine, Inc. d/b/a Anthem Blue Cross and Blue Shield	croach@pierceatwood.com
Dirigo Health Agency	michael.colleran@maine.gov
Hearing Officer, William Laubenstein, Esq.	william.laubenstein@maine.gov
Maine State Chamber of Commerce	wstiles@verrilldana.com



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