

# The Lincoln County News

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## Dirigo Health Wants Millions in Fees as Backup

Story date: 06/11/2008

By Victoria Wallack

The Dirigo Health Agency has set in motion a process that could allow it to collect up to \$80 million in fees on health insurance sold to Maine residents or offered through self-insured companies to support its subsidized DirigoChoice health plan if a backup in case a people's veto of new taxes to pay for Dirigo is successful.

Proponents of the tax veto were out in force on primary Election Day and have until July 17 to collect the 55,087 signatures needed to put the override on the November ballot.

Trish Riley, the chief health policy advisor to Gov. John Baldacci, cautioned the people's veto proponents to be careful what they wished for at a Dirigo Health Agency board meeting last month because if the new taxes are vetoed, the old assessment will still be in place.

"It could be as high as 4 percent of claims," she said of what's allowed as a fee in current law. That 4 percent this coming year would translate into \$80 million.

Known as the "savings offset payment" or SOP for short, the complicated and controversial assessment was created as part of the law that set up the Dirigo Health insurance plan, which promised to cover the state's 130,000 uninsured in five years.

With just under 13,000 people enrolled, the plan has fallen far short of expectations, but is widely supported by Democrats in the Legislature and the governor as the state's best hope until the federal government acts on some sort of universal health care coverage.

The SOP for the current fiscal year is set at \$32.8 million or 1.7 percent of paid claims. Last year it was set at \$34.3 million or 1.8 percent of paid claims and the year before it was \$43.7 million or 2.4 percent of paid claims.

The money helps pay the premium and out-of-pocket costs for DirigoChoice enrollees who qualify for help based on income and also pays the state's share of enrolling 5000 parents in straight-up Medicaid.

Many people don't even know they're paying the SOP because it is often passed through as part of a premium rate increase that has come to be expected as the cost of health care coverage continues to go up.

The Legislature this past session voted in a new slate of taxes to replace the savings offset payment and raise more money than the SOP has done in the past.

The taxes include \$4 on a gallon of syrup used to make soda in restaurants; 42-cents on a gallon of bottled soft drinks, from soda to flavored water; and a more than doubling of the current tax on beer and wine, raising beer from 25 cents to 54 cents a gallon and wine from 30 cents to 65 cents a gallon.

The package also includes a 1.8 percent tax on all paid health insurance

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claims, which is similar to the current savings offset payment, except the tax would not have to be approved through a series of courtroom-like hearings that cost the state an estimated \$1 million to prepare for and defend each year.

Kristine Ossenfort of the Maine State Chamber of Commerce is part of a group that has consistently fought against the savings offset payment methodology, but whose organization also supports the people's tax veto.

"We think it (DirigoChoice) should be funded through the general fund. Rather than increase taxes for a specific purpose, have it compete with other programs that require general funding," she said.

Ossenfort said an additional problem with the tax package is it doesn't really eliminate the savings offset payment, but rather keeps it under a different name.

"It still has the 1.8 percent fee on insurance claims. It just changed it to a fixed percentage and eliminated the hearing process," she said.

The insurance industry has not weighed in on the tax veto issue most likely out of fear their claims could be taxed more heavily if the beer, wine and soda taxes are repealed. The industry will be testifying, however, on the savings offset payment.

"We do not see a reason why we should be taking a position on this (veto) issue. It will potentially be brought before the voters and the people of Maine will decide," Anthem spokesman, Mark Ishkanian said.

"We want to be involved and we're obviously interested in making sure the savings offset payment reflects the true savings that have been achieved because the SOP is an added burden on our customers," he said.

The hearing process for a saving offset assessment for next year was set in motion last week when the Dirigo Health Agency released its estimate of what the Dirigo Health program has saved the state in the last year.

In a complicated formula understood by few outside of the system, the savings offset payment is supposed to recoup part of the savings that resulted from Dirigo Health initiatives, but it is capped under law at 4 percent of paid claims.

The agency estimated the Dirigo Health reform law that created DirigoChoice has saved the health care system \$190 million in its fourth year. The \$190 million estimate includes \$148 million saved because hospitals have agreed to a voluntary 3 percent cap on profits. Just over \$35 million is attributed to savings on bad debt and charity care since Dirigo now covers some previously uninsured residents, and \$6.6 million was ostensibly saved because of tighter insurance regulations included in the Dirigo Health law.

The Dirigo Health Board of Trustees will vote on whether to accept the agency's recommended savings estimate on July 22, and the amount it approves will then be reviewed by the state's superintendent of insurance.

In the last three years, the superintendent has approved less than what the board recommended. Last year, for example, the board said \$78 million has been saved, but the superintendent said only a \$32.8 million assessment was justified.

(State House News Service)

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