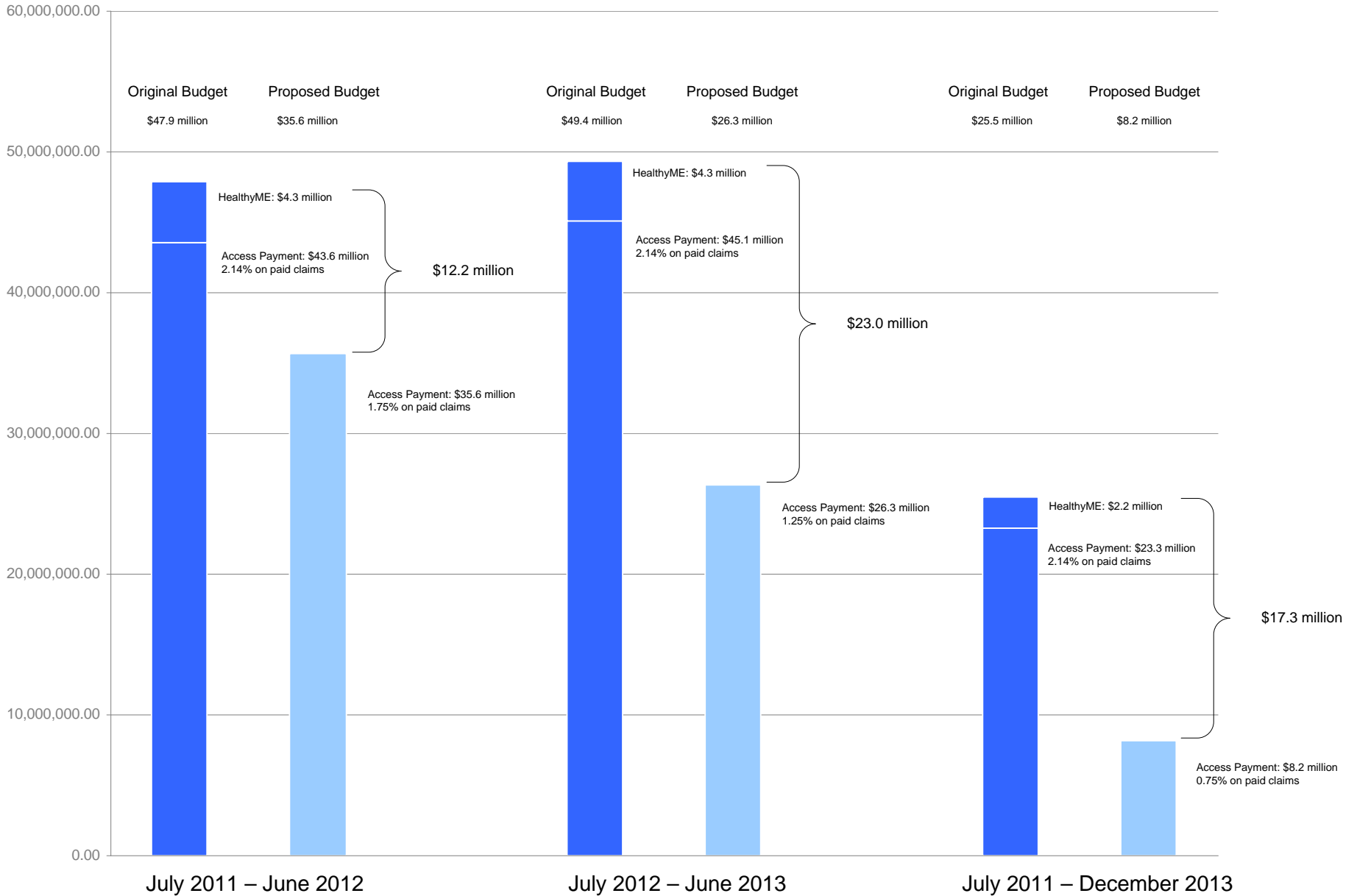


DHA Board of Trustees Discussion Document
March 14, 2011

DHA Connecting You to
Health Coverage
& Health Quality

DHA Revenue Changes Under Proposed Budget
 30 Months From July 2012 – December 2013
 Total Reduction: \$52.5 million (43%)



State Fiscal Year 2012 - 2014 Budget Comparisons – DHA Planning Document

| | SFY 2012 DHA Proposed Budget | SFY 2012 Revised | reduction | SFY 2013 DHA | SFY 2013 Revised | reduction | SFY 2014 (6 months) DHA | SFY 2014 Revised | reduction |
|---------------------------------------|------------------------------|----------------------|-------------|----------------------|----------------------|-------------|-------------------------|----------------------|-------------|
| Revenue | | | | | | | | | |
| Employer & Individual's Contributions | \$ 35,265,747 | ? | | \$ 35,837,198 | ? | | \$ 18,277,279.90 | ? | |
| Membership Fees | \$ 857,407 | ? | | \$ 857,407 | ? | | \$ 428,703.38 | ? | |
| HRSA Grant | \$ 8,329,880 | \$ 6,663,904 | -20% | \$ 8,329,880 | \$ 6,663,904 | -20% | \$ 3,331,952.00 | \$ 31,952.00 | 0% |
| Access Payments | \$ 43,565,936 | \$ 35,627,880 | -18% | \$ 45,066,646 | \$ 26,327,469 | -42% | \$ 22,983,989.61 | \$ 55,136.54 | -65% |
| Allocation of Healthy ME Funding | \$ 4,291,311 | \$ - | -100% | \$ 4,291,311 | \$ - | -100% | \$ 2,145,655.50 | \$ - | -100% |
| Pre-Existing Condition Funding | \$ 4,857,143 | \$ 4,857,143 | 0% | \$ 4,857,143 | \$ 4,857,143 | 0% | \$ 2,428,571.50 | \$ 28,571.50 | 0% |
| | | | | | | | | | |
| Total (Fixed) | \$ 61,044,270 | \$ 47,148,927 | -23% | \$ 62,544,980 | \$ 37,848,516 | -39% | \$ 30,890,169 | \$ 13,815,660 | -55% |
| Expenses | | | | | | | | | |
| Staff | \$ 1,321,204 | \$ 1,329,604 | 1% | \$ 1,361,436 | \$ 1,369,836 | 1% | \$ 632,541.16 | \$632,541.16 | 0% |
| Contracts | \$ 1,057,897 | \$ 1,057,897 | 0% | \$ 984,822 | \$ 984,822 | 0% | \$ 454,755.50 | \$454,755.50 | 0% |
| Other Operating | \$ 441,120 | \$ 441,120 | 0% | \$ 422,518 | \$ 422,518 | 0% | \$ 195,103.67 | \$195,103.67 | 0% |
| Quality Contract Work | \$ 1,000,000 | \$ 1,000,000 | 0% | \$ 1,000,000 | \$ 1,000,000 | 0% | \$ 500,000.00 | \$500,000.00 | 0% |
| DirigoChoice Subsidy | \$ 38,827,944 | \$ 27,147,645 | -30% | \$ 39,457,117 | \$ 22,398,319 | -43% | \$ 20,123,419.33 | \$ 9,804,760 | -51% |
| Employer & Individual Premium Costs | \$ 35,265,747 | ? | | \$ 35,837,198 | ? | | \$ 18,277,279.90 | ? | |
| Parents | \$ 5,460,163 | \$ 4,382,325 | -20% | \$ 6,383,145 | \$ 3,220,820 | -50% | \$ 3,076,321.54 | \$ 1,207,578 | -61% |
| HRSA Voucher | \$ 8,936,206 | \$ 7,474,206 | -16% | \$ 8,936,206 | \$ 7,474,206 | -16% | \$ 3,737,103.00 | \$3,737,103.00 | 0% |
| Pre Existing | \$ 4,857,143 | \$ 4,857,143 | 0% | \$ 4,857,143 | \$ 4,857,143 | 0% | \$ 2,428,571.50 | \$2,428,571.50 | 0% |
| | | | | | | | | | |
| Totals (Fixed) | \$ 61,901,677 | \$ 47,689,941 | -23% | \$ 63,402,387 | \$ 41,727,664 | -34% | \$ 31,147,816 | \$ 18,960,413 | -39% |

- 1) Assumes parent expansion attrition of 3.1% and shift in FMAP to 63.27% for duration of 30 months (based on DHHS modeling and known future FMAP rates).
- 2) No current adjustments for operational changes (i.e., administrative budget is flat). Once program changes are determined, administrative costs can be reforecast.
- 3) Revenue and expenses associated with members can be reforecast once program changes are determined.

Relationship of pmpm cost to membership for 30 month period July 2011 – December 2013

| Member Months | Total Members (Annual) | Subsidized Members (Annual) | PMPM (30 months) | % Cost Reduction |
|----------------------|-------------------------------|------------------------------------|-------------------------|-------------------------|
| 330,000 | 11,000 | 8,140 | \$ 168.79 | 43% |
| 327,651 | 10,922 | 8,082 | \$ 170.00 | 43% |
| 318,290 | 10,610 | 7,851 | \$ 175.00 | 41% |
| 309,448 | 10,315 | 7,633 | \$ 180.00 | 39% |
| 302,721 | 10,091 | 7,467 | \$ 184.00 | 38% |
| 301,085 | 10,036 | 7,427 | \$ 185.00 | 38% |
| 293,162 | 9,772 | 7,231 | \$ 190.00 | 36% |
| 285,645 | 9,521 | 7,046 | \$ 195.00 | 34% |
| 278,504 | 9,283 | 6,870 | \$ 200.00 | 32% |
| 271,711 | 9,057 | 6,702 | \$ 205.00 | 31% |
| 265,241 | 8,841 | 6,543 | \$ 210.00 | 29% |
| 259,073 | 8,636 | 6,390 | \$ 215.00 | 27% |
| 253,185 | 8,440 | 6,245 | \$ 220.00 | 26% |
| 247,559 | 8,252 | 6,106 | \$ 225.00 | 24% |
| 242,177 | 8,073 | 5,974 | \$ 230.00 | 22% |
| 237,024 | 7,901 | 5,847 | \$ 235.00 | 21% |
| 232,086 | 7,736 | 5,725 | \$ 240.00 | 19% |
| 227,350 | 7,578 | 5,608 | \$ 245.00 | 17% |
| 222,803 | 7,427 | 5,496 | \$ 250.00 | 16% |
| 218,434 | 7,281 | 5,388 | \$ 255.00 | 14% |
| 214,233 | 7,141 | 5,284 | \$ 260.00 | 12% |
| 210,191 | 7,006 | 5,185 | \$ 265.00 | 11% |
| 206,299 | 6,877 | 5,089 | \$ 270.00 | 9% |
| 202,548 | 6,752 | 4,996 | \$ 275.00 | 7% |
| 198,931 | 6,631 | 4,907 | \$ 280.00 | 5% |
| 195,441 | 6,515 | 4,821 | \$ 285.00 | 4% |
| 192,071 | 6,402 | 4,738 | \$ 290.00 | 2% |
| 188,095 | 6,270 | 4,640 | \$ 296.13 | 0% |

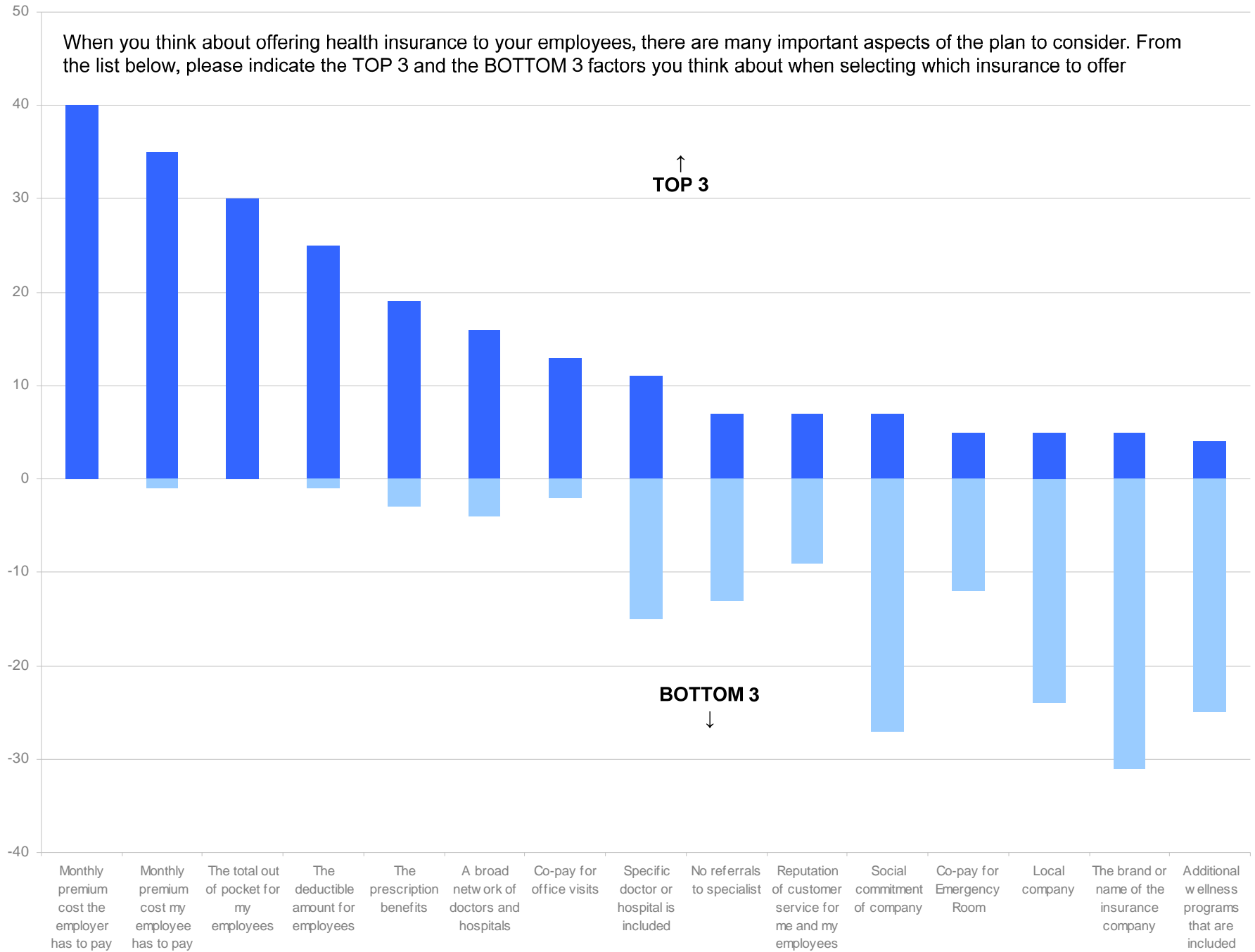
1. Assumes current 26% unsubsidized membership. Total membership can grow beyond projections if that growth is unsubsidized.
2. Based on Governor's proposed budget and assumes \$55 million of access payment is used for subsidy.
3. Assumes use of Agency positive cash balance at end of SFY 2011.

Employer Survey Results

DHA sent a survey to 124 small group employers who had newly enrolled in DirigoChoice subsequent to the program reopening in August, 2010. These employers range from 2 to 43 employees and average 6.74 employees.

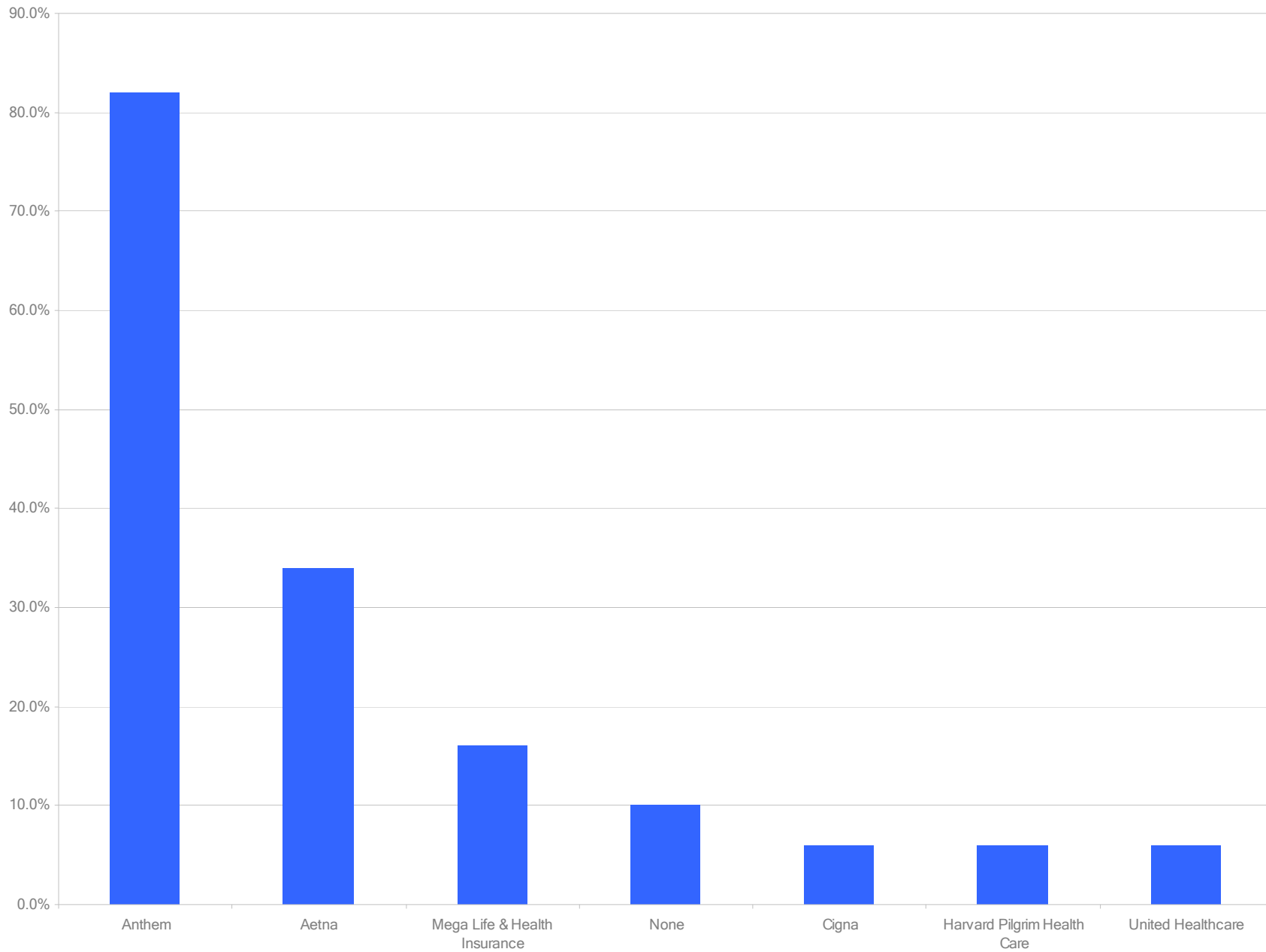
Of the 124 employers, 51 responded (41%). Their responses are tabulated below.

When you think about offering health insurance to your employees, there are many important aspects of the plan to consider. From the list below, please indicate the TOP 3 and the BOTTOM 3 factors you think about when selecting which insurance to offer

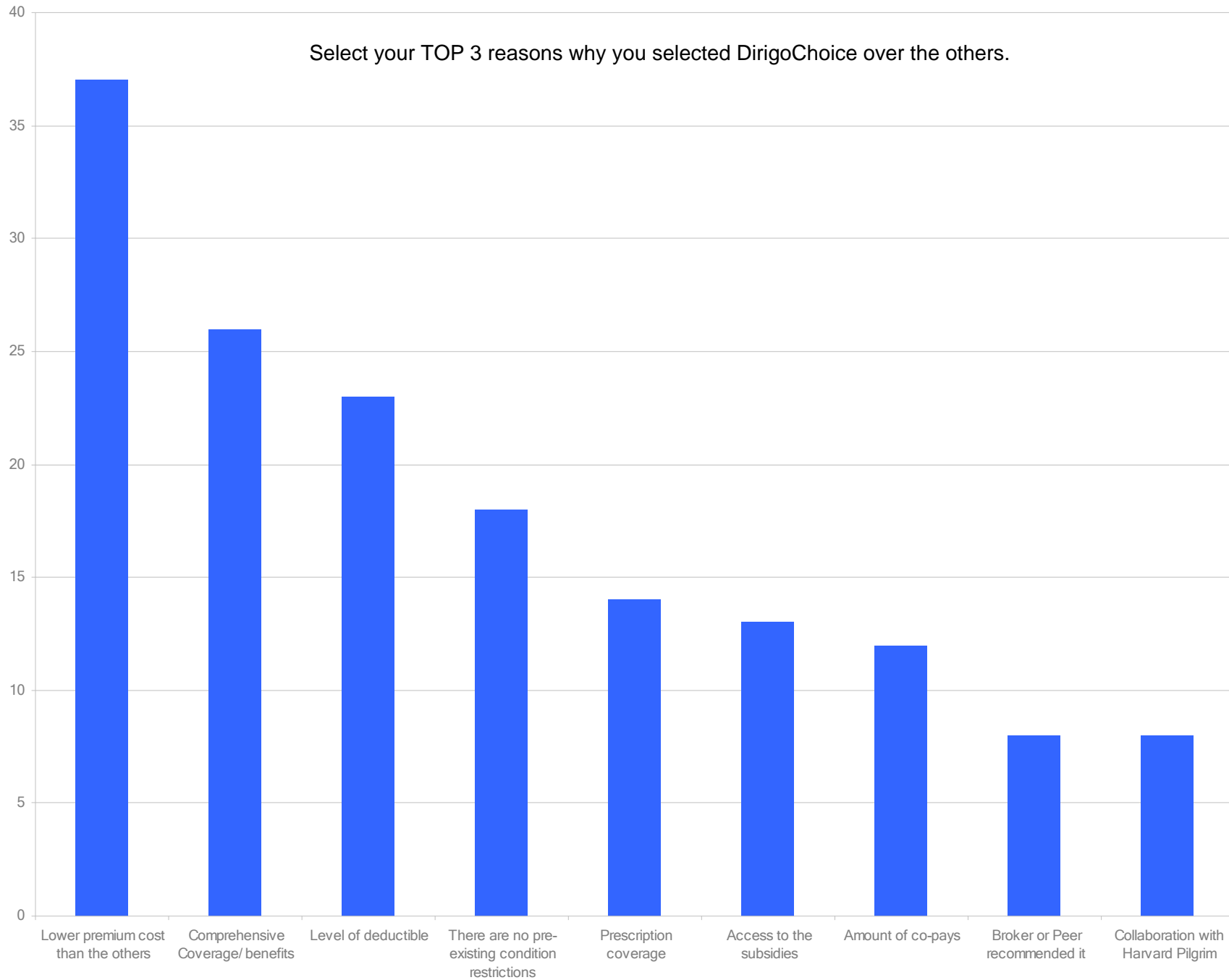


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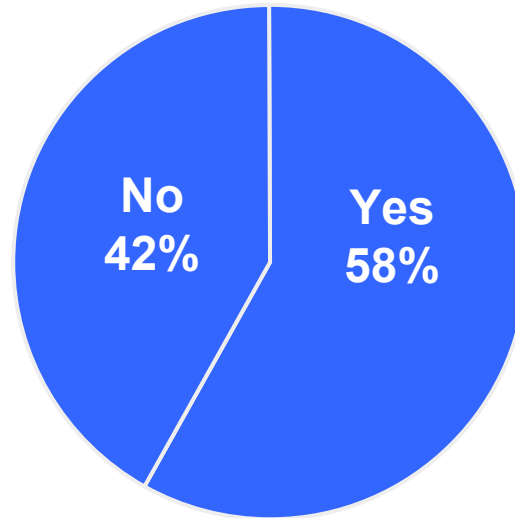
While you recently selected DirigoChoice for your company's health insurance plan, which other health insurance companies did you consider?



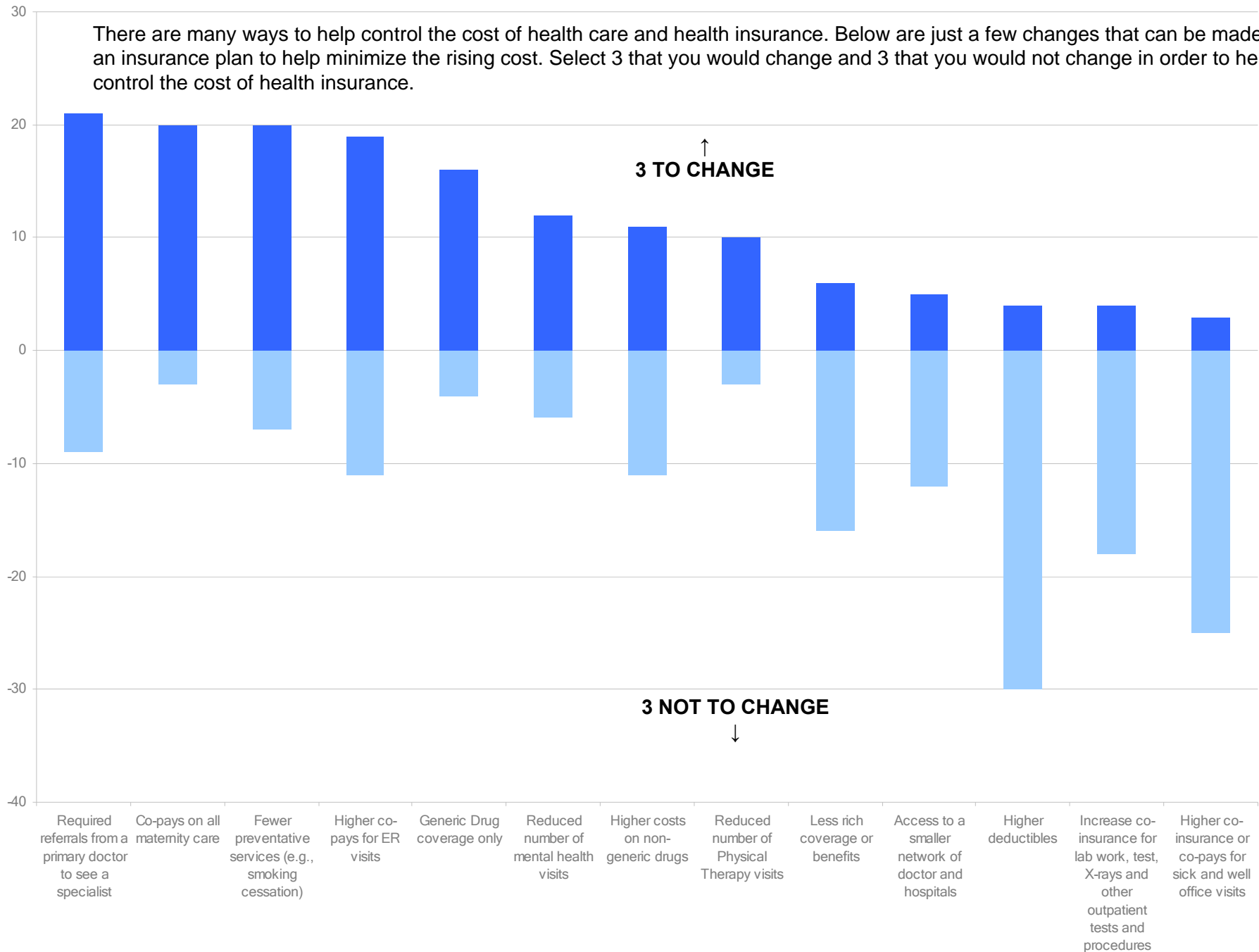
Select your TOP 3 reasons why you selected DirigoChoice over the others.



Did you offer health insurance before selecting DirigoChoice?



There are many ways to help control the cost of health care and health insurance. Below are just a few changes that can be made to an insurance plan to help minimize the rising cost. Select 3 that you would change and 3 that you would not change in order to help control the cost of health insurance.



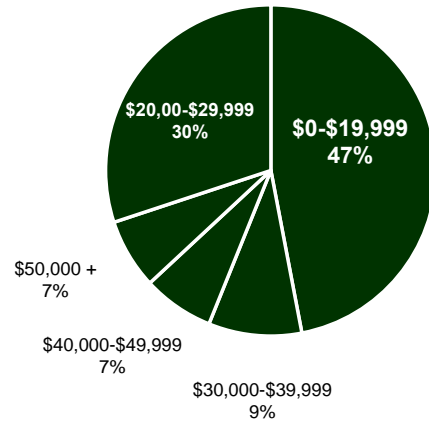
Please provide any additional information or feedback you think is important.

- Dirigo Choice is an important program. Without it, our company had Mega, which is horrible. They offer nothing. They pay for nothing. Not even office visits or preventive care. For \$200 more per month, we are able to have GOOD insurance coverage for our business employees. Without Dirigo, we have nothing - no coverage, even if we pay Mega \$600/month.
- We had both Aetna and Anthem and then decided to switch to Dirigo. It is much more affordable for a small business like us and has a large selection of physicians. Our employees also enjoy it because they receive a discount card based on their earnings.
- We had no health insurance until July, 2010, Both my husband and I have had life threatening illnesses since then and look at each other in amazement...what if we didn't have health insurance..what would we do? We both now have pre-existing conditions which would make insurance without that clause out of our reach...defunding Dirigo without a replacement for those who count on it is irresponsible and short sighted...we don't want free health care, we want and need affordable health care..just like what the Gov. has...
- Choosing Dirigo Choice as our Health Insurance has not only lowered our costs, but also allowed us to offer our employees Dental and vision coverage. We feel proud to support Maine's initiative towards universal health care. We will help in the fight to keep Dirigo alive and fully funded!
- In your e-mail describing the governor's proposed budget, it was unclear what the actual effect of the budget is on Dirigo Health Agency. Are you saying that it would be completely defunded by 2013?
- without dirigo we would not have been able to have health insurance or afford to buy groceries the same weeks we need to fill our perscriptions. At 50+ this is the time in our lifes we need insurance. Its to bad we weren't all politicians and had the best insurance in the US regardless of the cost burden to the taxpayers.
- Would like to see Dirigo program get more funding to help lower the cost of premiums to employers and employees due to current high cost of insurance
- DirigoChoice has allowed us to have adequate health coverage for my husband and I and our employees. Without it, we would have had to elect not to have several appointments and procedures this year that were medically necessary. Had we not had these procedures and appointments, our health and thus the productivity of our company, and our overall financial well being, would have been compromised. Affordable health care that is comprehensive is an essential component of running a small business. Without the ability to offer health coverage, you do not attract the best potential employees and your own health as a business owner suffers. Dirigo has enabled our business to flourish, and for us to take proper care of ourselves. A healthy population is a key to success for Maine - DirigoChoice is the one insurance program currently available in our state which make quality comprehensive health care affordable. It should be a #1 priority to the governor. It is a building block for a successful Maine that cannot be removed or reshaped without significant consequences.
- Dirigo was the only option for our small company of 40 employees, at all!
- I like the maximum out of pocket clause and the lifetime benefit clause.
- Our business health is being strangled by the unsustainable increases in healthcare costs. Our business has under 10 employees and we will soon have to decide between employees and health coverage. We cannot afford both.
- If Dirigo is changed, we would not be able to provide insurance to our employees- it is cost prohibitive to them and our company.
- Maybe if all services would conform to same charges on coverages and they would go with a freeze on costs, like employers and employees are having to do with wages and benefits and if the state would let other insurance companies come into this state to make health insurance competitive, everyone might have a chance to have health insurance. If things don't change, nobody will have health insurance in this state.

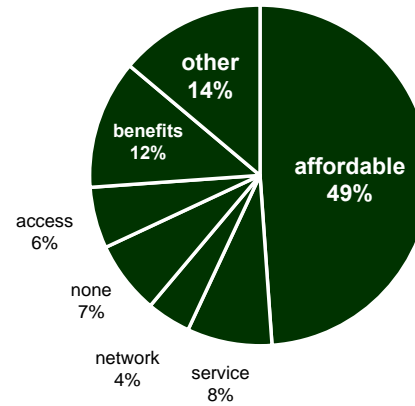
- Our employees needed the assistance from the state in order to continue to have health insurance.
- If we lose Dirigo we would be very hard-pressed to pay for employees' coverage.
- Our company saved 4.5% in premium costs with virtually the same plan!!
- As an employer & employee I would have no problem paying a higher deductible in order to continue to offer health insurance. Unfortunately, something(s) will have to give to keep the cost down.
- We are not a fan of government interention so if this program has to go so be it. However, if the program needs to be cut other companies should be allowed to compete for health care in Maine which should in the end lower costs. We would be in favor of that.
- I may have answered the questions on page 3 incorrectly.... I would prefer that we not increase the deductibles, etc. and wouldn't mind changing the other 3. Sorry, the question just confused me a bit. Thank you for asking our opinion.
- cost, cost, cost. Too often medical coverage is out of reach due to cost. Don't let it happen!

2009 Member Survey Results

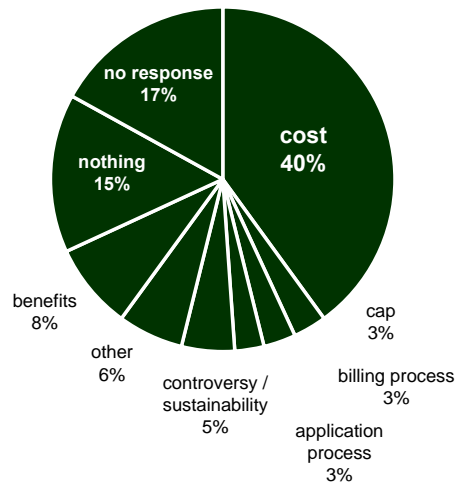
Responses by reported income level



What do/did you like most about DirigoChoice?

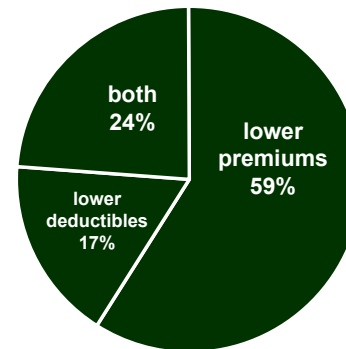


What do/did you like least about DirigoChoice?



What is more important to you?

Lower Deductibles and Out-of-Pocket Costs/ Lower Premiums



2009 Member Survey Results (continued)

To lower the costs of DirigoChoice we need to make changes. Rank in order of priority what you would change to make the plan more affordable on a scale of 1-5 (1 represents what you would change first, 5 represents what you would change last).

- 1) Higher copayments
- 2) Generic Drugs
- 3) Limited Network
- 4) Reduced Benefits
- 5) Other