

Ideas in Action

By Carson Strege-Flora
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Northwest Federation of
Community Organizations (NWFCO)
1265 South Main Street Suite #305
Seattle, WA 98144
Voice: (206) 568-5400
Fax: (206) 568-5444
Web: <http://www.nwfc.org>

Maine Builds Universal Health Coverage, But Will Employers Come?

Maine's Governor Baldacci made health care a central issue of his campaign, frequently referring to Maine's "health care crisis" during speeches. Over 180,000 Mainers are without health care coverage, and the state faces rapidly rising health care costs. Dirigo Health was the centerpiece of Governor Baldacci's legislation agenda. Dirigo Health follows several years of significant health care advances in Maine, including the groundbreaking prescription drug negotiated discount program and a patients' bill of rights. In addition, Maine expanded Medicaid to cover children up to 200 percent of the federal poverty line and parents up to 150 percent. While Dirigo Health offers the promise of employer-based universal coverage, it remains to be seen if employers will participate, a necessary element for its success.

Overview of proposal

The statute establishing Dirigo Health, that went into effect on September 13, 2003, attempts to tackle access, cost, and quality issues and aims to provide coverage to all of Maine's uninsured and underinsured residents. It does so by creating a new public authority that will offer a comprehensive health coverage program through private insurance carriers to workers in small businesses working at least part-time, self-employed persons, and people without access to employer coverage and their dependents beginning in July 2004.

In order to participate in Dirigo Health, a business must include at least 75 percent of its employees who work more than 30 hours a week and do not have other health care coverage. Any employee working more than 20 hours per week is eligible for the program. Employers will be asked to pay up to a ceiling of 60 percent of the program costs for full-time employees, pro-rated for those working less than full-time. Workers not eligible for MaineCare (Medicaid) and who earn between 200 and 300 percent of the federal poverty line will be eligible for subsidies. Medicaid-eligible workers at employers participating in the Dirigo Plan will have MaineCare act as a wrap-around to the Dirigo Health coverage.

Insurance carriers who wish to provide Dirigo Health Insurance must provide comprehensive health services as determined by the appointed Dirigo Health Board of Directors. This board will also set cost-sharing limits. The statute also permits the Board to limit administration costs and underwriting gains. If no health insurance carriers apply to

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offer Dirigo Health Insurance, the Dirigo Board may establish a nonprofit health care plan or expand an existing public plan. However, either of these options requires specific legislative approval.

The statute also requires providers to post their prices for some services. It also asks insurers to limit their underwriting gains to 3 percent, asks hospitals to limit their operating margins to 3 percent and their cost increases to 3.5 percent, and asks doctors to limit their net revenue increases to 3 percent.

Funding the plan

No new state funds are committed to the program and it relies on the federal Medicaid match for employees who would otherwise be eligible, employer and employee contributions, and a “savings offset payment” paid by health insurance carriers, excess loss carriers, and third-party administrators as its primary financing tools. The state estimates that health care providers currently provide between \$270 million and \$290 million a year in free care and cover that cost by raising their rates for everyone else. The state hopes to recapture an estimated \$80 million of the lost money by insuring more people, pressing hospital to then reduce their rates, and charging insurance companies a fee that reflects any savings they realize from lower hospital rates. With this “savings offset payment,” no payment will be required if there are no savings. The state expects that eventually the pooling of these funds combined with the savings from reduced bad debt and charity care write offs will be sufficient for the program. In the first year, the state will use \$53 million in one-time federal fiscal relief funds to get the program started.

Supporters/Opponents

Hospitals: “There’s a huge question as to how Dirigo Health will work, or if it will work,” said Steve Michaud of the Maine Hospital Association, which initially opposed the bill when the bill called for a “global budget” shared by all hospitals and imposed caps on hospitals and prices. Maine hospitals waged an aggressive lobbying campaign against the price caps, warning it would cause many hospitals to close or downsize. The bill was modified to address their concerns: the global budget and language permitting the state to regulate hospital prices was eliminated. In the amended bill, hospitals are subject to voluntary caps on cost increases of 3.5 percent for a year. The hospitals’ threat of closure of small and medium-sized facilities was particularly effective with legislators from rural areas.

Business groups: The state Chamber of Commerce and the Maine Small Business Alliance supported the legislation, citing skyrocketing increases in premium costs and frustration with the status quo. However, some business groups, like the Maine Forest Products Council, opposed the plan saying that they would bear the brunt of the costs associated with the new plan because the additional premium tax would be passed on to businesses. And, the Greater Portland Chamber of Commerce was vocally opposed. Its president said that requiring employers who sign up for the program to contribute as much as 60 percent of their employees’ monthly premiums won’t work because that is more than what many employers already contribute. Maine’s National Federation of Independent Business opposed Dirigo Health because of the requirement that employers pay 60 percent of Dirigo Health premiums.

Low-income and consumer advocacy groups: Maine People’s Alliance supported the plan, but has since attacked the removal of key cost containment measures. In July, the group released a survey of top hospital executive salaries and accused the hospitals of unfairly threatening their employees with job losses due to Dirigo Health. Consumers for Affordable Care played a lead role in adopting of the plan. Its spokespeople stressed that Dirigo Health is a voluntary plan and it was flexible to ensure employer participation.

Political leaders — supporters: Governor Baldacci made health care reform a priority in his campaign and signed an executive order on his first day in office to get Dirigo Health started. He and his aides repeatedly said that “universal coverage” would save the state money because Maine already spends hundreds of millions on the uninsured. “There’s a hidden tax on all of us when the uninsured don’t have coverage,” said Baldacci’s top health care aide. However, Baldacci is opposed to new taxes and has not committed any state dollars to Dirigo Health.

Political leaders — opponents: While Dirigo Health enjoyed bi-partisan support, some Republicans vocally opposed it saying that it represented “socialized medicine.” The Maine Heritage Policy Center said that the plan represented “heavy-handed government that threatens the viability and quality of Maine’s overall health-care industry while not reducing health insurance rates.” Republican legislators supported “high-risk insurance pools” that significantly would raise the rates for the sick and disabled in order to lower the costs of young, healthy individuals. Democrats opposed the proposal as defeating the purpose of insurance, which is to spread the costs and risks of care as broadly as possible, not to insure only the healthy.

Key messages

According to supporters and detractors alike, Governor Baldacci was incredibly effective in passing most of his legislative agenda in 2003, and he focused much of his energy on passage of Dirigo Health. While he enjoyed Democratic majorities in both houses, the Senate majority was slim and he needed to earn bi-partisan support for his health care agenda. Dirigo Health was a central campaign promise and Baldacci spoke of the “health care crisis” repeatedly during his campaign, noting that 180,000 Mainers were without health care coverage.

He also pointed to rising health care costs, and how they impacted Maine’s small businesses and impeded the economic development possibilities for the state. He claimed that Maine’s health care costs were the fastest growing in the nation and that health care was an economic issue for the state that was threatening to drive businesses away. Governor Baldacci rejected the idea that success could be obtained through a piecemeal fashion and embraced a broad vision that called for a bold and comprehensive solution to Maine’s health care problem. “Ours is a comprehensive approach that addresses costs, quality and access,” said a top Baldacci aide.

He articulated the following principles:

- any plan must provide health care coverage for all
- any plan must cover a full range of benefits for all
- any plan must have quality standards and a way to compare providers and facilities
- any plan must reduce waste and administrative costs

A central message of Baldacci’s was that Maine’s health care problem could be solved in Maine, without waiting for a national solution to come from Washington D.C. “As Maine people, we don’t wait for our ship to come in from Washington or elsewhere. We build our own ship and so we have with Dirigo Health,” said Gov. Baldacci. This message seems to have tapped into a strong feeling of independence and self-reliance in Maine. Along with the self-reliance theme, supporters of the plan emphasized the fact that it is voluntary, and that there was no employer mandate.

Assessment of current status

Many key questions about Dirigo Health have yet to be answered. Will insurers participate in the program and offer plans that meet the requirements? Particularly, will Anthem, which has 98 percent of Maine’s market share, participate? If there is no interest from insurance companies, the legislation authorizes the Board to establish a nonprofit health care plan or it can expand Medicaid. If insurance companies do step forward, will businesses pay the required premiums so their workers can participate?

CMS has yet to approve a portion of the financing plan, which relies heavily on Medicaid match dollars. Even if insurance companies and businesses jump in and CMS approves the financing, a central element of the plan assumes that the voluntary cost-containment measures will work. What measures will lawmakers be willing to take if they don’t? If all goes as planned, first enrollment for the program will likely occur between July and October 2004. The Governor’s office expects the Medicaid expansion to be operational by July 2004.

How the proposal measures up

- Good (Medicaid or better)
- ▲ Okay, but needs improvement
- ⊗ Poor, unacceptable

Comprehensive benefits	?	The benefits package has not yet been designed.
Equal benefits	?	The benefits package has not yet been designed.
Affordability	?	Businesses will pay up to a ceiling of 60 percent of the program’s coverage cost for eligible workers. Workers earning less than 300 percent of the federal poverty line will be eligible for as yet undetermined subsidies. Parents earning less than 200 percent of the federal poverty line and childless adults earning less than 125 percent of the federal poverty line will be eligible for Medicaid and enjoy its cost-sharing protections. Other cost-sharing provisions have not yet been determined.
Continuous	●	Benefits are continuous and move from job to job and through unemployment.
Scalability	●	Other states could use this same approach if CMS approves the federal match plan.
Winability	●	Significant modifications were made to the bill in the cost containment area before hospitals and other key stakeholders would support it or agree to keep quiet.
Universal	●	Yes — although coverage may be expensive for some depending on the cost-sharing provisions.