

**LD 1264 MAJORITY REPORT**  
**on the Governor's Bill L.D. 1264, "An Act to Stabilize Funding and Enable Dirigo Choice to Reach More Uninsured"**  
**(OTPA AS AMENDED BY COMMITTEE AMENDMENT "A")**

***LD 1264, plain and simple, makes sure that the people and small businesses and nonprofits who currently rely on the DirigoChoice insurance product, or who want to sign up for this insurance option, continue to have that choice. The bill:***

- *Protects current members/ MaineCare parents*
- *Provides for a consistent funding source*
- *Won't cost insurers, hospitals, and the insured more than they are being charged under the current system ("savings offset payment")*
- *Gets rid of an accounting nightmare, the 27-month collection schedule*
- *Reduces administrative waste and lawyers fees*
- *Redesigns the insurance product to promote affordability*
- *Eliminates the cap on enrollment*
- *Continues to offer a quality product to small businesses, nonprofits, and individuals based on ability to pay*
- *Positions Maine to partner with the federal government and accept federal funds as national health care reform moves forward*

Many of the problems we have witnessed in running the Dirigo program can be laid at the door of a funding mechanism and payment schedule that you would never use in the business world and which have pretty much guaranteed that the program would be contentious, inconsistently funded, and hard to administer as a result.

Yet despite these handicaps facing the programs from the start, the DirigoChoice insurance product is something a lot of people have benefited from and more would like to purchase. We need to remember that this is no giveaway health care program. This is a program of cost sharing, where people pay according to their means. Some enrollees and employers pay the whole freight. Others get subsidized, according to their income. It is a program that provides options to employers who want to do the right thing and offer health insurance to their employees.

And, since its inception, it has been proven to save the health care system millions of dollars in avoided costs, as these same people get preventative care and see primary care doctors instead of going to hospitals for emergency care when their often preventative illnesses become a crisis.

- This bill converts the Savings Offset Payment (SOP) to a **fixed monthly fee** that will be paid by the same people who pay the SOP today. They will pay the same amount that the Savings Offset Payment would have been come July 1<sup>st</sup>. The SOP has been contentious from the 'get go' and subject to court challenges and ongoing disagreement. This bill allows us to stabilize the program, protect those now on it and move forward, hopefully securing federal funds as well.
- LD 1264 **saves money by cutting out administrative waste** by getting rid of the current expensive, burdensome funding mechanism which requires million-dollar administrative hearings every single year and which encourages litigation and uncertainty.

- LD 1264 provides **consistency of funding** so that the funds available to run the program don't fluctuate from year to year and so the insurance company administrator of DirigoChoice can plan ahead and make rational choices.
- LD 1264 gets rid of the nonsensical 27-month payment schedule that has created cash flow and other problems. While there may have been valid reasons for adopting this schedule at the time, as we learned in the budget hearings and work sessions earlier this year, this is no way to run a business. LD 1264 will collect funds over 12 months.
- The bill also charges the Dirigo Board of Trustees to re-design the program to make it more affordable and able to reach more uninsured.

The controversy surrounding the financing for this program has, regrettably, taken attention away from the considerable success this program has achieved. When Dirigo began in 2003, the United Health care state rankings showed Maine ranked 19<sup>th</sup> in covering the uninsured; in the most recent report we now rank 5<sup>th</sup>. Since the beginning of the program's operation over 29,000 people have been served. About 5,800 of them are the result of the MaineCare expansion funded through the Dirigo program; the remaining are individuals and families whose incomes are below three times the poverty rate or about \$32,000 for an individual and \$66,000 for a family of four.

The program's financing has been so challenged that most enrollment has been on hold for almost two years. Even so, 9,768 people are now enrolled in the DirigoChoice product offered by the non-profit Harvard Pilgrim health plan.

Passage of LD 1264 will mean that by January 1, 2011, the program will be able to re-open to enrollment with a new more affordable product and we hope federal support after the Board addresses the issues contained in this legislation and builds a product for the future, confident that funds are stable and they can plan with confidence.

Unless we pass this legislation, the DirigoChoice product will remain capped in 2009, as it has been since September 2007 due to uncertainty with funding. Although if we do not pass this legislation the program can again open in summer 2010, that's more than a year from now, and enrollment will top out at 10,000. Prior to the cap DirigoChoice covered 15,113 members. If the program had continued to grow at historical rates without the cap, today there would be 24,000 DirigoChoice members. According to the budget testimony earlier this year before the IFS Committee and Appropriations, currently the Agency has a waiting list of 2,000 people who have expressed a desire to enroll, and in the past few months, the Agency's call volume has significantly increased from citizens who have recently lost their employment and who are seeking options to maintain health coverage.

DirigoChoice isn't the be-all and end-all in health insurance reform. It may well prove to be a bridge program as we move to a more comprehensive state or federal health care system. Nonetheless, it remains a very important program that provides one more option in the insurance marketplace in this State, and which is relied upon by thousands of Mainers and their employers who want to purchase health insurance.

VOTE FOR THE MAJORITY REPORT on LD 1264 so that this important piece of our health care puzzle can continue in a more rational, cost-effective way and provide health insurance to the thousands who depend on it.