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## As Health Plan Falters, Maine Explores Changes

By PAM BELLUCK

PORTLAND, Me., April 23 — When Maine became the first state in years to enact a law intended to provide universal health care, one of its goals was to cover the estimated 130,000 residents who had no insurance by 2009, starting with 31,000 of them by the end of 2005, the program's first year.

So far, it has not come close to that goal. Only 18,800 people have signed up for the state's coverage and many of them already had insurance.

"I think when we first started, in terms of making estimates, we really were kind of groping in the dark," said Gov. John E. Baldacci, who this month proposed a host of adjustments.

The story of Maine's health program — which tries to control hospital costs, improve the quality of health care and offer subsidized insurance to low-income people — harbors lessons for the country, as covering the uninsured takes center stage. States, including California, Massachusetts and Pennsylvania, have unveiled programs of their own, seeking to balance the needs and interests of individuals, employers, insurers and health care providers.

But as Maine tries to reform its reforms, it faces some particular challenges: It has large rural, poor and elderly populations with significant health needs. It has many mom-and-pop businesses and part-time or seasonal workers, and few employers large enough to voluntarily offer employees insurance. And most insurers here no longer find it profitable to sell individual coverage, leaving one carrier, Anthem Blue Cross Blue Shield, with a majority of the market, a landscape that some economists said could make it harder to provide broad choices and competitive prices.

Some parts of the state's current program — named Dirigo after the state motto, which means "I lead" in Latin — are seen as promising. These include the creation of a state watchdog group to promote better health care, and an effort to control costs by asking hospitals to rein in price increases and spending, although experts and advocates said those cuts needed to be greater.

But a financing formula dependent on sizable payments from private insurers has angered businesses and is being challenged in court.

And while some people have benefited from the subsidized insurance, which provides unusually comprehensive coverage, others have found it too expensive. And premiums have increased, not become more affordable, because some of those who signed up needed significant medical care, and there are not

enough enrollees, especially healthy people unlikely to use many benefits.

“It was broad-based reform that just never got off the ground,” said Laura Tobler, a health policy analyst with the National Conference of State Legislatures. “The way that they funded the program became controversial. And getting insurance was voluntary and it wasn’t that cheap.”

Governor Baldacci said in an interview that when the Legislature enacted the Dirigo Health Reform Act in 2003, it gave him less money and more compromises than he had wanted. He said his administration had now learned more about what works and what does not.

His new proposals include requiring people to have insurance and employers to offer it and penalizing them financially if they do not; making the subsidized insurance plan, DirigoChoice, more affordable for small businesses; creating a separate insurance pool for high-risk patients; instituting more Medicaid cost controls; and having the state administer DirigoChoice, which is now sold by Anthem Blue Cross.

“We’ve got a reform package that takes Dirigo to the next level,” Mr. Baldacci said. “It takes the training wheels off.”

The proposed overhaul seems to include something each of Maine’s constituencies can embrace and something each opposes, so there is no guarantee which changes will be adopted by the Legislature.

“It’s very hard politically to deal with the underlying costs of the system,” said Andrew Coburn, director of the Institute for Health Policy at the Muskie School of Public Service in Portland. “And Maine is just not wealthy enough to cobble together enough resources to fully cover the uninsured.”

The state’s current program, which has added 5,000 people to Medicaid and enrolled 13,800 people in DirigoChoice, has made progress. Even though the enrollment goal has not been met, the insurance plan has grown faster than any in Maine’s history, the governor said. And although about 60 percent of its enrollees were previously insured, some were paying what state officials deemed was too high a percentage of their income, said Trish Riley, director of the Governor’s Office of Health Policy and Finance.

The DirigoChoice benefits are impressive, said Hilary K. Schneider, policy director for Consumers for Affordable Health Care, a Maine advocacy group. The program completely covers preventive care, subsidizes premiums and deductibles, and unlike most insurance plans, covers treatment for mental illness and does not exclude people for pre-existing medical conditions.

Such coverage has caused critics to say DirigoChoice would be more affordable if it scaled back benefits.

“It’s a Cadillac policy, and we ought to be trying to fund a Ford Escort policy,” said Jim McGregor, executive vice president of the Maine Merchants Association.

One of DirigoChoice’s success stories, Jacquie Murphy, 63, of Westbrook, said, “It absolutely saved my life.”

Ms. Murphy said she has fibromyalgia, chronic fatigue syndrome, back problems, an autoimmune disease and memory problems from a childhood brain injury. She said that a few years ago, when she left an abusive marriage and gave up her husband's coverage, the fear of being unable to afford insurance that would accept someone with her illnesses "caused me to become clinically depressed."

With DirigoChoice, which costs her just over \$100 a month with the state paying a subsidy of about \$250, she now has a walker, sees orthopedic surgeons for shoulder and ankle fractures, and takes medication for memory, cholesterol and thyroid problems. The relief of being insured lifted her depression, she said, and now, in her home with its Asian-themed pebbled backyard, she works as a career and life coach.

For others, like Leah Deragon, 34, DirigoChoice is too costly. Ms. Deragon, who runs a Portland nonprofit center that helps low-income families with new babies, said that although she and her husband, an engineering student, qualified for a subsidy, they could not afford the roughly \$300 out-of-pocket cost each month. She remains uninsured, forgoing annual checkups and using student loan money when she needed dental work.

"For us it was very frustrating," said Ms. Deragon, who shops at Goodwill and lives in her mother's home in Gorham to save money. "We earned, I think, \$16,000 last year. We can't do \$200 or \$300 a month and still put gas in our car. Come the end of the month, we would be forced to hitchhike."

And there is John Henderson, 42, of Auburn, who enrolled in DirigoChoice in 2006 for about \$90 a month while working at an L. L. Bean warehouse, a job he kept to 20 hours a week so his income would qualify him for such a low rate.

But he dropped the plan this year when rates increased by 13.4 percent on average. Mr. Henderson, who has diabetes and is currently jobless, said he had stopped once-regular doctor's appointments and some medications that "I have just no hope of affording."

Ms. Schneider's group is suing the state insurance commissioner for approving the rate increase.

An Anthem spokesman, Mark Ishkanian, said the increase was necessary because medical claims of DirigoChoice customers were "substantially higher" than anticipated, about double those of non-Dirigo plans. One reason for the higher expense was "pent-up demand" by enrollees who had been deferring visits to doctors while they were uninsured, Mr. Ishkanian said. Another was the richness of the coverage, which enrollees used for treating long-held conditions or mental illness, he said.

Ms. Riley said the state was surprised that more than half of DirigoChoice enrollees qualified for the highest subsidy, 80 percent, which meant the program has been more expensive for the state.

She said Maine also expected more small businesses to enroll in DirigoChoice. But many businesses found that the program requirements of enrolling 75 percent of a firm's employees and paying 60 percent of the cost were too expensive.

“If they weren’t able to afford insurance before, they’re unlikely to be able to afford Dirigo,” said Kristine Ossenfort, senior governmental affairs specialist of the Maine State Chamber of Commerce.

Some health care advocates have accused Anthem of not marketing DirigoChoice enough to prospective customers, which Anthem denies.

Especially controversial was Maine’s financing formula for its program, which assumed that there would be savings because an increase in insured people would mean less charity care from hospitals, and that the cost-cutting measures would mean lower costs to insurers.

The state said it would charge insurers for those savings, rather than let insurers take the savings as profit. But when the state tried to charge insurers \$43.7 million in 2005 and \$34.3 million in 2006, the insurance industry and the chamber of commerce sued, saying the insurers owed much less.

A judge ruled for the state, but the case is being appealed. The governor’s new proposal would phase out this financing structure and impose lower-cost surcharges instead.

Among the state program’s biggest fans is Joan M. Donahue, 40, who was uninsured when she started a home care agency in Warren three years ago. She now has DirigoChoice for herself and her 17-year-old son, and three employees are enrolled. She also has two employees who cannot afford it and have not enrolled.

“I will absolutely stick with Dirigo,” said Ms. Donahue, who does not qualify for the subsidy. “This program needs healthy people who don’t get subsidized so it can prosper.”

The Dirigo program has already made one change that could attract people like Malvina Gregory, 31, a Spanish interpreter in Portland, who could not afford the subsidized insurance but may reconsider. Ms. Gregory was originally put off because it demanded full payment up front, and rebated the subsidy later; she went instead to a Portland program giving nearly free care, but is now afraid her income “will bump me over the limit” for that program.

DirigoChoice will now allow individuals to pay only their part up front. “The concept of Dirigo, I think, is phenomenal,” Ms. Gregory said. “I hope they are able to lower the premiums. There are a lot of folks like me that are in that bind.”

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