NATIONAL ACADEMY
for STATE HEALTH POLICY

Designing Maine's DirigoChoice™ Benefit Plan

Striving to Improve Health at an Affordable Price

Developed by NASHP for the Maine Governor's Office of Health Policy and Finance

Jill Rosenthal
Cynthia Pernice

December 2004

Supported by The Commonwealth Fund and the Robert Wood Johnson Foundation's State Coverage Initiatives Program, housed at AcademyHealth

GNL 58

STATE OF MAINE
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December 14, 2004

To: Interested parties

From: Trish Riley
Director, Governor's Office of Health Policy and Finance

Re: Designing Maine's DirigoChoice™ Benefit Plan: To Improve Health at an Affordable Price

I am pleased to forward a copy of *Designing Maine's DirigoChoice™ Benefit Plan: To Improve Health at an Affordable Price*. The Maine Governor's Office of Health Policy and Finance (GOHPF) has partnered with the National Academy for State Health Policy (NASHP) to develop and disseminate issue briefs on our health reform efforts.

The goal of our reform effort is to create a sustainable health care system in Maine. It includes strong measures to control the growth of health care costs, ensure the highest possible quality of care, and achieve universal access to coverage by 2009.

DirigoChoice™ is one part of our access initiative. It is a new health coverage program designed to provide Maine businesses with 50 or fewer eligible employees, the self-employed, and individuals with an affordable, high-quality option for health coverage. Because DirigoChoice™ is part of our broader health reform initiative it has some unique features. This brief walks through the process we went through to develop this program.

We would like to express our thanks to The Commonwealth Fund and The Robert Wood Johnson Foundation's State Coverage Initiatives program, housed at AcademyHealth, for support of this brief. Without their generous support, this brief and other activities being conducted to further the Dirigo Health Reform Act would not be possible.

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Jill Rosenthal
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December 2004

by

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Supported by the Robert Wood Johnson Foundation's State Coverage Initiatives Program, housed at AcademyHealth, and by The Commonwealth Fund, a New York City-based private, independent foundation. The views presented here are those of the authors and not necessarily those of the funders, their directors, officers, or staff.

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FOREWORD

In an effort to keep states abreast of Maine's experience in health policy reform, the Maine Governor's Office of Health Policy and Finance (GOHPF) is partnering with the National Academy for State Health Policy (NASHP) to develop and disseminate issue briefs on the implementation of the Dirigo Health Reform Act.

NASHP wishes to thank The Commonwealth Fund and The Robert Wood Johnson Foundation's State Coverage Initiative, housed at AcademyHealth, for their support of this project.

This brief is not intended to represent the perspective of all stakeholders in Maine's health reform effort. It provides information from the State of Maine and its contractors. NASHP would like to thank the following individuals for their assistance in developing and reviewing the policy brief:

- Deborah Chollet, Senior Fellow, Mathematica Policy Research, Inc.
- Karynlee Harrington, Executive Director, Dirigo Health Agency
- Gino Nalli, Research Associate, Edmund S. Muskie School of Public Service, University of Southern Maine
- Trish Riley, Director, Maine Governor's Office of Health Policy and Finance
- Ellen Schneiter, Deputy Director, Maine Governor's Office of Health Policy and Finance
- Adam Thompson, Legislative and Constituent Liaison, Maine Governor's Office of Health Policy and Finance.

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become too costly to provide. According to Department of Insurance filings, premiums were significantly lower in the small group market in January than anticipated when the Dirigo Health Reform Act was enacted. The Dirigo Health Agency reviewed the filings at the Bureau of Insurance to modify the original design and assure it would be competitive in the marketplace. The evolving market was also offering higher deductible plans, which were being aggressively marketed to and bought by small businesses, creating concern that the original benefit plan would not be attractive to small businesses, particularly those that were not offering coverage to employees.

As a result of these factors, the benefit design plan was modified to have higher deductibles and cost sharing. However, the plan also had to appeal to employees, who were expected to be less interested in a plan with higher premiums and deductibles. A number of different options were considered, including a health plan that could be qualified under the guidelines for Health Savings Accounts or Health Reimbursement Arrangements, but out-of-pocket costs would have been unacceptably high. In order to address this problem, discounts for enrollees were increased.

Mainers' responses

The National Academy for State Health Policy (NASHP), with support from the Commonwealth Fund and the Maine Health Access Foundation, sponsored a study of Mainers and their responses to the Dirigo Health Reform Act. In December 2003 and January 2004, Lake Snell Perry & Associates conducted six focus groups in three cities and ten in-depth interviews to ascertain what employers and employees wanted in a health insurance plan and what would encourage enrollment in a Dirigo health plan.[8] The five key stakeholder segments for the focus groups and interviews were: employers offering health insurance, employers not offering health insurance, uninsured workers, identified concerned business owners, and brokers/agents.

The focus groups clearly indicated that small employers would be unwilling to pay 60 percent of family coverage as required in the original plan. As a result of this and other feedback from business owners and business groups, such as the Maine Small Business Alliance, and state and local Chambers of Commerce, the draft benefit design was revised to require employers to pay a minimum of 60 percent of the employee-only cost. Participating employers would be encouraged to cover as much of an employee's cost as possible. This change required greater subsidies in the financial discount program.

Request for an insurance partner

It was intended that the Dirigo Health Plan be offered by a private insurance company or self-administered. The Dirigo Health Agency and the Department of Health and Human Services

[8] Gene LeCouteur and Michael Perry, *Report From Focus Groups with Mainers About the Dirigo Health Plan* (Portland, ME: National Academy for State Health Policy, 2004). Available in the Access for the Uninsured/Dirigo Health section of the NASHP website: www.nashp.org.

INTRODUCTION

The Dirigo Health Reform Act

Maine's Governor Baldacci signed The Dirigo Health Reform Act, Public Law 469, into law on June 18, 2003. The purpose of the Reform Act is to make quality, affordable health care available to every Maine citizen within five years and to initiate new processes for containing costs and improving health care quality.

The Dirigo Health Reform Act seeks to address health care costs, quality, and access. In order to address access, the Act authorizes the creation of the Dirigo Health Agency to design and administer a voluntary market-based health plan to help small businesses, the self-employed, and individuals afford health coverage. The Act envisioned that the health plan would be offered by a private insurance company or be self-administered and that workers and individuals who meet income guidelines would receive financial assistance to participate in the program.

This issue brief addresses benefit design of the health plan, DirigoChoice™. A June 2004 issue brief provides a more comprehensive overview of the Dirigo Health Reform Act.[1]

DirigoChoice™

DirigoChoice™ is designed to provide Maine businesses that have 50 or fewer eligible employees, the self-employed, and individuals with an affordable, high-quality option for health coverage. It will look like many health insurance products currently on the market and will be offered by a private insurance company. The plan will compete with private insurers in the small group and individual markets. It must comply with all insurance regulations and attract voluntary participation. However, because DirigoChoice™ is part of a broader initiative to lower health care costs, increase access to health care, and ensure high quality health care, it has some unique features:

- DirigoChoice™ is a public-private collaboration between Maine's Dirigo Health Agency and Anthem Blue Cross and Blue Shield (Anthem) and is coordinated with MaineCare (Maine's Medicaid program, administered by Maine's Department of Health and Human Services), to create a seamless program of health care coverage.
- In addition to emphasizing primary care, DirigoChoice™ includes additional wellness and prevention benefits to improve health and prevent disease and illness.
- State dollars are used to reduce costs for low income enrollees and to cover public administrative and oversight functions.
- Qualified employers and employees share the costs of insurance coverage with the state through monthly payments, annual deductibles, and financial discounts.

[1] Jill Rosenthal and Cynthia Pernice, *Dirigo Health Reform Act: Addressing Health Care Costs, Quality, and Access in Maine* (Portland, ME: National Academy for State Health Policy, 2004). Available at http://www.nashp.org/Files/GNL_56_Dirigo_brief.pdf.

The following sections describe in detail the process of crafting the DirigoChoice™ benefit design and the resulting benefit structure.

CRAFTING THE BENEFIT DESIGN

The Challenge of Benefit Design

DirigoChoice™ seeks to incorporate the public health goals of improving the overall health of Maine's population, yet the design and price of the DirigoChoice™ benefit plan have to be affordable and marketable. These potentially conflicting goals posed a challenge to crafting a unique benefit design that would provide extensive preventive care and health promotion services but would be similar to a private sector plan so it could be easily adopted by a potential insurance company bidder.

The sections that follow describe the process that led to the ultimate DirigoChoice™ benefit design.

The Initial Development of a Benefit Package

An original benefit design plan was adopted from a study conducted in 2002 by Mathematica Policy Research, Inc., on behalf of the state's Health Care System and Health Security Board.[2] This board was created by the Maine legislature to study the feasibility of a single payer health insurance plan to insure all Maine citizens and guarantee minimum savings of five percent relative to existing health care costs. The study tested three alternative benefit design plans modeled on MaineCare with varying types and amounts of cost sharing. The plans covered inpatient and outpatient hospital care, primary and specialty care physician services, home health services, and routine vision and dental care. The Health Security Board accepted the benefit design plan referred to as 3A.

The Health Action Team, a broad group of key stakeholders appointed by Governor John Baldacci, was formed on January 9, 2003, to advise the Governor's Office of Health Policy and Finance in its work to achieve health care reform in Maine. The Health Action Team's Benefits Package Subcommittee was charged with developing a preliminary benefit design plan.[3] Although some members of the subcommittee favored a more catastrophic plan, the subcommittee recommended a comprehensive benefit plan.

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[2] Deborah Chollet et al., *Feasibility of a Single-Payer Health Plan Model for the State of Maine*. December 2002. Mathematica Policy Research, Inc. Retrieved 06 December 2004. http://www.mathematica-mpr.com/publications/PDFs/mainefeasibility.pdf.

[3] Members were: Jeffrey Sosnaud, chair, executive director of the Maine Small Business Alliance; Tarren Bragdon, now of the Maine Heritage Policy Center; Carol Carothers, executive director of the National Alliance for the Mentally Ill-Maine; Carl Leinonen, executive director of the Maine State Employees Association/SEIU Local 1989; Dr. Marc Malon, Maine Chiropractic Association; Dr. Dan Onion, Maine-Dartmouth Family Practice Residency; David White, president of MDI Imported Car Service; Godfrey Wood, president and CEO of the Greater Portland Chamber of Commerce.

The subcommittee used the Health Care System and Health Security Board's report to design the preliminary Dirigo health plan's benefit package. The report had several advantages as a starting point. First, all of the benefit design plans included in the report were in law or practice in Maine. Secondly, the designs had been extensively studied. Third, the plan that seemed most feasible had been publicly vetted through the Board's public meetings. The subcommittee recommended this benefit design with several modifications: it added deductibles for all participants, subject to cost sharing, and it omitted dental benefits and coverage for eyeglasses. These modifications were made to address cost concerns and an interest in aligning with commercial benefit plans. In addition, the Low Income Access and Financing Subcommittee[4] of the Health Action Team recommended that subsidies be included as part of a benefit design plan.

Governor Baldacci used feedback from the Health Action Team to develop his health reform initiative, which he unveiled on May 5, 2003,. In his proposal, he described the health benefits that would be included in the plan, modeled on the benefit design recommended by the Benefits Package Subcommittee. The benefit package was intended to be comprehensive: to include coverage for primary and preventive services, hospital care, and prescription drugs. Disease management was to be an integral part of the plan. All state-mandated benefits would be covered, including mental health parity.

Copayments and deductibles would be included to encourage thoughtful utilization on the part of enrollees. Benefit riders would be considered for services that would not otherwise be provided, such as dental care and eyeglasses. There would be no pre-existing condition exclusions or waiting periods, except that individuals transitioning into DirigoChoice™ from catastrophic coverage plans would be subject to the deductible specified under their former coverage for a period of six months[5] This provision was included to ensure that individuals would not drop their existing catastrophic plans and sign up for DirigoChoice™ on the basis of an impending illness.

A discount program to bring costs down for eligible Mainers would be one of the cornerstones of the Dirigo health plan's benefit design, intended to make the plan affordable, particularly for Maine's uninsured population. In late 2002, the University of Southern Maine's Muskie School of Public Service conducted a random sample survey of Maine residents to estimate the numbers of individuals without health insurance or with inadequate insurance, as part of a HRSA state planning grant. According to the survey, approximately 73 percent of Maine's uninsured work

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[4] Members were: Charlene Rydell, chair, Office of Congressman Tom Allen; Representative Christopher P. O'Neil, Maine House of Representatives; Mary Henderson, executive director of the Maine Equal Justice Project; Kevin Lewis, executive director of the Maine Primary Care Association; Representative Robert Nutting, Maine House of Representatives; Dr. Mark Jackson, director of Student Health Services at the University of Maine; Jim McGregor, executive vice president of the Maine Merchants Association.

[5] State of Maine, Office of Governor John E. Baldacci. May 2003. Dirigo Health – Health Reform for Maine. Retrieved 06 December 2004. http://www.state.me.us/governor/baldacci/healthpolicy/what_is_dirigo_health/DIrigo_Health_web.pdf.

for small businesses or are self-employed.[6] In addition, approximately 70 percent of the uninsured live below 300 percent of the Federal Poverty Level (FPL).[7]

A discount program would provide enrollees who have incomes below 300 percent FPL with discounts on a sliding scale to reduce monthly payments, deductibles, and maximum out of pocket costs. The Dirigo health plan would be designed specifically to be offered to Maine's small businesses, sole proprietorships, and individuals. Employers would be required to pay 60 percent of family coverage.

The Evolution of the Proposed Benefit Package

The legislative process

During the deliberations over the bill, the legislature focused more heavily on the finances of the bill than on the benefit design. However, there was a competing measure to create a high-risk pool and eliminate insurance regulation for guaranteed issue and guaranteed renewal. Given the bill's focus on the uninsured, a high-risk pool mechanism was included in the Dirigo Health Reform Act that was signed into law in June 2003. Although DirigoChoice™ does not include a separate high risk pool, it will manage the care of high risk and high cost enrollees carefully and will track their expenditures in order to calculate the impact of their inclusion on the premiums of other members. After a three-year study, DirigoChoice™ will report this information to the legislature and make recommendations regarding the advisability of enacting a more formal high risk pool.

Changes in the market

After the bill was signed into law, more complex modeling of anticipated costs and financial projections for the benefits package were required. Watson Wyatt, Inc., an actuarial firm, Mathematica Policy Research, Inc., and the University of Southern Maine's Muskie School of Public Service conducted analyses based on comprehensive Maine-specific demographic data and information on health care utilization and cost. Mathematica developed demographic projections to populate enrollment models. Watson Wyatt developed cost projection models using Mathematica's projections. The Muskie School reviewed models to assess whether they were appropriate for the Maine market. The iterative modeling process took into account several changes in the market described below.

From the time of initial planning to implementation, the insurance small group marketplace had changed significantly, and the benefit design plan recommended by the Health Action Team had

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[6] State of Maine, Dirigo Health. "Maine's Health Care Situation." Retrieved 06 December 2004. http://www.dirigohealth.maine.gov/dhsp01a.html.

[7] Erika Ziller and Beth Kilbreth, *Health Insurance Coverage Among Maine Residents: The Results of a Household Survey 2002*. May 2003. University of Southern Maine, Edmund S. Muskie School of Public Service, Institute for Health Policy. Retrieved 06 December 2004. http://muskie.usm.maine.edu/Publications/hpi/HealthInsuranceCoverageMaine2003.pdf.

issued a Request for Proposals (RFP) for an insurance partner on May 7, 2004. Anthem Blue Cross and Blue Shield of Maine submitted a bid based on the RFP. At the time of the RFP release, there were only four domestic insurers in the state; there are now only three. Anthem was the only insurer offering individual policies at the time. Out-of-state carriers were eligible to bid. It is believed that they chose not to bid due to the small potential enrollment and the perceived risk of participating in Maine's health reform efforts.

Mercer Human Resource Consulting assisted the Dirigo Health Agency and the Department of Health and Human Services in evaluating the benefit options during negotiations with Anthem. Mercer provided actuarial support to the negotiating team, pricing the value of the Anthem offer and assisting negotiators in evaluating the programmatic impact of certain benefit features.

After extensive negotiations, the state accepted the bid. The program kept true to its goal of requiring preventive services to be covered at 100 percent with no copayments or deductibles. However, changes were made to the Healthy ME incentive program, a component of DirigoChoice™ that focuses on health improvement goals for individuals. In the initial proposal, the Healthy ME incentive program would provide enrollees with up to $100 for identifying health goals with their physician during a health risk assessment and then meeting those goals. Instead, beneficiaries will receive a one-time financial incentive of $25 when they select a primary care physician and a one-time financial incentive of $75 when they visit the physician and complete a health risk assessment. The incentives are capped at two individuals per family.

Although the program was expected to be a Preferred Provider Organization (PPO) product, the Dirigo Board of Directors wanted enrollees to have a medical home and negotiated with Anthem to allow and encourage members to select a primary care physician, a strategy not traditionally used in a PPO model. Besides these relatively minor changes, the program remained essentially intact. The state has a two-year contract with Anthem and continues to explore a self-administered alternate plan in the event that it becomes necessary.

BENEFIT STRUCTURE OF DIRIGOCHOICE™ FOR 2005

Benefits, Deductibles, and Out-of-Pocket Expenses

DirigoChoice™ is a comprehensive health coverage program offered through a public/private collaboration between the State of Maine and Anthem Blue Cross and Blue Shield in Maine. Hospital, physician, and specialist visits, and prescription drugs are covered. The program offers mental health parity for all members and has no pre-existing condition exclusions. DirigoChoice™ is built on the prevailing market PPO offerings but offers three unique innovations:

- Wellness and prevention services covered at 100 percent;
- The Healthy ME incentive program; and
- A financial discount program.

Wellness and prevention services

Wellness and prevention services are covered at 100 percent in order to encourage timely care that can reduce the incidence of more serious illnesses and complications and result in more expensive services. For example, well-child visits and physical exams for adults, including blood and screening tests, such as mammograms, are covered without enrollee copayments. Some important prevention services, such as vaccinations, are fully covered, as well.

Healthy ME incentive program

The benefit plan is structured to provide incentives for enrollees to adopt healthy lifestyles and take personal responsibility for their health. Enrollees receive a one-time financial incentive of $25 when they select a primary care physician (PCP) and a one-time financial incentive of $75 when they visit that physician to complete and review a health risk assessment. The incentives are capped at two individuals per family. This program is intended to inform DirigoChoice™ members and their physicians about their health status and needs and enable them to be proactive in their care.

Employers who have not offered health insurance in the past 12 months are also eligible for incentives. If 75 percent of enrolled employees choose a PCP when they enroll, the employers will receive $750 for groups of 10–50 employees and $500 for groups of 2–9 employees. Similarly, if 50 percent of enrolled members who choose a PCP complete the health risk assessment and consult with their PCP, employers will receive an additional $750 for groups of 10–50 and $500 for groups of 2–9.

Financial discount program

DirigoChoice™ is competitively priced and is made more affordable for low wage employees through the discount program. Eligible enrollees will receive discounts on monthly payments and reductions in deductibles and out-of-pocket expenses based on their annual household income. Those with incomes under 300 percent of FPL (approximately $28,000 for an individual and $56,500 for a family of four in 2004) are eligible for discounts and reduced deductibles and maximum out-of-pocket costs. The discount is available on a sliding scale based on household income (and assets, for Dirigo/MaineCare members). Employees who are eligible for MaineCare receive full discounts and additional services directly from MaineCare.

Since DirigoChoice™ is coordinated with MaineCare, there were additional considerations in developing the benefit package. DirigoChoice™/MaineCare members are not subject to copays or deductibles and receive additional services wrapped around DirigoChoice™ benefits. The decision to wrap certain services was based on several factors, including the federal prior authorization and informed consent requirements for sterilizations and the limitations of Anthem's claims processing system to stop or suspend certain claims until adequate consent and authorization could be obtained. Children who are enrolled in DirigoChoice™/MaineCare are entitled to all EPSDT benefits, so all needed medical care services, including dental and vision care, will be covered even if they are not part of the DirigoChoice™ benefit package. Members of DirigoChoice™/MaineCare will have two membership cards—a DirigoChoice™ card and a MaineCare card.

There are five discount levels corresponding to income groups (A, B, C, D, and E). Level F represents the income group that pays full costs. The level is determined by annual household income (and assets, for Dirigo/MaineCare members) upon initial enrollment, as reflected in the tables below.

Table 1 Income eligibility levels for DirigoChoice™ by family size

Each column represents the upper limit for household income. All family members must be included when determining size of family, regardless of the number enrolled.

Size of Family	A	B	C	D	E	F
1	***MaineCare eligible*** Eligibility in Group A is based on several factors, including income and assets	$13,965	$18,620	$23,275	$27,930	**Greater than** $27,930
2		$18,735	$24,980	$31,225	$37,470	$37,470
3		$23,505	$31,340	$39,175	$47,010	$47,010
4		$28,275	$37,700	$47,125	$56,550	$56,550
5		$33,045	$44,060	$55,075	$66,090	$66,090

Source: State of Maine, Dirigo Health, www.dirigohealth.maine.gov/dhsp02c.html.

DirigoChoice™ has two plan options. Option 1 will have higher monthly payments and lower out-of-pocket costs. Option 2 will be the opposite. Employers will have the choice of the two plan options. Individuals and self-employed individuals must enroll in Option 2.

Note, the discount towards monthly costs applies to the employee's or enrollee's share and should be calculated after the employer's contribution (a minimum of 60 percent for employee coverage only).

Table 2 Discounts on cost-sharing provisions based on family size and income for Plan Option 1

	A	B	C	D	E	
Discount on monthly costs	**100%**	**80%**	**60%**	**40%**	**20%**	**(none)**
Option 1 Annual Deductible (costs after discount)	*MaineCare eligible*	*Single* $250 *Family* $500	$500 $1000	$750 $1500	$1000 $2000	$1250 $2500
*Annual Maximum Out-of-Pocket (OOP)	*MaineCare eligible*	*Single* $800 *Family* $1600	$1600 $3200	$2400 $4800	$3200 $6400	$4000 $8000

* OOP includes deductibles

Table 3 Discounts on cost-sharing provisions based on family size and income for Plan Option 2

	A	B	C	D	E	
Discount on monthly costs	**100%**	**80%**	**60%**	**40%**	**20%**	**(none)**
Option 2 Annual Deductible (costs after discount)	*MaineCare eligible*	*Single* $500 *Family* $1000	$800 $1600	$1125 $2250	$1450 $2900	$1750 $3500
*Annual Maximum Out-of-Pocket (OOP)	*MaineCare eligible*	*Single* $1600 *Family* $3200	$2600 $5200	$3600 $7200	$4600 $9200	$5600 $11200

* OOP includes deductibles

Source: Maine Governor's Office of Health Care Finance and Policy

For more detailed information on cost sharing for specific services, please refer to Appendices A and B.

Monthly costs

DirigoChoice™ is community rated, consistent with the current small group rating methodology applied in this market. The monthly costs for a group or individual will be higher or lower than the community rate, depending on a group's demographics: average age, group size, geographic location, and type of business according to standard industrial classification (SIC). Consistent with community rating, the rate may be adjusted each quarter; however, once an individual is locked into a rate, the rate is stable for that employer or individual for a twelve month period.

Table 4 January 2005 community rates for Plan Option 1

Plan Option 1 ($1250 Deductible)	Total Monthly Payment
Single	$310
Employee + Child(ren)	$558
Employee + Spouse or Domestic Partner	$650
Family	$930

Table 5 January 2005 community rates for Plan Option 2

Plan Option 2 ($1750 Deductible)	Total Monthly Payment
Single	$287
Employee + Child(ren)	$516
Employee + Spouse or Domestic Partner	$602
Family	$860

Source: Maine Governor's Office of Health Policy and Finance

Scenarios Demonstrating Benefits and Rates

Below are two examples that apply the benefits, discounts, and rates. Both examples use the non-adjusted community rate, since the examples do not define demographics; rates may be higher or lower depending on an enrollee's or group's demographics.

Jennifer has two children, and all three of them are uninsured. Her monthly payment is $186, and she has a deductible of $1,500.

- Jennifer's employer has decided to offer DirigoChoice™, and Jennifer will enroll herself and her children.
- Her employer has chosen Plan Option 1.
- Jennifer's income of $39,000 makes her eligible for monthly discounts and reduced out-of-pocket costs for Group D.
- The monthly cost for Jennifer and her two children is a non-adjusted community rate of $558.
- Her employer has decided to pay 80 percent of the cost for enrolling only Jennifer (which is $310 for a single person under Plan Option 1). This comes to $248 per month for her employer. Jennifer is responsible for the remaining $310 to add up to the $558 rate.
- Jennifer is eligible for a 40 percent discount on her monthly payment of $310. This amounts to a $124 discount that she will receive on a debit card, lowering her monthly payment to $186.
- Her reduced deductible will be $1,500, down from the maximum $2,500. She will have no charges when she or her children receive preventive care, such as physicals, certain blood tests, well child care, and other services.

Bill has two children, and all three of them are uninsured. His monthly payment is $25, and he has a deductible of $250. There is no deductible for his children.

- Bill's employer has decided to offer DirigoChoice™, and Bill will enroll himself and his children.
- His employer has chosen Plan Option 1.
- Bill's income is $22,750, making him and his children eligible for a significant discount. Bill will fall into Group B and his children will be in Group A because Bill's income is under 200 percent FPL, and children in a household of three are eligible for MaineCare, up to 200 percent FPL.
- The monthly costs for an employee and child are a community-rated $558.
- Bill's employer will cover $186 (or 60 percent of the cost for enrolling only Bill), leaving Bill to pay $372 per month.
- Bill's discount of $347 per month is adjusted to reflect that he is eligible for Group B and his children are eligible for Group A (each split contract involving more than one group is calculated on a case by case basis, depending on which family members are in which groups, the number in each group, and other factors). Bill will receive his discount through a debit card.
- His monthly payment is $25, and he will have a deductible of $250, down from $1,250. His children will have no deductible. There will be no charges when he or his children receive preventive care, such as physicals, certain blood tests, well child care, and other services.

Source: Maine Governor's Office of Health Policy and Finance

DirigoChoice™ is a program of goods and services, not only an insurance program. In addition to unique benefits, such as fitness club discounts, participating employers pay a modest program fee ($150–$300, depending on the size of the workforce) and support the Maine Quality Forum, an entity of the Dirigo Health Agency that will collect and disseminate research, adopt quality and performance measures, issue quality reports, promote evidence-based medicine, and educate consumers.

ADMINISTRATION AND ENROLLMENT

Enrollment

The marketing of DirigoChoice™ for small businesses and self-employed individuals began on October 4, 2004, for an effective date of coverage of January 1, 2005. Individuals will be eligible to request rates from Anthem in February 2005 for an April 1, 2005, effective date of coverage.

The Dirigo Health Agency has budgeted for up to 31,000 enrolled members in the first year. Since individuals and groups of one are traditionally viewed as higher risk, policies sold to individuals and groups of one will be capped at 4,500 in the first year to ensure employer contributions and limit adverse selection. This cap is necessary because DirigoChoice™ pools small groups and individuals in the same insurance pool and offers the same community rates and benefits to both.

Marketing and Advertising

An initial public awareness campaign, including a new website (www.dirigohealth.maine.gov) and TV and radio ads, was conducted in August and September to raise awareness of Dirigo Health Reform and the health care issues facing Mainers.

The roll-out of DirigoChoice™ is being publicized through the website and a second media campaign that began in November. The campaign will encourage businesses to investigate DirigoChoice™ and reinforce the message that offering coverage is a good business decision and is important to employees. Television, radio, and print ads are scheduled to run for four weeks. The radio ads will continue through the winter months.

The Governor's Office of Health Policy and Finance and the Dirigo Health Agency are marketing DirigoChoice™ and raising awareness of the Dirigo Health Reform Act in part through a grant from the Maine Health Access Foundation.

Anthem has set aside $500,000 in bonuses for insurance agents who sign up small businesses. Anthem is also conducting a separate marketing campaign for its small businesses products, including DirigoChoice™.

Finances

DirigoChoice™ will be self-financed through employer and enrollee payments, state general funds, and the federal Medicaid match. In the first year, other state funds have been allocated to cover some administrative costs and enrollee discounts. After year one, state funds will be replaced by an assessment on insurers' gross premium revenues and an assessment on third party administrators. These assessments, or Savings Offset Payments (SOPs), are only levied if and

when health care cost savings occur. Health care cost savings are anticipated through coverage of currently uninsured Mainers and a resulting reduction of bad debt and charity care.

Maine spends more than $275 million a year to cover bad debt and charity care, free care to uninsured and underinsured people. The costs are passed on as higher rates from providers and as higher premiums. The Dirigo Health Reform Act proposes to recapture a portion of bad debt and charity care costs and reallocate them to cover the uninsured. Designers of the Dirigo Health Reform Act believe that by providing health coverage to more individuals, preventive care will increase and more costly delayed care will decrease. As a result, under the Reform Act, some of the costs of bad debt, charity care, and other savings achieved through other cost containment measures will be recovered through an assessment on insurers' revenue (SOP, see previous page). The SOP will be levied only if savings in the health care system can be documented. The funds from the SOP will be reinvested into DirigoChoice™.

DirigoChoice™ pools small businesses, the self-employed, and individuals into a large group to better bargain for good prices. As the plan grows over time, so will its capacity to bargain for competitive prices for its members.

Administration

Because DirigoChoice™ is a public/private collaboration, the Dirigo Health Agency will be responsible for coordinating between Anthem Blue Cross and Blue Shield and the Maine State Department of Health and Human Services. Anthem will be responsible for marketing, sales, claims processing, provider network management, and assuming risk. Rate quotes for monthly costs became available in October from Anthem and its appointed insurance producers (agents). The Department of Health and Human Services will determine eligibility for MaineCare and financial discounts, with supervision by the Dirigo Health Agency.

CONCLUSION

Designing the benefit plan for DirigoChoice™ was an evolving process, requiring input from many stakeholders, including policymakers, the targeted audiences for the health plan, and experts in modeling and financial projections. The ultimate benefit package had to carefully balance the following competing interests:

- emphasizing public health goals of improving the health of Mainers but also offering an affordable and marketable plan;
- offering extensive preventive care and health promotion services but also acting sufficiently like a private sector plan to be easily adopted by a potential insurance company bidder; and
- offering a competitive product to attract small businesses but also an affordable product for lower wage employees.

The benefit design plan changed significantly from the original proposal to the final product as the result of efforts to design an affordable and acceptable product. One critical change was a shift from requiring a 60 percent employer contribution for the family premium to the requirement of 60 percent employer contribution for the employee only. Perhaps the most unexpected change was the inclusion of both discounts on premiums and reductions in deductibles and out-of-pocket expenses. Ultimately, the plan needed to fit the market, which had changed significantly from Maine's first study in 2002, to the enactment of the Dirigo Health Reform Act in mid 2003, to the inception of DirigoChoice™ in late 2004. The unconstrained cost growth in the health care system demonstrates the urgent need for action. Other states can expect an iterative and evolving process if they follow in Maine's footsteps.

APPENDICES

Appendix A

DirigoChoice™ Health Plan: summary of benefits for Plan 1.* Available at:

http://www.dirigohealth.maine.gov/DHA%20Agreement%20-Sch%20B-3%20FINAL%209-12-04.pdf.

Appendix B

DirigoChoice™ Health Plan: summary of benefits for Plan 2.* Available at:

http://www.dirigohealth.maine.gov/DHA%20Agreement%20-Sch%20B-4%20FINAL%209-12-04.pdf.

*As of early December 2004, these forms were pending approval of Maine's Bureau of Insurance.