



STATE OF MAINE
DIRIGO HEALTH AGENCY
211 WATER STREET, 53 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0053

JOHN ELIAS BALDACCI
GOVERNOR

KARYNLEE HARRINGTON
EXECUTIVE DIRECTOR

TO: Joint Committee on Appropriations and Financial Affairs
Joint Committee on Health and Human Services
Joint Committee on Insurance and Financial Services

FROM: Karynlee Harrington, Executive Director, Dirigo Health Agency

CC: Trish Riley, Director of Governor's Office of Health Policy and Finance
Dr. Robert McAfee, Chair of the Dirigo Health Agency Board of Directors

DATE: November 15, 2005

RE: Follow Up

Please find outlined below follow up responses to the questions raised at the October 19th meeting of the Joint Committee on Insurance and Financial Services.

- Q: Guidance from Dirigo as to the status of the EMP and the effect of EMP on overall rates. As you may have heard, the Bureau of Insurance presenters told the committee the working group consensus was to recommend that EMP not be included in future contracts. I sensed from body language during the Bureau's presentation that DHA may have a different perspective on this. If so, could you provide that perspective and background information.
- A: CY05 payments to Anthem for the Experience Modification Program have totaled \$8.2MM. A preliminary settlement will be made within 30 days of the end of the plan year. The settlement will be based on 12 months of estimated incurred claims. In June 2006 the final settlement will be determined based on claims incurred in 2005 paid through June 2006. Based on the most recent claims experience provided to the Agency by Anthem for claims incurred January 05 through July 05 paid through September 05 (73.1% loss ratio) the agency is estimating that approximately \$4.4MM will be returned based on a forecast of the ending experience. This estimate assumes a 90% or better loss ratio for small group and a 102% or better loss ratio for individuals/sole props. The experience modification program is a form of experience rating not uncommon in start up association-like plans where the risk of the population is unknown. As discussed with the SOP workgroup, Anthem's actuary has confirmed that if one were to purchase a similar plan design to the DirigoChoice design in the market, the base community rate would be 2 ½ % lower than Dirigo. In respect to an EMP in 2007, the Agency shared with the SOP workgroup that it was unlikely that staff would recommend to the Board of Directors a continuation of an EMP beyond year two.
- Q: Updated budget estimates and any explanation of the variances in the initial budget figures provided by DHA and outlined on the OFPR worksheets.
- A: Please see the attached enrollment and cash need projections for January 06 through March 07 that were recommended to the Dirigo Board of Directors on November 11, 2005. The projections for both enrollment and cash needs are based on actual enrollment and expenditures at the end of SFY05.



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- Q: DHA projections on spending and status of existing funds through 1st quarter of 2006. Can DHA provide background info to support statements made to committee last session that \$53 million initial funding provided to DHA will be spent by March 2006? Does DHA have projections for spending if implementation of savings offset payment is delayed by legal proceeding? What are projections for budget in 2006 if SOP begins in April 2006? Any preliminary projections given Supt. Iuppa's Oct. 29th decision?
- A: Please see the attached enrollment and cash need projections for January 06 through March 07 that were recommended to the Dirigo Board of Directors on November 11, 2005. The projections for both enrollment and cash needs are based on actual enrollment and expenditures at the end of SFY05.
- Q: Is there some discrepancy as to the enrollment numbers for Dirigo with Anthem? Legislators have been told that Anthem may have lower enrollment numbers than the 8100+ figures from Dirigo? Can you provide actual enrollment numbers as of November 1st? Is it possible now to categorize those enrolled who did not have prior coverage (uninsured) from those who are moving from other insured plans?
- A: The enrollment numbers for DirigoChoice that have been reported have been static meaning the numbers have not been restated each month for retroactivity. DirigoChoice has enrolled and served 8,500 people since its inception. When the Dirigo Health Agency (DHA) first reported enrollment it was before dis-enrollment occurred. To assure comparable numbers month to month, the numbers reported persons enrolled without disenrollment. The rationale for stating the numbers in this manner is because those numbers of members have been served by the product at some point. Now that we are forecasting enrollment and budget projections and we have nearly a years worth of experience we are using the number of members enrolled continuously through November 9, 2005 as our starting point. This number is 7,371. Both counts will be reported publicly in the future. Additionally, the number of parents as of November 2005 is approximately 4,040. We anticipate having the results of the telephonic survey specific to prior coverage status for Q2 and Q3 membership the end of 2005. As soon as this data is available it will be provided to the Committee.
- Q: What are the rates expected for Dirigo beginning Jan. 1, 2006? What adjustments to the community rate are expected and can you provide a comparison to rates for each quarter of 2005
- A: Anthem Blue Cross and Blue Shield has indicated that there will be no change in the adjustment factors (i.e., age, geographic, etc) 2005Q4 to 2006Q1. Anthem BCBS has indicated that they will not be able to determine January, 2006 rates until the Dirigo Board determines the amount of the savings offset payment. Please see the attached 2005 Community Rate schedule.

Upon your review, please do not hesitate to contact me with questions or comments.