



Maine State Legislature
OFFICE OF POLICY AND LEGAL ANALYSIS

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Date: November 15, 2005
 To: Members, Joint Standing Committee on Insurance and Financial Services
 From: Colleen McCarthy Reid
 RE: Overview of Recent Activities Related to Determination of Aggregate Cost Savings and Savings Offset Payment for Dirigo Health

1. Superintendent of Insurance Decision and Order, In Re: Review of Determination of Aggregate Measurable Cost Savings Determined by Dirigo Health for First Assessment Year

As you know, on October 29, 2005, the Superintendent issued his decision and order as required by Public Law 2005, chapter 400 ruling that \$43.7 million of aggregate cost savings determined by Dirigo Health was “reasonably supported by the evidence.”

| Summary of Decision and Order as to Savings Initiatives | | |
|---|---|------------------------------------|
| Savings Initiatives | Amount Determined by Dirigo Health (as revised) | Amount Deemed Reasonably Supported |
| Hospital Savings | \$57.6 million | \$33.7 million |
| Uninsured Savings | \$5.7 million | \$2.7 million |
| Health Care Provider Fee Savings | \$26.3 million | \$7.3million |
| Certificate of Need and Capital Investment Fund Savings | \$9.8 million | \$0 |
| Insurance Carrier Savings | \$11.2 million | \$0 |
| Total | \$110.6 million | \$43.7 million |

The decision may be appealed to Superior Court by a party to the proceeding within 30 days (Nov. 28) and aggrieved non-parties substantially and directly affected by the decision may appeal within 45 days (Dec.8).

2. Dirigo Health Determination of Savings Offset Payment

The Dirigo Health Board of Directors met on November 10, 2005 and established a process for determination of the savings offset payment for the first assessment year. At the meeting, Dirigo Health Agency staff recommended a savings offset payment of 1.73% of paid claims

or approximately 31.3 million was needed to support cash needs. Under the law, the savings offset payment may not exceed 4% of paid claims and is further limited by the aggregate amount of cost savings (\$43.7 million as determined by Superintendent of Insurance.) The Board received public comment on the recommended savings offset payment and will accept written comment until 3:00 pm on November 18, 2005. On November 22, 2005, the Board will meet to again take public comment before deliberating and making a decision on the savings offset payment.