POLICY PRESCRIPTIONS®

THE DIRIGO HEALTH REFORMS

The Dirigo Health Reform Act of 2003 in the state of Maine was enacted to improve cost, quality, and access to care for all. Unfortunately, there appears to be little success with improving the numbers of Maine residents covered.

In 2003, Maine adopted the Dirigo Health Reform Act which sought to improve cost, quality, and access to health care for every Maine citizen. Prior to enactment, 13 percent of Maine's population under age 65 was uninsured. In 2004, 50 percent of Maine's private employers offered health benefits to workers compared to a national average of 56 percent. The state had the second-highest personal health care spending per capita in the country. Therefore, the reform focused on cost containment efforts as well as expansion of coverage to uninsured, low-income working families.

MaineCare, the state's Medicaid program, was expanded to fully subsidize childless adults and low-income parents of children under age 19 with family income of up to 200 percent of the federal poverty level (previously up to 150 percent). The new DirigoChoice offered partially subsidized premiums and deductibles based on a sliding scale of income in order to make small group and individual insurance products more affordable. Through a partnership with a private insurer, DirigoChoice was designed as a joint operation between private and public sectors. The program was to be financed through employer contributions, federal matching funds, and assessments placed on insurers based on demonstrated savings from cost-saving initiatives. Such initiatives were: strengthening the state's certificate of need program, facilitating collaboration between hospitals and other providers, reducing paperwork for providers and insurers, regulating premiums in the small group market, increasing transparency of cost and financial data, and reviewing the state's medical malpractice.

By September 2006, there was a modest enrollment of previously uninsured individuals (11,000) as compared to the total number of uninsured residents of Maine (136,000). About 2.5 percent of all eligible businesses chose to enroll in DirigoChoice,

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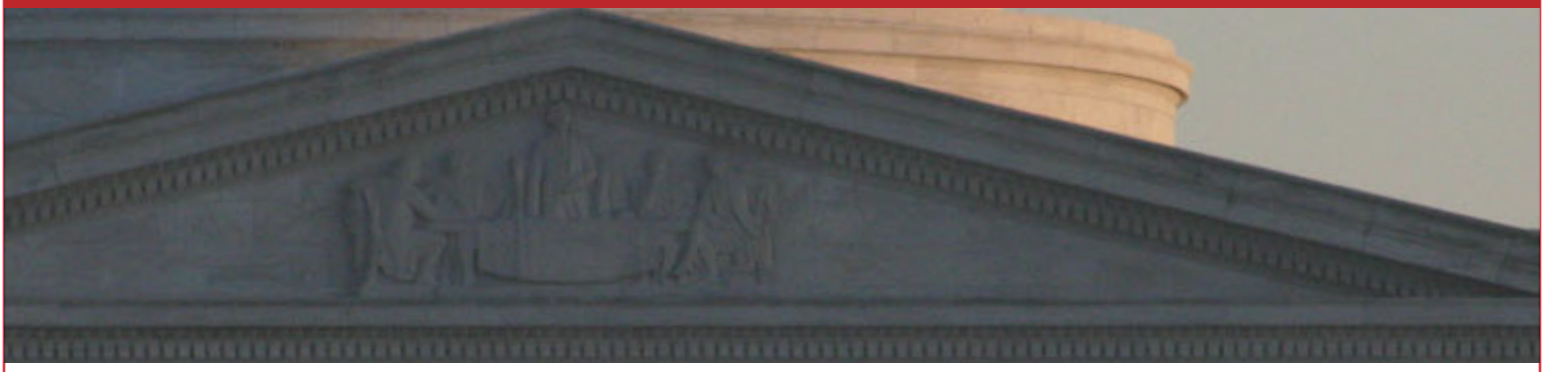

whereas there was a stronger enrollment of individuals and sole proprietors. However, twice as many individuals were covered by the Medicaid expansion than were enrolled in DirigoChoice. Financing of the program was difficult due to lower than projected revenues for subsidies.

The rate of uninsured was not significantly impacted by the combination of DirigoChoice and the Medicaid expansions. Small businesses indicated by survey that many small firms still found the DirigoChoice product unaffordable or the differences in savings as compared to other health plans were not large enough to convince them to change plans. Therefore a large number of low-income uninsured people did not have access to DirigoChoice through their employers. In addition, low income-individuals preferred the fully subsidized Medicaid as opposed to the partially subsidized DirigoChoice. The state costs were therefore beyond original estimates, as the state not only paid for the Medicaid expansions but also the subsidies on individuals' premiums and deductibles (who did not have employers providing a share). Lastly, the savings from the above cost-saving initiatives could not be documented, and there was a corresponding drop in revenues that could be raised from the insurers.

Solutions offered to the above problems included: making the DirigoChoice coverage less comprehensive and therefore lowering premiums; combining the small groups and individuals into a single pool; adding more care and cost management initiatives such as formal disease management programs for enrollees with chronic conditions; changing to a self-insured arrangement; offering small firm incentives; and forcing an employer mandate.

Lipson, DJ, et al., "Leading the Way? Maine's Initial Experience in Expanding Coverage Through Dirigo Health Reforms." Washington DC: Mathematica Policy Research, December 2007.

Highlights

- 13 percent of Maine's nonelderly population was uninsured prior to reform
- The rate of uninsured was not significantly affected by DirigoChoice and Medicaid expansions
- Newly insured residents gravitated toward Medicaid over DirigoChoice

Commentary

Maine provides an excellent example of how a lack of the big picture can cause poor outcomes in health reform. Dirigo Health Reform intended to address not only issues of access and affordability, but also the increasing costs of the system. However, the later was not given enough priority. Regardless of who pays for coverage, the dire issue facing our nation remains that we spend too much for too little. Premiums were too high; the question to be addressed is how can our system justify its health care expenditures. This year's national health reforms will most likely undergo the same blunders that Maine experienced if the costs, quality, and health promotion within the current system are not adequately addressed. We must facilitate comparative-effectiveness and cost-effectiveness outcomes and defuse the tendency to practice defensive medicine.