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Health Reform in the US

Summaries of State Legislation

Maine's Dirigo Health Reform[1]

What is it?

- A comprehensive health care reform to contain costs and increase access to health care for Maine's low-income workers and families.
- Offers a voluntary health coverage option to individuals and employees of small businesses through DirigoChoice.
- Regulates premium increases.
- Promotes adoption of one-year voluntary caps on cost increases for hospitals, practitioners' revenue and underwriting gains for insurance carriers.
- Provides subsidies towards health care costs for low-income workers.

What it's not:

- A mandate for individuals to have health insurance.
- A mandate that employers pay for health insurance.
- Is not a publicly-managed health insurance system, but offers coverage through private insurers.

Year of enactment: 2003

California Comparison:

- California has regulated coverage offered to small businesses (2–50 employees) and has had several small business purchasing pools since the early 1990s.
- California does not regulate premium increases by insurers or cost increases by providers.
- California law also precludes pre-existing conditions for individual and group coverage, especially if someone has previously had continuous coverage.
- California has had mental health parity since 1999.
- California offers Medi-Cal coverage to parents with children under 18 up to 100%–107% of poverty.

MAINE HEALTH CARE FACTS*

Total population:	1,301,460
Number of uninsured:	136,860
Percent of population that is uninsured:	11%
Percent of adult, non-elderly population with employer-sponsored insurance:	61%
Average employer contribution to family premium cost:	$8,039
Average employee contribution to family premium for employer-based insurance:	$2,784
Average percent of premium cost paid by employee for family coverage:	26%
Family income eligibility for children in Medicaid/SCHIP, as percentage of Federal Poverty Level:	150–200%
Medicaid income eligibility for non-elderly, non-disabled adults, as % of FPL:	150–157%

*2004, Kaiser Family Foundation

Details:

Eligibility: To be eligible, individuals must make 300% of the Federal Poverty Level (FPL) or below. Businesses must have 50 or fewer employees and insure 75% of their eligible employees—those working 20 or more hours a week.

Benefits: Offers comprehensive health coverage built on prevailing market PPO offerings, no pre-existing condition exclusions, mental health parity for all members, covers prevention services at 100% and offers incentives for enrollees adopting healthy lifestyles.

Cost to individuals: Individuals earning less than 125% FPL are eligible for MaineCare and receive full discounts on premiums and deductibles. Individuals with incomes from 125–300% FPL are eligible for discounts on premiums, deductibles and maximum out-of-pocket costs on a sliding scale depending on income. Individuals above 300% FPL pay full cost.

Cost to employers: Employers pay a minimum of 60% of cost for eligible enrolled employees. While employers are required to offer family coverage, they are only required to cover at least 60% of the employee's coverage.

Financing:

The program will be financed through:

- Individual and employer contributions
- Federal Medicaid funds
- State contribution of $52 million in the first year of operation
- After the first year, the act assesses a maximum 4% "savings offset payment" on health insurance premiums. This assessment will be in proportion to the cost savings achieved in Maine's health care system through cost controls, reduction in bad debt and reduction in charity care due to increased access to health care throughout state. If no savings are achieved, no payments are made.

ANALYSIS

Plan Complexity:

DirigoChoice is somewhat complicated, offering two plan options, four levels of coverage, and five income levels determining subsidies, resulting in over 20 plans with different premiums, deductibles and out-of-pocket maximums.

Enrollment:

Enrollment numbers in the first three years of the Dirigo Health Act were well under what was expected. Additionally, many of those who enrolled in DirigoChoice were insured before their enrollment, thus the program is not reaching the numbers of uninsured individuals that was expected. This is consistent with the experience in other states with small employer purchasing pools.

Employer Contributions:

The manner in which the state subsidizes premiums for individuals below 300% of FPL enrolled in DirigoChoice may serve as a disincentive for small businesses to offer coverage. If an individual enrolls through his/her small business employer, the individual is eligible for subsidies for his/her portion of the premium (at most, 40% of entire premium cost). However, if that same person enrolls as an individual, the entire cost of the premium is eligible for subsidies, because there is no employer contribution. Thus, small businesses may encourage their employees to enroll as individuals and thus escape all responsibility for offering coverage or contributing to their employees' health care costs.

Financing:

The "Savings Offset Payment" (SOP) tax is a controversial strategy for funding the program. Critics argue that although the tax is assessed on estimated savings to the insurance companies, such savings are difficult to calculate. They argue that the SOP tax will be passed from insurance carriers to policyholders through increased premiums and deductibles, making insurance less affordable.

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[1] Information on Maine's Dirigo Health Reform Act obtained from:

- DirigoHealth, http://www.dirigohealth.maine.gov/
- Consumers for Affordable Health Care Coalition, http://www.mainecahc.org/coaltion/articles/DIRIGO.htm