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Dirigo Decision Highlights Need for Health System Change

Consumer Group Wants to See More Cost Containment and Transparency in Maine's Health Care System

(Augusta) **Consumers for Affordable Health Care** (CAHC) is encouraged with the decision by Maine's Superintendent of Insurance. Superintendent Mila Kofman decided Tuesday the Dirigo Health Program saved the State \$48.7 million in 2007. As Maine's largest consumer health coalition, representing 200,000 residents, we believe this decision confirms the Dirigo Health Program is continuing to help lower health care costs for Maine people. However, we also think it underscores the need for changes in our health care system.

CAHC believes Dirigo saved Maine much more money than that. But, those additional savings are difficult to measure within our health care system as it stands. If insurance companies and others in the health system had to open their books and be more transparent and accountable to the people of Maine, we believe greater savings could be documented and more easily measured. And, that way Maine people could see where their health care dollars are going and decide whether they are getting value for their dollar.

"If health insurance customers are not seeing the benefit of these cost savings in the form of lower prices, then we have to ask what insurers are doing with the savings from lower hospital prices" CAHC Executive Director Joe Ditré said. "We hear so much about high insurance company profits in Maine and have to ask, is that where the savings are going? We just don't know, but the companies should want to provide the information."

This year a top economist conducted the most thorough study to date into how much the Dirigo Health Program saved Maine people. It's a study opponents of Dirigo requested. The economist determined Dirigo Health and its many reforms saved Maine people about \$190 million. In July, the Dirigo Health Board of Trustees considered the evidence and determined about \$149.6 million of that could be proven. Then the Superintendent had to consider the Board's decision and make her own. The reduction to \$48.7 million doesn't mean that there weren't \$149.6 million in savings, just that there wasn't enough evidence in the record to support it. This reinforces our belief that policymakers need to do more to hold insurance companies accountable and lower health costs for hard working Maine families and businesses. "The Dirigo Health Program has done a good job, but it is a voluntary program. Maine's marketplace has countered its voluntary measures.

Predatory marketing and pricing practices have kept the voluntary Dirigo Health Program from gaining greater market share. Is anyone surprised that a voluntary program in a competitive market has not enrolled more members or had an even greater impact on lowering health care costs? Massachusetts has been much more successful in insuring it's people because its guaranteed approach enables everyone to enroll while using subsidies for those who cannot afford the full out-of-pocket costs," said Joe Ditré, executive director of the consumer watchdog group

The Superintendent's decision still needs to go back to the Dirigo Health Agency Board of Trustees. The Board will decide how much of the determined savings Maine's insurance companies and businesses that insure themselves will have to return to the state. This is what's called the Savings Offset Payment or SOP. The SOP combined with premium payments from those insured through Dirigo is how the program is paid for.

Savings Initiatives	Dirigo Filing	Amount Super. Found Reasonably Supported
Hospital Savings Initiatives	\$119.4 million	\$40 million
Uninsured / Underinsured Savings Initiatives	\$23.6 million	\$6.1 million
Medical Loss Ratio	\$6.6 million	\$6.6 million
Overlap (resulting in a reduction in the savings amount)	\$0	(\$4.0 million)
TOTAL	\$149.6 million	\$48.7 million

The cost savings result from three major initiatives which began in 2003 by the Dirigo Health Program. They include hospitals voluntarily reducing costs (hospital savings), increasing the amount of people with insurance (which reduces hospitals' bad debt and charity care) and insurance companies being required to makes refunds to some ratepayers (medical loss ratio).

SOP Determination Since Dirigo Began

Year	Savings approved by Superintendent	% of Paid Claims
2005	\$43.7 million	2.408 %
2006	\$34.3 million	1.85%
2007	\$32.8 million	1.74%
2008	\$48.7 million	To be determined by Board

* The amount insurance companies and self-insurers "pay back" to the state is based on a percentage of paid claims. Law caps the SOP at a max of 4% of paid insurance claims.

Dirigo and its reforms currently provide about 17,000 Mainers with quality, affordable health coverage

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