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F I S C A L   I M P A C T   R E P O R T

SPONSOR Varela **DATE TYPED** 2-21-05 **HB** 746

SHORT TITLE Health Security Act **SB**

ANALYST Collard

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			Significant See Narrative		

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates SB 636
Relates to HB 780, HB 843

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring Or Non-Rec	Fund Affected
FY05	FY06			
		($80,000,000)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Attorney General's Office (AG)
Aging and Long-Term Services Department (ALTSD)
Public Education Department (PED)
New Mexico Corrections Department (NMCD)
New Mexico Public School Insurance Authority (NMPSIA)
Retiree Health Care Authority (RHCA)
Public Regulation Commission (PRC)
Workers' Compensation Administration (WCA)
Health Policy Commission (HPC)
The Health Security for New Mexicans Campaign

SUMMARY

Synopsis of Bill

House Bill 746 proposes the development of a statewide health care plan at a level of benefits no less than the current state employees plan. Financing options are to be developed by the Legislative Finance Committee (LFC), working with the Superintendent of Insurance. The LFC report on financing options is to be provided to the legislature by December 15, 2005.

The "Health Security Act" provides health care insurance coverage to persons who have been physically present in New Mexico for one year prior to application and who intend to remain here, along with their dependents. The health care plan is funded by premiums from beneficiaries, employers, state and federal agencies, other entities, and appropriations. Specifically, the bill contains the following provisions:

- The bill creates a 15 member Health Care Commission appointed by the governor from names submitted by a 12 member nominating committee. The nominating committee members are appointed by the governor, the speaker of the House of Representatives, the president pro tempore of the Senate, the minority leader of the House of Representatives, and the minority leader of the Senate. Committee members will use DOH staff. The initial commission will be in place by November 1, 2006.
- The chief executive officer of the commission will be responsible for administering the provisions of the Health Security Act. Duties include contracting for services and annual budget and operations.
- The commission must adopt a five year plan for implementation of the act. The commission is also responsible for adopting claims and payments procedures; establishing a cost-effective health care delivery system; setting premiums; setting provider rates; certifying and decertifying providers; establishing the commission budget; establishing advisory boards, one for health care providers and one for health care facilities; establishing regional councils, with staff provided by the commission; setting co-payment rates; plan design; public education; budgets of the plan and health facilities; state reciprocity agreements, data analysis and collection; minimized administrative costs; formulary and medical supplies; quality measurement; anti-selection; professional liability; adoption of rules; and annual progress reports to the Legislature.
- Coverage is outlined in the bill, as well as non-covered services. Initially, preventive dental services will be included and dental will be expanded in future years. Administration costs must be limited to 5 percent of the health plan budget for the sixth and subsequent calendar years of operation.
- The plan will become effective by July 1, 2008 unless the legislature doesn't implement the recommendations of LFC or doesn't determine and approve other financing of the plan.
- The commission also regulates major capital expenditures by health care facilities and providers and must approve those expenditures, with certain exceptions.
- The plan, and its participants, will be phased in over five years, depending on the budget available. The plan will provide for preventative care, inpatient and outpatient services, hospice, long term care, prescription drugs, mental health services, etc.
- Within the first year of operation, a long-term care committee shall be established for the purpose of developing a long-term care coverage strategy. Within the first year of operation, a mental and behavioral health services committee shall be established to develop a plan of benefits identical to other benefits under the Health Security Act plan.

- The plan will not provide for cosmetic surgery, life insurance health examinations or orthodontic services.
- Dependents of eligible plan beneficiaries are also eligible, as are students attending schools in New Mexico that would not otherwise meet the residency requirement. However, the plan would not cover federal retiree health plan participants, military personnel, or individuals covered by CHAMPUS. Eligibility cards are to be developed by the commission.
- Ineligible persons (those in New Mexico for less than one year) may participate by paying premiums set by the commission.
- The plan allows participants to choose their primary care provider (PCP) but does not allow payment for specialists unless the participants obtain a referral from their PCP. Some self-referral is permissible. The commission will establish claims review standards.
- The bill prohibits any person from offering private health care insurance for health care to beneficiaries covered by the plan after the effective date of the plan, with the exception of retiree health care plans that chose not to participate in the new plan.
- The act allows persons covered by private health care plans or under collective bargaining agreements entered into before July 1, 2008 to continue to receive those benefits until their plan expires. However, government employees covered by plans paid for in part by public funding must be covered by the new plan on the date benefits become available.
- Health care facilities will be monitored for quality and cost-effectiveness, using a Health Care Practice Advisory committee. Medical necessity and aberrant practice patterns will be reviewed, and penalties assessed for non-compliance. Suspension of a provider from the Health Security plan is permitted for abuse.
- Differential pricing by region is permitted. Methods of determining budget are outlined. Provider increases will be limited to the consumer price index for medical care prices in most instances. No balance billing is permitted.
- Health care facilities shall negotiate annual operating budgets with the commission. Health resource certificates will be required for major capital expenditures undertaken by a health-care facility. By January 1, 2008, a legislative report shall be delivered on the capital needs of health facilities.
- Actuarial reviews will be performed.
- Electronic claims filing will be required.
- Reports will be required of healthcare providers.
- A toll-free line will be available for assistance, and a program to provide assistance will be provided.
- The plan will have the right to collect payments made by third parties.
- The Superintendent of Insurance will report on reduced rates for workers' compensation and automatic medical pay as a result of the Health Security Act.
- Federal waivers will be acquired.

Significant Issues

The AG's Office indicates this bill will impact the provision of all health care and health care insurance in New Mexico. It will affect all Health Maintenance Organizations (HMO), private plans, health care plans offered by both private and public employers, health care providers and facilities, and retiree health care plans. The compulsory participation provisions will require a major re-working of the health care system in New Mexico. The new act requires that most New Mexico residents participate in its health care plan by preventing the sale of similar health care insurance to anyone eligible to participate in the new plan after the plan becomes effective. This prohibition will presumably require that New Mexico health care providers and facilities also

participate in the new plan.

PRC states the bill proposes a state operated health plan in lieu of the current combination of private and government plans. Proponents believe that the current system is failing in two areas: 1) universal access to quality health care and 2) escalating costs. Opponents believe that the private sector in combination with state, federal and other plans can better deal with these problems.

Advocates of universal health care point to rising health care costs, lack of equitable access to health care and an ethical obligation to provide health insurance and care for all citizens in support of their position. They argue that health care costs will decrease under a universal health care plan. Conversely, the AG's Office notes opponents of universal health care oppose the creation of governmental bureaucratic agencies to administer the system and the changes it would impose on citizens, even those who were satisfied with their medical care and coverage as it is. They argue that health care costs will increase and health care services will suffer.

The Health Security for New Mexicans Campaign indicates the plan will guarantee choice of provider, even across state lines; will guarantee a good benefit package that must be as comprehensive as the services offered state employees; will preserve the private delivery system; and will provide strong protection for retirees.

NMPSIA cautions this bill will eliminate a large part of the Benefits Program through the New Mexico Public Schools Insurance Authority, as the medical, dental, and vision plans would be replaced by coverage through the Health Security Act. Presumably, the life and disability coverage would continue to be administered through NMPSIA.

FISCAL IMPLICATIONS

There is no appropriation associated with this bill and financing options are to be developed by LFC, working with the Superintendent of Insurance.

The Health Security for New Mexicans Campaign indicates "A 1994 New Mexico study by the independent think tank, the Lewin Group, estimated that $4.6 billon could have been saved by 2004 has all New Mexicans been under one plan by 1997." The campaign indicates public and private dollars will be pooled into one fund. Funding sources include current federal and state monies spent on health care (i.e. Medicaid) plus individual premiums and employer contributions, with caps. Employers may cover all or part of an employee's premium obligations.

ALTSD notes the bill prescribes mileage and per diem expenditures for the commission and various boards, councils and committees. Reimbursement for mileage and per diem for the number of members of each of the above could be a considerable expense that would be in addition to any redistribution of existing administrative or programmatic funds from affected state agencies.

ALTSD is also concerned the bill does not address coordination or fiscal implications of programs and benefits the state receives from the Older Americans Act.

NMCD notes the bill creates a new crime without any appropriation to absorb costs associated with convictions associated with the bill. A fourth degree felony conviction under the provisions of this bill would likely result in a term of imprisonment of eighteen months. A misdemeanor

conviction under the provisions of this bill would not result in incarceration in a department facility; however, it could result in a term of probation under the department's supervision.

HSD notes there would have to be a redistribution of existing state funds from DOH, HSD, General Services Department, HPC, and others, as the Health Security Act assimilates roles from these agencies into its structure, including RHCA. RHCA indicates this bill would do away with the Retiree Health Care program.

NMPSIA notes the Benefits Program would be significantly reduced, from $228 million to approximately $10 million.

PRC indicates it collects over $80 million in premium taxes, premium surtaxes and fees associated with the regulation of private medical insurance and approximately $500 thousand to $1 million of general fund appropriation supports the regulation of this industry. It is estimated that beginning in FY08 general fund revenues would be reduced approximately $80 million due to the elimination of this industry.

ADMINISTRATIVE IMPLICATIONS

WCA indicates it is likely that the unintended disruption of the workers' compensation system that would result from this bill will require additional dispute resolution personnel.

There is the possibility of legal challenges to this bill based upon federal preemption, state anti-donation, equal protection and other legal theories. The AG's Office indicates, to date, no state has enacted the type of compulsory universal health insurance for all of its citizens as contemplated by this bill so legal precedent is scarce. California has enacted a law requiring employers to directly provide health insurance for their employees or through a state program. A health plan in Maine, Dirigo Choice, offers subsidized health insurance through private insurers based upon need.

DUPLICATION, RELATIONSHIP

House Bill 746 relates to House Bill 780 which requires HPC to lead a task force to study the development and implementation of a single statewide electronic health care information system. It also relates to House Bill 843 which asks LFC to look at funding options for this act.

House Bill 746 duplicates Senate Bill 636.

TECHNICAL ISSUES

PED notes, on page 10, lines 1 though 23, identify "fair representation of all areas of the state" by requiring members to be appointed from "each of the state board of education districts." The State Board of Education was replaced by the Public Education Commission in 2004.

ALSTD indicates there are significant issues with Section 18, including a need for clarification on how private long-term care insurance plans would be affected; if services funded by the Older Americans' Act that provide in-home services are to be included that are not need-based services; and how private pay institutional care could be included in the state's long-term health care plan.

HSD notes the bill creates a parallel structure with HSD's Medical Assistance Division, at least with regard to Medicaid waivers. But there is concern about who would be operating and in charge of the waivers; the bill seems to put the commission in charge. In regards to Medicaid, the commission's relationship is not very clear, but yet draws upon the idea of drawing down the federal match. Clearer cut ideas about how this interaction would take place would help the vision of the bill. The most pressing issue with Medicaid is the inferred assumption that to maximize federal match, the Health Security Act would screen candidates for Medicaid eligibility which would equate to an increase in Medicaid enrollment and further state subsidy in order to gain the federal match.

PRC notes, to fully implement universal coverage in this state plan, the following must take place: negotiation of waivers with Centers for Medicaid and Medicare Service (CMS) relative to Medicaid; negotiation of contracts with CMS relative to Medicare; negotiation of contracts with tribes and pueblos; and get Congress to amend Employee Retirement Income Security Act (ERISA) of 1974.

NMPSIA notes on page 37, paragraph F, lines 15 and 16: "*Administrative penalties shall be deposited in the current school fund*". The meaning of the words "current school fund" is unclear. This language appears to conflict with page 49, lines 24 and 25: "*All revenues received pursuant to the Health Security Act shall be deposited in the fund*" ('fund' being the health plan fund) as NMPSIA would consider penalties to be revenue.

Further definition is needed for "coalition" used on page 3, line 10, and "consortia" as used in a similar context at page 30, line 11, to determine if these are words with different meanings or connotations.

HPC responsibilities under statute and Health Information System Act are, in part, either supplanted or duplicative to the responsibilities of the Health Care Commission. The bill does not acknowledge where or how the new commission will receive its data; for example existing laws give HPC the authority to collect capital assets data from hospitals and health facilities. Should this legislation pass, existing statutes may need to be amended or repealed and the resources of HPC transferred to the new Health Care Commission.

WCA notes the bill conflicts with, but does not amend, the provisions of the Workers' Compensation Act that provide for medical care for injured workers. In so doing, the bill creates a series of pervasive unintended consequences that will disrupt the indemnity benefit system. The objections to the bill can be overcome by removing workers' compensation medical coverage from the scope of the bill's provisions.

The AG notes it is unclear as to whether this plan would be "portable" if a beneficiary or a dependent left the state after becoming covered. The effect of compulsory participation on persons who were covered under other plans (which were not "state specific," such as Blue Cross/Blue Shield) then became covered under this bill, then left New Mexico is also unknown. Presumably they would be required to obtain new health insurance as this act does not appear to provide for portability. It does allow beneficiaries to obtain health care in other states, but prevents the new plan from paying charges higher than those which would be paid in New Mexico. The commission would have to certify PCPs in all other states and negotiate agreements with all health care providers and facilities in all other states in order for the health coverage to be portable.

OTHER SUBSTANTIVE ISSUES

DOH notes the bill would have significant influence on all matters of health care delivery in New Mexico, including services delivered by DOH, including overlapping functions and responsibilities. A framework for a state administered single payer health insurance system is proposed that would address financial barriers to health care created by a lack of health insurance. The bill would make every New Mexican, except some groups such as Native Americans and federal retirees, eligible for a single insurance risk pool in a publicly funded and administered insurance program offering comprehensive health services. The private sector would continue to provide the actual delivery of health care services thereby minimizing disruption to continuity of care.

DOH research indicates at least 60 percent of all health care spending in New Mexico now comes from public monies in the form of Medicaid and Medicare, health insurance for employees and retirees of federal, state, municipalities, teachers, federal and state contractors, and tax deductions for employer insurance. Placing most New Mexicans in a single public insurance plan may leverage purchasing power and simplify the multiple public components of health insurance coverage, while realizing cost savings from eliminating duplicative administration.

Health systems such as Presbyterian Healthcare Services and Lovelace would continue to provide health services but their current dual role as both providers and insurers would be eliminated. Hospitals, primary care centers and other health facilities would receive a global budget to provide all approved health services. Healthcare providers would be paid based on fees negotiated with the new health plan or, if they choose, by capitation. Beneficiaries would have the option of choosing to join a managed care system or a fee for service provider.

Inclusion of State and Federal Categorical Programs. The bill may benefit by clarifying how the payments currently made by public categorical health programs to health care providers and facilities would be coordinated with payments made for related benefits under the health plan. The commission will depend on revenue that will be negotiated with health facilities and mental and behavioral health services. The bill may need to clarify the relationship with existing government agencies and the Health Security Act in function, authority and budget. For example, the DOH receives federal funding for breast and cervical cancer screening. Currently, the DOH contracts with individual providers and health facilities to cover the cost of these services for eligible New Mexico residents. These same services could be included as benefits under the proposed health plan. A mechanism needs to be created to integrate federal and state categorical health program funding with the benefits of the plan.

Legal and Administrative Issues. It is unclear whether malpractice and tort liability coverage would be provided under the New Mexico Tort Claims Act to this new health care plan and to the Health Care Commission". The bill creates "rights" that could be enforced in civil rights actions in state and federal court against the state.

The provisions for "Standard claims forms" in Section 35 and computer systems in Section 36 should specify that the commission *must* comply with the federal HIPAA rule on Transactions and Code sets.

Safety Net Coverage. Persons with Infectious disease: As stated, "Beneficiaries of the Health Plan include individuals physically present in New Mexico for one year prior to the date of application for enrollment in the health plan, has the intention to remain in New Mexico, and their

dependents." Thus, new residents who come to the state and are in need of infectious disease services are not eligible for health plan benefits. This is a public health issue in terms of testing, prevention and treatment for diseases such as tuberculosis.

Behavioral Health. A "mental and behavioral health services committee" would be established within one year of the appointment of the chief executive officer, and would have up to one year to report its plan to the commission. The bill includes "mental health parity" language in Section 19 C., stating "the health plan shall not impose treatment limitations or financial requirements on the provision of mental or behavioral health benefits if identical limitations or requirements are not imposed on coverage of benefits for other conditions." The relationship to the new Behavioral Health Purchasing Collaborative and its statewide entity will have to be established.

Data Systems. The cost of the data needs, particularly those associated with a new patient recording system would have to be paid out of the maximum amount set for administration. Staff to track, monitor and identify issues reported into the data system on a periodic basis (monthly, quarterly, annual) will be critical to such a system.

There are existing systems for the majority of the data cited but they have been developed with the support of different funding sources and are not designed to share and coordinate access to health information. New Mexico does not have an integrated data warehouse found in the states of Washington and North Carolina, which would enhance the state's capacity to support commission efforts.

NMCD notes the only impact that the bill has on the department is that it makes it a crime for a person to lend his medical eligibility identification card to another individual or use another's medical eligibility identification card when, in either case, the person using the card would not otherwise be eligible to receive the medical benefits. The second such offense results in a misdemeanor and the third or subsequent offense would result in a fourth degree felony.

HPC researched the possible positive implications of this bill:

- If the bill is passed, all New Mexicans (with some exceptions) will automatically receive health insurance coverage. The benefit package will be determined by the Health Care Act and the Health Care Commission. Gains for the state will be increased access to health care, lower reliance upon emergency room and charity care and decreased morbidity of disease due to increases in routine and preventive care. Savings may be realized by the reorganization of the state payment system for health care into a single payer system.
- With coverage to all citizens of New Mexico, overall health status could improve over time. Absenteeism could be reduced and productivity increased, resulting in a positive impact to the state's economy. Cost savings from the passage of this bill might assist rates for the purchase of workers compensation and automobile insurance.
- With employers not passing parts of health insurance premium increases to employees, family and individual take home disposable income could increase, with a resulting boost to the New Mexico economy.
- Personal bankruptcies and poor credit due to lack of payment for medical bills should decrease.
- The financing mechanisms may impact economic development. One approach to health care reform is to require employers who do not currently contribute to health insurance for their employees to do so, which may result in decreased operating margins, decreased employee

incomes or reductions in employment. This may be a disincentive for businesses to locate in New Mexico. However, if comprehensive coverage and the elimination of charity care can reduce uncompensated care and cost shifting, this may be attractive to large employers, especially if the cost of care and premiums in New Mexico are lower than in other states.

- Decreasing the percentage of the state's economy devoted to health care spending will free up capital to be spent in other sectors of the economy such as education, transportation, and tourism.
- An important goal of the bill is universal insurance coverage for New Mexicans. To the extent the bill is successful; its passage will result in the re-channeling of monies used for administrative costs and fragmented services, and perhaps additional monies as needed, into direct payments for health care. The result could be an increase in the number of those employed as health care providers due to the increase in demand for health care.
- Consolidating the large number of New Mexicans into one pool spreads risk and allows for more consistent premium contributions, regardless of age, group size, health status and utilization patterns. Increasing the size of the risk pool should reduce the average cost of providing care, with the elimination of cross subsidization from one group to another. This may be particularly helpful to small businesses whose premiums may become more affordable.
- Once the new health care system is operational and provides health care coverage to virtually all New Mexicans, it should result in substantial savings to New Mexico hospitals and other health facilities through reductions in the provision of uncompensated care and charity care patients. Financial stability for rural hospitals and clinics would ensue.
- The current financing system allows for a "free-ride" for those who chose to not procure insurance, and yet who eventually need medical care that may outstrip their personal financial resources. The anti-"free-riding" element of universal insurance ensures that all citizens will bear at least some of the economic costs of the system.

HPC also researched the possible negative implications of this bill:

- The state health plan will provide a standard benefit package for all New Mexicans enrolled in the plan (note: employees in self-insured and potentially Medicaid will be different), which restricts choice. While the option is not closed for the purchase of additional benefits through private health insurance, this would be at an additional cost to individual consumers. Beneficiaries are not furnished the option of reducing the number of benefits received and thereby reducing any payments to the State through lowered taxes or reductions in premiums.
- Governmentally funded health insurance programs have a long history of substantially understating and underestimating the demand and consequently the costs for services that are created as a result of the new program. Examples are the estimates with the Medicare program in 1967, New Mexico's experience with Medicaid in 1969, and the federal End Stage Renal Dialysis Program in 1972. Numerous studies of utilization of services by individuals who did not have insurance and then became insured showed an increase in the use rate of services. The financing arrangements proposed under this bill will have to take this into account and answer how much more will it cost to insure the uninsured, over and above what is being spent now for their medical care.
- This bill does not provide actuarial studies or estimates of what it will cost the program to provide comprehensive, necessary and appropriate health care benefits, including preventive, primary, secondary and tertiary care for acute and chronic conditions. The bill does require the benefits to be no less than the coverage currently afforded to state employees. What is currently provided to state employees may be less than benefits currently provided to most Medicaid Salud and Medicare beneficiaries.

- Assuming that the state's currently uninsured population is 414,000 as per the HSD September 2004 estimate and assuming per member per month projections presented in November 2004 by Mercer Consulting to the Insure New Mexico! Council, the potential cost of insuring the currently uninsured would be $273.25 per member per month under a major medical benefit, $322.69 for an HMO plan, and $344 for a Point of Service plan. This translates to a total expenditure option from $1.357 billion for the major medical option to $1.708 billion for the Point of Service option.
- This bill would prohibit small employers from forming self-insured pools, which is a priority for many business organizations in the state that may be opposed to this legislation.
- ERISA plans are exempt by federal law. To the extent that employers covering employees through ERISA plans have more flexibility in terms of benefits and costs, more employers are likely to opt for ERISA plans, unless the cost-benefits of the Health Security Act are significant. Nationally, it is estimated that nearly half of employees are covered through ERISA/self-insured plans. To the extent that ERISA plans do not cover certain benefits, the costs may be shifted to the state plan as the largest payer.
- Employers who are not self-insured will no longer provide health insurance to their employees directly, but the bill contains provisions for the payment by employers of costs for coverage directly to the health plan, so any resulting savings or costs to employers depends upon the final determinations of funding for the health plan.
- Implementation of the Health Care Act may eliminate some competition between health plans to provide better benefits, lower cost premiums, etc. New Mexicans will be required to deal with and accept the provisions of the Health Care plan and will have to work with the commission to implement any changes.
- There may be resistance to this bill from the major health plans, and the private market for health insurance will be affected by implementation of the health plan. Since specific benefits provided by the state health plan are not permitted to be provided by competing plans, private insurers will only be able to offer insurance that supplements benefits offered by the health plan. The replacement of private insurance companies with the health plan is likely to reduce the number of insurance companies in New Mexico's market, thereby limiting competition and potentially increasing costs for supplemental insurance.
- There is currently a shortage of health care providers and an unbalanced distribution of providers in much of New Mexico. Based on federal criteria, most of New Mexico's 33 counties are medically under-served for all health professionals. The automatic issuance, through the bill's passage, of health insurance coverage to all New Mexicans has the potential to create a large increased demand for health care, and a resulting demand for additional providers throughout New Mexico which likely will not be met. Additional wait times and decreased access to see providers may be the result. This would effectively frustrate HB746's legislative intent of improving access. It is possible that without resolution of the problem associated with the supply of providers that access could be significantly worse due to demand alone and possibly if the system frustrates enough physicians that an already constrained supply of physicians would decrease as some leave the state. However, there may physicians who come to the state if they could practice in an environment that guarantees payment for all patients they see and is not too cumbersome from a "hassle factor" perspective
- This bill notes that if a beneficiary obtains services out of state, those services are covered and reimbursed to out of state providers and facilities at the same rate that would apply if the services were received in New Mexico. If the New Mexico reimbursement rate is lower than in neighboring states, this may be reduce access to some specialized elective to services not provided in New Mexico.
- Because of the fundamental and comprehensive change proposed by the bill, legal challenges

from those with a vested interest in the existing health care financing and delivery systems should be expected. The bill effectively assumes much of the business of private health plans in the state who business would be removed and there is no provision in the bill for compensating the plans. There is also the potential for many the employees of those insurers to become unemployed.

- The staggered effective dates of the bill creates the opportunity to discuss points of conflict with the stakeholders of the existing system, but it is not possible to predict the precise legal challenges that might be brought as the result of unsuccessful discussion with stakeholders nor the ultimate judicial outcomes. Much of the policy success of the proposal will be determined by the willingness of the federal government to grant waivers permitting federal health care financing dollars to be used in the New Mexico program, and the willingness of corporate employers to cooperate and support the program.

ALTERNATIVES

HSD indicates Maine has developed the closest idea to the bill called Dirigo Health and basically provides a state implemented health care system for specific groups within Maine's population. Proposed by Governor Baldacci, revised and improved by the Legislature, The Dirigo Health Care Act was signed into law in June 2003. It represents a broad strategy to improve Maine's health care system and includes three inter-related approaches: a new health plan ("Dirigo Choice") to achieve universal access to health coverage; new and improved systems to control health care costs; and initiatives to ensure the highest quality of care statewide. Maine represents a complete system approach to reforming its health care system and is instituting change on many levels.

HSD notes Dirigo Health is a state-offered insurance plan tailored for small businesses fewer than fifty employees, the self-employed and uninsured individuals. Dirigo Health supplies a comprehensive package through a private carrier – Anthem/Blue Cross Blue Shield – comprising an initial health risk assessment and incentives to establish a primary care provider as well as participation in wellness activities. In conjunction with individual incentives, Maine is currently formulating an extensive state health plan, the primary goal of which is to "help Mainers become the healthiest people in the U.S. by strategically improving the allocation and coordination of our health care resources."

In order to participate with Dirigo, the health care marketplace within Maine is requested to provide multiple cost saving mechanisms such as: certificate of need requests, price disclosures on hospital charges, voluntary limits on operating margins, and electronic claims submissions. In order to afford this comprehensive reform effort, Maine initially allocated $54 million to institute Dirigo Health, but later years are based on the idea of savings offset payments. These payments are basically savings in uncompensated care by hospitals and health systems that will be paid back into the Dirigo Health Care System. Insurers doing business will be assessed payments to help fund Dirigo only after savings in uncompensated care are shown.

There are similar provisions within Dirigo that this bill tries to get at and is an initiative worth watching. How Dirigo Health differs from this bill is that it is not eradicating the existing health care marketplace and has multiple provisions for eligibility that target the neediest populations.

KBC/lg