VIEWS FROM THE FIELD
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GRANT MAKERS IN HEALTH

# Using Strategic Philanthropy to Advance State Health Care Reform: Maine's New Dirigo Health Plan

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Promoting public policy to expand access to health care requires data-driven research, building strategic alliances with key leaders, and opportunistic timing. As the state's largest health care philanthropy, the Maine Health Access Foundation (MeHAF) supports public policy research to drive systemic changes in Maine's health care system. This approach is a key element in advancing the foundation's mission of promoting affordable and timely access to comprehensive, quality health care and improving the health of every Maine resident.

With the economic downturn, the move to expand access to care has been challenged by growing state budget deficits, rising health care costs, and a contraction of private coverage. Since 2002, the majority of states have struggled to limit budget deficits by trimming Medicaid and other health care programs. Yet despite this national trend, Maine has remained committed to expanding access to health care.

## USING DATA TO DRIVE SYSTEMIC CHANGE

After years of rising health care premiums in a small non-competitive market, people in Maine were ready for a change. In 2001, a bill to study the feasibility of implementing a single payer health care system passed the Maine Legislature with bipartisan support. A widely representative Health Security Board was appointed to oversee a detailed study of how Maine could fiscally implement a single payer system.

In response to MeHAF's 2002 request for grant proposals, the Health Security Board submitted an application requesting support for the single payer study. Several states had examined this issue, but the Health Security Board's proposal focused on a more robust and detailed study using state-specific population and health care data. Since the foundation felt this type of study could provide important data for various models of health care system development, cost, and financing, the grant was approved. Mathematica Policy Research Inc. was contracted to develop a dynamic data-driven econometric model that examined a variety of costs, benefit plan structures, delivery systems, and changing demographics. The report, issued in December 2002, and the dynamic econometric modeling framework Mathematica developed became a key resource for policymakers as they considered program modifications and new initiatives to advance affordable health care reform in Maine. The report is available on MeHAF's Web site at www.mehaf.org.

## FORGING ALLIANCES WITH KEY LEADERS

Health care reform continued to be a key issue in the 2002 Maine gubernatorial race; however, the focus shifted from a single payer system to incremental reform within the employer-based insurance system. In November 2002, the Governor-elect, John Baldacci, articulated his commitment to moving swiftly on state health care reform in order to provide economic relief to Maine small businesses and to offer health care coverage to Maine's uninsured.

The commitment of Maine's new Governor to statewide health care reform provided MeHAF an unprecedented opportunity to advance the foundation's goal of promoting universal access to care through statewide reforms. Shortly after the election, representatives from the foundation met with Governor-elect Baldacci and his staff to discuss how the foundation could improve health care coverage and access. Noting that the state's budget shortfalls limited the Governor and Legislature's ability to hire key health policy consultants, MeHAF provided a foundation-initiated grant to the nonpartisan Center for Health Policy Development/National Academy for State Health Policy to provide research and technical support for the Governor's health reform agenda.

On his first day in office, Governor Baldacci created a new state agency, the Office of Health Policy and Finance, and charged it with designing a program that would provide universal coverage to all Maine people. The development of this reform program was to be guided by a Health Action Team, comprised of a wide variety of health experts and advocates

engaged in health care reform. MeHAF's grant provided the consultant, technical, and staff support to this group, as well as consultant support for the development of Maine's successful Trade Adjustment Assistance Act application to expand health care coverage to displaced workers. Maine policymakers also engaged Mathematica to use the econometric single payer model to project economic costs and funding scenarios for the Governor's private-based health reform initiative.

## OPPORTUNISTIC TIMING: DIRIGO HEALTH PLAN

In June 2003, after wide public debate and much negotiation, the governor's proposed Dirigo Health Plan was passed by the Maine Legislature. Dirigo, which is Maine's state motto, translates simply as "I lead." In a year when many states were cutting Medicaid, Maine alone moved forward with an ambitious, comprehensive health care reform initiative.

As an independent executive agency, Dirigo Health will offer a health care insurance product, primarily delivered by private health insurance carriers through a competitive bidding process. If private insurers do not offer a product that meets Dirigo's standards, the state may design and offer its own. Dirigo will offer health insurance to individuals, the self-employed, and small businesses for the benefit of their employees and their dependents. Under Dirigo, participating small businesses will only pay a maximum contribution of 60 percent of the cost of coverage, while employees generally pay 40 percent of the cost of their family's coverage. Dirigo will provide subsidies to offset the cost of coverage for certain low-income enrollees. Participation in the program is voluntary.

At the core of Dirigo Health is an expansion of eligibility in Maine's Medicaid program to 125 percent of the federal poverty level for disabled and single individuals without children and 200 percent for parents and children. For those who qualify for Medicaid under the new expansions, employees will not have any cost sharing, but their employer will still contribute to the premiums. Employees up to 300 percent of the poverty level will be eligible for subsidies for their portion of the employee contribution, ranging from 20 percent to 80 percent of the cost of coverage. The initial goal is to insure 31,000 individuals during its first year of operations and 110,000 individuals by 2009.

In the initial phase, funding for Dirigo Health will come from the state's general fund (paid for, at least in part, with a one-time state allocation from this year's tax cut), and the cost of premiums paid for by individuals and business employers and employees. As an executive agency, Dirigo can use premium contributions from employers and low-income employees to draw down a federal match at a ratio of two federal dollars for every one state dollar to expand coverage to the new groups eligible for the Dirigo-related Medicaid expansion.

After one year, additional payments will be generated from "savings offset payments," which are derived from the recovered amount of bad debt and uncompensated care that coverage under Dirigo will eliminate. This "savings offset" provision takes the savings from reduced charity care and applies it to the cost of insurance for the uninsured. Under the legislation, savings offset payments will not exceed 4 percent of annual premium revenue.

The Dirigo Health Plan also includes provisos to improve quality and contain costs as it moves Maine toward universal coverage within five years. Dirigo's implementation will be guided by an eight-member board that will provide oversight to five subsidiary groups: the Maine Quality Forum, the Maine Quality Forum Advisory Council, the Advisory Council on Health Systems Development, the Commission to Study Maine's Community Hospitals, and the Task Force on Veterans' Health Services. The legislation mandates a biannual state health planning process with the intent of framing a state health plan to guide resource allocation and spending. The Governor also issued a one-year moratorium on all new Certificate of Need applications in order to review whether this process is appropriately regulating spending on hospital and nonhospital expansions.

As part of its cost containment strategy, Dirigo Health requires that consumer information on cost and quality be available to the public and standardizes its claims forms. The legislation also requires greater regulation and oversight of the small group insurance market. During this start-up phase, Dirigo relies on voluntary limits on the growth of health care costs, with insurance carriers being limited to a 3 percent underwriting gain, practitioners limiting growth of net revenue to 3 percent, and hospitals being asked to limit operating margins to 3 percent. Dirigo will track and study the costs and benefits of these and other provisions, with the goal of implementing the most effective means to control costs, ensure quality, and expand access.

Much work needs to be done to make Dirigo Health a reality, and the Maine Health Access Foundation will continue its commitment to promote such innovative programs to expand health care coverage in Maine.

The GIH Public Policy Conference Call Series will feature a discussion on Maine's Dirigo Health Plan on October 9, 2003, from 3:00-4:00 p.m. EST. For more information about the call, contact Anne Schwartz at 202.452.8331 or aschwartz@gih.org.

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