

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION
BUREAU OF INSURANCE

IN RE: REVIEW OF AGGREGATE)
MEASURABLE COST SAVINGS)
DETERMINED BY DIRIGO) FILING COVER SHEET
HEALTH FOR THE FOURTH)
ASSESSMENT YEAR)

DOCKET NO. INS-08-900

FILING COVER SHEET

To: Mila Kofman, Superintendent of Insurance
Attn: Vanessa J. Leon

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Respectfully submitted,

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STATE OF MAINE
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION
BUREAU OF INSURANCE

IN RE: REVIEW OF AGGREGATE) MAINE STATE CHAMBER
 MEASURABLE COST SAVINGS) OF COMMERCE’S RESPONSE
 DETERMINED BY DIRIGO) TO HEARING QUESTIONS FOR
 HEALTH FOR THE FOURTH) CITATIONS TO THE RECORD
 ASSESSMENT YEAR)

DOCKET NO. INS-08-900

The Maine State Chamber of Commerce (“Chamber”) submits its response to the questions posed by the Superintendent, as follows:

Hospital Initiatives		
Question	Record Citations	Summary of Cited Record Evidence
1. All source data sets used as a basis for the calculations estimated AMCS related to voluntary reductions in cost per CMAD.	AR 4, Tab 65 (DHA Exhibit 3, dha_document_66); AR 4, Tab 64, pp. 12-14; 52-55	“Step sheet” explanation provided by DHA in response to questions posed by Intervenors and srHS Report; compare to detailed 110 step response provided to Superintendent on September 11, 2008.
2. All programs and queries used to transform the source data sets into the files used in the regression analysis for savings related to cost per CMAD. Please include reference to any information regarding the exact order in which these steps could be followed by someone wishing to replicate the calculations, including all steps related to:	AR 4, Tab 65 (DHA Exhibit 3, dha_document_66); AR 4, Tab 64, pp. 12-14; 52-55	“Step sheet” explanation provided by DHA in response to questions posed by Intervenors and srHS report; compare to detailed 110 step response provided to Superintendent on September 11, 2008.

<p>a. Testing for data quality problems</p>	<p>AR 2, Tab 60 p. 131, ln 24-141, ln 24</p>	<p>Explaining “minimalist approach,” failure to investigate known problems, failure to determine correct value, and failure to check data once imported to and manipulated within Microsoft Access.</p>
<p>b. Steps taken to edit and/or remove observations, fields, or other information from the source files (e.g., anomalous values) and whether and how retention of anomalous values were assess for their impact on the results.</p>	<p>AR 2, Tab 60, p. 132 to p. 142</p> <p>AR 2, Tab 60, Page 151</p> <p>AR 4, Tab 84, pp. 19-21</p> <p>AR 4, Tab 89</p> <p>AR 5, Tab 95(D)</p>	<p>Schramm testimony that “minimalist approach” involved “truncating to the limit” by, for example, replacing hospitals with over 100% Medicare days with a value of 100% regardless of the existence of Medicaid revenue or, in the case of number of beds, when the total beds exceeded the highest possible value, replacing with the highest possible value; All anomalous values that were not adjusted and all “truncations to the limit,” were retained and flowed through the regression analysis without adjustment for impact on results.</p> <p>Schramm testimony confirming that minimal adjustments produce a relatively large (\$2 to \$3 million) swing in reported savings.</p> <p>Dr. Dobson’s testimony regarding clear data errors contained in the database used to perform the regressions.</p> <p>Chamber 6, detailing data errors.</p> <p>Chamber 12(D) detailing data errors.</p>

<p>c. Steps to taken to calculate values from the raw source information (for example, demonstrate whether and how hospital tax, physician practice costs, etc. were removed from the MCR data).</p>	<p>AR 2, Tab 60, p. 108-128</p> <p>AR 2, Tab 60, p. 115, ln 10-12</p> <p>AR 2, Tab 60, p. 115, ln 13 - p. 120, ln 23</p>	<p>Schramm testimony confirming that adjustments required by law were not made.</p> <p>No adjustment for hospital based practices.</p> <p>Confirming that tax removed in prior years, but no similar adjustment made in Year 4 because srHS mistakenly believed tax was not a Medicare allowable cost, and conceding that srHS did not confirm treatment of hospital tax in Cost Reports in Maine notwithstanding CMMC case in which Federal Medicare PRRB determined that hospital tax is an allowable cost for Medicare cost reporting purposes.</p>
<p>d. Steps to taken to impute, aggregate, or otherwise transform the source data into the analytical data sets.</p>	<p>AR 2, Tab 60, p. 127, ln 10 - p. 128, ln 6</p>	<p>Confirming no Microsoft Data Base Sheet reflecting unmanipulated AHD source data, and that one would have to “work backwards” to develop the unadjusted data.</p>
<p>3. All programs used to perform the regression analyses, including:</p>		
<p>a. Explanation of the reasoning and/or theory behind the selection of variables, the use of Ordinary Least Squares vs. other regression models that could have been chosen.</p>		

<p>b. Explanation of diagnostic tests run on the regression results to test for failures in the assumptions underlying the form of regression model chosen and the reasoning for addressing or ignoring any such failures.</p>		
<p>c. Those regression specifications that were run but not presented in the report and the reasons for not including in them in the report.</p>		
<p>4. Statistical tests performed to test the significance of regression results and the analyst’s conclusion about the importance of those tests and their impact on the interpretation of the results.</p>	<p>AR 2, Tab 60, p. 144-145; AR 4, Tab 64, p. 35</p>	<p>Schramm testimony -- did not look at Maine hospital operating margins and compare to recommended savings as a reasonableness check, although srHS calculated Maine, National and US COM percentages based upon the regression model data.</p>
<p>For any statistical critiques leveled at the analysis presented in the Schramm-Raleigh report, please point to those places in the record where your consultants adjusted for these criticisms (heteroscedasticity, autocorrelation, correction for omitted variables bias, logging the dependent variable, recalculation of the CMAD formula to match the most recent statutory definition, etc.) and re-presented adjusted results.</p>	<p>AR 4, Tab 84, p. 16</p>	<p>Dr. Dobson’s testimony stating there was “insufficient time” (and indeed these very questions posed by the Superintendent’s consultants demonstrate the difficulty in understanding what the DHA has done here and the substantial time needed to “reverse engineer” the regression models).</p>

<p>Is there any evidence in the record that demonstrates how and whether cost per CMAD might change had Dirigo used the statutory formula?</p>	<p>AR 2, Tab 60, pp. 108-128</p> <p>AR 4, Tab 90</p> <p>AR 2, Tab 60, p. 153, ln 10 - p. 154, ln 5</p>	<p>Testimony from Mr. Schramm discussing statutory language and srHS failure to follow it.</p> <p>Medicare Cost Report Data with appropriate statutory adjustments made in Year 3 resulted in significantly lower base year cost growth.</p> <p>Schramm testimony that Medicare Cost Report Data will not change materially.</p>
<p>Please identify in the record the findings/compilations regarding the other states, approximately 29, that showed Dirigo savings.</p>	<p>AR 4, Tab 88</p> <p>AR 4, Tab 84, p. 28</p>	<p>Regression output for all 50 states.</p> <p>Chart summarizing 50 state regression.</p>
<p>Uninsured/Underinsured Initiatives</p>		
<p>Question</p>	<p>Record Citations</p>	<p>Summary of Cited Record Evidence</p>
<p>1. All source data sets used as a basis for the calculations estimated AMCS related to voluntary reductions Bad Debt and Charity Care.</p>	<p>AR 3, Tab 61 p. 322, ln 12-16</p> <p>AR 4, Tab 84, p. 40, ln 12-17</p>	<p>Dr. Dobson’s testimony that his team was unable to replicate the BD/CC regression.</p> <p>Explaining concerns with the “transparency” of the DHA’s methodology, e.g., deleted interim databases, missing output, undetailed process to “un-log” regression results.</p>

<p>2. All programs and queries used to transform the source data sets into the files used in the regression analysis for savings related to Bad Debt and Charity Care. Please include reference to any information regarding the exact order in which these steps could be followed by someone wishing to replicate the calculations, including all steps related to:</p>		
<p>a. Testing for data quality problems.</p>		
<p>b. Steps taken to edit and/or remove observations, fields, or other information from the source files.</p>		
<p>c. Steps to taken to calculate values from the raw source information.</p>		
<p>d. Steps to taken to impute, aggregate, or otherwise transform the source data into the analytical data sets.</p>		
<p>3. All programs used to perform the regression analyses, including:</p>		

<p>a. Explanation of the reasoning and/or theory behind the selection of variables, the use of Ordinary Least Squares vs. other regression models that could have been chosen.</p>		
<p>b. Explanation of diagnostic tests run on the regression results to test for failures in the assumptions underlying the form of regression model chosen and the reasoning for addressing or ignoring any such failures.</p>		
<p>c. Those regression specifications that were run but not presented in the report and the reasons for not including in them in the report.</p>		
<p>4. Statistical tests performed to test the significance of regression results and the analyst's conclusion about the importance of those tests and their impact on the interpretation of the results.</p>		

<p>Is there any quantified analysis in the record that supports an additional explanation for the reported decline in the rate of uninsurance in Maine from 1999 - 2006 besides the following offered explanations:</p> <ol style="list-style-type: none"> 1. MaineCare expansion of non-categorical adults 2. MaineCare expansion of adults >150% of FPL 3. Dirigo enrollment of previously uninsured 4. Global impacts of Dirigo initiative 	<p>None.</p>	<p>DHA failed to identify any citations for this question in its Response filed September 11, 2008.</p>
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Medical Loss Ratio		
Question	Record Citations	Summary of Cited Record Evidence
Is there any evidence in the record that any small group carriers in Maine have adjusted their pricing to reflect the possibility of a refund payable because of loss ratios below 78% for a three year period?		

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, William H. Stiles, hereby certify that a copy of the the Maine State Chamber of Commerce's Response to Hearing Questions for Citations to the Record was served on each of the persons listed below in the manner described in the Superintendent's Order Setting Actual Hearing Date, Ruling on Interventions, and Establishing Procedures dated August 18, 2008:

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