



**Consumers for
AFFORDABLE
Health Care
COALITION**

*Advocating the right to health care
for every man, woman and child.*

RECEIVED

2005 SEP 23 PM 1:32

MAINE BUREAU
OF INSURANCE

39 Green Street
Post Office Box 2490
Augusta, ME 04338-2490

Tel: 207 / 622 - 7045
Fax: 207 / 622 - 7077

E: consumerhealth@mainecahc.org
Web: www.mainecahc.org

HAND-DELIVERED AND SENT VIA EMAIL

September 23, 2005

Alessandro A. Iuppa, Superintendent
Attn: Vanessa J. Leon, Docket No. INS-05-700
Bureau of Insurance
Maine Department of Professional and Financial Regulation
#34 State House Station
Augusta, Maine 04333-0034

Dear Superintendent Iuppa:

Please find attached the Application to Intervene of Consumers for Affordable Health Care and Attachments 1 - 9. We have retained Rufus E. Brown, Esq., Brown & Burke, to represent our organization in the above captioned matter. For correspondence purposes, he can be reached at:

Rufus E. Brown, Esq.
Brown & Burke
85 Exchange Street, Suite 201
P.O. Box 7530
Portland, Maine 04112
Phone: (207) 775-0265
Fax: (207) 775-0266
Email: rbrown@brownburkelaw.com

Sincerely,

Joseph P. Ditré, Esq.
Executive Director

Pc: CAHC Board of Directors
Thomas Sturtevant, Jr., Esq.
John Kelly, Compass Health Analytics, Inc.
William Laubenstein, Esq.
Rufus E. Brown, Esq.
Karynlee Harrington, Ex. Dir., DHA
Bruce Gerrity, Esq.

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

IN RE: REVIEW OF AGGREGATE)	
MEASURABLE COST SAVINGS)	
DETERMINED BY DIRIGO HEALTH)	Table of Contents to Application
FOR THE FIRST ASSESSMENT YEAR)	to Intervene by Consumers for
		Affordable Health Care Coalition

Docket No. INS-05-700

Table of Contents

Docket No. Insurance-05-700

Application to Intervene by Consumers for Affordable Health Care Coalition
(September 23, 2005)

Attachment #1:

Consumers for Affordable Health Care Coalition Members List

Attachment # 2:

Affidavit of Gary Keilty (9/23/05)

Attachment #3:

Affidavit of Sarah Standiford (9/21/05)

Attachment #4:

Affidavit of Carol Carothers (9/16/05)

Attachment # 5:

Affidavit of Neena Quirion (9/16/05)

Attachment # 6:

Affidavit of Joseph Ditré (9/23/05)

Attachment #7:

Superintendent's Letter Confirming Ditre to SOP Working Group (June 24, 2005)

Attachment # 8:

Deputy Superintendent's Letter to IFS Committee (July 27,2005)

Attachment # 9:

CAHC Filing with Dirigo Health Agency Board (September 14, 2005)

RECEIVED

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

2005 SEP 23 11:11 AM

MAINE BUREAU
OF INSURANCE

IN RE: REVIEW OF AGGREGATE) APPLICATION TO INTERVENE
MEASURABLE COST SAVINGS) BY
DETERMINED BY DIRIGO HEALTH) CONSUMERS FOR AFFORDABLE HEALTH
FOR THE FIRST ASSESSMENT YEAR) CARE COALITION

Now comes Consumers for Affordable Health Care Coalition ("CAHC"), by and through its attorneys, with its application to intervene as a matter of right, pursuant to 5 M.R.S.A. §9054(1) and Bureau of Insurance Rule Chapter 350, in the above captioned matter on behalf of its members for the following reasons:

1. CAHC, with a principal place of business at 39 Green Street, Augusta, Maine, is the state's largest consumer health coalition. Its mission is to advocate for affordable, quality health care for every man, woman, and child. Its membership includes over 77 members, including 33 organizations and businesses. See *Attachment 1*. These organization and business members include consumer organizations such as the Maine Council of Senior Citizens, labor unions and organizations including the Maine AFL-CIO, small businesses, faith-based organizations including the Maine Council of Churches and the Roman Catholic Diocese of Portland, and health care provider associations such as the National Alliance for the Mentally Ill/Maine, the Maine State Nurses Association, the Maine Chapter of the National Association of Social Workers, and many others. CAHC's members also include uninsured individuals and families in Maine. Its collective membership represents the health care and coverage interests of over 200,000 Maine citizens.

2. CAHC's members will or may be substantially and directly affected by these proceedings because [1] they purchase DirigoChoice or [2] they would purchase DirigoChoice if coverage were expanded at lower rates or [3] they purchase insurance from health insurers whose rates will or may be affected by these proceedings, or [4] they represent organizations that have the foregoing interests. *Attachments 2 - 6* are affidavits from some of our members illustrating their interest in these proceedings.

3. CAHC proposes to represent the interests of its members as an intervenor in these proceedings by presenting expert witness testimony and argument that the aggregate measurable cost savings determined by the Dirigo Health Board of Directors are too low. This objective is germane to the mission of CAHC and will benefit its members. The determination of the aggregate measurable cost savings will serve as a cap or limit on the total amount of funding available to provide subsidies to previously uninsured or underinsured members of CAHC. Without these subsidies, uninsured and underinsured members of CAHC would not be able to purchase comprehensive, affordable coverage. In addition, insurance companies are required by the Dirigo Health statute to make their best efforts to recover the savings offset payments through negotiation of reimbursement rates with health care providers. 24-A M.R.S.A. §6913(7) Since the aggregate measurable cost savings serve as a limit on the savings offset payment (24-A M.R.S.A. §6913(2)(C)), and since it is in the direct interest of consumers as the ultimate payers for all health care costs to have insurance companies negotiate lower rates with providers, a

determination that reasonably and accurately reflects the highest amount of cost savings resulting from the operation of the Dirigo Health Program is in the direct interests of CAHC members.

4. The claims asserted and the relief sought by CAHC are not such as to require the participation of each of its 33 business or organizational members or each of its 44 individual members.

5. CAHC has been recognized as an interested party and has appeared as such in numerous matters relating to health insurance and health care before the Maine legislature and the Bureau of Insurance during the course of the past 17 years.

6. More specifically, CAHC has been involved and recognized as an interested party on behalf of its members in the formation, the implementation and the promotion of Dirigo. By letter dated June 24, 2005, the Maine Superintendent of Insurance confirmed CAHC's executive director, Joseph Ditré, to participate in the Working Group provided for in P.L. 2005, Chapter 400 to "include 5 members representing the interests of Dirigo Health." See §B-1(1) (*See Attachment 7*) As stated in Deputy Superintendent Judith Shaw's letter dated July 27, 2005 to the Chairpersons and Members of the Insurance and Financial Services Committee of the Maine Legislature, "the Superintendent accepted the recommendations of the parties in interest for participation in the Working Group." (*See Attachment 8*) The statutory duties of the Working Group required it to "make recommendations to advise the board on ... the board's proposed methodology for calculating aggregate measurable cost savings." By and through its executive director, CAHC and its members have participated in 12 of the 14 meetings of the Working Group convened since its initial meeting on June 29, 2005 and all of the Dirigo Health Agency Board of Director's meetings related to the recommendations of the Working Group;

7. CAHC's interest in this proceeding cannot be adequately represented by any other party. Legal counsel to the Dirigo Health Agency will seek to defend the determination of aggregate measurable cost savings by the Dirigo Health Agency Board of Directors. As stated in its September 14, 2005 filing with the Dirigo Health Agency Board of Directors, CAHC disagrees with the Board's determination as being significantly lower than the cost savings supported by the evidence in the record. (*See Attachment 9*) The lower the measurable savings, the lower the potential SOP assessment, the lower the amount available to provide subsidies to CAHC members. Legal counsel for parties representing employers or insurance carriers will seek an order that substantially lowers the cost savings determined to exist by the Dirigo Health Agency's Board of Directors.

For all of the above reasons, CAHC requests that its application to intervene as a matter of right be GRANTED.

Dated September 23, 2005

Respectfully submitted,



Rufus E. Brown, Esq., State Bar No. 1898

Brown & Burke
85 Exchange Street, Suite 201
P.O. Box 7530
Portland, Maine 04112
Phone: (207) 775-0265
Fax: (207) 775-0266
Email: rbrown@brownburkelaw.com

Enclosures

Pc: Thomas Sturtevant, Esq., AAG
William Laubenstein, Esq., AAG



**Consumers for
AFFORDABLE
Health Care
COALITION**

Attachment 1 to CAHC Application to Intervene

2005 Business Memberships

Dave's Appliance
Karen Heck & Associates
Tyson-Keilty Realty
Chase's Home Furnishings, Inc.
Com-Nav

2005 Organization Memberships

Common Cause
Community Concepts
Family Planning Association of Maine
H.O.M.E.
League of Women Voters of Maine
M.A.I.N.
Mabel Wadsworth Women's Health Center
Maine AFL-CIO
Maine Association of Nonprofits
Maine Center for Economic Policy
Maine Council of Churches
Maine Council of Senior Citizens
Maine Equal Justice Partners
Maine NOW
Maine PASA
Maine People's Alliance
Maine Public Health Association
Maine State Nurses Association
Maine Women's Lobby
MSEA/SEIU Local 1989
NAMI Maine
NASW-Maine Chapter
National Multiple Sclerosis Society
Penquis CAP, Inc
Planned Parenthood of Northern N.E.
Portland Newspaper Guild Local 31128
Roman Catholic Bishop of Portland
UFCW - Local 14454
Women's Worth Career Counseling

2005 Individual Memberships

Anderson, Elizabeth
Atchinson, Brian and Family
Beauchamp, John L.
Benedikt, Ruth
Best, Paul S.
Brautigam, Denise
Bryant, Sally W.
Buttman, Georgine and Bruce
Chambers, Francis
Chapman, John C.
Clark, Valerie
Cyr, Anna
Dentone, Margaret
Durgin, Barbara
Fecteau, Rossemary L., PHD
Fernald, Joanna
Foster, Nedra
Frasz, MD David P.
Gaudreau, Laurent & Rachel
Goldman, Robert
Hart, Elizabeth B.
Houghton, Janet S.
Johnson, David M., D.O.
Kennedy, Nancy Sue
Klane, Deborah
Knapp, Alice, Esq.
Littlejohn, Lisa
Luksic, Irina
MacPherson, Kathleen Isabel
Marlowe, Robert K.
Martins, Rebecca
McCormick, Dale & Peaches Bass
Merrick, Dorothy
Merrill, Robyn
Pease, Frederic
Phipps, Rachel & John Costin
Rooney, Ted
Rydell, Lars & Charlene
Saxl, Jane W.
Skorapa, Jr., Victor
Sutton, Sally
Thompson, Philip
Weingarten, Robert P.
Weiss, David & Barbara

Attachment 2 to CAHC Application to Intervene

Affidavit of Gary Keilty,

Tyson and Keilty Realty, Readfield, Maine

**In Support of Consumers for Affordable Health Care's Application to Intervene in
Docket No. INS-05-700**

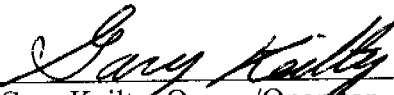
I, Gary Keilty, being duly sworn do hereby state:

1. My wife, Ann Keilty, and I are the owners and operators of a small real estate business called Tyson and Keilty Realty. Our business is located in Readfield, Maine.
2. Our business is a dues-paying business member of the Consumers for Affordable Health Care Coalition ("CAHC"). It receives and relies on information about health care and health insurance reform initiatives in Maine through our membership in CAHC. It relies on CAHC to represent our interests in health care and health insurance matters before the Maine State Legislature and administrative agencies. It has been involved in the development and implementation of the Dirigo Health Program since it began.
3. Our business purchases DirigoChoice and our coverage is discounted.
4. DirigoChoice is the only product that provides us with comprehensive coverage at an affordable rate in the Maine market.
5. It is in the interest of our business that the Superintendent's order approve the greatest amount of cost savings that can reasonably and accurately be measured and counted under the Dirigo law. The greater the cost savings, the greater the amount that the insurance companies can recover in cost savings from health care providers through the savings offset payments, and the greater the subsidies, which discount our coverage and those of other struggling Maine small businesses, to reduce our financial burden.
6. It is in the interest of our business to have insurance companies use the bargaining power that the verified cost savings ordered in this proceeding will give them in order to negotiate the best rates possible with health care providers on my behalf as an insured business. I am concerned that some insurance companies will argue in this proceeding that the cost savings are much less than the determination made by the Dirigo Health Agency Board of Directors. Lower cost savings will reduce the amount that insurance companies can recover from health care providers in the savings offset payment, which, in turn, will lower the subsidies available to the program that make coverage more affordable for my small businesses through discounted rates.

Attachment 2 to CAHC Application to Intervene

7. I want Consumers for Affordable Health Care to represent my interests by providing expert testimony that demonstrates the actual cost savings are much higher than the amount determined by the Dirigo Health Agency Board of Directors. If the actual cost savings are higher, it would justify even greater subsidies for employers purchasing DirigoChoice like me.
8. Our business supports the application to intervene of CAHC in order to represent the interests of our business regarding the cost savings in this proceeding.

DATED: 9/23/05



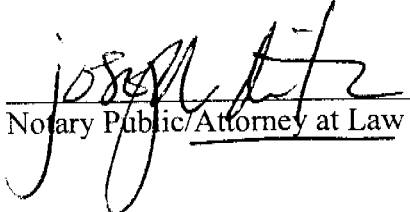
Gary Keilty, Owner/Operator
Tyson and Keilty Realty

STATE OF MAINE
Kennebec, ss.

Personally appeared the above-named Gary Keilty and made oath that the foregoing affidavit by him is true, that it is made upon his own personal knowledge, information, and belief, and, so far as upon information and belief, he believes this information to be true.

DATED: 9/23/05

Before me,



Notary Public/Attorney at Law Bar # 3719

Attachment 3 to CAHC Application to Intervene

**Affidavit of Sarah Standiford, Executive Director, Maine Women's Lobby
In Support of Consumers for Affordable Health Care's Motion to Intervene in
Docket No. INS-05-700**

I, Sarah Standiford, being duly sworn do hereby state:

1. I serve as the executive director of the Maine Women's Lobby. The Maine Women's Lobby ("MWL") is a statewide, membership organization whose mission is to increase social, economic, and political opportunities for Maine women and girls through public policy and leadership development. Our organization is located in Augusta, Maine.
2. Our organization is a dues-paying organizational member of the Consumers for Affordable Health Care Coalition ("CAHC"). MWL receives and relies on information about health care and health insurance reform initiatives in Maine through our membership in CAHC. MWL relies on CAHC to represent our interests, and the interests of our members, in health care and health insurance matters before the Maine State Legislature and administrative agencies.
3. Our organization purchases health insurance from Anthem Blue Cross/Blue Shield, which covers 4 employees.
4. It is in the interest of our organization that the Superintendent's order approve the greatest amount of cost savings that can reasonably and accurately be measured and counted under the Dirigo law. The greater the cost savings, the greater the amount that the insurance companies can recover in cost savings from health care providers through the savings offset payments. Greater recoveries from health care providers in cost savings should result in lower premiums for our insurance coverage as an organization. Greater recoveries from health care providers in cost savings should also result in greater subsidies available through DirigoChoice to discount the costs of coverage for low wage and low-income women and women-owned businesses who are struggling with high health care costs.
5. MWL believes that the final determination of cost savings, adopted by the Dirigo Health Agency Board of Directors, is significantly less than the cost savings supported by the Mercer and Kane reports to the Board.
6. It is in the interest of our organization to have insurance companies use the bargaining power that the verified cost savings ordered in this proceeding will give them in order to negotiate the best rates possible with health care providers on our organization's behalf and share the benefits of those lower rates with our organization and other insured consumers in the form of lower premiums.
7. MWL wants Consumers for Affordable Health Care to represent our interests by providing expert testimony and argument that demonstrates the actual cost savings are much higher than the amount determined by the Dirigo Health Agency Board of Directors.

We support the motion of Consumers for Affordable Health Care Coalition to represent the interests of our organization regarding the calculation of the cost savings as a result of the operation of Dirigo Health and increases in enrollment in MaineCare and other very important issues.

DATED:

Sept 21, 2005



Sarah Standiford, Executive Director
Maine Women's Lobby

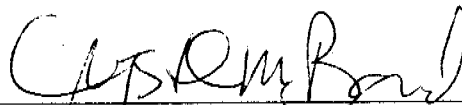
STATE OF MAINE
Kennebec, ss.

Personally appeared the above-named Sarah Standiford and made oath that the foregoing affidavit by her is true, that it is made upon her own personal knowledge, information, and belief, and, so far as upon information and belief, she believes this information to be true.

DATED:

9/21/05

Before me,



Notary Public/Attorney at Law

MY COMMISSION EXPIRES APRIL 13, 2007

Attachment 4 to CAHC Application to Intervene

**Affidavit of Carol Carothers, Executive Director,
National Alliance for the Mentally Ill/Maine**

**In Support of Consumers for Affordable Health Care's Motion to Intervene in
Docket No. INS-05-700**

I, Carol Carothers, being duly sworn do hereby state:

1. I serve as the executive director of the National Alliance for the Mentally Ill/Maine ("NAMI/Maine"). NAMI/Maine is a nonprofit organization whose mission is to improve the lives of all people affected by mental illness through support, education, and advocacy. Our organization was incorporated in 1984 and is located in Augusta, Maine.
2. Our organization is a dues-paying organizational member of the Consumers for Affordable Health Care Coalition ("CAHC"). NAMI/Maine receives and relies on information about health care and health insurance reform initiatives in Maine through our membership in CAHC. NAMI/Maine relies on CAHC to represent our interests, and the interests of our members, in health care and health insurance matters before the Maine State Legislature and administrative agencies.
3. Our organization purchases health insurance from Aetna, which covers 7 employees.
4. It is in the interest of our organization that the Superintendent's order approve the greatest amount of cost savings that can reasonably and accurately be measured and counted under the Dirigo law. The greater the cost savings, the greater the amount that the insurance companies can recover in cost savings from health care providers through the savings offset payments. Greater recoveries from health care providers in cost savings should result in lower premiums for our insurance coverage as an organization. Greater recoveries from health care providers in cost savings should also result in greater subsidies available through DirigoChoice to discount the costs of coverage for people affected by mental illness.
5. NAMI/Maine believes that the final determination of cost savings, adopted by the Dirigo Health Agency Board of Directors, is significantly less than the cost savings supported by the evidence in the record.
6. It is in the interest of our organization to have insurance companies use the bargaining power that the verified cost savings ordered in this proceeding will give them in order to negotiate the best rates possible with health care providers on our organization's behalf and, in turn, share the benefits of those lower rates with the insured consumer in the form of lower premiums.
7. NAMI/Maine wants Consumers for Affordable Health Care to represent our interests by providing expert testimony that demonstrates the actual cost savings are much higher than the amount determined by the Dirigo Health Agency Board of Directors.

We support the motion of Consumers for Affordable Health Care Coalition to represent the interests of our business regarding the calculation of the cost savings as a result of the operation of Dirigo Health and increases in enrollment in MaineCare and other very important issues.

DATED: 9-16-05

Carol Carothers

Carol Carothers, Executive Director
National Alliance for the Mentally Ill/Maine

STATE OF MAINE
Kennebec, ss.

Personally appeared the above-named Carol Carothers and made oath that the foregoing affidavit by her is true, that it is made upon her own personal knowledge, information, and belief, and, so far as upon information and belief, she believes this information to be true.

DATED:

Before me,

9-16-05

Judith A. Plano #7821
Notary Public/Attorney at Law

Attachment 5 to CAHC Application to Intervene

**Affidavit of Neena Quirion, Executive Director,
Maine Council of Senior Citizens/ARA**

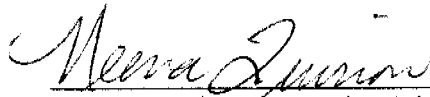
**In Support of Consumers for Affordable Health Care's Motion to Intervene in
Docket No. INS-05-700**

I, Neena Quirion, being duly sworn do hereby state:

1. I serve as the executive director of the Maine Council of Senior Citizens/ARA ("MCSC/ARA"). MCSC/ARA is a nonprofit organization whose mission is to improve the lives of older citizens through support, education, and advocacy. Our organization was incorporated in 1989 and is located in Augusta, Maine.
2. Our organization is a dues-paying organizational member of the Consumers for Affordable Health Care Coalition ("CAHC"). MCSC/ARA receives and relies on information about health care and health insurance reform initiatives in Maine through our membership in CAHC. MCSC/ARA relies on CAHC to represent our interests, and the interests of our members, in health care and health insurance matters before the Maine State Legislature and administrative agencies.
3. Our organization purchases health insurance from Anthem BCBS.
4. It is in the interest of our organization that the Superintendent's order approve the greatest amount of cost savings that can reasonably and accurately be measured and counted under the Dirigo law. The greater the cost savings, the greater the amount that the insurance companies can recover in cost savings from health care providers through the savings offset payments. Greater recoveries from health care providers in cost savings should result in lower premiums for our insurance coverage as an organization. Greater recoveries from health care providers in cost savings should also result in greater subsidies available through DirigoChoice to discount the costs of coverage for older people, especially those who are not eligible for Medicare.
5. MCSC/ARA believes that the final determination of cost savings, adopted by the Dirigo Health Agency Board of Directors, is significantly less than the cost savings supported by the evidence in the record.
6. It is in the interest of our organization to have insurance companies use the bargaining power that the verified cost savings ordered in this proceeding gives them in order to negotiate the best rates possible with health care providers on our organization's behalf and, in turn, share the benefits of those lower rates with our organization and other insured consumers in the form of lower premiums.
7. MCSC/ARA wants Consumers for Affordable Health Care to represent our interests by providing expert testimony and argument that demonstrates the actual cost savings are much higher than the amount determined by the Dirigo Health Agency Board of Directors.

We support the motion of Consumers for Affordable Health Care Coalition to represent the interests of our organization regarding the calculation of the cost savings as a result of the operation of Dirigo Health and increases in enrollment in MaineCare and other very important issues.

DATED: 9/16/05

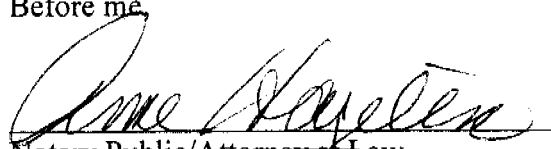


Neena Quirion, Executive Director
Maine Council of Senior Citizens

STATE OF MAINE
Kennebec, ss.

Personally appeared the above-named Neena Quirion and made oath that the foregoing affidavit by her is true, that it is made upon her own personal knowledge, information, and belief, and, so far as upon information and belief, she believes this information to be true.

DATED: 9/16/05

Before me,


Notary Public/Attorney at Law

Attachment 6 to CAHC Application to Intervene

**Affidavit of Joseph Ditré, Executive Director,
Consumers for Affordable Health Care
In Support of Consumers for Affordable Health Care's Motion to Intervene in
Docket No. INS-05-700**

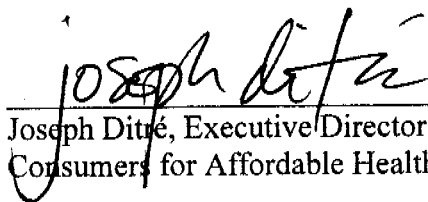
I, Joseph Ditré, being duly sworn do hereby state:

1. I serve as the executive director of the Consumers for Affordable Health Care ("CAHC"). CAHC's mission is to advocate for affordable, quality health care for every man, woman, and child. CAHC's membership includes over 77 members, including 33 organizations and businesses. These organization and business members include consumer organizations such as the Maine Council of Senior Citizens, labor unions and organizations including the Maine AFL-CIO, small businesses, faith-based organizations including the Maine Council of Churches and the Roman Catholic Diocese of Portland, and health care provider associations such as the National Alliance for the Mentally Ill/Maine, the Maine State Nurses Association, the Maine Chapter of the National Association of Social Workers, and many others. CAHC's members also include uninsured individuals and families in Maine. Its collective membership represents the health care and coverage interests of over 200,000 Maine citizens.
2. Our organization is located at 39 Green Street in Augusta, Maine.
3. Our organization purchases health insurance from Anthem BCBS, which covers 7 employees.
4. Our board of directors authorized CAHC, by and through its attorneys, to apply to intervene in this proceeding.
5. CAHC expends a significant portion of its resources to support and advance the access expansion, cost containment, and quality improvement goals of the Dirigo Health Program.
6. It is in the interest of our organization that the Superintendent's order approve the totality of cost savings that can reasonably and accurately be measured and counted under the Dirigo law. The greater the cost savings, the greater the amount that the insurance companies can recover in cost savings from health care providers through the savings offset payments. Greater recoveries from health care providers in cost savings should result in lower premiums for our insurance coverage as an organization. Greater recoveries from health care providers in cost savings should also result in greater subsidies available through DirigoChoice to discount the costs of coverage for our individual, organization, and small business members, who are or have been uninsured or underinsured.

7. CAHC believes that the final determination of cost savings, adopted by the Dirigo Health Agency Board of Directors, is significantly less than the cost savings supported by the evidence in the record.
8. It is in the interest of our organization to have insurance companies use the bargaining power that the verified cost savings ordered in this proceeding gives them in order to negotiate the best rates possible with health care providers on our organization's behalf and, in turn, share the benefits of those lower rates with our organization and other insured consumers in the form of lower premiums.
9. CAHC will provide, on behalf of its members and itself, expert testimony and argument that demonstrates the actual cost savings are much higher than the amount determined by the Dirigo Health Agency Board of Directors.

CAHC supports the application to intervene in this proceeding.

DATED: 9/23/05



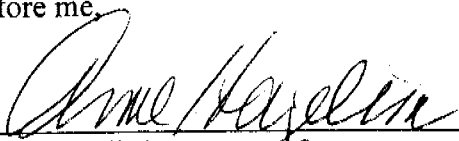
Joseph Ditré, Executive Director
Consumers for Affordable Health Care

STATE OF MAINE
Kennebec, ss.

Personally appeared the above-named Joseph Ditré and made oath that the foregoing affidavit by his is true, that it is made upon his own personal knowledge, information, and belief, and, so far as upon information and belief, he believes this information to be true.

DATED: 9/23/05

Before me,



Notary Public/Attorney at Law

Attachment 7 to the CAHC Application to Intervene
Letter from the Superintendent confirming Joseph Ditré to the Work Group



JOHN ELIAS BALDACCI
GOVERNOR

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL
AND FINANCIAL REGULATION
BUREAU OF INSURANCE
34 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0034

ALESSANDRO A. IUPPA
SUPERINTENDENT

June 24, 2005

Joseph Ditre
Consumers for Affordable Health Care
PO Box 2490
Augusta, ME 04338-2490

RE: Dirigo Health Program Working Group

Dear Mr. Ditre:

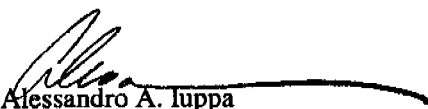
This letter will confirm your participation in the Working Group provided for in P.L. 2005, c. 400. The purpose of the Working Group is to make recommendations to the Dirigo Health Program Board of Directors on several specific topics set forth in the legislation.

As I am sure you are aware, the legislation contemplates that a significant amount of work will be completed by the Working Group in a relatively short period of time. Accordingly, this office has scheduled the initial meeting of the Working Group to be held on Friday, June 30, 2005 from 1:00 to 5:00 p.m. in Room 427 of the State House in Augusta. You will be receiving via e-mail a copy of the Legal Notice of this meeting which the Bureau of Insurance has caused to be published. An agenda for this first meeting also will be provided to you when available.

P.L. 2005, c. 400 requires the Bureau of Insurance to provide an independent facilitator to assist you in your efforts. I am pleased to be able to advise you that we have retained Ann Gosline of the firm of Gosline & Reitman for this purpose.

Thank you for your willingness to serve on this Working Group. I wish you well in your endeavors.

Sincerely,


Alessandro A. Iuppa
Superintendent of Insurance

cc Ann Gosline



PRINTED ON RECYCLED PAPER

**Attachment 8 to Consumers for Affordable Health Care Application to Intervene
Letter to the Insurance and Financial Services Joint Standing Committee**



JOHN ELIAS BALDACCI
GOVERNOR

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL
AND FINANCIAL REGULATION
BUREAU OF INSURANCE
34 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0034

ALESSANDRO A. IUPPA
SUPERINTENDENT

July 27, 2005

The Honorable Nancy Sullivan
Senate Chair
Joint Standing Committee on
Insurance and Financial Services
100 State House Station
Augusta, ME 04333-0100

The Honorable Anne Perry
House Chair
Joint Standing Committee on
Insurance and Financial Services
100 State House Station
Augusta, ME 04333-0100

Re: Savings Offset Payment Working Group

Dear Senator Sullivan, Representative Perry, and Members of the Joint Standing Committee on Insurance and Financial Services:

On behalf of the Savings Offset Payment Working Group convened pursuant to P.L. 2005, c. 400, please accept this letter and its attachments as the first monthly report of the Working Group. As required by P.L. 2005, c. 400 the Superintendent of Insurance, through me as his designee, convened the first meeting of the Working Group on June 29, 2005. Prior to the first meeting, the Superintendent accepted the recommendations of the parties in interest for membership to the Group. At this time, the members of the Working Group, including alternates, are as follows:

Representing the interests of Dirigo Health:

Karynlee Harrington, Executive Director, Dirigo Health Agency
Elizabeth Kilbreth, Associate Research Professor, Muskie School of Public Service
Patrick Ende, Senior Policy Advisor, Office of the Governor
Joseph Ditre, Executive Director, Consumers for Affordable Health Care
Geoffrey Green, Deputy Commissioner, Department of Health and Human Services
Alternate: Kirsten Figueroa, Director of Budgeting and Fiscal Operations, Dirigo Health
Alternate: Jack Comart, Litigation Director, Maine Equal Justice Project

Representing the interests of insurers, self-insured entities and third-party administrators:

Dan Roet, Director of Human Resources Services, Bath Iron Works
Frank McGinty, Executive Vice President and Treasurer, Maine Health
James Reid, Northeast General Manager, Aetna, Inc.
John Benoit, President, Employee Benefit Solutions
Sharon Roberts, Director of Stakeholder Relations, Anthem Blue Cross and Blue Shield
Alternate: Robert Downs, Director of Development and Operations, Harvard Pilgrim
Health Care
Alternate: Kristine Ossenfort, Senior Governmental Affairs Specialist, Maine State


PRINTED ON RECYCLED PAPER

Chamber of Commerce

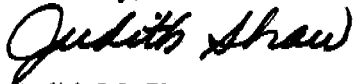
A complete list of the membership with contact information is attached.

The Working Group has met on six separate occasions as of the date of this report. All meetings of the Working Group are held in the Legislative Council chambers and are being webcast in order to make the meetings as accessible as possible. As you aware, the Working Group was given five distinct charges as part of P.L. 2005, c. 400. We are pleased to report that the Working Group is close to reaching consensus on the second charge of developing a definition of "paid claims" to recommend to the Board of Directors of Dirigo Health. Copies of the meeting summaries from and documents distributed at each meeting of the Working Group are attached for your consideration.

The members of the Working Group have made a significant time commitment to this project and have made a concerted effort to reach a consensus that represents the most reasonable recommendation to be presented the Board of Directors. It is evident from the deliberations of this Working Group that those recommendations will represent a reasoned approach and will not represent solely those interests of one group or another. Despite the fact that the members represent well defined constituencies, it is hoped that the final product will be the result of true consensus.

We trust that the documents presented meet the needs of the Committee.

Sincerely,



Judith M. Shaw

Deputy Superintendent

Cc: Christine Bruenn, Commissioner
Alessandro A. Iuppa, Superintendent
Members of the Savings Offset Payment Working Group
Ann Gosline, Gosline & Reitman Dispute Resolution Services

Attachment 9 Consumers for Affordable Health Care Application to Intervene



**Consumers for
AFFORDABLE
Health Care
COALITION**

39 Green Street
Post Office Box 2490
Augusta, ME 04338-2490

Tel: 207 / 622 – 7045
Fax: 207 / 622 – 7077

E: consumerhealth@mainecahc.org
Web: www.mainecahc.org

*Advocating the right to health care
for every man, woman and child.*

BOARD OF DIRECTORS

September 14, 2005

President

Sally Sutton, MA, MSSW
*Public Policy and Nonprofit
Management Consultant*

Carol Carothers

*National Alliance for the Mentally
Ill – Maine*

Nicole Clegg

*Family Planning Association
of Maine*

Catherine Stakeman, MSW,

*National Association of Social
Workers – Maine Chapter*

Robert Goldman, Esq.

Individual

Brian Ketchen

Dave's Appliance, Inc.

Alice Knapp, Esq.

Law Office of Alice E. Knapp

Ned McCann

Maine AFL-CIO

Marc Mutty

Roman Catholic Diocese

Kathryn Pears

Maine Alzheimer's Association

Patricia S. Philbrook, RNC,

NP
Maine State Nurses Association

Neena Quirion

Maine Council of Senior Citizens

Jane Scease

Maine People's Alliance

Dan Shagoury

Individual

Sarah Standiford

Maine Women's Lobby

Nancy Zurbach, MD

Family Medicine Institute

Joseph P. Ditré, Esq.

Executive Director

Robert McAfee, M.D., Chairman
Board of Directors
Dirigo Health Agency
211 Water Street
Augusta, ME 04330

Re: Aggregate Measurable Cost Savings

Dear Chairman McAfee and Members of the Dirigo Health Agency Board of Directors:

Thank you for this opportunity to provide comments to the proposed methodologies presented to the board by consultants representing the Dirigo Health representatives to the Working Group (Mercer Government Human Resource Consulting and Dr. Kane, Harvard School of Public Health, hereafter "Mercer/Kane") and by the Maine Chamber of Commerce's consultant representing the insurers and large employer representatives to the Working Group (the Lewin Group, hereafter "Lewin") in addition to some hospitals.

Consumers for Affordable Health Care (CAHC) is Maine's largest consumer health coalition whose mission is to advocate for affordable, quality health care for every man, woman, and child. Our membership includes over one-hundred members, including fifty organizations and businesses. The organization and business members, include consumer organizations such as the Maine Council of Senior Citizens, labor unions and organizations including the Maine AFL-CIO, small businesses, faith-based organizations including the Maine Council of Churches and the Roman Catholic Diocese of Portland, and health care provider associations such as the National Alliance for the Mentally Ill/Maine, the Maine State Nurses Association, the Maine Chapter of the National Association of Social Workers, and many others. Its collective membership represents the health care and coverage interests of over 200,000 Maine citizens. These member organizations and businesses purchase private insurance policies whose rates may be affected by the determination that you will file with the Superintendent of Insurance regarding the aggregate measurable cost savings. Moreover, several of our individual and business members purchase DirigoChoice, whose availability and subsidies may be affected by the determination you will file.

At the outset, our members believe that the proposed methodologies presented by Mercer/Kane are too conservative, and therefore, undercount “aggregate measurable cost savings” achieved as a result of the operation of Dirigo Health and expansions of MaineCare. Our members also believe that proposed methodologies presented by Lewin, to the extent that they are premised on “charges” and not “costs,” do not meet the statutory requirements found in 24-A M.R.S.A. §6913 as amended and, therefore, cannot be considered.

Lewin’s Methodologies Violate The Statute To The Extent That They Are Based on Charges

Lewin asks the Board to replace the word “costs” in the statute with the word “charges.” The board does not have that power and, hence, would be in violation of the statute if it were to do so. The statute is clear on its face. P.L. 2005, Chapter 400, Part B, Section B-2, subsection 2, which governs the Board’s determination in the first year of the savings offset payment, states:

No later than the effective date of this Act, the board shall file with the Superintendent of Insurance its determination as to the aggregate measurable **cost** savings in this State, including any reduction or avoidance of bad debt and charity care **cost** to health care providers as a result of the operation of Dirigo Health and any increased MaineCare enrollment due to an expansion in MaineCare eligibility occurring after June 30, 2004 as well as the supporting information for that determination. The filing constitutes a public record[.] (Bold added)

The Legislature adopted cost controls that were verifiable and measurable. See e.g., P.L. 2003, Chapter 469, Part F (“Voluntary limits to control growth of insurance and health care costs; report”). The Legislature requires the Dirigo Health Board of Directors to measure the cost savings including any reduction or avoidance of bad debt and charity care cost to health providers – not reductions in charges to payors – as a result of the operation of Dirigo Health and MaineCare expansions.

Lewin’s methodologies would have the Board throw out two year’s of work by the Maine Hospital Association and its members, various state agencies and their experts, and the Maine State Legislature to develop credible, consistent and standardized financial cost reporting from Maine’s hospitals – because its clients want a “simple” measure.

The statute does not permit the Board to sacrifice accuracy for simplicity. If the Legislature wanted you to measure reductions in charges or prices to payors -- rather than reductions or avoidance of bad debt and charity care costs to health care providers -- it would have said so. It did not.

Contrary to Lewin’s Assertions That Charges in Maine Move In Lockstep With Costs, Their Own Chart Shows That Not To Be The Case and Supports the Mercer/Kane Methodology

Using the chart¹ provided by Lewin at page 8 of their presentation, while actual charges in 2000 increased over the previous year by almost 1 percent (0.58%), actual cost per discharge decreased by almost 2 percent (1.6%). The most dramatic example of a huge variation between actual charges and actual costs per discharge occurred in year 2003. In 2003, actual charges increased by almost 7 percent (6.65%) while actual cost per discharge decreased by almost 1 percent (0.78%). Of the four percentages that can be drawn from the years and number provided, three show that actual charges and actual costs per discharge are not in “lockstep” as asserted by Lewin. For the year 2003, the Board would have to make a factual finding that a variation between actual charges and actual cost per discharge of almost 8 percentage points can be termed “in lockstep.”

¹ Sheils, John, Catterall, Grady, and Sethi, Rachel, The Lewin Group, **Illustrative Analyses of Potential Savings Under the Dirigo Health Program, September 13, 2005**, “Hospital Cost Growth Nationwide Slowed after 2002, Giving the Appearance of “Savings” in Maine for Dirigo Under State Program, p. 8

Contrary to the point for which it was asserted, the Chart actually supports the Mercer/Kane position that the Board must use costs – not charges – to determine “cost savings.”

Lewin Methodologies Violate The Statutory Requirement to Measure Aggregate Cost Savings As A Result of the Operation of Dirigo Health To The Extent That They Are Based A Single Measure

The Dirigo Health Statute requires the board to determine the “aggregate measurable cost savings...as a result of the operation of Dirigo Health and any increased MaineCare enrollment.” P.L. 2005, Chapter 400, Part B, Section B-2, subsection 2 The statute provides numerous cost containment mechanisms. Some of the cost savings resulting from those mechanisms occur in different years. The components of those cost savings require different measurement techniques that cannot be captured in a single measure. Frank McGinty stated during one of the Working Group meetings that the Payor Group’s proposed methodology does not reflect actual hospital expenditures. Since the Legislature provided clear language in the statute that requires the measurement of “cost” savings 24-A M.R.S.A. §6913(1) and set out measurements that are retrospective in nature and based on *what actually happened* (actual costs) 24-A M.R.S.A. §6913, sub-§§6, 7 and 8 -- not projections or expectations of *what may happen* (charges set at the end of one year for a subsequent year without adjustment for actual expenditures or increased revenues during that year) – the use of a single measure premised on charges is not sufficient to meet the statutory requirements for measuring cost savings.

To the Extent That Lewin’s Methodologies Are Based on Non-Statutory Criteria Such As “Line of Sight,” “Netting of Cost Savings Against Non-Dirigo Related Cost Increases,” and “50%-50% Sharing,” They Are Not Permitted By The Statute and Cannot Be Considered By The Board

Lewin consultant, John Sheils, admitted during his presentation on September 13, 2005 that there is no statutory support for the Payor Group’s so-called “line of sight” criterion. The importance of that admission cannot be overstated since the entire reason for using “charges” is premised squarely on that criterion alone. In fact, none of the three criteria asserted by the Payor Group can be found in the statute and, therefore, must be rejected by the board.

Lewin asserted that “aggregate” means “the sum of” and, therefore, must mean “net.” Again, the Legislature was quite clear in its statement that the board must determine “aggregate measurable cost savings.” “Aggregate” is used as an adjective to describe “cost savings” – not “cost increases.” Using Lewin’s own definition of aggregate, the statute requires the board to total or sum up the measurable “cost savings” resulting from Dirigo Health. Frank McGinty and John Sheils both confirmed in presentations to the board that there are no cost increases that can be attributed to operation of Dirigo Health. Therefore, netting cost savings that *are* a result of the Dirigo Health program against cost increases that *are not* a result of the operation of the program is clearly a violation of the statute. If the Legislature wanted the Dirigo Health Board to “net” cost savings against cost increases, it would have said so. It did not.

Finally, Lewin’s argument for “netting,” if taken as offered, with their own admission that no cost increases can be attributed to the operation of Dirigo Health, means that Mercer/Kane undercounted cost savings as shown below.

Mercer/Kane Methodologies Are Too Conservative and Undercount Cost Savings As A Result of the Operation of Dirigo Health and Increases in MaineCare Enrollment

First, while Lewin’s “netting” proposal does not comply with the statute in terms of determining cost savings as a result of the operation of Dirigo Health, because it “nets” cost savings that did result from Dirigo Health against cost increases that no one believes resulted from the operation of Dirigo Health, it does support the argument that where a hospital’s COM and CMAD increased at a rate below the projected trend but for the

operation of Dirigo Health, the difference between what the COM and CMAD would have been and what it actually was should be counted as savings. In other words, if a hospital's consolidated operating margin would have increased from 4% to 7% *but for* the operation of Dirigo Health, and rose to only 5%, the actual measurable savings are the difference between what it would have been (here 7%) and what it actually increased to (here 5%). In short, the 2 percentage points that the COM or the CMAD would have increased -- but didn't because of the operation of Dirigo Health -- are measurable cost savings.

Second, any reductions in COM below 3% and in CMAD below 3.5% are measurable cost savings and must be included in the board's determination. Mercer/Kane count only those decreases in COM and CMAD where the historic trend for those components was above 3% and 3.5% respectively and dropped down to or below 3% and 3.5% respectively. They do not include those COM and CMAD that were already at or below 3% and 3.5% respectively and decreased even further. The statute states:

Each hospital licensed under Title 22, chapter 405 is asked to voluntarily restrain cost increases, measured as expenses per case mix adjusted discharge, to **no more than 3.5%** for the hospital fiscal year beginning July 1, 2003 and ending June 30, 2004. Each hospital is asked to hold consolidate operating margins to **no more than 3%** for the hospital's fiscal year beginning July 1, 2003 and ending June 30, 2004. P.L. 2003, Chapter 469, Part F, Section F-1, subsection B. (Bold added)

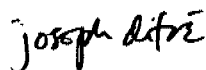
The clear language of the statute asked the hospitals to constrain their COM and CMAD to no more than 3% and 3.5% respectively. Where a hospital constrained its COM or CMAD to level below 3% or 3.5% respectively, it met the statute. The decrease in COM and/or CMAD below the stated percentage results in savings that are directly attributable to Dirigo Health's operation. Frank McGinty testified to the Board that it is his belief that every hospital in Maine made an effort to meet the voluntary targets established by the Dirigo Health statute.

The Working Group members representing the so-called "Payor Group" were asked to provide documentation of any efforts or cost controls that they had put into place that would account for these decreases in COM and/or CMAD, as well as other restraints such as the restraints on voluntary underwriting gains. They did not do so. One can only assume that decreases in costs and the savings resulting therefore are attributable to Dirigo Health since there were no other controls of a statewide nature to which health care providers and insurers were asked to comply.

The Definition of Paid Claims Leaves Out The Fourteen Percent (14%) Portion Paid By Employees and Consumers. That Is Unreasonable and Unfair and Arbitrarily Reduces the Base Amount Upon Which The Savings Offset Payment Is Assessed.

The Working Group representatives did not agree on a final definition of "paid claims." In an attempt to reach a compromise, Dirigo Health representatives did not include the employee-consumer portion of the paid claim in the definition. The Maine Health Data Organization provided a chart which showed that that portion amounted to about 14 percent of all in-state claims in the year 2003. It is not reasonable to define for statutory purposes a definition that excludes such a huge portion of the paid claim and which is not recognized by state reporting standards.

Sincerely,



Joseph P. Ditré
Executive Director