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October 7, 2005

By E-mail and U.S. Mail

Alessandro A. Iuppa, Superintendent
Attn: Vanessa J. Leon, Docket No. INS-05-700
Bureau of Insurance
Maine Department of Professional & Financial Regulation
124 Northern Avenue
Gardiner, Maine 04345

**Re: In Re: Review of Aggregate Measurable Cost Savings Determined by Dirigo
Health for the First Assessment Year
Docket No. INS-05-700**

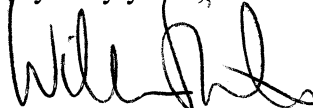
Dear Superintendent Iuppa:

Enclosed for filing in the above-referenced matter please find the original and one (1) copy of the following documents:

1. Filing Cover Sheet; and
2. Maine State Chamber of Commerce First Request for Information to the Board of Directors of Dirigo Health.

Thank you for your attention to this matter.

Very truly yours,



William H. Stiles

WHS/rdl
Enclosure

cc: Service List (*by e-mail and U.S. Mail*)
Kristine Ossenfort

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 FIRST)
ASSESSMENT YEAR)

DOCKET NO. INS-05-700

To: Alessandro Iuppa, Superintendent of Insurance
Attn: Vanessa J. Leon

Dated Filed: October 7, 2005

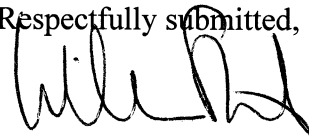
Name of Party: Maine State Chamber of Commerce

Document Title: First Request for Information to the Board of Directors of Dirigo Health

Document Type: Information Request

Confidential: No

Respectfully submitted,



William H. Stiles, Bar No. 8123

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

IN RE:)	
)	
REVIEW OF AGGREGATE)	
MEASURABLE COST SAVINGS)	MAINE STATE CHAMBER
DETERMINED BY DIRIGO HEALTH)	OF COMMERCE FIRST
FOR THE FIRST ASSESSMENT YEAR)	REQUEST FOR
)	INFORMATION TO THE
)	BOARD OF DIRECTORS OF
)	DIRIGO HEALTH
)	
Docket No. INS-05-700)	

Pursuant to Maine Bureau of Insurance Rules chapter 350, section 10, and the Procedural Order dated September 19, 2005, the Maine State Chamber of Commerce (“Chamber”), by and through its attorney, hereby submits this Request for Information to the Board of Directors of Dirigo Health.

DEFINITIONS

1. The “Act” means the Dirigo Health Act, 24-A M.R.S.A. §§ 6901-6971, P.L. 2003, ch. 469, §A-8 (as amended by P.L. 2005, ch. 400).
2. “And” should be read as including “or,” and “ or” should be read as including “and” if doing so would make the applicable request more inclusive.
3. “Any” should be read as including “all,” and “ all” should be read as including “any” if doing so would make the applicable request more inclusive.
4. The “Board” means the Board of Directors of Dirigo Health, as established by 24-A M.R.S.A. § 6904, and shall include all members thereof, whether voting members or ex officio members, individually or collectively, and shall also include any affiliates, officers,

agents, employees, accountants, attorneys, and all other persons who have acted or purported to act on its behalf.

5. “Communications” means any and all conversations, discussions, correspondence, electronic transmissions, telephone calls, or other forms of exchanges, written, oral or otherwise.

6. “Describe in detail” shall mean to set forth as fully as possible each and every act, omission, incident, event, condition or circumstance, and to identify each and every person and document applicable to the facts presented.

7. “Dirigo Health” means Dirigo Health Agency, the independent executive agency established under 24-A M.R.S.A. § 6902, to arrange for the provision of comprehensive, affordable health care coverage to small employers and individuals.

8. “Document” shall include all original writings of any nature, and all non-identical copies thereof, in the possession, custody or control of the Board, regardless of where located, and includes without limitation, correspondence; memoranda; communications; reports; summaries; minutes; notes of any kind; drafts; versions; agenda; notices; announcements; instructions; telegrams; facsimiles; contracts; agreements; records; tape recordings; information on computers, disks, or magnetic, electronic or optic storage media; and any other documents within the meaning of Rule 34 of the Maine Rules of Civil Procedure. In all cases where original and/or non-identical copies are not available, "documents" also means identical copies of original documents and copies of non-identical copies.

9. “Identify,” “identifying,” or “identity,” when used with respect to a person or entity, means that you are to produce the following information for each and every person to be identified: (a) full name, occupation, last known business address and telephone number, last

known home address and telephone number, and last known employer and place of employment; and (b) with respect to an entity, the full name of the entity or organization, your contact person, and the address and telephone number of such entity.

10. “Identify,” “identifying,” or “identity,” when used with respect to a document and/or writing, means that you are to produce: (a) the date(s) appearing on the document and/or the date it was prepared; (b) the name(s) of the author(s) or signatories, or individuals in whose name it was authored or issued; (c) the name(s) of the addressees, distributees, and/or recipient(s) of the document and, if natural persons, their employer(s); (d) a detailed summary of its contents, including the nature and substance of the writing with sufficient particularity to enable it to be identified; and (e) its physical location and the name and address of its custodian(s).

11. “Identify,” “identifying,” or “identity,” when used with respect to an oral communication, means that you are to produce: (a) the date(s) when such communication took place, and/or the date(s) of any oral or written republication(s) of the communication; (b) the name(s) of all speakers, participants, listeners, audience members or individuals involved in the communication; (c) the location(s) where such communication took place, and/or the location(s) of any oral or written republication(s) of the communication; (d) a detailed summary of the contents of the oral communication, including the nature and substance of the communication and all other communications by all participants in the communication, with sufficient particularity to enable it to be recalled or identified; and (e) the identification of each writing, document or recording pertaining to such oral communications.

12. “Mercer” shall mean Mercer Government Human Services Consulting, or any of its affiliates, officers, agents, employees, accountants, attorneys, and all other persons who have acted or purported to act on its behalf.

13. "Person" includes, but is not limited to, boards, individuals, fiduciaries, partnerships, limited liability companies, corporations, and government entities.

14. The terms "relating" or "relating to," "relates to," or "relate to" shall be defined so as to include, in whole or in part, constituting, concerning, containing, embodying, reflecting, identifying, stating, regarding, referring to, relating to, evidencing, or in any way being relevant to the given subject matter stated herein.

15. "SOP" means the savings offset payment, as referred to in 24-A M.R.S.A. § 6913.

16. "You" and "your" shall refer to the Board, as defined above.

INSTRUCTIONS

1. Please respond to each numbered inquiry separately, fully, and in writing.

2. Please repeat each request before your response to it.

3. Please have a duly authorized representative of the Board sign the responses under oath.

4. Please address responses to undersigned counsel for the Maine State Chamber of Commerce.

5. If you refuse to answer any request in whole or in part, describe the basis for your refusal to answer, including any claim of privilege, in sufficient detail so as to permit a Court to adjudicate the validity of your refusal, and identify each answer, document and oral communication for which a privilege is claimed.

6. To the extent that a full and complete answer to any of the following requests are given in response to any other of the following requests, a cross-reference to the specific response for such information may be listed in lieu of such repetitions.

7. If any matter referred to in any answer to any request is evidenced by, represented by, reflected by, recorded in or otherwise referred to in any document or oral communication, identify each such document or oral communication in your answer to such request.

8. If your answer to any request is based upon information and belief, please identify the source, document, person or entity from which you gained such information.

9. The use of the singular herein shall be deemed to include the plural, and the masculine the feminine, as appropriate in the context.

10. If any document described herein was, but no longer is, within your possession, custody or control, please state in detail:

- a. A summary of the contents of the document;
- b. The disposition of the document;
- c. The date of such disposition;
- d. Whether the original or a copy thereof is within the possession, custody or control of any other person, corporation or entity; and
- e. If the answer to d) is affirmative, the identity of that person or entity.

REQUESTS FOR INFORMATION

HOSPITAL INITIATIVES:

1. Please provide an electronic copy, in Excel or text file format, of all source data, documents, workpapers and calculations used to create and/or support the “Baseline Margin,” “Operating Margin 2004,” and “Savings Offset Pay” calculations for each hospital and fiscal year identified on Tables 2 and 3, Appendix E of the Final Mercer Report dated September 19, 2005.

2. Please identify each person who participated in any way in the preparation of Tables 2 and 3, Appendix E of the Final Mercer Report dated September 19, 2005, and describe in detail the role each person played in such preparation.

3. Please provide a current *curriculum vitae* of each person identified in your response to Request No. 2 above.

4. Please describe in detail each action taken by Mercer to review the reasonableness of the methodologies, data and calculations set forth on Appendix E to the final Mercer Report dated September 19, 2005, including a detailed description of all documents produced, obtained or reviewed by Mercer during this review, the date upon which such documents were produced, obtained and reviewed, by whom the review was performed and any alternative methodologies, data and calculations considered by Mercer during this review.

5. Please provide copies of all workpapers or other documents that evidence the actions described in your response to Request No. 4 above.

6. Please describe in detail each action taken by the Board to review the reasonableness of the methodologies, data and calculations set forth on Appendix E to the final Mercer Report dated September 19, 2005, including a detailed description of all documents produced, obtained or reviewed by the Board during this review, the date upon which such documents were produced, obtained and reviewed, by whom the review was performed and any alternative methodologies, data and calculations considered by Board during this review.

7. Please provide copies of all workpapers or other documents that evidence the actions described in your response to Request No. 6 above.

8. Please describe in detail how the Board differentiates between: (a) the normal increases and decreases in the consolidated operating margin over time that are characteristic of

an industry subject to year-to-year volume fluctuation, changing payor mix, delays in MaineCare payments, and fluctuating reimbursement rates, and (b) savings that are created by the actions of Dirigo.

9. Please describe in detail how the alleged savings identified on Appendix E to the final Mercer Report dated September 19, 2005 are directly attributable to Dirigo Health initiatives. In making such description, please describe in detail how the calculations found on Appendix E to the final Mercer Report dated September 19, 2005 exclude matters not attributable to Dirigo Health initiatives, including without limitation patient volume fluctuations; hospital initiatives; employer initiatives; managed care initiatives; expense fluctuations; increases or reductions in Medicare and Medicaid reimbursement rates; increases or reductions in commercial payor reimbursement rates; and changing payor mix.

10. Please provide copies of all workpapers or other documents that evidence the exclusion of matters not attributable to Dirigo Health initiatives identified in Request No. 9 above.

11. If a hospital's consolidated operating margin reflected on Appendix E to the final Mercer Report dated September 19, 2005 is different than the operating margin identified on a hospital's financial statements, please describe in detail each difference, including the nature of the adjustment, how the adjustment was made, and why the adjustment was made.

12. Please provide copies of all documents supporting the adjustments described in your Response to Request No. 11 above.

13. Please provide an electronic copy, in Excel or text file format, of all source data, documents, workpapers and calculations used to create and/or support the "Baseline CGR >

HMBI,” “2004 Growth Rate > HMBI,” and “SOP” calculations for each hospital and fiscal year identified on Table 2, Appendix F of the Final Mercer Report dated September 19, 2005.

14. Please identify each person who participated in any way in the preparation of Table 2, Appendix F of the Final Mercer Report dated September 19, 2005, and describe in detail the role each person played in such preparation.

15. Please provide a current *curriculum vitae* of each person identified in your response to Request No. 14 above.

16. Please describe in detail each action taken by Mercer to review the reasonableness of the methodologies, data and calculations set forth on Appendix F to the final Mercer Report dated September 19, 2005, including a detailed description of all documents produced, obtained or reviewed by Mercer during this review, the date upon which such documents were produced, obtained and reviewed, by whom the review was performed and any alternative methodologies, data and calculations considered by Mercer during this review.

17. Please provide copies of all workpapers or other documents that evidence the actions described in your response to Request No. 16 above.

18. Please describe in detail each action taken by the Board to review the reasonableness of the methodologies, data and calculations set forth on Appendix F to the final Mercer Report dated September 19, 2005, including a detailed description of all documents produced, obtained or reviewed by the Board during this review, the date upon which such documents were produced, obtained and reviewed, by whom the review was performed and any alternative methodologies, data and calculations considered by the Board during this review.

19. Please provide copies of all workpapers or other documents that evidence the actions described in your response to Request No. 18 above.

20. Please identify whether the Board, or any person on behalf of the Board or the Dirigo Health Agency, contacted one or more of the 36 Maine hospitals to determine whether the alleged savings identified in Appendices E and F were attributable to something other than actions of Dirigo Health.

21. If your answer to Request No. 20 is yes, please identify and describe in detail each such communication and provide a copy of all documents evidencing the communications.

22. Please describe in detail how the Board differentiates between: (a) the normal increases and decreases in the cost per case mix adjusted discharge over time that are characteristic of an industry with high fixed costs, minimum staffing thresholds, and fluctuating volume, and (b) savings that are created by the actions of Dirigo.

23. Please describe in detail how the alleged savings identified on Appendix F to the final Mercer Report dated September 19, 2005 are directly attributable to Dirigo Health initiatives. In making such description, please describe in detail how the calculations found on Appendix F to the final Mercer Report dated September 19, 2005 exclude matters not attributable to Dirigo Health initiatives, including without limitation increases or decreases in patient volume; reduction in expenses due to mergers or affiliation arrangements that were contemplated or effected prior to the Dirigo Act; hospital initiatives, employer initiatives; managed care initiatives; the Maine hospital provider tax; participation in group purchasing arrangements that were contemplated or effected prior to the Dirigo Act.

24. Please provide copies of all workpapers or other documents that evidence the exclusion of matters not attributable to Dirigo Health initiatives identified in Request No. 23 above.

25. If a hospital's cost per case mix adjusted discharge reflected on Appendix F to the final Mercer Report dated September 19, 2005 is different than the cost per case mix adjusted discharge operating margin identified by reference to that hospital's Medicare cost report, please describe in detail each difference, including the nature of the adjustment, how the adjustment was made, and why the adjustment was made.

26. Please provide copies of all documents supporting the adjustments described in your Response to Request No. 25 above.

27. Please describe in detail how the alleged savings identified on Appendix F to the final Mercer Report dated September 19, 2005 do not duplicate the alleged savings identified on Appendices E and M to the final Mercer Report dated September 19, 2005.

28. Please provide all documents that support your Response to Request No. 27 above.

29. Please describe in detail each expansion in MaineCare eligibility that occurred after June 30, 2004.

30. For each expansion of MaineCare eligibility that occurred after June 30, 2004, please provide all documents that identify the exact number of MaineCare patients related to each expansion.

31. Please provide a copy of all source data, documents, workpapers and calculations used to create or support the assertion that Dirigo created uninsured and under-insured savings of \$2.7 million.

32. Please provide a copy of the hospital audited financial statements that were used to calculate the alleged hospital bad debt and charity care (BD and CC) of \$150 million cited on page 20 of Mercer's Final Report.

33. Please provide a copy of all documents, workpapers and calculations used to create or support the assertion that \$150 million represents 84% of the total alleged BD and CC for 2003.

34. Please describe in detail the basis for the assertion that \$150 million represents 84% of the total alleged BD and CC for 2003.

35. Please provide a copy of all documents, workpapers and calculations used to create or support the assertion that \$29 million in alleged BD and CC for 2003 is attributable to “other providers.”

36. Please describe in detail the basis for the assertion that \$29 million in alleged BD and CC for 2003 is attributable to “other providers”, and explain how the Board’s methodology took into account the fact that Dirigo did not expand coverage for some other providers, such as long term care providers.

37. Please describe in detail, and provide a copy of all documents, workpapers and calculations used to create or support, the basis for attributing 50% of total bad debt and 90% of total charity care to the uninsured as opposed to other payer status.

38. Please provide a copy of all documents, workpapers and calculations used to create or support Mercer’s “Claims Probability Distribution Table”.

39. Please describe in detail, and provide a copy of all documents, workpapers and calculations used to create or support, the basis for attributing 20% of total bad debt to the under-insured as opposed to other payer status.

40. Please describe in detail, and provide a copy of all documents, workpapers and calculations used to create or support the assumption that 25% of the previously insured who enrolled in Dirigo were “under-insured.”

41. Please clarify the source and basis for the under-insured member month figure of 34,475. The text of Mercer's report states this number comes from the 2002 Muskie Household survey, while Appendix H to Mercer's Final Report states this number comes from a "DHA report received 9/6/05 Mercer assumption." Please provide a copy of the "DHA report received 9/6/05," and describe in detail the basis for the Mercer assumption.

42. Please identify the timeframe of alleged savings the Board is attempting to capture with the uninsured and under-insured BD and CC calculations: SFY 2005 or CY 2005. If the Board is attempting to capture alleged savings from CY 2005, please explain in detail the basis for this time-frame as well as the basis for deviating from the SFY "in compliance with the other savings determinations and the CON."

43. Regarding the MaineCare "Woodwork (WW) Effect", please describe in detail the basis for, and provide a copy of all documents, workpapers and calculations used to create or support, the assumption that 50% of increased MaineCare enrollment was attributable to Dirigo, as well as the assumption that the "Average Number of MMs on Medicaid per recipient" is 8 months.

44. The stated basis for the WW effect is "uninsured and under-insured [that] came out of the woodwork' to be enrolled in MaineCare through the Dirigo single point-of-entry enrollment process that allocated Dirigo applicants to the correct public assistance program." The board compared MaineCare enrollment from SFY 2004 to SFY 2005. Please describe how the Board's methodology takes into account the fact that Dirigo Choice began offering coverage on January 1, 2005, halfway through SFY 2005. Also, please provide total MaineCare enrollment for SFY 2001, 2002, and 2003.

45. Please identify all assumptions used to calculate the number of uninsured, underinsured, and WW effect, including the assumptions used to calculate the alleged savings from these initiatives.

46. Please provide all source data, documents and calculations that support the assumptions identified in your Response to Request No. 45 above.

CERTIFICATE OF NEED / CIF INITIATIVES:

47. Please provide a copy of all documents, workpapers and calculations used to create or support the assertion that Dirigo created \$9.8 million of savings associated with certificate of need (CON), including, without limitation, copies of letters of intent, completed CON applications, and Implementation Reports required by 10-144 C.M.R. 503, ch. 14.

48. Please explain in detail whether the \$9.8 million in alleged savings is intended to demonstrate actual savings or projected savings associated with CON initiatives.

49. Please describe in detail how the Board's methodology took into account any possible increases in requests for a determination of non-applicability of the CON laws as a result of CON initiatives.

50. Please describe in detail how the Board's methodology took into account any additional costs caused by the CON initiatives due to the inability of providers to update inefficient equipment, buildings or plants.

51. Please describe in detail how the Board's methodology determined when operating costs actually begin to accrue, including without limitation, explaining how the methodology takes into account the fact that operating costs often do not begin to accrue in the year of CON approval due to the time required for construction, and do not end after the third year of operation.

BUDGET INITIATIVES:

52. Please provide copies of all source data, documents and calculations supporting the calculations set forth on Appendix O of the Final Mercer Report dated September 19, 2005.

53. Please identify each person who participated in any way in the preparation of Appendix O of the Final Mercer Report dated September 19, 2005, and describe in detail the role each person played in such preparation.

54. Please provide a current *curriculum vitae* of each person identified in your response to Request No. 53 above.

55. Please explain in detail how the Department of Health and Human Services, any bases for \$8,182,497 of savings related to the time value of money for the \$96,425,373 litigation settlement. As part of your explanation, please also explain (a) how actions by the Department of Health and Human Services, the single agency authorized by the federal government to administer the MaineCare, can be attributable to Dirigo; (b) how the Board determined that there would be three additional years of litigation; and (c) how the Board arrived at the 3% assumption for the time value of money.

55. Please explain in detail how the Board determined there were savings attributable to Dirigo resulting from an independent agency's (MaineCare) decision to budget for increased periodic interim payments ("PIP") that will not be received until SFY 06 and SFY 07, while at the same time MaineCare refuses to issue interim settlements covering hospital fiscal years ending in 2004 and 2005.

56. Please explain in detail how the Board determined that there were savings attributable to Dirigo resulting from MaineCare's payment of amounts that it is already obligated to pay under the applicable State and Federal laws and regulations.

57. Please explain in detail the method by which the Board arrived at a determination that the increased MaineCare PIP to be paid to hospitals in SFY 06 and SFY 07 has produced \$5,812,796 of present savings to hospitals.

58. Please explain in detail how increased MaineCare physician payment rates budgeted for SFY 06 and SFY 07, but not yet received by physicians, have produced savings in the exact amount of the increased payment rates. As part of your explanation, please also explain (a) how actions by the Department of Health and Human Services, the single agency authorized by the federal government to administer the MaineCare, can be attributable to Dirigo; and (b) whether the Board or its agents determined that the MaineCare increase would result in physicians exceeding the voluntary 3.0% net revenue growth limitation.

GENERAL:

59. For each of the eleven (11) initiatives identified on the Summary of Savings Initiatives – Savings Amount, attached to the Dirigo Filing as Attachment 8, please describe in detail the exact time periods into within which the alleged aggregate measurable cost savings fall.

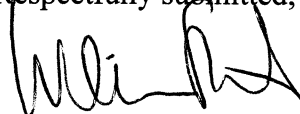
60. Please identify the exact date upon which the Board voted to adopt aggregate measurable cost savings, and provide a copy of all documents supporting the adopted amount that were in the Board's possession at the time of the vote.

61. Please provide a copy of the Board's minutes for all meetings, including the minutes for the date identified in your response to Request No. 60.

Should the Board require any clarification with respect to any request being made, it may contact the undersigned counsel.

Dated: October 7, 2005

Respectfully submitted,



William H. Stiles, Lead Attorney
Beth Dobson, Co-Counsel
Brett D. Witham, Co-Counsel
Counsel for the Maine State Chamber
of Commerce

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CERTIFICATE OF SERVICE

I, William H. Stiles, attorney for the Maine State Chamber of Commerce, hereby certify that on this 7th day of October 2005 I caused the foregoing document to be served upon all counsel of record via First-Class Mail and E-mail as follows:

Alessandro A. Iuppa, Superintendent
Attn: Vanessa J. Leon, Docket No. INS-05-700
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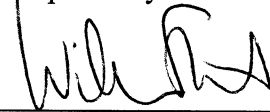
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Dated: October 7, 2005

Respectfully submitted,



William H. Stiles, Lead Attorney