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October 7, 2005

VIA HAND DELIVERY

Alessandro A. Iuppa, Superintendent
Attn: Vanessa J. Leon
Docket No. INS-05-700
Maine Bureau of Insurance
34 State House Station
Gardiner, Maine 04333-0034

In Re: Review of Aggregate Measurable Cost Savings Determined By Dirigo Health
For the First Assessment Year

Dear Superintendent Iuppa:

Enclosed for filing please find two hard copies of the following:

SUBMITTED BY: Christopher T. Roach and D. Michael Frink
DATE: October 7, 2005
DOCUMENT TITLE: Joint Request for Information to the Board of Directors of Dirigo Health
DOCUMENT TYPE: Request for Information
CONFIDENTIAL: **No**

Thank you for your assistance in this matter.

Very truly yours,



Christopher T. Roach

cc: John Kelly
Thomas C. Sturtevant, Jr.

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

IN RE:)	
)	
REVIEW OF AGGREGATE)	
MEASURABLE COST SAVINGS)	JOINT INFORMATION
DETERMINED BY DIRIGO HEALTH)	REQUESTS OF ANTHEM
FOR THE FIRST ASSESSMENT YEAR)	HEALTH PLANS OF MAINE,
)	INC. AND MAHP 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, Anthem Health Plans of Maine, Inc. d/b/a/ Anthem Blue Cross and Blue Shield (“Anthem BCBS”) and Maine Association of Health Plans (“MAHP”), by and through undersigned counsel, hereby submit 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., Ch. 87.
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 seven (7) 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. "CMAD" means "costs per case mix adjusted discharge," as referred to in P.L. 2003, ch. 469, § F-1(1)(B).

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

7. The "Dirigo Group" means that part of the working group established by the Legislature to report to the Board, composed of the five members representing the interests of Dirigo Health.

8. "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.

9. "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.

10. "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.

11. "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).

12. "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.

13. The “Lewin Group” shall mean the Lewin Group or any of its affiliates, officers, agents, employees, accountants, attorneys, and all other persons who have acted or purported to act on its behalf.

14. “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.

15. “Methodology” shall mean the methodology for calculating the aggregate measurable cost savings, regardless of whose methodology it is.

16. The “Payor Group” means that part of the working group established by the Legislature to report to the Board, composed of the five members representing the interests of insurers, self-insured entities and third-party administrators.

17. “Person” includes, but is not limited to, boards, individuals, fiduciaries, partnerships, limited liability companies, corporations, and government entities.

18. The terms “pertain” or “pertaining 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.

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

20. “You” and “your” shall refer to the Board, as defined above, the Office of Health, Policy and Finance, and the Department of Health and Human Services.

INSTRUCTIONS

1. Please have a duly authorized representative of the Board sign the responses under oath.
2. The use of the singular herein shall be deemed to include the plural, and the masculine the feminine, as appropriate in the context.
3. When documents are requested, the request is for documents in the possession, custody or control of the Board, the Office of Health, Policy and Finance, and the Department of Human Services.
4. 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

General Requests

1. Please describe how the Board's methodology takes account of increases in costs to the Maine healthcare system. As part of your answer, but without limitation to it, please describe what increases in costs are captured by the Board's methodology.

2. Please describe what initiatives, required by the Act, the Board believes its methodology takes account of.
3. Please describe what initiatives, required by the Act, are not taken account of by the Board's methodology.
4. Please explain, from both an actuarial and financial perspective, how the methodology recommended by the Board will ensure that the savings calculated by that methodology reflects the cost savings as a result of the operation of Dirigo Health, and excludes cost savings resulting from factors external to the legislation. Please produce all documents related to this conclusion.
5. Please explain all bases for the Board's recommendation that determination of "aggregate measurable cost savings," under 24-A M.R.S.A. § 6913(1), requires consideration only of those elements of Dirigo Health that result in avoided costs, and not a netting of annual savings and costs increases produced by Dirigo Health and other external factors. Please produce all documents related to this recommendation.
6. Please explain in full all of the bases for the Board's conclusions that "the Dirigo Group methodology offers a more accurate approach to the measurement of cost savings and a more transparent response to the initiatives identified in the Act" than the Payor Group methodology. Please produce all documents related to this statement.
7. Please explain the basis for certain Board members' concern that the Dirigo Group proposal may "create expectations of savings that may not be realized" and produce all documents related to this analysis. Include in your response concerns raised by Board members related to including projected, in addition to actual, cost savings, how those

concerns were addressed by the Board, and produce all documents related to this analysis.

8. Please produce the State and fiscal year 2005 year-end financials, as presented to the Board on October 5, 2005.
9. Please produce your projections of enrollment in DirigoChoice for 2005 and 2006 by category of uninsured and underinsured as well as total projections.
10. Please produce all documents provided by the Office of Health Policy and Finance and Department of Health and Human Services to the Joint Select Committee on Healthcare Reform.
11. Please provide copies of all Board meeting minutes, memoranda, notes, correspondence, reports or communication of any kind from any of your consultants or staff stating, confirming or advising explicitly or to the effect that it was difficult or impossible to develop a methodology that could attribute savings to the Dirigo Health reform initiatives, particularly in the time frame allowed.
12. Do you contend that as a result of the Dirigo Health reform initiatives, those who pay for health care, including health plans, carriers, employers and self-insured groups and multiple employer welfare arrangements, have experienced a reduction in what they would otherwise have paid for healthcare for the period July 1, 2004 through June 30, 2005, and if so by what amount? Please provide all bases for your response, including any work papers, studies, analyses or communications you relied in considering this point in developing your recommendation for aggregate measurable cost savings dated September 19, 2005.

13. Do you contend that as a result of the operation of Dirigo Health and any increased MaineCare enrollment due to an expansion in MaineCare eligibility, there was a reduction in the growth of the state's health care spending for the period July 1, 2004 through June 30, 2005, and if so by what amount? Please provide all bases for your response, including any work papers, studies, analyses or communications you relied in considering this point in developing your recommendation for aggregate measurable cost savings dated September 19, 2005.
14. Please explain all bases for your conclusion that all of the proposed savings in the September 19, 2005 report are the result of the operation of Dirigo Health. Please provide all documentation, reports, correspondence and any other information upon which you relied in forming this conclusion, and the names of any non-retained consultants or objective sources upon which you relied or with whom you consulted in reaching this conclusion.

Hospital Initiatives

15. In determining to use the hospital market basket inflation factor, please explain whether you reviewed alternative local measures of inflation as possible factors to be used in calculating CMAD for years 2001, 2002, and 2003. Please produce all documents related to this analysis.
16. The cost per CMAD measures the rate of increase in a hospital's expenses. Please explain how the rate of increase in a hospital's costs directly impacts the rate of increase in the amounts that a hospital contracts to pay carriers and TPAs, and please explain all bases for your response and produce all documents related to your analysis.

17. Please explain whether the Board, in calculating CMAD, assumes that each hospital in Maine will increase charges to every carrier at the same rate. Please produce all documents related to this analysis.
18. The CMAD savings methodology excludes all hospitals that did not meet the maximum 3.5% targeted rate of increase. Please explain whether the Board, the Office of Health, Policy and Finance, or anyone contracted by either, tested the CMAD methodology by looking at a prior year and setting a target rate of increase to determine if there would be measurable savings in a year when Dirigo did not exist. Please produce all documents related to this analysis.
19. Please state whether there was a test of statistical significance applied to the COM or CMAD measures in the recommended methodology and, if so, please produce all documents related to the test(s).
20. Please explain whether any of the “hospital costs” exclusions from measurement were considered for inclusion and subsequently removed, including without limitation the exclusion of hospital-owned physician practices, and if so, whether exclusion of any of these items created greater savings based on the Board’s chosen methodology. Please produce all documents related to this analysis.
21. Please produce the actual fiscal year for each hospital used in the methodology recommended by the Board and how those years were adjusted in the recommended methodology.
22. Please explain how the Board’s recommended methodology takes account of differing hospital fiscal years and contract cycles. Please produce all documents related to this analysis.

23. In Table 2 of Attachment 12A to the Board Filing, some of the individual hospitals exhibit baseline compound growth rates that are out of line with the majority of Maine hospitals (*e.g.*, Mount Desert—41.72 %; Penobscot Valley—19.11%; Stevens—15.88%). Please explain whether any additional analysis was completed for these outlier hospitals in an attempt to determine why their historical baseline trends were so high and, if so, produce all documents related to this analysis.
24. Please provide hospital market basket indices for 2000 through 2005.
25. Do you agree that it is possible for a hospital's consolidated operating margin to decrease and for its charges and the prices paid for services rendered to its patients to actually increase? Please explain all bases for your response and provide copies of any work papers, memoranda, studies or correspondence you relied on in analyzing this point in establishing the figure for alleged savings attributable to hospitals' voluntary restraint on consolidated operating margins.
26. Do you contend that the proposed methodology for the alleged savings attributable to a reduction in costs per case mix adjusted discharge reflects changes in reimbursement by public payors such as MaineCare and Medicare from 2003 through July 1, 2005? Please provide all bases for your response, and provide copies of all reports, analyses, memoranda and any other communications you relied on in analyzing this point in establishing the figure for alleged savings attributable to hospitals' changes in costs per case mix adjusted discharge.
27. Do you agree that it is possible for a hospital's CMAD to decrease while the charges and prices paid by its patients and their insurance plans actually increase? Please provide all bases for your response, and provide copies of all reports, analyses, memoranda and any

other communications you relied on in analyzing this point in establishing the figure for alleged savings attributable to hospitals' changes in costs per case mix adjusted discharge.

Voluntary Restraints – Underwriting Gains

28. Please provide a list of each insurer you determined realized a savings as a result of voluntary restraining its underwriting gain to 3% during the period June 30, 2004 to July 1, 2005, and for each one please provide:

- a. premium and related revenue by line of business for 2000 through 2004;
- b. health benefits and administrative expenses by line of business for 2000 through 2004
- c. underwriting gains figures used for 2000 through 2004; and
- d. federal taxes.
- e. All work papers, analyses and spreadsheets showing how the three average underwriting gain for the period 2000 through 2003 was calculated for each carrier in preparing the September 19, 2005 report to the Superintendent, and any similar data you have obtained or generated on these four-year averages since issuing this report, including without limitation, such three-year average for Anthem Blue Cross and Blue Shield.

Uninsured/Underinsured Initiatives

29. Please describe how the Board's methodology takes account of reductions or avoidance of bad debt and charity care costs to all types of health care providers in Maine, as a result of the operation of Dirigo Health.
30. Please describe how the Board's methodology takes account of increased MaineCare enrollment due to an expansion in MaineCare eligibility occurring after June 30, 2004.
31. Please explain all bases for the Board's definition of "uninsured" and "under-insured" as it relates to the calculation of aggregate measurable savings. Please produce all documents related to the development of these definitions.
32. Please explain the bases for assuming that those "underinsured", as that term is defined in the Board methodology, contributes significantly to bad debt and charity care costs. Please produce all documents related to this analysis.
33. Please identify the financial basis for the bad debt and charity care amounts reported and utilized in the Board's recommended methodology.
34. Mercer assumes savings of \$3 million based upon increased MaineCare enrollment that has resulted from publicity around Dirigo Health. Please provide data to show how many new MaineCare enrollees were uninsured at the time of enrollment.
35. Mercer estimates that 50% of new MaineCare enrollment is a product of Dirigo initiatives. Please explain all bases for that assumption and produce all documents related to that assumption.
36. Please produce documents reflecting the number of uninsureds in Maine since December 31, 2002.
37. In determining the savings that have resulted from the uninsured enrolling in DirigoChoice, Mercer uses the figure of 136,000 as taken from the HRSA survey

conducted by the Muskie School in 2003. Please describe in detail the steps Mercer used to update that survey and calculate the total member months used in its calculation of the SOP. Please produce all documents related to this analysis.

38. Please explain all bases for Mercer's assumption that 25% of those enrolled in DirigoChoice who were previously insured at the time of enrollment met the proposed definition of underinsured. Please produce all documents related to this analysis.
39. Please identify how the HMBI trend was used and how long it was applied to arrive at an estimate of bad debt and charity care costs for 2005. Please produce all documents related to this analysis.
40. Please explain in detail the data and methodologies used by Mercer to calculate a bad debt and charity care per member per month figure from the estimated 2005 bad debt and charity costs and the estimated total of uninsured and underinsured member months. Please produce all documents related to this analysis, including without limitation the date, methodology and calculation in an electronic file in Excel format.
41. Please provide the claim probability distribution tables for hospital-based services used by Mercer to determine the bad debt and charity care per member per month figure.
42. Please produce the actual questions and responses to (a) the 2002 HRSA study, and (b) the 2005 member survey conducted on behalf of DHA. Please include in your response the actual results of the first quarter 2005 member survey and results for the second quarter survey.
43. Please explain all bases for using hospital charges to reflect the cost of bad debt and charity care to the hospital, and produce all documents related to your analysis.

44. Please describe the “Dirigo single point of entry enrollment process” and produce all documents related to the proposition that all Medicaid enrollees who are being counted in the “woodwork” calculation were enrolled in MaineCare through the Dirigo single point of entry enrollment process.
45. Please provide hospital bad debt and charity care amounts for 2002 through 2004. Please provide all supporting documentation for the assumptions used on Line F of Appendix H to the Final Mercer report.
46. Please provide the Maine Hospital Association Report on the hospital uncompensated care survey referenced in Appendix I to the Final Mercer report.
47. Please provide annual MaineCare enrollment by eligibility group for SFY 2000 through SFY 2005.

Certificate of Need/Capital Investment Fund Initiatives

48. Please describe all projects included in your Certificate of Need analysis and produce all documents related to that analysis, including without limitation, the annual cost table. Include in your response copies of all applications, whether the applications were approved, modified or rejected, whether the projects have been reviewed to determine whether the criteria for CON are being met on an on-going basis, and all documents related to your consideration of each application.
49. Please provide a list of all CON projects that were allowed to proceed through review and approval after June 30, 2004 on the basis that a letter of intent had been filed with the Department of Health and Human Services, including the name of the applicant, the

nature of the project and the dollar amount in capital investment being requested for each project.

50. Please explain all bases for your conclusion that any reduction in spending on CON projects for operating costs, comparing a three-year historical average for first through third year costs with actual spending from July 1, 2004 through June 30, 2005, is entirely due to the operation of Dirigo Health. Please explain how you determined that a moratorium on CON projects from July 1, 2004 through June 30, 2005 would reduce total operating expenditures for CON projects for the same period.
51. Please explain how you accounted for any possible duplication of any savings from this measure and from the "CMAD" measure, and please provide any work papers, analysis and correspondence you relied on in analyzing this point in developing your report to the Superintendent.

Budget Initiatives

52. Please explain in full how the Board's recommendation to include physician reimbursements in its calculation of aggregate measurable cost savings is accurately and fairly attributable to the operation of Dirigo Health. Please produce all documents related to this recommendation.
53. Please produce copies of all correspondence and records related to DHHS's past MaineCare financial obligations to hospitals, including periodic interim payments, from January 1, 2000 through February 1, 2005.
54. Please produce copies of all your correspondence and records related to Medicaid physician fees from January 1, 2003 through February 1, 2005.

55. Please provide the calculation of the time value of money, including, without limitation all of the underlying assumptions of your analysis and produce all documents related to this analysis.
56. Please provide the anticipated dates for payments to hospitals related to the hospital fee initiative and physician fee changes.
57. Please describe all changes to hospital and physician reimbursements from MaineCare, other than Medicaid pay initiatives.

DATED: October 7, 2005



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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on October 7, 2005, a copy Anthem Health Plans of Maine, Inc.'s Request for Information to The Board of Directors of Dirigo Health was served via electronic and US mail on each of the persons listed below:

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DATED: October 7, 2005



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