

**Testimony of Gordon H. Smith, Esq.,**  
**Executive Vice President, Maine Medical Association**  
**in Support of**  
**L.D. 1264, An Act To Stabilize Funding and Enable DirigoChoice to Reach More**  
**Uninsured**

**Joint Standing Committee on Insurance & Financial Services**

**April 14, 2009**

Good afternoon Senator Bowman, Representative Treat, and members of the committee, I am Gordon Smith, Executive Vice President of the Maine Medical Association. The Association represents the interests of more than 3000 physicians, residents, and medical students in the state. I am pleased to offer this brief testimony in favor of L.D. 1264.

The mission statement of the Association includes supporting Maine physicians, advancing the quality of medicine in Maine, and promoting the health of all Maine citizens. We believe that L.D. 1264 advances all three aspects of the statement.

The DirigoChoice product, offered now through Harvard-Pilgrim Health Care, continues to under-perform, largely because of the failure to properly fund the program and because the product is too expensive. The savings offset payment (SOP), an innovative and logical way to fund the program initially, now has become a major liability for three reasons:

1. It is too expensive on a yearly basis to determine the savings and to defend that figure against administrative challenges and in the courts.
2. Its methodology was logical if one assumed that large numbers of uninsured would be covered but does not meet the straight face test given the modest number of individuals insured.
3. The considerable delay between the assessment of the SOP and the payment by the plans and third party administrators has caused a serious cash flow for the Dirigo Health Agency.

In our view, the legislature acted responsibly last year in replacing the SOP with a new financing vehicle, 1.8% assessment on paid claims, that would have decreased the payment by the plans with the remaining revenue needed coming from a new beverage tax. You all know the result of that and there is no reason today to rehash it. But, the repeal of the law in November in no way solved the significant problems L.D. 2247 and the Dirigo initiative have attempted to solve: the number of uninsured whose access to healthcare is too frequently non-existent or found through

a hospital emergency room. L.D. 1264 is even more important today than the bill was last year given the economy and the need for coverage for all.

This bill imposes a fixed 2.14% assessment on paid claims, to be paid monthly. You will hear opposition to the fee today from Dirigo opponents. I have never understood the logic in opposing a reasonable means of having a prevention-oriented product to offer Maine's uninsured and under-insured. Currently, those individuals and businesses who pay premiums, pay for the uninsured through higher health insurance premiums. It is a lose-lose situation. There is ample evidence that those persons without health insurance wait too long to access care and don't receive preventive care at the same level as those of us who are insured. And then, when they do receive care, it is too often in the most expensive setting. It would be better for their health and our pocketbooks if they were covered by an insurance policy with limited cost sharing for preventive care.

In summary, we pay for the uninsured now. Any program such as Dirigo that improves the level of insurance coverage for Mainers is deserving of our support, even if the cost is a modest assessment on our own premiums. And remember that this assessment actually is less than the allowable assessment in the original Dirigo law. I would also like to remind you that another reason the MMA supported the Dirigo legislation in 2003 was that it is based upon the private market fee schedules of the commercial insurance companies that have partnered with the State to offer this Dirigo Choice product.

Finally, I would like to make a last point about the modest number of enrollees in Dirigo now. Enrollment is dropping because there is a freeze on enrollment, something that has been in place for many months. There is a waiting list that cannot be opened because of a lack of funds. If properly funded, there could be modest growth in the program. It is ironic that some of the same parties who have opposed the funding for the program, now complain that the program is not successful because of a lack of enrollment which is caused by the lack of funds. I think you get my point.

We urge you to support the bill. I would be happy to answer any questions you may have.