Mixed Results Seen on Maine's Insurance Mandate

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As more state policy makers consider their options for expanding health insurance coverage, the experience of Maine's Dirigo Health may offer a road map for avoiding potential missteps.

Under the Dirigo Health initiative, which began in 2005, the state offered subsidized health insurance for small businesses, self-employed workers, and low- and moderate-income individuals through a program called DirigoChoice. In addition, the state increased the annual income eligibility level for its Medicaid program, MaineCare, to include parents of children under age 19 years who were at or below 200% of the federal poverty level.

The goal behind the Dirigo Health initiative has been to provide access to affordable health coverage to every Maine resident by 2009.

While the program has seen success in targeting subsidies to low-income individuals, it also has run into problems meeting its financial goals and hitting enrollment targets, according to a report commissioned by the Commonwealth Fund. The report evaluated the program as of September 2006.

"The implementation can be just as difficult as actually passing the law," said Debra J. Lipson, lead author of the report and a senior researcher at Mathematica Policy Research Inc., based in Washington, D.C.

When the Dirigo Health Reform Act was passed in 2003, the program was touted as a means to achieve universal access to health insurance and targeted the 136,000 uninsured Maine residents. The state estimated that in the first year of the program, it would enroll about 41,000 individuals.

But the program has fallen short of those expectations and of as of September 2006, had enrolled about 11,100 individuals in DirigoChoice. About 5,000 individuals were enrolled in the MaineCare expansion. An additional 18,100 individuals were covered through an earlier MaineCare expansion that targeted low-income childless adults.

The higher total enrollments in the two MaineCare expansions indicates that states can have success in increasing enrollment when they offer fully subsidized insurance options, the researchers concluded. But, as is in the case in Maine, those expansions come with a large price tag.

Another problem for the Maine program is that DirigoChoice remains unaffordable for many small employers. About 700 small firms were enrolled in the program as of September 2006, comprising about 2.5% of all eligible small businesses. About 83% of firms that did not offer the program or any other health coverage said they failed to offer benefits because premiums were too high, according to the report.

Other states considering similar programs may need to offer stronger incentives to encourage employers to offer coverage and help with employee costs, the researchers wrote.

Paying for the program also has been difficult in Maine. Most of the cost was supposed to be offset by savings from lower uncompensated care. But how savings are measured has been controversial from the start and has not been able to generate enough revenue, according to the Commonwealth Fund report.

The savings offset payment formula even was challenged in court by insurers and the state's chamber of commerce. While the Maine Supreme Court sided with the state in May 2007, the formula is widely viewed as "politically unsustainable in its current form," according to the report.

The type of enrollment in the Dirigo Health program also has created funding problems for Maine. For example, enrollment by previously uninsured individuals has been lower than expected, leading to a lower reduction in charity care costs and limiting the revenues that could be raised for the program. As a result of this and other revenue shortfalls, the state has had to institute periodic enrollment freezes.

Creating affordable health insurance options was a challenge in Maine because there was little provider competition and a highly concentrated insurance market, the report noted. States are likely to be more successful if they have lower health care costs, greater price competition among health plans, or strong regulation that holds down premiums, the researchers concluded. ■

The full report is available online at www.mathematica-mpr.com/health/dirigochoice.asp.

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