JOINT STANDING COMMITTEE ON INSURANCE & FINANCIAL SERVICES

LD 499
BIENNIAL BUDGET
2008 - 2009

		Actual 2005-06	Current 2006-07	Budgeted 2007-08	Budgeted 2008-09
Department Summary - All Funds					
Positions - LEGISLATIVE COUNT		1425.000	1427.000	1407.000	1407.000
Positions - FTE COUNT		1.600	1.600	1.144	1.144
Personal Services		71,010,610	96,677,464	99,196,699	101,025,933
All Other		199,887,037	200,792,026	238,832,411	246,588,000
Capital Expenditures		260,200	633,913	17,659,337	13,628,114
Unallocated		(431,500)	(7,702,616)		
	Total	270,726,347	290,400,787	355,688,447	361,242,047
Department Summary - GENERAL FUND					
Positions - LEGISLATIVE COUNT		514.500	514.500	498.000	498.000
Positions - FTE COUNT		0.769	0.769	0.769	0.769
Personal Services		33,009,683	29,394,690	31,269,235	31,374,193
All Other		70,533,654	78,256,507	89,669,161	94,433,802
Capital Expenditures		260,200	268,000		
Unallocated			(6,380,116)		
	Total	103,803,537	101,539,081	120,938,396	125,807,995
Department Summary - HIGHWAY FUND					
Positions - LEGISLATIVE COUNT		23.000	23.000	25.000	25.000
Personal Services		1,081,153	1,098,196	1,515,642	1,359,184
All Other		1,914,066	1,217,205	1,863,242	1,872,328
	Total	2,995,219	2,315,401	3,378,884	3,231,512
Department Summary - FEDERAL EXPENDITURES FUND					
Personal Services		101,180	108,220		
All Other		25,450	(396,236)	523,264	523,264
	Total	126,630	(288,016)	523,264	523,264
Department Summary - OTHER SPECIAL REVENUE FUNDS					
Positions - LEGISLATIVE COUNT		2.500	2.500	2.500	2.500
Personal Services		1,043,002	262,858	192,375	200,560
All Other		18,171,663	18,828,656	19,524,747	20,218,199
Capital Expenditures			365,913	5,000,000	5,000,000
Unallocated		(431,500)	(1,322,500)		
	Total	18,783,165	18,134,927	24,717,122	25,418,759
Department Summary - FUND FOR HEALTHY MAINE					
All Other			(8,391,658)		
	Total	0	(8,391,658)	0	0
Department Summary - FINANCIAL AND PERSONNEL SERVICES FUND					
Positions - LEGISLATIVE COUNT		276.000	277.000	270.000	270.000
Personal Services		8,748,475	17,754,380	17,392,280	17,949,361
All Other		1,558,493	2,614,020	1,913,269	1,895,253
	Total	10,306,968	20,368,400	19,305,549	19,844,614
Department Summary - POSTAL, PRINTING & SUPPLY FUND					
Positions - LEGISLATIVE COUNT		51.000	51.000	50.000	50.000
Positions - FTE COUNT		0.375	0.375	0.375	0.375
Personal Services		2,590,147	2,653,368	2,710,931	2,800,634
All Other		1,529,327	1,579,933	1,579,933	1,579,933
	Total	4,119,474	4,233,301	4,290,864	4,380,567
Department Summary - OFFICE OF INFORMATION SERVICES FUND					
Positions - LEGISLATIVE COUNT		481.000	481.000	484.500	484.500
Positions - FTE COUNT		0.456	0.456		
Personal Services		19,357,868	40,090,613	40,655,930	41,748,086
All Other		7,638,432	7,641,513	16,762,839	16,762,880

Department Summary - OFFICE OF INFORMATION SERVICES FUND					
Capital Expenditures				12,659,337	8,628,114
	Total	26,996,300	47,732,126	70,078,106	67,139,080
Department Summary - RISK MANAGEMENT FUND					
Positions - LEGISLATIVE COUNT		5.000	5.000	5.000	5.000
Personal Services		360,412	374,422	370,986	380,728
All Other		247,729	233,719	3,515,976	3,515,976
	Total	608,141	608,141	3,886,962	3,896,704
Department Summary - WORKERS' COMPENSATION MANAGEMENT FUND					
Positions - LEGISLATIVE COUNT		12.000	12.000	13.000	13.000
Personal Services		1,240,610	1,272,545	1,365,019	1,392,231
All Other		18,104,565	18,104,565	18,111,530	18,112,182
	Total	19,345,175	19,377,110	19,476,549	19,504,413
Department Summary - CENTRAL MOTOR POOL					
Positions - LEGISLATIVE COUNT		15.000	15.000	15.000	15.000
Personal Services		792,788	830,536	847,864	874,653
All Other		4,561,939	4,592,377	6,015,188	6,095,627
	Total	5,354,727	5,422,913	6,863,052	6,970,280
Department Summary - REAL PROPERTY LEASE INTERNAL SERVICE FUND					
Positions - LEGISLATIVE COUNT		3.000	3.000	3.000	3.000
Personal Services		196,748	203,662	226,057	231,116
All Other		20,493,008	20,486,094	23,136,094	23,619,094
	Total	20,689,756	20,689,756	23,362,151	23,850,210
Department Summary - BUREAU OF REVENUE SERVICES FUND					
All Other		625,000	150,000	150,000	150,000
	Total	625,000	150,000	150,000	150,000
Department Summary - RETIREE HEALTH INSURANCE FUND					
All Other		48,400,235	48,400,235	48,400,235	48,400,235
	Total	48,400,235	48,400,235	48,400,235	48,400,235
Department Summary - ACCIDENT, SICKNESS & HEALTH INSURANCE INTERNAL SERVICE FUND					
Positions - LEGISLATIVE COUNT		14.000	14.000	14.000	14.000
Personal Services		809,775	851,074	864,329	889,351
All Other		777,665	741,289	922,483	953,473
	Total	1,587,440	1,592,363	1,786,812	1,842,824
Department Summary - STATEWIDE RADIO AND NETWORK SYSTEM RESERVE FUND					
All Other		279,044	1,652,040	1,712,000	3,423,253
	Total	279,044	1,652,040	1,712,000	3,423,253
Department Summary - STATE ADMINISTERED FUND					
All Other		2,094,628	2,094,628	2,043,128	2,043,128
	Total	2,094,628	2,094,628	2,043,128	2,043,128
Department Summary - STATE LOTTERY FUND					
Positions - LEGISLATIVE COUNT		28.000	28.000	26.000	28.000
Personal Services		1,678,769	1,756,900	1,733,842	1,771,176
All Other		2,932,139	2,932,139	2,932,139	2,932,139
	Total	4,610,908	4,689,039	4,665,981	4,703,315
Department Summary - RETIREE HEALTH INSURANCE - LAW ENFORCEMENT/FIRE FIGHTERS					
Positions - LEGISLATIVE COUNT			1.000	1.000	1.000
Personal Services			26,000	52,209	54,660
All Other			55,000	57,183	57,234
	Total	0	81,000	109,392	111,894

ACCIDENT-SICKNESS-HEALTH INSURANCE 0455

What the Budget purchases:

This program funds the administration of a series of benefits and services available to employees and eligible retirees. These benefits include the group health and dental plans and the employee assistance program (EAP). Additionally, there are 4 voluntary benefit programs that are also administered by this program: long-term care (LTC) insurance, vision care, flexible spending accounts (FSA), and the deferred compensation plan. This program also supports various health improvements and wellness initiatives at locations throughout the State.

	Actual 2005-06	Current 2006-07	Budgeted 2007-08	Budgeted 2008-09
Program Summary - RETIREE HEALTH INSURANCE FUND				
All Other	48,400,235	48,400,235	48,400,235	48,400,235
Total	48,400,235	48,400,235	48,400,235	48,400,235
Program Summary - ACCIDENT, SICKNESS & HEALTH INSURANCE INTERNAL SERVICE FUND				
Positions - LEGISLATIVE COUNT	14.000	14.000	14.000	14.000
Personal Services	809,775	851,074	864,329	889,351
All Other	777,665	741,289	741,289	741,289
Total	1,587,440	1,592,363	1,605,618	1,630,640
Program Summary - RETIREE HEALTH INSURANCE - LAW ENFORCEMENT/FIRE FIGHTERS				
Positions - LEGISLATIVE COUNT		1.000	1.000	1.000
Personal Services		26,000	52,209	54,660
All Other		55,000	55,000	55,000
Total	0	81,000	107,209	109,660

Initiative: Provides funding for general operations based on actual expenditures in fiscal year 2005-06 and anticipated operational needs.

	2007-08	2008-09
ACCIDENT, SICKNESS & HEALTH INSURANCE INTERNAL SERVICE FUND		
All Other	30,000	30,000
Total	30,000	30,000

Initiative: Provides funding for the State's payment of a 45% subsidy toward the cost of health insurance for eligible retired law enforcement officers and firefighters. This request is made in accordance with Public Law 2005, chapter 636.

	2007-08	2008-09
GENERAL FUND		
All Other	1,320,535	3,116,405
Total	1,320,535	3,116,405

Initiative: Provides funding to cover the projected increase in administrative costs for this program and for payment of health insurance premiums.

	2007-08	2008-09
RETIREE HEALTH INSURANCE - LAW ENFORCEMENT/FIRE FIGHTERS		
All Other	2,183	2,234
Total	2,183	2,234

	2007-08	2008-09
Initiative: Provides funding for ongoing contractual obligations and for projected additional contractual services for this program.		
ACCIDENT, SICKNESS & HEALTH INSURANCE INTERNAL SERVICE FUND		
All Other	115,194	145,194
Total	115,194	145,194

	2007-08	2008-09
Initiative: Provides funding in the technology line to cover Office of Information Technology fees for services.		
ACCIDENT, SICKNESS & HEALTH INSURANCE INTERNAL SERVICE FUND		
All Other	36,000	36,990
Total	36,000	36,990

	Actual 2005-06	Current 2006-07	Budgeted 2007-08	Budgeted 2008-09
Revised Program Summary - GENERAL FUND				
All Other			1,320,535	3,116,405
Total	0	0	1,320,535	3,116,405
Revised Program Summary - RETIREE HEALTH INSURANCE FUND				
All Other	48,400,235	48,400,235	48,400,235	48,400,235
Total	48,400,235	48,400,235	48,400,235	48,400,235
Revised Program Summary - ACCIDENT, SICKNESS & HEALTH INSURANCE INTERNAL SERVICE FUND				
Positions - LEGISLATIVE COUNT	14.000	14.000	14.000	14.000
Personal Services	809,775	851,074	864,329	889,351
All Other	777,665	741,289	922,483	953,473
Total	1,587,440	1,592,363	1,786,812	1,842,824
Revised Program Summary - RETIREE HEALTH INSURANCE - LAW ENFORCEMENT/FIRE FIGHTERS				
Positions - LEGISLATIVE COUNT		1.000	1.000	1.000
Personal Services		26,000	52,209	54,660
All Other		55,000	57,183	57,234
Total	0	81,000	109,392	111,894

0455 Accident - Sickness - Health Insurance

Initiative:

BASELINE BUDGET

	2007-08	2008-09
Retiree Health Insurance Fund	**$48,400,235**	**$48,400,235**
Accident, Sickness and Health Insurance Internal Service Fund	**$1,605,618**	**$1,630,640**
Firefighters and Law Enforcement Officers Health Insurance Progran	**$107,209**	**$109,660**

Justification:

The Division of Employee Health & Benefits is responsible for (1) the management and administration of the State employee health plan, dental plan, direct reimbursement accounts, retired teacher health premium reimbursement; (2) the central management and administration of the Workers' Compensation claims for State employees; (3) management of contracted services for the Employee Assistance Programs (EAP); and (4) the development of health & safety policies and programs to reduce the incidence of illnesses and injuries to employees. The Division is comprised of two primary units with the following responsibilities: Employee Health This unit (1) administers the State employee health plan providing a point-of-service plan and Medicare supplement plan to approximately 41,000 covered lives. This unit administers subscriber enrollment, premium billing, claim resolution, and contract management for the health, dental, and direct reimbursement programs, This unit supports the State Employee Health Commission which serves as trustees to the State employee health plan. The unit facilitates agreements with Commission members in order to develop policies and practices designed to contain plan costs while ensuring access to high quality, affordable health care services. (2) Another area of responsibility is the EAP, which provides confidential assessment, referral, and counseling services for all State employees and their family members. The EAP assesses client needs and refers employee to appropriate community based providers. Additionally, the EAP provides short-term professional counseling services related to a wide range of personal issue, which may affect job performance. The primary objective of EAP is to provide direct services to enhance the productivity, performance, and quality of life of State employees. (3) Finally, the unit coordinates employee health and safety initiatives in cooperation with seventeen departmental health and safety committees. The unit provides consultation for work site assessments, ergonomic training, and other intervention strategies to reduce the risk of exposure to work related injuries. As part of the statewide safety programs, this unit manages the alcohol and drug testing policies and programs in order to comply with the Federal Highway Administration (FWHA) rules. Workers' Compensation The Workers' compensation unit is responsible for case management of claims filed in the Executive, Legislative, and Judicial branches. The unit directs agencies in the timely reporting and payment of claims, monitors and controls medical costs, implements return-to-work programs, interprets Workers' Compensation law and policies for agencies and directs a management information system. The unit works closely with line agency representatives to ensure compliance with established reporting and payment standards and to develop policies and procedures to maximize efficiency and ensure effective management of all claims.

Initiative:

Provides funding for general operations based on actual expenditures in fiscal year 2005-06 and anticipated operational needs.

	2007-08	2008-09
Accident, Sickness and Health Insurance Internal Service Fund	**$30,000**	**$30,000**

Justification:

Actual general operations expenditures in FY06 were $96,936. Additional funding is required to meet anticipated expenditures for operational needs.

Initiative:

Provides funding for the State's payment of a 45% subsidy toward the cost of health insurance for eligible retired law enforcement officers and firefighters. This request is made in accordance with Public Law 2005, chapter 636.

	2007-08	2008-09
General Fund	**$1,320,535**	**$3,116,405**

Justification:

LD 1021 as enacted by Public Law 2005, chapter 636, effective July 1, 2007, requires that the State pay a 45% subsidy towards the cost of health insurance for eligible, pre-medicare, retired law enforcement officers and firefighters. Beginning January 1, 2007 active law enforcement officers and firefighters will be assessed 1.5% of their salary to help offset the costs of the program.

Initiative:

Provides funding to cover the projected increase in administrative costs for this program and for payment of health insurance premiums.

	2007-08	2008-09
Firefighters and Law Enforcement Officers Health Insurance Progran	**$2,183**	**$2,234**

Justification:

Provides funding to cover the projected increase in administrative costs for this program and for payment of health insurance premiums in accordance with the provisions contained in Public Law 2005, chapter 636.

Initiative:

Provides funding for ongoing contractual obligations and for projected additional contractual services for this program.

	2007-08	2008-09
Accident, Sickness and Health Insurance Internal Service Fund	**$115,194**	**$145,194**

Justification:

This program requests additional funding in the contractual services line to meet ongoing contractual services obligations and to cover the State employee health plan's portion ($31,000) of a hospital performance bonus pilot project sponsored by the Maine Health Management Coalition and ($40,000) for Employee Assistance Program services to support a pilot program with the Tufts/University of New England Medical Center.

Initiative:

Provides funding in the technology line to cover Office of Information Technology fees for services.

	2007-08	2008-09
Accident, Sickness and Health Insurance Internal Service Fund	**$36,000**	**$36,990**

Justification:

Additional funding requested to meet anticipated needs based on actual expenses for FY06 relating to technology services.

TRADE ADJUSTMENT ASSISTANCE HEALTH INSURANCE Z001

What the Budget purchases:

This program exists to provide a group health insurance product for individuals certified to receive federal assistance for health coverage under the terms of the tax credit program within the federal Trade Adjustment Assistance Reform Act of 2002. Individuals certified under the Trade Adjustment Assistance Reform Act are workers who have been displaced as a result of foreign competition.

	Actual 2005-06	Current 2006-07	Budgeted 2007-08	Budgeted 2008-09
Program Summary - FEDERAL EXPENDITURES FUND				
Personal Services	101,180	108,220		
All Other	20,450	20,962	20,962	20,962
Total	121,630	129,182	20,962	20,962
Program Summary - OTHER SPECIAL REVENUE FUNDS				
All Other	1,200,000	1,200,000	1,200,000	1,200,000
Total	1,200,000	1,200,000	1,200,000	1,200,000

Initiative: Adjusts the allocation to more accurately reflect the projected expenditure requirements for this program.

	2007-08	2008-09
OTHER SPECIAL REVENUE FUNDS		
All Other	(1,000,000)	(1,000,000)
Total	(1,000,000)	(1,000,000)

	Actual 2005-06	Current 2006-07	Budgeted 2007-08	Budgeted 2008-09
Revised Program Summary - FEDERAL EXPENDITURES FUND				
Personal Services	101,180	108,220		
All Other	20,450	20,962	20,962	20,962
Total	121,630	129,182	20,962	20,962
Revised Program Summary - OTHER SPECIAL REVENUE FUNDS				
All Other	1,200,000	1,200,000	200,000	200,000
Total	1,200,000	1,200,000	200,000	200,000

DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES

Z001 Trade Adjustment Assistance Health Insurance

Initiative:

BASELINE BUDGET

	2007-08	2008-09
Federal Expenditures Fund	**$20,962**	**$20,962**
Other Special Revenue Funds	**$1,200,000**	**$1,200,000**

Justification:

The purpose of this program is to provide a group health insurance product for individuals certified to receive federal assistance for health coverage under the terms of the tax credit program within the federal Trade Adjustment Assistance Reform Act of 2002. Individuals certified under the Trade Adjustment Assistance Reform Act are workers who have been displaced as a result of foreign competition

Initiative:

Adjusts the allocation to more accurately reflect the projected expenditure requirements for this program.

	2007-08	2008-09
Other Special Revenue Funds	**$(1,000,000)**	**$(1,000,000)**

Justification:

Adjusts allocation for the 2008-09 biennium to more accurately reflect the projected expenditure requirements for this program.

		Actual 2005-06	Current 2006-07	Budgeted 2007-08	Budgeted 2008-09
Department Summary - All Funds					
Positions - LEGISLATIVE COUNT		1.000	1.000	14.000	14.000
Personal Services		1,639,502	1,498,579	1,363,374	1,405,580
All Other		73,994,520	131,912,583	131,912,583	131,912,583
	Total	75,634,022	133,411,162	133,275,957	133,318,163
Department Summary - DIRIGO HEALTH FUND					
Positions - LEGISLATIVE COUNT		1.000	1.000	14.000	14.000
Personal Services		1,639,502	1,498,579	1,363,374	1,405,580
All Other		73,994,520	131,912,583	131,912,583	131,912,583
	Total	75,634,022	133,411,162	133,275,957	133,318,163

DIRIGO HEALTH FUND 0988

What the Budget purchases:

Dirigo Health exists as an independent executive agency to arrange for the provision of comprehensive, affordable health care coverage to eligible small employers, including the self-employed, their employees and dependents, and individuals on a voluntary basis. Dirigo Health is also responsible for monitoring and improving the quality of health care in Maine. The Dirigo Health Agency was created in Public Law 2003, chapter 469. Dirigo Health operates under the supervision of a Board of Directors consisting of 5 voting members and 3 ex officio, nonvoting members.

	Actual 2005-06	Current 2006-07	Budgeted 2007-08	Budgeted 2008-09
Program Summary - DIRIGO HEALTH FUND				
Positions - LEGISLATIVE COUNT	1.000	1.000	1.000	1.000
Personal Services	1,639,502	1,498,579	151,082	153,161
All Other	73,994,520	131,912,583	131,912,583	131,912,583
Total	75,634,022	133,411,162	132,063,665	132,065,744

Initiative: Continues 2 Public Service Executive II positions, one Public Service Executive III position, one Public Service Manager I position, one Planning and Research Associate I position, one Accounting Technician position, 2 Dirigo Health/Program Coordinator positions, 2 Systems Analyst positions, one Comprehensive Health Planner II position, one Office Associate II position and one Secretary Associate position established in Public Law 2005, chapter 386, Part D.

	2007-08	2008-09
DIRIGO HEALTH FUND		
Positions - LEGISLATIVE COUNT	13.000	13.000
Personal Services	1,212,292	1,252,419
Total	1,212,292	1,252,419

	Actual 2005-06	Current 2006-07	Budgeted 2007-08	Budgeted 2008-09
Revised Program Summary - DIRIGO HEALTH FUND				
Positions - LEGISLATIVE COUNT	1.000	1.000	14.000	14.000
Personal Services	1,639,502	1,498,579	1,363,374	1,405,580
All Other	73,994,520	131,912,583	131,912,583	131,912,583
Total	75,634,022	133,411,162	133,275,957	133,318,163

DIRIGO HEALTH

0988 Dirigo Health Fund

Initiative:

BASELINE BUDGET

	2007-08	2008-09
Dirigo Health Fund	**$132,063,665**	**$132,065,744**

Justification:

Dirigo Health is established as an independent executive agency to arrange for the provision of comprehensive, affordable health care coverage to eligible small employers, including the self-employed, their employees and dependents, and individuals on a voluntary basis. Dirigo Health is also responsible for monitoring and improving the quality of health care in Maine. The Dirigo Health Agency was created in Public Laws 2003, Chapter 469. Dirigo Health operates under the supervision of a Board of Directors consisting of five voting members and three ex officio, nonvoting members. Duties of Dirigo Health Agency, as defined in PL 2003, Chapter 469, include: establishing administrative and accounting procedures for the operation of Dirigo Health in accordance with Title 5; collect the savings offset payments; determine the comprehensive services and benefits to be included in Dirigo Health Insurance and develop the specifications for Dirigo Health Insurance; develop and implement a program to publicize the existence of Dirigo Health and Dirigo Health Insurance and the eligibility requirements and the enrollment procedures for Dirigo Health Insurance and to maintain public awareness of Dirigo Health and Dirigo Health Insurance; arrange the provision of Dirigo Health Insurance benefit coverage to eligible individuals and eligible employees through contacts with one or more qualified bidders; develop a high-risk pool for plan enrollees in Dirigo Health Insurance; and establish and operate the Maine Quality Forum. The four key initiatives of the Forum are: patient safety; activated consumer; specific quality improvement initiatives; and health information technology.

Initiative:

Continues 2 Public Service Executive II positions, one Public Service Executive III position, one Public Service Manager I position, one Planning and Research Associate I position, one Accounting Technician position, 2 Dirigo Health/Program Coordinator positions, 2 Systems Analyst positions, one Comprehensive Health Planner II position, one Office Associate II position and one Secretary Associate position established in Public Law 2005, chapter 386, Part D.

	2007-08	2008-09
Dirigo Health Fund	**$1,212,292**	**$1,252,419**

Justification:

Continues 13 positions needed for the ongoing operation of Dirigo Health Agency. Dedicated revenue includes all funds advanced for operating expenses including employer and employee contributions, savings offset payments and any funds received from any public or private source.

Professional and Financial Regulation, Department of

		Actual 2005-06	Current 2006-07	Budgeted 2007-08	Budgeted 2008-09
Department Summary - All Funds					
Positions - LEGISLATIVE COUNT		218.500	218.500	221.000	221.000
Positions - FTE COUNT		1.208	1.208	1.208	1.208
Personal Services		15,170,280	15,153,666	16,247,782	16,710,219
All Other		9,701,527	10,517,483	11,553,523	11,563,447
Capital Expenditures			250,000		
	Total	24,871,807	25,921,149	27,801,305	28,273,666
Department Summary - FEDERAL EXPENDITURES FUND					
All Other		55,684	57,024	23,554	23,554
	Total	55,684	57,024	23,554	23,554
Department Summary - OTHER SPECIAL REVENUE FUNDS					
Positions - LEGISLATIVE COUNT		218.500	218.500	221.000	221.000
Positions - FTE COUNT		1.208	1.208	1.208	1.208
Personal Services		15,170,280	15,153,666	16,247,782	16,710,219
All Other		9,645,843	10,460,459	11,529,969	11,539,893
Capital Expenditures			250,000		
	Total	24,816,123	25,864,125	27,777,751	28,250,112

FINANCIAL INSTITUTIONS - BUREAU OF 0093

What the Budget purchases:

The Bureau of Financial Institutions supervises all financial institutions chartered by the State. The bureau examines institutions for safety and soundness and compliance with state laws and engages in enforcement actions such as issuance of regulatory orders to assure the strength and stability of the regulated industry. In its supervisory role, the bureau also acts on applications for new charters, branches, mergers, and closely related activities. The bureau also provides mediation services to consumers who have complaints involving state-chartered financial institutions.

	Actual 2005-06	Current 2006-07	Budgeted 2007-08	Budgeted 2008-09
Program Summary - OTHER SPECIAL REVENUE FUNDS				
Positions - LEGISLATIVE COUNT	19.000	19.000	19.000	19.000
Personal Services	1,486,782	1,521,155	1,538,199	1,571,135
All Other	623,512	645,767	645,767	645,767
Total	2,110,294	2,166,922	2,183,966	2,216,902

Initiative: Continues 2 Bank Examiner positions previously established as limited-period positions in Public Law 2003, chapter 451 and continued in Public Law 2005, chapter 386.

	2007-08	2008-09
OTHER SPECIAL REVENUE FUNDS		
Positions - LEGISLATIVE COUNT	2.000	2.000
Personal Services	115,348	121,895
Total	115,348	121,895

Initiative: Reduces funding to adjust the baseline budget to more closely approximate anticipated expenditures.

	2007-08	2008-09
OTHER SPECIAL REVENUE FUNDS		
All Other	(18,317)	(11,066)
Total	(18,317)	(11,066)

Initiative: Adjusts funding to incorporate changes to STA-CAP rates.

	2007-08	2008-09
OTHER SPECIAL REVENUE FUNDS		
All Other	9,427	9,676
Total	9,427	9,676

	Actual 2005-06	Current 2006-07	Budgeted 2007-08	Budgeted 2008-09
Revised Program Summary - OTHER SPECIAL REVENUE FUNDS				
Positions - LEGISLATIVE COUNT	19.000	19.000	21.000	21.000
Personal Services	1,486,782	1,521,155	1,653,547	1,693,030
All Other	623,512	645,767	636,877	644,377
Total	2,110,294	2,166,922	2,290,424	2,337,407

DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION

0093 Financial Institutions - Bureau of

Initiative:

BASELINE BUDGET

	2007-08	2008-09
Other Special Revenue Funds	**$2,183,966**	**$2,216,902**

Justification:

The Bureau of Financial Institutions is an agency within the Department of Professional and Financial Regulation. The bureau is divided into 2 divisions: one for research and administration and the other responsible for examination and supervision. The bureau is funded by dedicated revenue. The bureau regulates all state-chartered banks and credit unions through the administration and enforcement of the Maine Banking Code and the Maine Consumer Credit Code. The bureau's statutory mission is to assure the strength, stability and efficiency of all financial institutions, ensure reasonable and orderly competition, encourage the development and expansion of financial services advantageous to the public welfare and protect consumers against unfair practices by financial institutions that provide consumer credit.

Initiative:

Continues 2 Bank Examiner positions previously established as limited-period positions in Public Law 2003, chapter 451 and continued in Public Law 2005, chapter 386.

	2007-08	2008-09
Other Special Revenue Funds	**$115,348**	**$121,895**

Justification:

The Bureau of Financial Institutions is responsible for the supervision and examination of 51 state-chartered financial institutions with approximately $14 billion in assets. For the past 4 fiscal years, the examination workload has averaged 2,250 days. This workload requires 11 full-time Bank Examiner positions to conduct examinations mandated by statute. The two positions requested are critical to protection of Maine citizens. The Personal Services and related costs of these positions will be offset by revenue from examination charges billed directly to financial institutions.

Initiative:

Reduces funding to adjust the baseline budget to more closely approximate anticipated expenditures.

	2007-08	2008-09
Other Special Revenue Funds	**$(18,317)**	**$(11,066)**

Justification:

To adjust the level of allocation to the level of anticipated resources.

Initiative:

Adjusts funding to incorporate changes to STA-CAP rates.

	2007-08	2008-09
Other Special Revenue Funds	**$9,427**	**$9,676**

Justification:

STA-CAP rates change each year. This request adjusts funding to reflect the correct STA-CAP rates for the 2008-2009 biennium.

INSURANCE - BUREAU OF 0092

What the Budget purchases:

The Bureau of Insurance, in a coordinated effort with other states, through the National Association of Insurance Commissioners (NAIC), regulates the business of insurance and provides consumer assistance in the State of Maine. Regulatory responsibilities include financial solvency regulation and consumer protection. These responsibilities are met through the enforcement of Maine law in regard to policy form and rate filing review, financial analysis and examination, consumer complaint resolution, market conduct examination, and licensing of various insurance entities.

	Actual 2005-06	Current 2006-07	Budgeted 2007-08	Budgeted 2008-09
Program Summary - OTHER SPECIAL REVENUE FUNDS				
Positions - LEGISLATIVE COUNT	81.000	81.000	80.500	80.500
Personal Services	5,640,347	5,794,961	6,176,244	6,340,579
All Other	3,051,969	3,144,505	3,144,505	3,144,505
Total	8,692,316	8,939,466	9,320,749	9,485,084

Initiative: Adjusts funding to incorporate changes to STA-CAP rates.

	2007-08	2008-09
OTHER SPECIAL REVENUE FUNDS		
All Other	7,156	8,206
Total	7,156	8,206

Initiative: Reduces funding to reflect the greater utilization of examination staff and the decreased use of outside contractors.

	2007-08	2008-09
OTHER SPECIAL REVENUE FUNDS		
All Other	(1,359,102)	(1,359,102)
Total	(1,359,102)	(1,359,102)

	Actual 2005-06	Current 2006-07	Budgeted 2007-08	Budgeted 2008-09
Revised Program Summary - OTHER SPECIAL REVENUE FUNDS				
Positions - LEGISLATIVE COUNT	81.000	81.000	80.500	80.500
Personal Services	5,640,347	5,794,961	6,176,244	6,340,579
All Other	3,051,969	3,144,505	1,792,559	1,793,609
Total	8,692,316	8,939,466	7,968,803	8,134,188

0092 Insurance - Bureau of

Initiative:

BASELINE BUDGET

	2007-08	2008-09
Other Special Revenue Funds	**$9,320,749**	**$9,485,084**

Justification:

The Bureau of Insurance is responsible for the regulation and supervision of the insurance industry in Maine. This includes, but is not limited to, insurance companies, producers (formerly referred to as "agents"), health maintenance organizations (HMOs), employers' self insured for workers' compensation and other insurance entities. To meet this responsibility, the bureau is empowered to license insurance companies to operate in the State of Maine, as well as non-profit hospital, medical or other health service organizations, health maintenance organizations, insurance producers, medical utilization review entities, third-party administrators, continuing care retirement communities, advisory organizations and reinsurance intermediaries/managers. The bureau registers preferred provider organizations, risk purchasing groups, risk retention groups, managing general agents and employee leasing plans. The bureau regularly conducts vigorous financial examinations of all domestic insurers as well as examinations to determine market compliance with the Maine Insurance Code. Bureau staff also reviews all the financial statements, Securities and Exchange Commission filings and other publicly available information on all licensed and authorized insurance companies doing business in Maine, the emphasis being on the domestic carriers. The bureau also examines and issues licenses to qualified applicants as insurance producers, consultants and adjusters. All policy forms and contracts used in Maine must be filed by insurance companies for approval by the bureau which administers the rating laws that apply to certain lines of insurance. The bureau may seek suspension or revocation of licenses in instances where licensees have failed to comply with the statutory provisions of Titles 24 and 24-A and the lawful regulations of the bureau.

Initiative:

Adjusts funding to incorporate changes to STA-CAP rates.

	2007-08	2008-09
Other Special Revenue Funds	**$7,156**	**$8,206**

Justification:

STA-CAP rates change each year. This request adjusts funding to reflect the correct STA-CAP rates for the 2008-2009 biennium.

Initiative:

Reduces funding to reflect the greater utilization of examination staff and the decreased use of outside contractors.

	2007-08	2008-09
Other Special Revenue Funds	**$(1,359,102)**	**$(1,359,102)**

Justification:

Reduces funding to equal anticipated expenditures.

OFFICE OF CONSUMER CREDIT REGULATION 0091

What the Budget purchases:

The agency was established to protect the citizens of Maine from unfair and deceptive practices with respect to consumer credit. The agency fulfills its role through implementation of the Maine Consumer Credit Code, and through administration of laws relating to collection agencies, credit reporting agencies, money order issuers, non-bank Automated Teller Machine operators, credit counselors and other consumer finance businesses.

Program Summary - OTHER SPECIAL REVENUE FUNDS	Actual 2005-06	Current 2006-07	Budgeted 2007-08	Budgeted 2008-09
Positions - LEGISLATIVE COUNT	12.500	12.500	12.500	12.500
Personal Services	932,414	956,203	927,487	949,540
All Other	194,490	192,803	192,803	192,803
Capital Expenditures		250,000		
Total	1,126,904	1,399,006	1,120,290	1,142,343

Initiative: Continues one Consumer Credit Examiner-in-Charge position previously established as a limited-period position in Public Law 2003, chapter 451 and continued in Public Law 2005, chapter 386.

OTHER SPECIAL REVENUE FUNDS	2007-08	2008-09
Positions - LEGISLATIVE COUNT	1.000	1.000
Personal Services	93,108	94,731
All Other	1,121	1,140
Total	94,229	95,871

Initiative: Adjusts funding to incorporate changes to STA-CAP rates.

OTHER SPECIAL REVENUE FUNDS	2007-08	2008-09
All Other	5,376	5,642
Total	5,376	5,642

Revised Program Summary - OTHER SPECIAL REVENUE FUNDS	Actual 2005-06	Current 2006-07	Budgeted 2007-08	Budgeted 2008-09
Positions - LEGISLATIVE COUNT	12.500	12.500	13.500	13.500
Personal Services	932,414	956,203	1,020,595	1,044,271
All Other	194,490	192,803	199,300	199,585
Capital Expenditures		250,000		
Total	1,126,904	1,399,006	1,219,895	1,243,856

DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION

0091 Office of Consumer Credit Regulation

Initiative:

BASELINE BUDGET

	2007-08	2008-09
Other Special Revenue Funds	**$1,120,290**	**$1,142,343**

Justification:

The Office of Consumer Credit Regulation protects the citizens of Maine from unfair and deceptive practices with respect to various financial services, including consumer credit and debt collection. This is accomplished through enforcing state laws to assist consumers who are subject to illegal credit-related practices, educating consumers and creditors as to their rights and responsibilities under those laws, and encouraging the development of fair and economically-sound consumer credit practices. The agency enforces the Maine Consumer Credit Code, Title 9-A, as it applies to all creditors and lenders other than banks and credit unions. Enforcement responsibilities also extend to other statutes, including the Fair Debt Collection Practices Act, the Fair Credit Reporting Act, and Maine's "Plain Language" Law. The agency regulates retail creditors, pawnshops, rent-to-own stores, mortgage companies, loan arrangers and credit bureaus. In addition, the office is responsible for ensuring legal compliance by money transmitters, money order issuers, operators of non-bank Automated Teller Machines, debt management service providers (credit counselors), payroll processors, and individual loan officers employed by non-bank lenders or loan brokers. The office enforces Truth in Lending, Regulation Z, credit disclosure requirements. Maine has received exemptions from federal oversight due to the State's diligent enforcement of the principles of the Truth-in-Lending Act and the Fair Debt Collection Practices Act.

Initiative:

Continues one Consumer Credit Examiner-in-Charge position previously established as a limited-period position in Public Law 2003, chapter 451 and continued in Public Law 2005, chapter 386.

	2007-08	2008-09
Other Special Revenue Funds	**$94,229**	**$95,871**

Justification:

This position is needed to provide critical consumer protection to Maine citizens. This is the agency's only accountant and is charged with evaluating the financial condition of approximately 4000 licensees.

Initiative:

Adjusts funding to incorporate changes to STA-CAP rates.

	2007-08	2008-09
Other Special Revenue Funds	**$5,376**	**$5,642**

Justification:

STA-CAP rates change each year. This request adjusts funding to reflect the correct STA-CAP rates for the 2008-2009 biennium.

OFFICE OF SECURITIES 0943

What the Budget purchases:

The Office of Securities administers and enforces the Revised Maine Securities Act. The office reviews applications to register securities for sale in Maine; reviews filings for exemptions from registration; and licenses broker-dealers, sales representatives, and investment advisors doing business in Maine. The office suspends or revokes such licenses for misconduct. The office responds to consumer complaints; investigates possible violations of the securities laws and may take administrative action or refer matters to the Attorney General for civil or criminal action. The office also administers the Business Opportunity Law and the State Commodity Code.

Program Summary - OTHER SPECIAL REVENUE FUNDS	Actual 2005-06	Current 2006-07	Budgeted 2007-08	Budgeted 2008-09
Positions - LEGISLATIVE COUNT	13.000	13.000	13.000	13.000
Personal Services	911,344	941,350	1,006,438	1,041,633
All Other	302,452	329,909	329,909	329,909
Total	1,213,796	1,271,259	1,336,347	1,371,542

Initiative: Adjusts funding to incorporate changes to STA-CAP rates.

	2007-08	2008-09
OTHER SPECIAL REVENUE FUNDS		
All Other	6,908	7,173
Total	6,908	7,173

Revised Program Summary - OTHER SPECIAL REVENUE FUNDS	Actual 2005-06	Current 2006-07	Budgeted 2007-08	Budgeted 2008-09
Positions - LEGISLATIVE COUNT	13.000	13.000	13.000	13.000
Personal Services	911,344	941,350	1,006,438	1,041,633
All Other	302,452	329,909	336,817	337,082
Total	1,213,796	1,271,259	1,343,255	1,378,715

0943 Office of Securities

Initiative:

BASELINE BUDGET

	2007-08	2008-09
Other Special Revenue Funds	**$1,336,347**	**$1,371,542**

Justification:

The Office of Securities was formed to protect Maine citizens against fraud and other abusive practices in connection with the sale of securities. The office's major functions include licensing persons engaged in the business of selling securities or providing investment advice, registering securities being offered and sold in Maine, and investigating and prosecuting alleged violations of the securities laws. The Office of Securities administers and enforces the Maine Uniform Securities Act, the laws governing the sale of business opportunities, and the Maine Commodity Code.

Initiative:

Adjusts funding to incorporate changes to STA-CAP rates.

	2007-08	2008-09
Other Special Revenue Funds	**$6,908**	**$7,173**

Justification:

STA-CAP rates change each year. This request adjusts funding to reflect the correct STA-CAP rates for the 2008-2009 biennium.

Joint Standing Committee on Business, Research and Economic Development

PART H

Sec. H-1. Development of plan. The Department of Professional and Financial Regulation and the Department of Economic and Community Development, referred to in this section as "the departments," shall work jointly to develop a plan to merge the departments into a single department to be named the Department of Commerce. Under the plan, the Department of Commerce shall perform the duties of both the departments. The departments may request the cooperation of other agencies or entities of State Government in the development of the plan, as well as the implementation of the merger. The plan to merge the departments must be designed to:

1. Streamline services to businesses;
2. Minimize administrative overhead;
3. Eliminate duplication of services; and
4. Otherwise create efficiencies and cost savings in the provision of services.

Sec. H-2. Report. No later than October 1, 2007, the Department of Professional and Financial Regulation and the Department of Economic and Community Development shall submit a report outlining the progress on the plan to merge into a single Department of Commerce to the Joint Standing Committee on Appropriations and Financial Affairs, the Joint Standing Committee on Business, Research and Economic Development and the Joint Standing Committee on Insurance and Financial Services. The Department of Professional and Financial Regulation and the Department of Economic and Community Development shall submit proposed legislation necessary to implement the plan to merge into a single Department of Commerce to the Second Regular Session of the 123rd Legislature no later than January 1, 2008.

SUMMARY

PART H

Part H directs the Department of Professional and Financial Regulation and the Department of Economic and Community Development to develop a plan to merge the departments into a single department to be named the Department of Commerce. The departments are directed to report on their progress by October 1, 2007 and are directed to submit any necessary implementing legislation no later than January 1, 2008.

TESTIMONY SIGN UP SHEET

JOINT STANDING COMMITTEE ON APPROPRIATIONS AND FINANCIAL AFFAIRS
&
JOINT STANDING COMMITTEE ON INSURANCE & FINANCIAL SERVICES

DATE: March 9, 2007

PLEASE PRINT

LD: 499

NAME	TOWN/AFFILIATION	FOR	AGAINST	NEITHER FOR NOR AGAINST	EMAIL ADDRESS OR PHONE
Rebecca Wyke, Commissioner	Dept. Adminstration&Financial				
Frank Johnson	Employee Health Insurance				
Karynlee Harrington, Exec. Dir.	Dirigo Health				
Joe Ditre	CAHC	X			
Carol Carothers	NAMI Maine	X			
Kris Ossenfort	MSCC		X		
Bruce Gerrity			X		
William Pierce	Augusta				
Anne Head	Professional&Financial Regulation	X			
John Richardson	Merger Issue Part H	X			
Charlie Solten	Merger Issue Part H			X	
Chris Ossenforte	Maine Chamber of Commerce			X	
Joe Ditre	Affordable Health Care	X			
Mark Walker	Maine Bankers Association			X	

TESTIMONY
OF
REBECCA WYKE, COMMISSIONER
DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES

Before the Joint Standing Committee on Appropriations and Financial Affairs
And the Joint Standing Committee on Insurance and Financial Services

Hearing Date: March 9, 2007

LD 499: "An Act Making Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds, and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2008 and June 30, 2009."

Senators Rotundo and Sullivan, Representatives Fischer and Brautigam, and Members of the Joint Standing Committees on Appropriations and Financial Affairs and Insurance and Financial Services, my name is Rebecca Wyke and I am the Commissioner of the Department of Administrative and Financial Services. I am here today to present testimony in support of those Departmental items presented in the Biennial Budget for the Office of Employee Health & Benefits.

ACCIDENT – SICKNESS – HEALTH INSURANCE

The **Part A** request for the Accident, Sickness and Health Insurance program within the Office of Employee Health & Benefits, Bureau of Human Resources, may be found on **page 6-3 of the Committee Copy, Page A-3 of the Budget Document and beginning on page 1, line 15 of the LD.**

This Program funds the administration of a benefits and services available to employees and eligible retirees. These benefits include the group health and dental plans and the employee assistance program (EAP). There are 4 voluntary benefit programs that are also administered by this program: long-term care (LTC) insurance, vision care, flexible spending accounts (FSA), and the deferred compensation plan. In addition, this program supports various health improvements and wellness initiatives at locations throughout the State designed to improve the health of employees and control the cost of healthcare.

The **Baseline Budget request** for this program continues operations at the current level. The request for allotment for the Retiree Health Insurance internal service fund is $48,400,235 for both FY08 and FY09. The request for allotment in the Accident, Sickness & Health Insurance internal service fund is $1,605,618 for FY08 and $1,630,640 for FY09. The request for allotment for the Retiree Health Insurance – Law Enforcement/Fire Fighters internal service fund is $107,209 for FY08 and $109,660 for FY09.

There are five initiatives for this program. The **first initiative** increases the allocation in the Accident, Sickness & Health Insurance internal service fund by $30,000 for both FY08 and FY09 to reflect anticipated expenditures based on the

actual experience for FY06. These funds are essential to meet the operational needs of the division.

The **second initiative** increases the appropriation of General Fund $1,320,535 for FY08 and $3,116,405 for FY09. This initiative provides for the State's payment of a 45% subsidy toward the cost of health insurance for eligible retired law enforcement officers and firefighters in accordance with Public Law 2005, chapter 636.

The **third initiative** increases the allocation for the Retiree Health Insurance – Law Enforcement/Firefighters internal service fund by $2,183 for FY08 and by $2,234 for FY09 to cover the projected increase in administrative costs for this program.

The **fourth initiative** increases the allocation for the Accident, Sickness & Health Insurance internal service fund by $115,194 for FY08 and by $145,194 for FY09 to cover contractual services for this program.

The **fifth initiative** increases the allocation for the Accident, Sickness & Health Insurance internal service fund by $36,000 for FY08 and by $36,990 for FY09 to cover Office of Information Technology services.

TRADE ADJUSTMENT ASSISTANCE HEALTH INSURANCE

The **Part A** request for the Trade Adjustment Assistance Health Insurance program within the Office of Employee Health, Bureau of Human Resources, may be found on **page 6-7 of the Committee Copy, Page A-37 of the Budget Document and beginning on page 37, line 17 of the LD.**

This Program provides group health insurance for individuals certified to receive federal assistance for health coverage under the terms of the tax credit program within the Federal Trade Adjustment Assistance Reform Act of 2002. Individuals certified under the Trade Adjustment Assistance Reform Act are workers who have been displaced as a result of foreign competition.

The **Baseline Budget request** for this program continues operations at the current level. The request for allotment for the Federal Expenditures Fund is $20,962 for both FY08 and FY09. The request for allotment for Other Special Revenue is $1,200,000 for both FY08 and FY09.

The **single initiative** for this program adjusts the allocation to more accurately reflect the projected expenditure requirements for this program. This initiative reduces the allocation request by $1,000,000 in both FY08 and FY09.

That concludes my testimony. I would be pleased to answer any questions you may have at this time.

TESTIMONY OF
KARYNLEE HARRINGTON, EXECUTIVE DIRECTOR
DIRIGO HEALTH AGENCY

Before the Joint Standing Committee on Appropriations and Financial Affairs
And the Joint Standing Committee on Insurance and Financial Services

Hearing Date: March 9, 2007

"An Act To Make Unified Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds, and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2008 and June 30, 2009."

Senators Rotundo and Sullivan, Representatives Fischer and Brautigam, and members of the Joint Standing Committees on Appropriations and Financial Affairs and Insurance and Financial Services. My name is Karynlee Harrington; I am the Executive Director of the Dirigo Health Agency. I am here today to present testimony in support of those items presented in the Biennial Budget Document for the Dirigo Health Agency.

The **Part A** baseline budget request for the Dirigo Health Agency, may be found on **page 6-10** of the **Committee Copy, Page A-195** of the **Budget Document** and on **page 176 line 32 of the LD.**

The Dirigo Health Agency exists to arrange for the provision of comprehensive, affordable health care coverage to eligible small employers, self employed, their employees and dependents, and individuals on a voluntary basis. DirigoChoice has been available since January 2005 for enrollment for small employers, their employees, and the self-employed and since April 2005 for individuals. Since the inception of the program we have served over 23,914 members; 18,625 through DirigoChoice and 5,289 as part of the MaineCare parent expansion. Each month we continue to enroll new members and as of February 1, 2007 the enrollment in the program is as follows:

Segment	Number of Contracts	Number of Members
Small Business (under 50 employees)	730	3505
Self-Employed (of one)	1,968	3639
Individuals	4,422	6335
Total number of members (including covered dependents)	13,478	
MaineCare expansion parents	5,194 (December)	

Additionally, the Agency administers the Maine Quality Forum, which is tasked with monitoring and improving the quality of health care in the State of Maine. The Maine Quality Forum:

- Promotes and supports systems of health care that use best clinical practices.
- Promotes awareness of the need to use health care quality information as part of the decision making process for providers and patients.
- Provides information about health care quality to the people of the State that allows them to make informed decisions about the care they receive.

The **Part A** initiative seeks to continue funding for 2 Public Service Executive II positions, one Public Service Executive III position, one Public Service Manager 1 position, one Planning and Research Associate 1 position, one Accounting Technician position, 2 Dirigo Health/Program Coordinator positions, 2 Systems Analyst positions, one Comprehensive Health Planner II position, one Office Associate II position and one Secretary Associate position within the Dirigo Health Fund. These positions were established in Public Law 2005, chapter 386, Part D and are needed for the ongoing operation of the Dirigo Health Agency; without these positions, administration of the DirigoChoice program and the Maine Quality Forum ends.

The Agency will be submitting a change package which will reflect a reduced All Other allocation within Dirigo Health based on:

- actual expenditures in FY06 and the first half of FY07
- an analysis of projected expenditures in the second half of FY07
- an assumption that the Agency maintain program enrollment at the level reached at the end of FY07 throughout FY08 and FY09

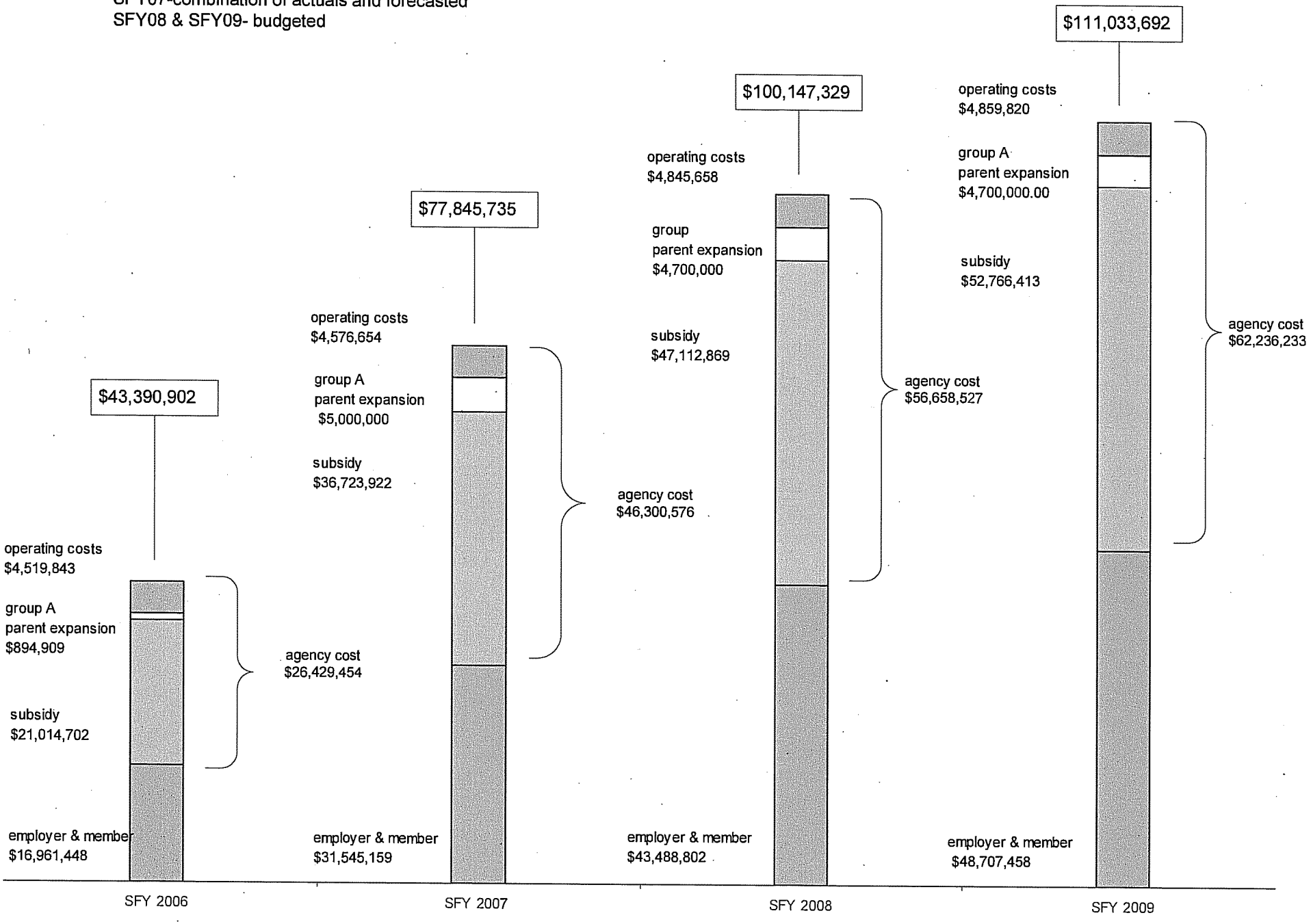
The change package will request a reduced allocation of $100,147,329 in FY08 and $111,033,692 in FY09.

This allocation requires the Agency to have revenue of $56,658,527 in FY08 and of $62,236,233 in FY09 and additionally I anticipate that Employer and Employee contributions to the Agency in FY08 will be $43,488,802 and in FY09 will be $48,707,458.

The Governors Blue Ribbon Commission on Dirigo Health has submitted their report detailing possible funding sources for the Agency as well as recommendations for market reforms and program changes that could allow the program to grow in FY08 and FY09. The Governor is currently considering the Commissions report and will present a proposal to the Legislature.

That concludes my testimony on items for the Dirigo Health Agency. I would be happy to answer any questions you may have at this time.

Dirigo Health Agency
SFY06-actuals from unaudited financial statements
SFY07-combination of actuals and forecasted
SFY08 & SFY09- budgeted



DirigoChoice Subsidy Summary

Eligibility

The following information is a summary of subsidy eligibility. These definitions should not be read as final eligibility criteria.

Subsidy eligibility is based on household income and household size as detailed below:

Household income is based on:

- Applicant gross wages, tips and salaries (before any deductions)
- Spouse or domestic partner gross wages, or tips and salaries (before any deductions)
- Net self-employment income (gross receipts minus allowable business expenses)
- Investment income (dividends from stocks, bonds, annuities, trusts, mutual fund shares)
- IRA and 401K distributions
- Pensions and annuities
- Net rental income (gross rents minus allowable expenses), royalties, trusts, etc
- Unemployment compensation
- Social Security
- Gross child support and/or alimony received

The following deductions are allowed:

- Childcare expenses - $200 per child per month if under 2, $175 per child per month if 2 or older. Caregiver must be a person outside the household.
- Child support paid out (only allowed for children that will not be covered by the applicant's policy).

Household size includes the plan applicant and all of his or her dependents (i.e., spouse, domestic partner, unmarried child under 19, student under 23, or child of any age who is disabled and dependent upon the applicant).

Structure

The Subsidy program for DirigoChoice enrollees has two parts:

1. subsidy on the monthly coverage cost and
2. reduced deductibles and out of pocket expenses.

- Households with income under 300% of FPL[1] receive subsidies on the cost of coverage.
- The subsidies are structured on a sliding scale, with 5 separate subsidy levels:

Subsidy Group	A MaineCare Guidelines	B 100-149%	C 150-199%	D 200-249%	E 250-299%
Subsidy on eligible coverage cost	100%	80%	60%	40%	20%
Household Size	**Annual Income Less Than:**				
1	Income/assets	$14,700.00	$19,600.00	$24,500.00	$29,400.00
2	Income/assets	$19,800.00	$26,400.00	$33,000.00	$39,600.00
3	Income/assets	$24,900.00	$33,200.00	$41,500.00	$49,800.00
4	Income/assets	$30,000.00	$40,000.00	$50,000.00	$60,000.00
5	Income/assets	$35,100.00	$46,800.00	$58,500.00	$70,200.00
6	Income/assets	$40,200.00	$53,600.00	$67,000.00	$80,400.00

Note: Group A members are MaineCare eligible. MaineCare eligibility is based on income level as well as other factors.

[1] 2006 Federal guidelines

Deductibles and Out of Pocket Expenses based on Subsidy Group:

	A	B	C	D	E	F
$1250						
Deductible (Single)	$0	$250	$500	$750	$1000	$1250
Out of Pocket (Single)	$0	$800	$1600	$2400	$3200	$4000
Deductible (Family)	$0	$500	$1000	$1500	$2000	$2500
Out of Pocket (Family)	$0	$1,600	$3200	$4800	$6400	$8000
$1750						
Deductible (Single)	$0	$500	$800	$1125	$1450	$1750
Out of Pocket (Single)	$0	$1600	$2600	$3600	$4600	$5600
Deductible (Family)	$0	$1,000	$1600	$2250	$2900	$3500
Out of Pocket (Family)	$0	$3200	$5200	$7200	$9200	$11200
$2500						
Deductible (Single)	$0	$500	$1000	$1500	$2000	$2500
Out of Pocket (Single)	$0	$700	$1400	$2100	$2800	$3500
Deductible (Family)	$0	$1,000	$2000	$3000	$4000	$5000
Out of Pocket (Family)	$0	$1400	$2800	$4200	$5600	$7000

Notes: Out of pocket includes the deductible
Individuals and Sole Props (self employed of one) are only eligible for the $1750 and $2500 plans

Examples of the Application of the Subsidy

Small Business Employee

- An employer selects the DirigoChoice $1750 Plan for her employees. The monthly cost is based on $1750 individual / $3500 family deductible.
- One employee has a wife and 2 children.
- The employee's family's household earned and unearned income, based on filed tax returns, is $36,000, putting them in Group C.
- In this example, monthly cost for family coverage is $1,032.
- The employer pays 60% or $206.24 of the employee only monthly cost (monthly cost in this example is $343.74)
- The employer withholds the remainder of the monthly cost ($825.76) from the employee's paycheck.
- The employee receives a monthly cash subsidy through a debit card in the amount of $495.46
- This leaves the employee with a $330.30 monthly obligation vs. $825.76
- Additionally, this family's deductible is $1,600 vs. $3,500.

Individual

- An individual selects the DirigoChoice $1750 Plan. The monthly cost is based on $1750 individual / $3500 family deductible.
- The individual has a wife and 2 children.
- The employee's family's household earned and unearned income, based on filed tax returns, is $27,000, putting them in Group B.
- In this example, monthly cost for family coverage is $1,213.00
- The employee receives a monthly cash subsidy through a debit card in the amount of $970.56.
- This leaves the employee with a $242.44 monthly obligation vs. $1213.00.
- Additionally, this family's deductible is $1,000 vs. $3,500.

Dirigo Health Monthly Members February 2007
Reported by Dirigo Health Agency 03/01/2007

Total Members Served, DC + Parents	23914
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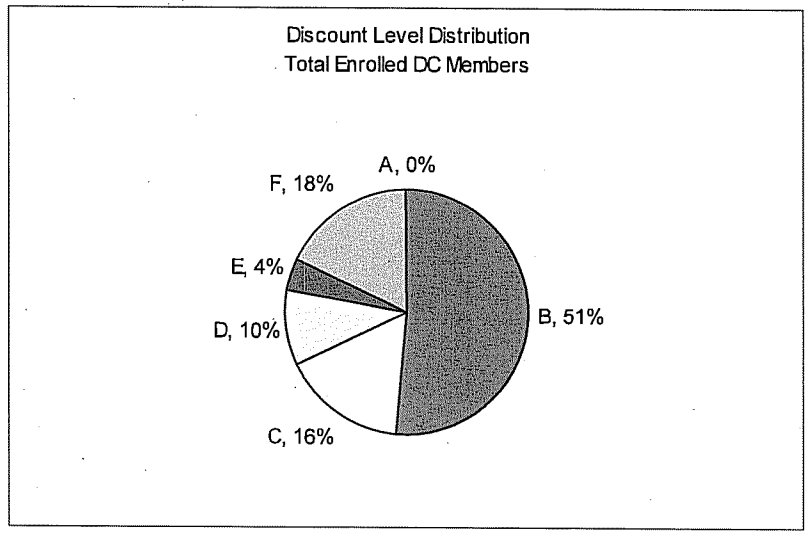

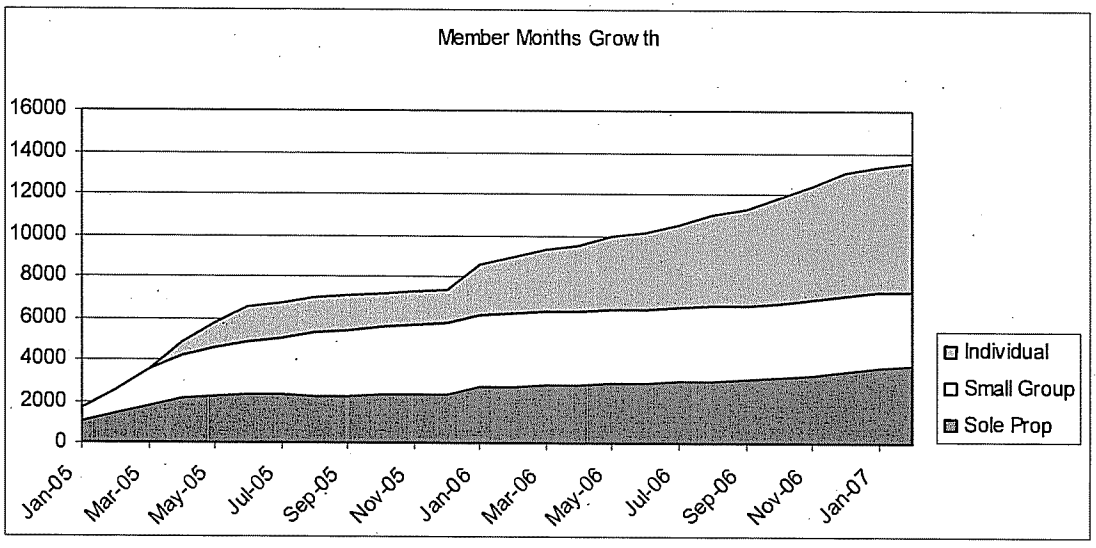

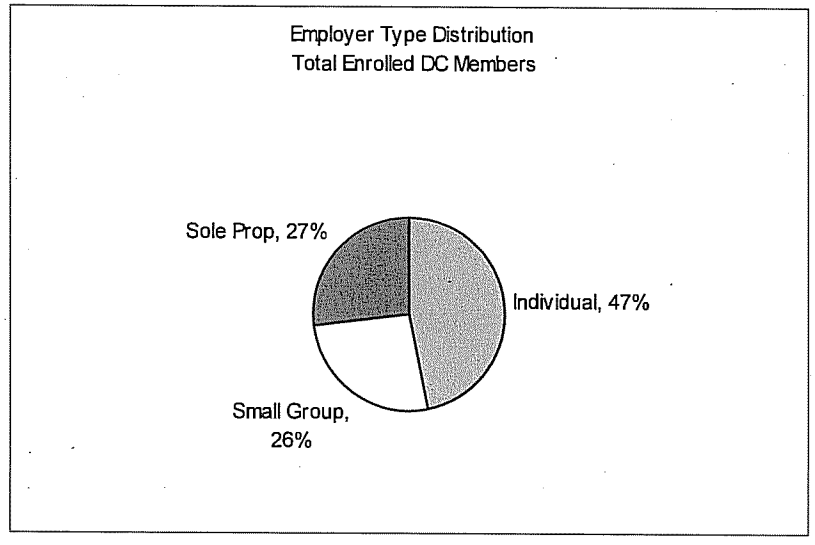

Notes:

1. Total Members Served refers to the total number of members ever enrolled (beginning 01/01/2005) for any period of time in the DirigoChoice or MaineCare Parent Expansion programs
2. Total New Members refers to the number of new members enrolled in the reporting month.
3. Total Enrolled Members refers to the number of members currently enrolled in the reporting month.
4. The current report does not include January or February Parent Expansion numbers.

Report of the Blue Ribbon Commission On Dirigo Health

January 2007

DirigoHealth

Working For Maine

Final Report of Blue Ribbon Commission on Dirigo Health

1. Charge to the Commission

The Blue Ribbon Commission on Dirigo Health was created by an Executive Order issued by Governor Baldacci on May 24, 2006 (Appendix 1). The duties of the Commission were the following:

- Review and make recommendations for alternatives for funding, which may include the savings offset payment, the Dirigo Health Program and subsidies under the program in a fair, equitable and broadly distributed manner.
- Review and make recommendations on methods proven effective in reducing and controlling health care costs and create savings in Maine's health care market, including how such methods may be incorporated in the DirigoChoice health insurance product

2. Membership of the Commission

The Commission was comprised of twenty members, representing a broad spectrum of interests and perspectives:

Dr. Sandra Featherman, former President, University of New England, Chair
David Brenerman, Assistant Vice President of Government & Public Affairs, UnumProvident Corporation, Portland
Joe Ditre, Executive Director, Consumers for Affordable Health Care, Augusta
Joan Donahue, owner, Hummingbird Home Care, Warren
Carol Epstein, owner, Epstein Commercial Real Estate, Bangor
Kevin Gildart, Vice President, Bath Iron Works, Bath
Tammy Greaton, Director, Maine People's Alliance, Portland
Merton Henry, Attorney, Jensen, Baird, Gardner and Henry, Portland
Mike Keenan, President, Local S6, Bath
Dr. Robert McAfee, Chairman, Dirigo Health Board of Directors, Portland
Steven Michaud, President, Maine Hospital Association, Augusta
Chip Morrison, President, Androscoggin County Chamber of Commerce, Lewiston and member, Advisory Council, Maine Quality Forum
Katherine Pelletreau, Executive Director, Maine Association of Health Plans, Yarmouth
Ed Pineau, President, Pineau Policy Associates, Inc., Manchester
Keith Small, Director, Down East Business Alliance, Milbridge
Gordon Smith, Executive Vice President, Maine Medical Association, Manchester
Dr. Peter Toussaint, physician, New Canada
Barbara Trafton, realtor, Keller Williams Realty, Auburn
Mary Anne Turowski, SEIU Field Representative, Maine State Employees Association, Augusta
Trish Riley, Director, Governor's Office of Health Policy and Finance, Augusta, ex officio

3. Meetings and Process

The Commission met nine times in total over a period of five months. In its initial meeting, on August 9, 2006, the Commission agreed on a set of operating procedures to be followed throughout the Commission's tenure. All meetings were open to the public.

For each meeting, an agenda was prepared and transmitted to Commission members, along with draft minutes from prior meetings and other materials for review. Minutes for the prior meeting were reviewed and approved at each meeting. During the meetings, presentations were made to the Commission on a variety of topics to provide them with background information for their discussions. Individuals assembling and presenting information to the Commission included:

- Karynlee Harrington Executive Director of the Dirigo Health Agency
- Beth Kilbreth, Kimberly Fox and Gino Nalli from the Institute for Health Policy, Muskie Institute of Public Service, University of Southern Maine
- Cindy Mann, Georgetown University
- Steven Tringale and Karen Quigley from Hinckley, Allen and Tringale
- Frank Johnson, Director of the State Employees Health Plan
- Dennis Shubert, Director of the Maine Quality Forum

The staff also responded to requests for clarification or additional information requested by Commission members.

A survey was sent to legislative leaders and members of relevant Committees. A summary of the responses to this survey was prepared and reviewed with the Commission. A similar survey was conducted among the Commission members themselves.

Finally, several members of the Commission circulated proposals to the Commission for their review.

After reviewing and discussing the information provided, the Commission considered a series of options regarding target populations for the DirigoChoice program, design and management of the DirigoChoice program, alternative financing sources for the DirigoChoice program, initiatives to make health care coverage more affordable overall, and reform of the individual insurance market in Maine. The Commission voted a series of recommendations based on their consideration of those options.

When voting occurred, standard Rules of Order were followed. Based on the Commission's agreement regarding operating procedures, the Commission strove to achieve consensus whenever possible.

Materials used by the Commission, are available at
www.dirigohealth.maine.gov/dhsp07ja.htm

4. Final Recommendations

The Commission expresses its unanimous support for the Dirigo Health Program and its goals and notes that the financing issue that has been the focus of so much contention is one piece of the larger Dirigo effort. DirigoChoice is a key part of the program, providing affordable coverage for over 13,000 citizens. The Commission was united in its opinion of the importance of its charge and in its commitment to work towards strengthening the program, and it hopes and expects that with the financing issue resolved, stakeholders will continue working together to advance Dirigo's goals of improving health care cost, quality, and access in Maine.

The Commission report is a majority report; while many recommendations reflect consensus, vote counts are included where consensus was not achieved.

Regarding the target populations for the DirigoChoice program, the Commission voted to endorse the following (unanimous on all):

- the highest priority should be the uninsured and under-insured under 300% FPL;
- the needs of part time and seasonally employed adults should be addressed;
- Dirigo's definition of a part time workers should, consistent with the state's insurance law, allow employers to offer coverage to employees that work ten or more hours per week; and
- Adult individuals, sole proprietors, and employees of small businesses are eligible for DirigoChoice subsidy, however marketing should focus on sole proprietors and small businesses.

- Regarding the design and management of the DirigoChoice product, the Commission voted to endorse the following:
  - the program should consider bidding pharmacy coverage separately from the health benefit and should explore purchasing prescription drugs coverage through the multi-state purchasing pool (11-6-0).
  - DirigoChoice should have an option to self-insure, as long as the program maintains a "level playing field" with other small group plans in terms of benefit mandates and legislative oversight (11-6-0).
  - the program should make increased use of focused chronic disease management, with an understanding that savings will not accrue until after 2007 (11-6-0).
  - the program should examine strategies to maximize federal Medicaid matching funds, such as using Medicaid funds to pay for employer sponsored insurance, and finding better ways to inform members of potential Medicaid eligibility (10-3-3).

- Regarding alternate financing sources for the DirigoChoice program, the Commission endorsed funding the program from the General Fund, to reflect the importance of the program to all the people of Maine but that general funds need not be the sole source of funding. For its deliberations, Commission members relied on data from the Dirigo Health Agency that estimated calendar year 2007 program costs at $57 million.

Possibilities endorsed by the Commission to generate revenue for the General Fund include taxes on specific behaviors and products that have a negative influence on health; revenues generated by these options could be earmarked specifically for DirigoChoice:

- increased taxes on tobacco products, including smokeless tobacco, specifically with a $.50 increase in taxes on each pack of cigarettes (15-1-1)
- a snack tax (11-6-0)
- a tax on bottled soft drinks and syrups (13-4-0)
- a tax on beer and wine (14-2-1)

and by the following initiative:

- capturing and redirecting bad debt and charity care funding (14-3-0). The Commission further recommends that a group consisting of interested parties, including, but not limited to providers, consumers, employers, and insurers be convened to meet with the Dirigo Board and staff as soon as possible to determine the methodology and mechanism through which bad debt and charity care savings will be captured and redirected (unanimous).

- Regarding making health care coverage more affordable overall, the Commission endorsed the following initiatives:
  - increase transparency of insurance rates by building publicly available data sets that allow consumers and employers to review health plan offerings against broad set of comparative metrics. Premium build-up for medical trend, administrative costs, provider pricing (network costs) will be available to the public, as well as groupings of products of similar design and actuarial value to allow informed purchasing decisions (11-5-1).
  - allow sole proprietors to purchase coverage in the small group market (unanimous)
  - require insurers to cover dependents on parents' policy to age 30 (13-3-1)
  - create options to allow non-subsidized individuals and employees to purchase health care coverage using pre-tax dollars (unanimous)
  - require insurers to give premium discounts for worksite wellness programs and non-smokers (16-0-1)
  - review Rule 850 to allow insurers to design plans in such as way as to increase incentives for use of high quality providers (9-5-2).

- Regarding individual market reform, the Commission recommends that the Governor appoint a work group representing the Bureau of Insurance, GOHPF, consumers, insurers, providers and employers to begin immediately to conduct an analysis of three options – (1) high risk pools, (2) merger of the individual and small group markets, and (3) reinsurance options applied to the individual market or merged market option – as well as combinations of and different versions of these options, and that the results of that study guide policy makers in proposing specific solutions to the individual health insurance market in 2007 (unanimous). Attachment 1 provides detail.

- Regarding employer and individual mandates, the Commission endorses the concept of an employer mandate along with a mandate for individuals with income over 400% FPL, and recommends that the Governor move forward to

explore the parameters of how such mandates would work, including, but not limited to such issues as: what is considered credible coverage; what would be a reasonable payment for businesses who elect not to purchase coverage; and how the individual mandate would be enforced (10-5-1).

- Regarding cost containment throughout the health care system, the Commission recommends that a group be formed to conduct an independent, data driven investigation of cost drivers in health care that effect both providers and payers (unanimous).

Attachment 1: Proposal for Individual Market Reform

Create a short term group charged with looking at the expected impact of, and advantages and disadvantages of the following policy options. These options are suggested for detailed analysis based upon the Blue Ribbon Commission's conclusion that the existing individual market must be restructured in the state of Maine. The options are:

1. High Risk Pool(s)
2. Merger of Individual and Small Group Markets in Maine
3. Re-insurance options applied to the individual market or merged market option

The criteria for review shall include but shall not be limited to:

1. The impact on affordability and accessibility to individual health insurance products for consumers in Maine.
2. The impact on affordability to small group and large group consumers of health benefits based upon reallocation of risk or surcharges by the identified proposals.
3. The impact on the current position of Maine insurers and the expected impact on competitiveness in the health insurance market.
4. The consistency of the proposed solution with broader policy goals of the Dirigo program, particularly extending and improving access to affordable coverage to all citizens of Maine.
5. The administrative requirements, both short and long term of each policy option.

The Commission urges the Governor to appoint a work group representing the Bureau of Insurance, GOHPF, consumers, insurers, providers, and businesses to begin immediately to conduct an analysis and that the results of that study guide policy makers in proposing specific solutions to the individual health insurance market in 2007.

Appendix 1

AN ORDER REGARDING DIRIGO HEALTH REFORM

WHEREAS, Dirigo Health Reform promotes the efforts of the State of Maine to achieve universal health care coverage, improving the affordability and accessibility of all Maine people; and

WHEREAS, health care is a matter of fairness; quality health care must be available to everyone in Maine; and

WHEREAS, DirigoChoice, the subsidized insurance product, is an essential element that is working for Maine families and small businesses; and

WHEREAS, Dirigo Health Reform is working for Maine families, achieving $43.7 million in savings in the first year of DirigoChoice and having covered more than 16,000 people in the first 15 months; and

WHEREAS, it is necessary to continue the promise of DirigoChoice in achieving these goals; and

WHEREAS, we must continue to expand Dirigo so that more Maine working families have health insurance coverage.

NOW, THEREFORE, I, John E. Baldacci, Governor of the state of Maine, by the authority vested in me, do hereby order the creation of the Blue Ribbon Commission on Dirigo Health:

I. Purpose

The Blue Ribbon Commission on Dirigo Health will make recommendations with respect to long-term funding and cost containment methods to continue the efforts of Dirigo Health in increasing the affordability, accessibility and quality of health care for the people of Maine.

II. Duties

The Blue Ribbon Commission on Dirigo Health shall undertake the following duties:

- Review and make recommendations for alternatives for funding, which may include the savings offset payment, the Dirigo Health Program and subsidies under the program in a fair, equitable and broadly distributed manner.

- Review and make recommendations on methods proven effective in reducing and controlling health care costs and create savings in Maine's health care market, including how such methods may be incorporated in the DirigoChoice health insurance product

- Conduct interviews with Legislators recommended by Democratic and Republican leadership and members of the Joint Standing Committees on Health and Human Services and Insurance and Financial Services before the second

meeting of the Blue Ribbon Commission in order to inform the Commission's agenda and financing options; and

- Seek input from and report regularly to Legislative leadership and the Joint Standing Committees on Insurance and Financial Services, Health and Human Services and Appropriations throughout the Commission's deliberations.

III. Responsibilities

The Blue Ribbon Commission on Dirigo Health shall submit a report with recommendations to the Governor no later than December 15, 2006.

IV. Membership

The Blue Ribbon Commission on Dirigo Health shall consist of no more than twenty (20) members. The Governor shall appoint the chair. Members shall include representatives of key constituencies including, but not limited to, business, providers, insurers, consumers, labor, the Dirigo Health Agency Board, enrolled businesses and the Governor's Office of Health Policy and Finance.

The Blue Ribbon Commission will be staffed by members of the Governor's Office of Health Policy and Finance and the Dirigo Health Agency, and, as necessary, by the Bureau of Insurance, the Department of Administrative and Financial Services, and the Department of Health and Human Services. Additional assistance will be provided the staff of the Muskie School of Public Policy and its consultants.

Effective Date

The original effective date of this Executive Order is May 24, 2006. It was amended by a subsequent Executive Order with an effective date of July 6, 2006.

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John E. Baldacci, Governor

DIR00 DI. J HEALTH
629 DIRIGO HEALTH
0988 DIRIGO HEALTH FUND
Biennial Position Report

Biennium: 2008
Account: 05495D099801

Position Number	Job Class Title	Home Account	Leg Pos Count	FTE Hours	Bi-Weekly Hours	Weeks Per Year	Admin Unit	Fill Vac	Spec	Salary Grade	Step	Teacher Contract Days	FY 2007-08 Salary & Wages	FY 2007-08 Benefits	FY 2007-08 % Total	FY 2008-09 Salary & Wages	FY 2008-09 Benefits	FY 2008-09 % Total
145000029	ACCT TECH	Y	1.000	0	80	52	B	F	4	16	6	0	30,414	18,118	100%	31,663	19,391	100%
145000012	COMPRE HLTH PLN II	Y	1.000	0	80	52	B	F	4	26	8	0	51,454	31,789	100%	51,454	33,318	100%
145000003	DIRIGO HL/PROG COC	Y	1.000	0	80	52	B	F	4	33	8	0	66,600	34,917	100%	66,600	36,527	100%
145000005	DIRIGO HL/PROG COC	Y	1.000	0	80	52	B	V	4	33	3	0	53,317	32,394	100%	55,814	34,784	100%
145000013	EX DIR DIRIGO HEALT	Y	1.000	0	80	52	Y	F	2	91	9	0	104,015	47,067	100%	104,015	49,146	100%
145000030	OFFICE ASSOC II	Y	1.000	0	80	52	A	F	80	13	5	0	29,145	17,708	100%	30,598	19,033	100%
145000033	PLNG & RES ASSOC I	Y	1.000	0	80	52	B	F	4	20	5	0	34,467	19,433	100%	35,838	20,799	100%
145000004	PS EXEC II	Y	1.000	0	80	52	X	F	47	38	8	0	90,567	49,014	100%	90,567	51,032	100%
145000007	PS EXEC II	Y	1.000	0	80	52	X	F	47	38	8	0	90,567	47,226	100%	90,567	51,032	100%
145000001	PS EXEC II	Y	1.000	0	80	52	X	F	47	60	7	0	131,932	62,722	100%	137,212	67,198	100%
145000011	PS MGR I	Y	1.000	0	80	52	X	F	47	26	8	0	54,975	28,836	100%	54,975	29,998	100%
145000008	SECRETARY ASSOCIA	Y	1.000	0	80	52	A	F	80	15	8	0	35,654	19,816	100%	35,654	20,737	100%
145000026	SYS ANALYST	Y	1.000	0	80	52	B	F	4	27	8	0	63,955	35,034	100%	63,955	36,686	100%
145000027	SYS ANALYST	Y	1.000	0	80	52	B	V	4	27	3	0	51,184	31,054	100%	53,640	33,347	100%

TESTIMONY OF
KARYNLEE HARRINGTON, EXECUTIVE DIRECTOR
DIRIGO HEALTH AGENCY

Before the Joint Standing Committee on Appropriations and Financial Affairs
And the Joint Standing Committee on Insurance and Financial Services

Hearing Date: March 9, 2007

"An Act To Make Unified Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds, and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2008 and June 30, 2009."

Senators Rotundo and Sullivan, Representatives Fischer and Brautigam, and members of the Joint Standing Committees on Appropriations and Financial Affairs and Insurance and Financial Services. My name is Karynlee Harrington; I am the Executive Director of the Dirigo Health Agency. I am here today to present testimony in support of those items presented in the Biennial Budget Document for the Dirigo Health Agency.

The **Part A** baseline budget request for the Dirigo Health Agency, may be found on **page 6-10** of the **Committee Copy, Page A-195** of the **Budget Document** and on **page 176 line 32 of the LD.**

The Dirigo Health Agency exists to arrange for the provision of comprehensive, affordable health care coverage to eligible small employers, self employed, their employees and dependents, and individuals on a voluntary basis. DirigoChoice has been available since January 2005 for enrollment for small employers, their employees, and the self-employed and since April 2005 for individuals. Since the inception of the program we have served over 23,914 members; 18,625 through DirigoChoice and 5,289 as part of the MaineCare parent expansion. Each month we continue to enroll new members and as of February 1, 2007 the enrollment in the program is as follows:

Segment	Number of Contracts	Number of Members
Small Business (under 50 employees)	730	3505
Self-Employed (of one)	1,968	3639
Individuals	4,422	6335
Total number of members (including covered dependents)	13,478	
MaineCare expansion parents	5,194 (December)	

Additionally, the Agency administers the Maine Quality Forum, which is tasked with monitoring and improving the quality of health care in the State of Maine. The Maine Quality Forum:

- Promotes and supports systems of health care that use best clinical practices.
- Promotes awareness of the need to use health care quality information as part of the decision making process for providers and patients.
- Provides information about health care quality to the people of the State that allows them to make informed decisions about the care they receive.

The **Part A** initiative seeks to continue funding for 2 Public Service Executive II positions, one Public Service Executive III position, one Public Service Manager 1 position, one Planning and Research Associate 1 position, one Accounting Technician position, 2 Dirigo Health/Program Coordinator positions, 2 Systems Analyst positions, one Comprehensive Health Planner II position, one Office Associate II position and one Secretary Associate position within the Dirigo Health Fund. These positions were established in Public Law 2005, chapter 386, Part D and are needed for the ongoing operation of the Dirigo Health Agency; without these positions, administration of the DirigoChoice program and the Maine Quality Forum ends.

The Agency will be submitting a change package which will reflect a reduced All Other allocation within Dirigo Health based on:

- actual expenditures in FY06 and the first half of FY07
- an analysis of projected expenditures in the second half of FY07
- an assumption that the Agency maintain program enrollment at the level reached at the end of FY07 throughout FY08 and FY09

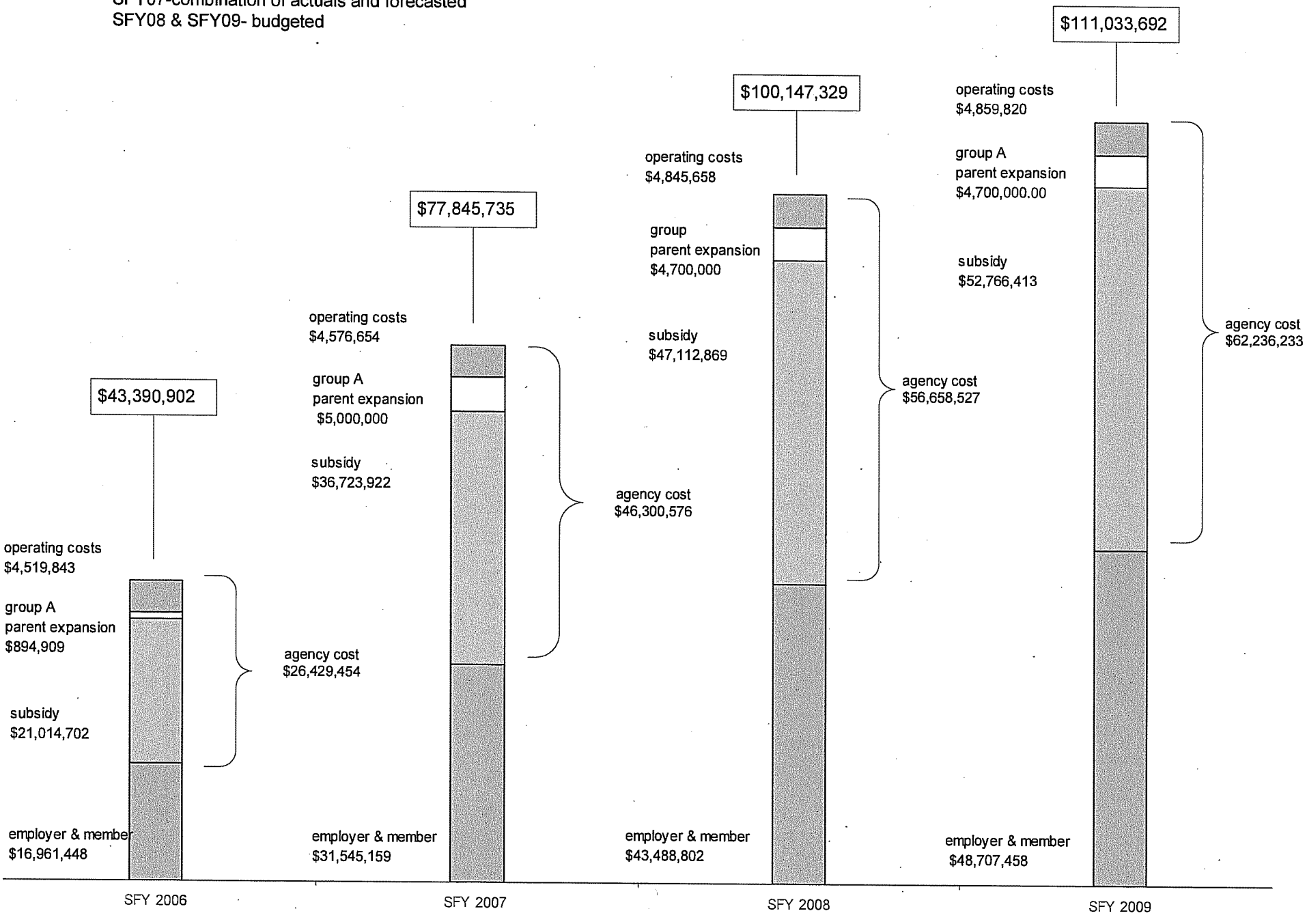
The change package will request a reduced allocation of $100,147,329 in FY08 and $111,033,692 in FY09.

This allocation requires the Agency to have revenue of $56,658,527 in FY08 and of $62,236,233 in FY09 and additionally I anticipate that Employer and Employee contributions to the Agency in FY08 will be $43,488,802 and in FY09 will be $48,707,458.

The Governors Blue Ribbon Commission on Dirigo Health has submitted their report detailing possible funding sources for the Agency as well as recommendations for market reforms and program changes that could allow the program to grow in FY08 and FY09. The Governor is currently considering the Commissions report and will present a proposal to the Legislature.

That concludes my testimony on items for the Dirigo Health Agency. I would be happy to answer any questions you may have at this time.

Dirigo Health Agency
SFY06-actuals from unaudited financial statements
SFY07-combination of actuals and forecasted
SFY08 & SFY09- budgeted



DirigoChoice Subsidy Summary

Eligibility

The following information is a summary of subsidy eligibility. These definitions should not be read as final eligibility criteria.

Subsidy eligibility is based on household income and household size as detailed below:

Household income is based on:

- Applicant gross wages, tips and salaries (before any deductions)
- Spouse or domestic partner gross wages, or tips and salaries (before any deductions)
- Net self-employment income (gross receipts minus allowable business expenses)
- Investment income (dividends from stocks, bonds, annuities, trusts, mutual fund shares)
- IRA and 401K distributions
- Pensions and annuities
- Net rental income (gross rents minus allowable expenses), royalties, trusts, etc
- Unemployment compensation
- Social Security
- Gross child support and/or alimony received

The following deductions are allowed:

- Childcare expenses - $200 per child per month if under 2, $175 per child per month if 2 or older. Caregiver must be a person outside the household.
- Child support paid out (only allowed for children that will not be covered by the applicant's policy).

Household size includes the plan applicant and all of his or her dependents (i.e., spouse, domestic partner, unmarried child under 19, student under 23, or child of any age who is disabled and dependent upon the applicant).

Structure

The Subsidy program for DirigoChoice enrollees has two parts:

1. subsidy on the monthly coverage cost and
2. reduced deductibles and out of pocket expenses.

- Households with income under 300% of FPL[1] receive subsidies on the cost of coverage.
- The subsidies are structured on a sliding scale, with 5 separate subsidy levels:

Subsidy Group	A MaineCare Guidelines	B 100-149%	C 150-199%	D 200-249%	E 250-299%
Subsidy on eligible coverage cost	100%	80%	60%	40%	20%
Household Size	**Annual Income Less Than:**				
1	Income/assets	$14,700.00	$19,600.00	$24,500.00	$29,400.00
2	Income/assets	$19,800.00	$26,400.00	$33,000.00	$39,600.00
3	Income/assets	$24,900.00	$33,200.00	$41,500.00	$49,800.00
4	Income/assets	$30,000.00	$40,000.00	$50,000.00	$60,000.00
5	Income/assets	$35,100.00	$46,800.00	$58,500.00	$70,200.00
6	Income/assets	$40,200.00	$53,600.00	$67,000.00	$80,400.00

Note: Group A members are MaineCare eligible. MaineCare eligibility is based on income level as well as other factors.

[1] 2006 Federal guidelines

Deductibles and Out of Pocket Expenses based on Subsidy Group:

	A	B	C	D	E	F
$1250						
Deductible (Single)	$0	$250	$500	$750	$1000	$1250
Out of Pocket (Single)	$0	$800	$1600	$2400	$3200	$4000
Deductible (Family)	$0	$500	$1000	$1500	$2000	$2500
Out of Pocket (Family)	$0	$1,600	$3200	$4800	$6400	$8000
$1750						
Deductible (Single)	$0	$500	$800	$1125	$1450	$1750
Out of Pocket (Single)	$0	$1600	$2600	$3600	$4600	$5600
Deductible (Family)	$0	$1,000	$1600	$2250	$2900	$3500
Out of Pocket (Family)	$0	$3200	$5200	$7200	$9200	$11200
$2500						
Deductible (Single)	$0	$500	$1000	$1500	$2000	$2500
Out of Pocket (Single)	$0	$700	$1400	$2100	$2800	$3500
Deductible (Family)	$0	$1,000	$2000	$3000	$4000	$5000
Out of Pocket (Family)	$0	$1400	$2800	$4200	$5600	$7000

Notes: Out of pocket includes the deductible
Individuals and Sole Props (self employed of one) are only eligible for the $1750 and $2500 plans

Examples of the Application of the Subsidy

Small Business Employee

- An employer selects the DirigoChoice $1750 Plan for her employees. The monthly cost is based on $1750 individual / $3500 family deductible.
- One employee has a wife and 2 children.
- The employee's family's household earned and unearned income, based on filed tax returns, is $36,000, putting them in Group C.
- In this example, monthly cost for family coverage is $1,032.
- The employer pays 60% or $206.24 of the employee only monthly cost (monthly cost in this example is $343.74)
- The employer withholds the remainder of the monthly cost ($825.76) from the employee's paycheck.
- The employee receives a monthly cash subsidy through a debit card in the amount of $495.46
- This leaves the employee with a $330.30 monthly obligation vs. $825.76
- Additionally, this family's deductible is $1,600 vs. $3,500.

Individual

- An individual selects the DirigoChoice $1750 Plan. The monthly cost is based on $1750 individual / $3500 family deductible.
- The individual has a wife and 2 children.
- The employee's family's household earned and unearned income, based on filed tax returns, is $27,000, putting them in Group B.
- In this example, monthly cost for family coverage is $1,213.00
- The employee receives a monthly cash subsidy through a debit card in the amount of $970.56.
- This leaves the employee with a $242.44 monthly obligation vs. $1213.00.
- Additionally, this family's deductible is $1,000 vs. $3,500.

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Reported by Dirigo Health Agency 03/01/2007

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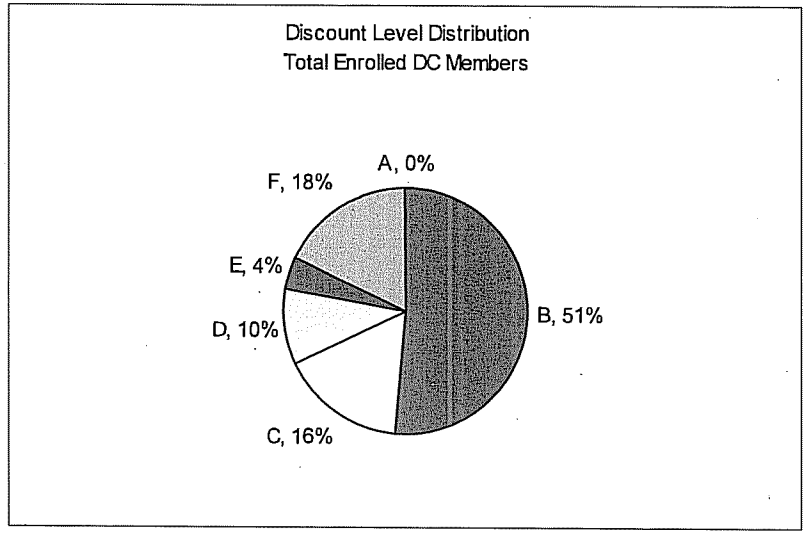
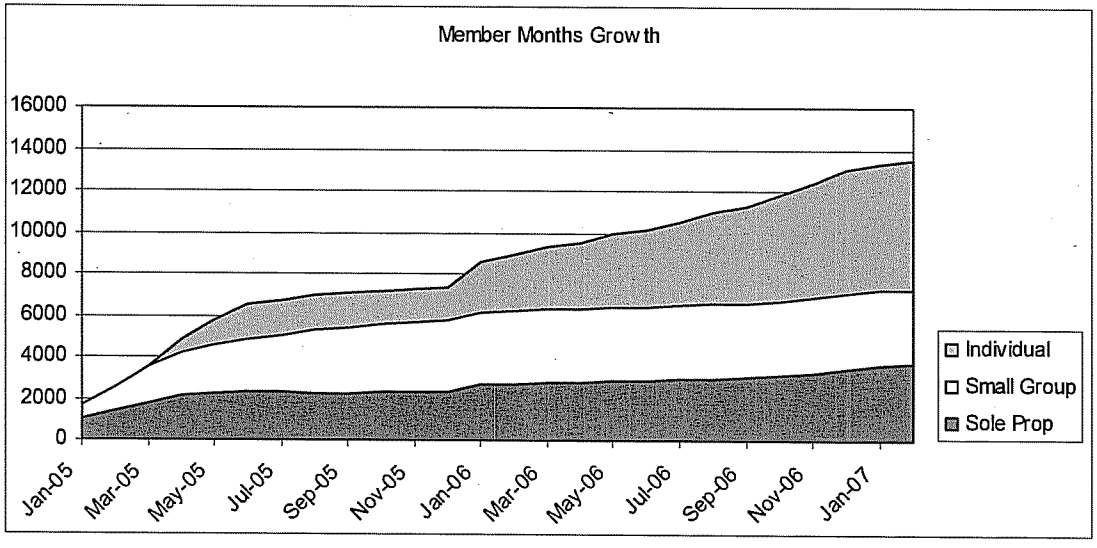
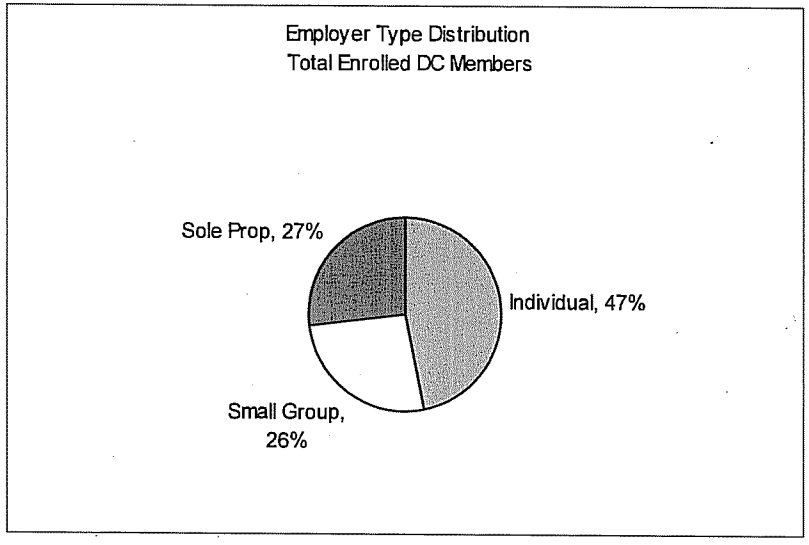






Notes:

1. Total Members Served refers to the total number of members ever enrolled (beginning 01/01/2005) for any period of time in the DirigoChoice or MaineCare Parent Expansion programs
2, Total New Members refers to the number of new members enrolled in the reporting month.
3. Total Enrolled Members refers to the number of members currently enrolled in the reporting month.
4. The current report does not include January or February Parent Expansion numbers.

Report of the Blue Ribbon Commission On Dirigo Health

January 2007

Final Report of Blue Ribbon Commission on Dirigo Health

1. Charge to the Commission

The Blue Ribbon Commission on Dirigo Health was created by an Executive Order issued by Governor Baldacci on May 24, 2006 (Appendix 1). The duties of the Commission were the following:

- Review and make recommendations for alternatives for funding, which may include the savings offset payment, the Dirigo Health Program and subsidies under the program in a fair, equitable and broadly distributed manner.
- Review and make recommendations on methods proven effective in reducing and controlling health care costs and create savings in Maine's health care market, including how such methods may be incorporated in the DirigoChoice health insurance product

2. Membership of the Commission

The Commission was comprised of twenty members, representing a broad spectrum of interests and perspectives:

Dr. Sandra Featherman, former President, University of New England, Chair
David Brenerman, Assistant Vice President of Government & Public Affairs, UnumProvident Corporation, Portland
Joe Ditre, Executive Director, Consumers for Affordable Health Care, Augusta
Joan Donahue, owner, Hummingbird Home Care, Warren
Carol Epstein, owner, Epstein Commercial Real Estate, Bangor
Kevin Gildart, Vice President, Bath Iron Works, Bath
Tammy Greaton, Director, Maine People's Alliance, Portland
Merton Henry, Attorney, Jensen, Baird, Gardner and Henry, Portland
Mike Keenan, President, Local S6, Bath
Dr. Robert McAfee, Chairman, Dirigo Health Board of Directors, Portland
Steven Michaud, President, Maine Hospital Association, Augusta
Chip Morrison, President, Androscoggin County Chamber of Commerce, Lewiston and member, Advisory Council, Maine Quality Forum
Katherine Pelletreau, Executive Director, Maine Association of Health Plans, Yarmouth
Ed Pineau, President, Pineau Policy Associates, Inc., Manchester
Keith Small, Director, Down East Business Alliance, Milbridge
Gordon Smith, Executive Vice President, Maine Medical Association, Manchester
Dr. Peter Toussaint, physician, New Canada
Barbara Trafton, realtor, Keller Williams Realty, Auburn
Mary Anne Turowski, SEIU Field Representative, Maine State Employees Association, Augusta
Trish Riley, Director, Governor's Office of Health Policy and Finance, Augusta, ex officio

3. Meetings and Process

The Commission met nine times in total over a period of five months. In its initial meeting, on August 9, 2006, the Commission agreed on a set of operating procedures to be followed throughout the Commission's tenure. All meetings were open to the public.

For each meeting, an agenda was prepared and transmitted to Commission members, along with draft minutes from prior meetings and other materials for review. Minutes for the prior meeting were reviewed and approved at each meeting. During the meetings, presentations were made to the Commission on a variety of topics to provide them with background information for their discussions. Individuals assembling and presenting information to the Commission included:

- Karynlee Harrington Executive Director of the Dirigo Health Agency
- Beth Kilbreth, Kimberly Fox and Gino Nalli from the Institute for Health Policy, Muskie Institute of Public Service, University of Southern Maine
- Cindy Mann, Georgetown University
- Steven Tringale and Karen Quigley from Hinckley, Allen and Tringale
- Frank Johnson, Director of the State Employees Health Plan
- Dennis Shubert, Director of the Maine Quality Forum

The staff also responded to requests for clarification or additional information requested by Commission members.

A survey was sent to legislative leaders and members of relevant Committees. A summary of the responses to this survey was prepared and reviewed with the Commission. A similar survey was conducted among the Commission members themselves.

Finally, several members of the Commission circulated proposals to the Commission for their review.

After reviewing and discussing the information provided, the Commission considered a series of options regarding target populations for the DirigoChoice program, design and management of the DirigoChoice program, alternative financing sources for the DirigoChoice program, initiatives to make health care coverage more affordable overall, and reform of the individual insurance market in Maine. The Commission voted a series of recommendations based on their consideration of those options.

When voting occurred, standard Rules of Order were followed. Based on the Commission's agreement regarding operating procedures, the Commission strove to achieve consensus whenever possible.

Materials used by the Commission, are available at
www.dirigohealth.maine.gov/dhsp07ja.htm

4. Final Recommendations

The Commission expresses its unanimous support for the Dirigo Health Program and its goals and notes that the financing issue that has been the focus of so much contention is one piece of the larger Dirigo effort. DirigoChoice is a key part of the program, providing affordable coverage for over 13,000 citizens. The Commission was united in its opinion of the importance of its charge and in its commitment to work towards strengthening the program, and it hopes and expects that with the financing issue resolved, stakeholders will continue working together to advance Dirigo's goals of improving health care cost, quality, and access in Maine.

The Commission report is a majority report; while many recommendations reflect consensus, vote counts are included where consensus was not achieved.

Regarding the target populations for the DirigoChoice program, the Commission voted to endorse the following (unanimous on all):

- the highest priority should be the uninsured and under-insured under 300% FPL;
- the needs of part time and seasonally employed adults should be addressed;
- Dirigo's definition of a part time workers should, consistent with the state's insurance law, allow employers to offer coverage to employees that work ten or more hours per week; and
- Adult individuals, sole proprietors, and employees of small businesses are eligible for DirigoChoice subsidy, however marketing should focus on sole proprietors and small businesses.

- Regarding the design and management of the DirigoChoice product, the Commission voted to endorse the following:
  - the program should consider bidding pharmacy coverage separately from the health benefit and should explore purchasing prescription drugs coverage through the multi-state purchasing pool (11-6-0).
  - DirigoChoice should have an option to self-insure, as long as the program maintains a "level playing field" with other small group plans in terms of benefit mandates and legislative oversight (11-6-0).
  - the program should make increased use of focused chronic disease management, with an understanding that savings will not accrue until after 2007 (11-6-0).
  - the program should examine strategies to maximize federal Medicaid matching funds, such as using Medicaid funds to pay for employer sponsored insurance, and finding better ways to inform members of potential Medicaid eligibility (10-3-3).

- Regarding alternate financing sources for the DirigoChoice program, the Commission endorsed funding the program from the General Fund, to reflect the importance of the program to all the people of Maine but that general funds need not be the sole source of funding. For its deliberations, Commission members relied on data from the Dirigo Health Agency that estimated calendar year 2007 program costs at $57 million.

Possibilities endorsed by the Commission to generate revenue for the General Fund include taxes on specific behaviors and products that have a negative influence on health; revenues generated by these options could be earmarked specifically for DirigoChoice:

- increased taxes on tobacco products, including smokeless tobacco, specifically with a $.50 increase in taxes on each pack of cigarettes (15-1-1)
- a snack tax (11-6-0)
- a tax on bottled soft drinks and syrups (13-4-0)
- a tax on beer and wine (14-2-1)

and by the following initiative:

- capturing and redirecting bad debt and charity care funding (14-3-0). The Commission further recommends that a group consisting of interested parties, including, but not limited to providers, consumers, employers, and insurers be convened to meet with the Dirigo Board and staff as soon as possible to determine the methodology and mechanism through which bad debt and charity care savings will be captured and redirected (unanimous).

- Regarding making health care coverage more affordable overall, the Commission endorsed the following initiatives:
  - increase transparency of insurance rates by building publicly available data sets that allow consumers and employers to review health plan offerings against broad set of comparative metrics. Premium build-up for medical trend, administrative costs, provider pricing (network costs) will be available to the public, as well as groupings of products of similar design and actuarial value to allow informed purchasing decisions (11-5-1).
  - allow sole proprietors to purchase coverage in the small group market (unanimous)
  - require insurers to cover dependents on parents' policy to age 30 (13-3-1)
  - create options to allow non-subsidized individuals and employees to purchase health care coverage using pre-tax dollars (unanimous)
  - require insurers to give premium discounts for worksite wellness programs and non-smokers (16-0-1)
  - review Rule 850 to allow insurers to design plans in such as way as to increase incentives for use of high quality providers (9-5-2).

- Regarding individual market reform, the Commission recommends that the Governor appoint a work group representing the Bureau of Insurance, GOHPF, consumers, insurers, providers and employers to begin immediately to conduct an analysis of three options – (1) high risk pools, (2) merger of the individual and small group markets, and (3) reinsurance options applied to the individual market or merged market option – as well as combinations of and different versions of these options, and that the results of that study guide policy makers in proposing specific solutions to the individual health insurance market in 2007 (unanimous). Attachment 1 provides detail.

- Regarding employer and individual mandates, the Commission endorses the concept of an employer mandate along with a mandate for individuals with income over 400% FPL, and recommends that the Governor move forward to

explore the parameters of how such mandates would work, including, but not limited to such issues as: what is considered credible coverage; what would be a reasonable payment for businesses who elect not to purchase coverage; and how the individual mandate would be enforced (10-5-1).

- Regarding cost containment throughout the health care system, the Commission recommends that a group be formed to conduct an independent, data driven investigation of cost drivers in health care that effect both providers and payers (unanimous).

Attachment 1: Proposal for Individual Market Reform

Create a short term group charged with looking at the expected impact of, and advantages and disadvantages of the following policy options. These options are suggested for detailed analysis based upon the Blue Ribbon Commission's conclusion that the existing individual market must be restructured in the state of Maine. The options are:

1. High Risk Pool(s)
2. Merger of Individual and Small Group Markets in Maine
3. Re-insurance options applied to the individual market or merged market option

The criteria for review shall include but shall not be limited to:

1. The impact on affordability and accessibility to individual health insurance products for consumers in Maine.
2. The impact on affordability to small group and large group consumers of health benefits based upon reallocation of risk or surcharges by the identified proposals.
3. The impact on the current position of Maine insurers and the expected impact on competitiveness in the health insurance market.
4. The consistency of the proposed solution with broader policy goals of the Dirigo program, particularly extending and improving access to affordable coverage to all citizens of Maine.
5. The administrative requirements, both short and long term of each policy option.

The Commission urges the Governor to appoint a work group representing the Bureau of Insurance, GOHPF, consumers, insurers, providers, and businesses to begin immediately to conduct an analysis and that the results of that study guide policy makers in proposing specific solutions to the individual health insurance market in 2007.

Appendix 1

AN ORDER REGARDING DIRIGO HEALTH REFORM

WHEREAS, Dirigo Health Reform promotes the efforts of the State of Maine to achieve universal health care coverage, improving the affordability and accessibility of all Maine people; and

WHEREAS, health care is a matter of fairness; quality health care must be available to everyone in Maine; and

WHEREAS, DirigoChoice, the subsidized insurance product, is an essential element that is working for Maine families and small businesses; and

WHEREAS, Dirigo Health Reform is working for Maine families, achieving $43.7 million in savings in the first year of DirigoChoice and having covered more than 16,000 people in the first 15 months; and

WHEREAS, it is necessary to continue the promise of DirigoChoice in achieving these goals; and

WHEREAS, we must continue to expand Dirigo so that more Maine working families have health insurance coverage

NOW, THEREFORE, I, John E. Baldacci, Governor of the state of Maine, by the authority vested in me, do hereby order the creation of the Blue Ribbon Commission on Dirigo Health:

I. Purpose

The Blue Ribbon Commission on Dirigo Health will make recommendations with respect to long-term funding and cost containment methods to continue the efforts of Dirigo Health in increasing the affordability, accessibility and quality of health care for the people of Maine.

II. Duties

The Blue Ribbon Commission on Dirigo Health shall undertake the following duties:

- Review and make recommendations for alternatives for funding, which may include the savings offset payment, the Dirigo Health Program and subsidies under the program in a fair, equitable and broadly distributed manner.

- Review and make recommendations on methods proven effective in reducing and controlling health care costs and create savings in Maine's health care market, including how such methods may be incorporated in the DirigoChoice health insurance product

- Conduct interviews with Legislators recommended by Democratic and Republican leadership and members of the Joint Standing Committees on Health and Human Services and Insurance and Financial Services before the second

meeting of the Blue Ribbon Commission in order to inform the Commission's agenda and financing options; and

- Seek input from and report regularly to Legislative leadership and the Joint Standing Committees on Insurance and Financial Services, Health and Human Services and Appropriations throughout the Commission's deliberations.

III. Responsibilities

The Blue Ribbon Commission on Dirigo Health shall submit a report with recommendations to the Governor no later than December 15, 2006.

IV. Membership

The Blue Ribbon Commission on Dirigo Health shall consist of no more than twenty (20) members. The Governor shall appoint the chair. Members shall include representatives of key constituencies including, but not limited to, business, providers, insurers, consumers, labor, the Dirigo Health Agency Board, enrolled businesses and the Governor's Office of Health Policy and Finance.

The Blue Ribbon Commission will be staffed by members of the Governor's Office of Health Policy and Finance and the Dirigo Health Agency, and, as necessary, by the Bureau of Insurance, the Department of Administrative and Financial Services, and the Department of Health and Human Services. Additional assistance will be provided the staff of the Muskie School of Public Policy and its consultants.

Effective Date

The original effective date of this Executive Order is May 24, 2006. It was amended by a subsequent Executive Order with an effective date of July 6, 2006.

John E. Baldacci, Governor

MAINE
STATE
CHAMBER
of
COMMERCE

The voice of Maine business

Testimony of Kristine M. Ossenfort

L.D. 499 (Dirigo Health Budget)

Friday, March 9, 2007

Good afternoon Senator Rotundo, Senator Sullivan, Representative Fischer, Representative Brautigam, and Members of the Joint Standing Committees on Appropriations and Financial Affairs and on Insurance and Financial Services, my name is Kristine Ossenfort. I represent the Maine State Chamber of Commerce, a statewide business association representing businesses large and small, and I appear before you this afternoon to testify with respect to ***L.D. 499, "An Act Making Unified Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds, and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2008 and June 30, 2009"*** as it pertains to the Dirigo Health Agency budget.

We have several concerns with respect to the proposed budget:

- The proposed budget, to the best of my knowledge, has never been presented in a public meeting to the Dirigo Health Board of Directors for its approval—as a result, we do not know what is included in the budget or what enrollment assumptions underlie the budget. Based upon information presented to the Blue Ribbon Commission on Dirigo Health, it would appear the Agency's budget should be somewhere in the neighborhood of $100 million dollars, rather than $130 million.

- It is unclear how or why the Agency's budget should move forward at this time when the Governor's proposal for an alternative funding of the program, based on the recommendations of Blue Ribbon Commission on Dirigo Health, has not yet been presented.

In addition, information recently presented to your respective committees, as well as the Health and Human Services Committee indicates that the subsidies provided by the Dirigo Health Agency in calendar year 2006 totaled $27,260,836.25. The budget for the Maine Quality Forum is approximately $1 million per year. Pursuant to 24-A M.R.S.A. § 6913 (2)(D), the savings offset payment is limited to "limited to the amount of funds necessary to provide subsidies pursuant to section 6912 and to support the Maine Quality Forum established in section 6951 and may not include general administrative expenses of Dirigo Health, except for general administrative expenses of the Maine Quality Forum."

As a result, while the Agency assessed and is in the process of collecting a savings offset payment in the amount of $43.7 million. The savings offset payment is the subject of on-going litigation; however, even if the Court was to determine that there was $43.7 million in aggregate measurable cost savings the Dirigo Health Agency is only entitled to approximately $28.3 million, pursuant to 24-A M.R.S.A. § 6913(2)(D).

Section 6913(3)(H) of the Dirigo Health Act (Title 124-A, chapter 87) requires an annual reconciliation and that "[a]ny unused payments must reduce the next savings offset payment charged to health insurance carriers, 3rd-party administrators and employee benefit excess insurance carriers according to a formula developed by the board." As a result, health insurance carriers and employers that pay the savings offset payment are entitles to a credit of approximately $15.4 million dollars against the 2007 SOP of $34.3 million, which the Board has voted to assess and begin collecting effective July 1, 2007. There is no indication that such a credit has been built into the Board's budget.

For these reasons, we urge you to reject the Dirigo Health budget as it is presented in L.D. 499. Thank you for the opportunity to speak to our concerns and I would be happy to answer any questions that you might have, either now or at the work session.

Title 24-A, §6913, Savings offset payments against health insurance carriers, employee benefit excess insurance carriers and third-party administrators

§6913. Savings offset payments against health insurance carriers, employee benefit excess insurance carriers and third-party administrators

1. Determination of cost savings. The following are the procedures for determining cost savings.

A. After an opportunity for a hearing conducted pursuant to Title 5, chapter 375, subchapter 4, the board shall determine annually not later than April 1st the aggregate measurable cost savings, including any reduction or avoidance of bad debt and charity care costs to health care providers in this State 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. [2005, c. 400, Pt. A, §10 (new).]

B. Within 30 days of the board's determination pursuant to paragraph A, the board shall file with the superintendent its determination as well as the supporting information for that determination. The filing constitutes a public record. [2005, c. 400, Pt. A, §10 (new).]

C. Following a public hearing held in accordance with the Maine Administrative Procedure Act and no later than 6 weeks following the receipt of the board's determination, the superintendent shall issue an order approving, in whole or in part, or disapproving the filing made under paragraph B. The board is designated a party to the hearing. The superintendent shall approve the filing upon a determination that the aggregate measurable cost savings filed by the board are reasonably supported by the evidence in the record. [2005, c. 400, Pt. A, §10 (new).]

[2005, c. 400, Pt. A, §10 (rpr).]

2. Determination of savings offset amount. The board shall determine annually a savings offset amount to be paid by health insurance carriers, employee benefit excess insurance carriers and 3rd-party administrators, not including carriers and 3rd-party administrators with respect to accidental injury, specified disease, hospital indemnity, dental, vision, disability income, long-term care, Medicare supplement or other limited benefit health insurance. The board shall determine the savings offset amount in accordance with the following:

A. Not later than April of each year, the board shall prospectively determine the savings offset amount to be applied during each 12-month calendar year period; [2005, c. 400, Pt. A, §11 (new).]

B. To determine the savings offset amount, the board shall use the criteria and reports described in subsections 7 and 8; [2005, c. 400, Pt. A, §11 (new).]

C. The savings offset amount must reflect and may not exceed aggregate measurable cost savings, as determined by the board pursuant to subsection 1; and [2005, c. 400, Pt. A, §11 (new).]

D. The savings offset amount calculation is limited to the amount of funds necessary to provide subsidies pursuant to section 6912 and to support the Maine Quality Forum established in section 6951 and may not include general administrative expenses of Dirigo Health, except for general administrative expenses of the Maine Quality Forum. [2005, c. 400, Pt. A, §11 (new).]

The savings offset amount determined by the board in accordance with this subsection is the determining factor for inclusion of savings offset payments in premiums through rate setting review by the bureau.

[2005, c. 400, Pt. A, §11 (rpr).]

3. Savings offset payments required from health insurance carriers, 3rd-party administrators and employee benefit excess insurance carriers. Except for the carriers and 3rd-party administrators that are specifically excluded in subsection 2, each health insurance carrier, 3rd-party administrator and employee benefit excess insurance carrier shall pay a savings offset payment. The following provisions govern savings offset payments.

Title 24-A, §6913, Savings offset payments against health insurance carriers, employee benefit excess insurance carriers and third-party administrators

A. The board shall calculate savings offset payments as a percentage of paid claims, as defined by the board pursuant to subsection 10. The board shall make reasonable efforts to ensure that paid claims are counted only once with respect to any savings offset payment. The board may verify each health insurance carrier's, 3rd-party administrator's and employee benefit excess insurance carrier's savings offset payment based on annual statements and other reports the board determines to be necessary. [2005, c. 400, Pt. A, §11 (new).]

B. Maximum savings offset payments are as follows:

(1) For health insurance carriers, the savings offset payment may not exceed 4.0% of annual paid claims for health care on policies issued pursuant to the laws of this State that insure residents of this State;

(2) For 3rd-party administrators, the savings offset payment may not exceed 4.0% of annual paid claims for health care for residents of this State; and

(3) For employee benefit excess insurance carriers, the savings offset payment may not exceed 4.0% of annual paid claims on employee benefit excess insurance policies, as defined in section 707, subsection 1, paragraph C-1, issued pursuant to the laws of this State that insure residents of this State.

[2005, c. 400, Pt. A, §11 (new).]

C. A health insurance and employee benefit excess insurance carrier may not be required to pay a savings offset payment on policies or contracts insuring federal employees. [2005, c. 400, Pt. A, §11 (new).]

D. Savings offset payments apply to claims paid for plan years beginning on or after January 1, 2006. [2005, c. 400, Pt. A, §11 (new).]

E. Savings offset payments may not begin until 12 months after Dirigo Health begins providing health insurance coverage. [2005, c. 683, Pt. A, §43 (amd).]

F. Savings offset payments must be made quarterly and are due not less than 60 days after the close of the quarter and with a minimum of 30 days' written notice by Dirigo Health to health insurance carriers, employee benefit excess insurance carriers and 3rd-party administrators and must accrue interest at 12% per annum on or after the due date, except that:

(1) For plan years beginning between January 1, 2006 and March 31, 2006, both days inclusive, savings offset payments must be made monthly for January 2006, February 2006 and March 2006 and are due not less than 60 days after the close of each of those calendar months; and

(2) Savings offset payments for 3rd-party administrators for groups of 500 or fewer members may be made annually not less than 60 days after the close of the plan year.

[2005, c. 400, Pt. A, §11 (new).]

G. Savings offset payments received by Dirigo Health must be pooled with other revenues of the agency in the Dirigo Health Fund established in section 6915. [2005, c. 683, Pt. A, §44 (amd).]

H. Annual savings offset payments received must be reconciled by Dirigo Health. Any unused payments must reduce the next savings offset payment charged to health insurance carriers, 3rd-party administrators and employee benefit excess insurance carriers according to a formula developed by the board. [2005, c. 400, Pt. A, §11 (new).]

[2005, c. 683, Pt. A, §§43, 44 (amd).]

4. Determination of savings offset payments.

[2005, c. 400, Pt. A, §12 (rp).]

5. Failure to pay savings offset payments. The superintendent may suspend or revoke, after notice and hearing, the certificate of authority to transact insurance in this State of any health insurance carrier or employee benefit excess insurance carrier or the license of any third-party administrator to operate in this State that fails to pay a savings offset payment. In addition, the superintendent may assess civil penalties against any health insurance carrier, employee benefit excess insurance carrier or third-party administrator that fails to pay a savings offset payment or may take any other enforcement action authorized under section 12-A to collect any unpaid savings offset payments.

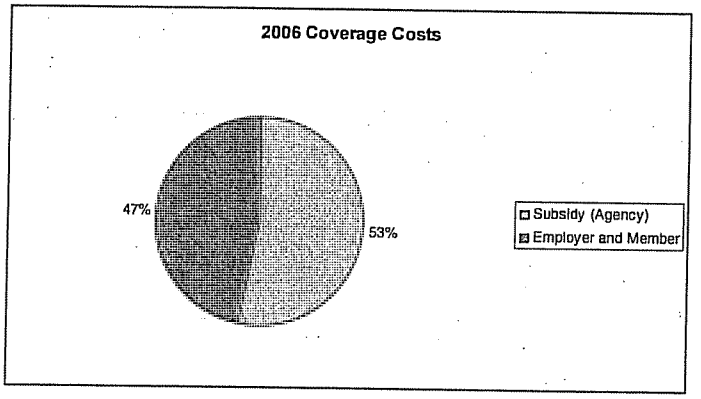
[2003, c. 469, Pt. A, §8 (new).]

6. Savings offset payments through reductions in growth in State's health care spending and bad debt and charity care.

[2005, c. 400, Pt. A, §12 (rp).]

From: Dirigo Health Agency
Annual Report
Program Overview 2005 & 2006

CY 2006		
Total DirigoChoice Cost of Coverage (Amount Paid to Carrier)	$51,458,377.67	$399.68 PMPM
Total Employer and Member Contributions	$23, 330,519.50	$187.94 PMPM
Total Subsidy paid by Agency[16]	$27,260,836.25	$211.73 PMPM
Total Member Months	128754	



[16] Includes EMP costs with initial January 2007 reconciliation.

11/29/06
Dirigo BRC
mdg

Dirigo Program Estimates – 2007 CY

Development of Base Line Assumptions

Projected Total Program Costs

Total Subsidy	$44.20M
Total Admin.	$6.09M
Maine Quality Forum	$1.00M
Healthy Maine	$0.20M
Medicaid Parents	$5.00M
Total Group A Wrap	$0.50M
Projected 2007 Program Cost:	**$56.99M**
Projected Member Months	174,379
2007 Avg. Member/Months	14,531
Avg. Subsidy/Member/Month	$253.47
Premium Avg./Member/Month*=	$253.47
	+$243.53
	$497.00

*assumes ratio of 54% total premium expense = subsidy, and 46% = member payment

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Avg. Premium/Member/Month =	$497.00
Assume Medical Loss Ratio @ 83% for all products =	$412.51
2007 Average Medical Expense/Member/Month	$412.51

For Analysis Purposes

1% +/- premium =	$4.97/m/m
1% +/- medical trend =	$4.12/m/m
1% +/- admin. cost/carrier =	$0.84/m/m

Testimony of Anne L. Head, Acting Commissioner

Department of Professional and Financial Regulation

Before the Joint Standing Committees on Appropriations and Financial Affairs and Insurance and Financial Services

Public Hearing: Friday, March 9, 2007, 9:00 a.m.

L.D. 499

"An Act Making Unified Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds, and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal years Ending June 30, 2008 and June 30, 2009"

Senator Rotundo, Representative Fischer, Senator Sullivan, Representative Brautigam and members of the Appropriations Committee and the Insurance and Financial Services Committee, my name is Anne Head. I serve as Acting Commissioner of the Department of Professional and Financial Regulation and I am also Director of the Office of Licensing and Registration, one of five agencies within the Department.

I am pleased to be here today to present information to both committees regarding the budgets of four financial services regulatory agencies within the Department. They are: the Bureau of Financial Institutions, the Bureau of Insurance, the Office of Consumer Credit Regulation and the Office of Securities.

The four financial services agencies under review today are all supported by dedicated revenue. No general fund money is used at any time to pay the

regulatory costs of any of these programs. Each agency must be financially self-supporting. The regulatory costs of the Bureau of Insurance, for example, must be paid by license fees from licensees of that program. Similarly, dedicated revenue from license fees paid by licensees of the Office of Consumer Credit Regulation, for example, can be used for no purpose other than to pay the expenses of that Office.

With those dedicated revenue principles in mind, I will start with the Bureau of Financial Services. (**Page A-560 and 6-14**) The Bureau regulates 39 state-chartered banks and 12 state credit unions through the administration and enforcement of the Maine Banking Code and portions of the Maine Consumer Credit Code. The Bureau's statutory mission is to assure the strength, stability and efficiency of the financial institutions it regulates, ensure reasonable and orderly competition, encourage the development and expansion of financial services advantageous to the public interest and protect consumers against unfair practices by financial institutions.

Of particular importance to the success of the Bureau's regulatory mission with regard to financial examinations are 11 bank examiner positions. Currently, two of these positions are "limited period" positions that were established in 2003. They were continued for the biennium in Public Law 2005, chapter 386. The Bureau's first budget initiative would continue these two positions as "limited period" positions through the end of Fiscal Year 2009. To provide you with

context for the importance of these positions, the Bureau's 11 examiners completed 39 on-site bank examinations in 2005 and 53 in 2006.

The Bureau's second initiative reflects a reduction in anticipated expenditures attributable to information technology savings resulting from the centralization of IT services.

The Bureau's third initiative reflects an increase in STA-CAP rates as provided by the Controller's Office.

Refer to **Page A-561 (6-17)**

The Bureau of Insurance is responsible for the regulation and supervision of the insurance industry in Maine. The Bureau carries out its statutory mission by licensing and regulating insurance companies, insurance producers, HMOs, employers' self-insured for workers' compensation and other insurance entities.

The Bureau's first initiative reflects an adjustment to STA-CAP rates.

The Bureau's second initiative reflects a deallocation related to greater utilization of current staff in the Bureau's examination process and an anticipated decrease in the use of outside contractors for this purpose.

Refer to **Page A-567 and 6-19**

The Office of Consumer Credit Regulation protects Maine citizens from unfair and deceptive practices involving consumer credit and debt collection. The

Office carries out its statutory mission by licensing and regulating retail creditors, pawnshops, rent-to-own stores, and mortgage companies and loan arrangers. In addition, the office is responsible for legal compliance by money transmitters, money order issuers, operators of non-bank ATMs, credit counseling services, payroll processors and individual loan officers employed by non-bank lenders or loan brokers.

OCCR's first initiative is to continue one Consumer Credit Examiner-in-Charge position. This position was originally established as a "limited period" position in 2003 and was continued through the end of FY '07. This request is to continue the position through the end of FY 2009. This position provides critical financial analysis expertise to the staff of the Office as financial transactions become more complex over time. Currently, for example, there are over 1,000 supervised lenders (mortgage companies) including primary offices and branch offices licensed by OCCR. Before becoming eligible for licensure, each applicant must demonstrate that each separate location (including branches) has at least $25,000 available in working capital. Applicants' balance sheet submissions are analyzed for compliance by our Examiner-in-Charge.

The second initiative reflects adjusted STA-CAP rates.

Refer to **pg. A-588 (6-21)**

The Department's fourth financial services agency is the Office of Securities which protects Maine consumers against fraud and other abusive practices in connection with the sale of securities.

The only initiative for the Office of Securities is one that incorporates adjusted STA-CAP rates.

I would be happy to respond to questions.

Testimony of Jim McGregor, Maine Merchants Association
To: Insurance & Financial Services Committee
May 16, 2007
Opposition to LD 1890, An Act to Make Health Care Affordable, Accessible and Effective for All

Senator Sullivan, Representative Brautigam, and members of the Insurance & Financial Services Committee. Providing all the people of Maine with affordable health care is indeed a daunting task, and I applaud the sponsors of LD 1890 for their efforts in that regard. However, I must place Maine Merchants Association on record as opposing portions of the bill before you, particularly provisions to impose a fee on employers who do not – or can't afford to – provide health insurance for their employees.

I have followed the health care debate in Maine for several years on behalf of Maine Merchants Association and as a one-time member of Dirigo's Quality Forum. Maine Merchants association has been a player, and has often led opposition to health insurance mandates which, we warned, were driving up the cost of insurance. By all accounts, Maine's health care costs are among the highest in the nation.

In that regard, it does not seem logical or fair to mandate that employers absorb such rates, for face fees. Likewise it does not seem fair to require paying consumers to place a surcharge on their hospital stays.

It appears that the state's efforts in this arena should be to address costs, not to prop-up a costly, failed system. Should LD 1890 become law, Maine Merchants Association will stand ready to detail its concerns to the task force designated to develop the fee mechanism.

Either in LD 1890 or in a departmental budget, there has been mention of increasing the co-pay pharmacists may collect when filling Medicaid (MaineCare) prescriptions. In the governor's original announcement regarding his plans for future health care funding, he suggested increasing the co-pay from $2.50 to $3.00. Maine Merchants Association also has grave concerns regarding this proposal since it is informed by pharmacists that those on Medicaid often decline to pay the co-pay, and under the law they cannot be forced to do so. Enactment of this change would simply force pharmacists to absorb $3.00 instead of $2.50.

Thank you for this opportunity.

Cc: Members, Appropriations & Financial Affairs Committee

STATE OF MAINE

IN THE YEAR OF OUR LORD
TWO THOUSAND AND SIX

H.P. 706 - L.D. 1021

An Act To Implement Task Force Recommendations Relating to Parity and Portability of Benefits for Law Enforcement Officers and Firefighters

Be it enacted by the People of the State of Maine as follows:

PART A

Sec. A-1. 5 MRSA §285, sub-§1-B, as amended by P&SL 1993, c. 67, §1, is repealed and the following enacted in its place:

1-B. **Ineligibility.** Except as provided in subsection 11-A, members of the Maine Municipal Association, members of the Maine Education Association and employees of counties and municipalities and instrumentalities thereof, including quasi-municipal corporations, are not eligible to participate in the group health plan under this section.

Sec. A-2. 5 MRSA §285, sub-§11-A is enacted to read:

11-A. **Coverage for retired law enforcement officers and firefighters.** A retired county or municipal law enforcement officer or retired municipal firefighter, as defined in section 286-M, subsection 2, who participates in an employer-sponsored retirement program and, prior to July 1, 2007, was enrolled in a self-insured health benefits plan offered by the employing county or municipality may, if the requirements of this subsection are met, enroll in a group health plan administered pursuant to this section that provides coverage for the retired county or municipal law enforcement officer or retired municipal firefighter effective no earlier than July 1, 2007.

A. A retiree who fails to enroll in a group health plan pursuant to this subsection is not otherwise eligible to enroll in such a plan and is not eligible for the premium subsidy provided pursuant to this subsection for enrollment in any other health plan. Retirees may enroll themselves, their spouses or their dependents in a group health plan during the following time periods, as applicable.

(1) When the effective date of retirement from the county or municipality is on or before May 1, 2007, the retiree must enroll in the plan before July 1, 2007.

(2) When the effective date of retirement from the county or municipality is after May 1, 2007, the retiree must enroll in the plan no later than 60 days following the effective date of retirement from the county or municipality.

(3) Notwithstanding the requirements of subparagraphs (1) and (2), when the retiree, the retiree's spouse or the retiree's dependent experiences an involuntary loss of other health insurance coverage carried as of July 1, 2007 or 60 days following the date of the retiree's retirement, whichever is later, the retiree may elect to enroll in the plan no later than 60 days after the effective date of the loss of that coverage. Involuntary loss of coverage does not include a loss of coverage arising as a result of nonpayment of premiums.

B. Eligible persons enrolling in a group health plan in which the retiree enrolls pursuant to this subsection are responsible for the premium payment associated with participation in the plan to the extent such an obligation exists following application of any premium subsidy. Failure to remit premium payments in the manner required by the administration policies of the group health plan must result in disenrollment from the plan.

C. The State shall pay a premium subsidy that equals the dollar amount equivalent to the highest premium subsidy provided in accordance with section 286-M, subsection 6 or 45% of the cost of the retiree's share of the individual premium for the standard plan identified and offered under the group health insurance plan in which the retiree enrolls pursuant to this subsection, whichever is less. A retiree electing to enroll a spouse or dependent in the plan is responsible for payment of 100% of the cost of such coverage, in addition to that portion of the retiree's individual premium cost not contributed by the State.

Sec. A-3. 5 MRSA c. 13, sub-c. 3 is enacted to read:

SUBCHAPTER 3

HEALTH INSURANCE PROGRAM FOR RETIRED LAW ENFORCEMENT OFFICERS AND FIREFIGHTERS

§286-M. Retired County and Municipal Law Enforcement Officers and Municipal Firefighters Health Insurance Program

1. Program established. The Retired County and Municipal Law Enforcement Officers and Municipal Firefighters Health Insurance Program is established to provide health insurance coverage to retired county and municipal law enforcement officers and retired municipal firefighters.

2. Definitions. As used in this subchapter, the following terms have the following meanings.

A. "County or municipal law enforcement officer" means a person who by virtue of employment by a county or municipal government in the State is vested by law with the power to make arrests for crimes or serve criminal process, whether that power extends to all crimes or is limited to specific crimes. "County or municipal law enforcement officer" does not include a state or federal law enforcement officer, an attorney prosecuting for a county or municipal government or a reserve officer.

B. "Dependent" means a spouse, an unmarried child under 19 years of age, a child who is a student under 23 years of age and financially dependent upon the enrollee, a child of any age who is disabled and dependent upon the enrollee or a domestic partner as defined in Title 24-A, section 2741-A.

C. "Division" means the Department of Administrative and Financial Services, Division of State Employee Health Insurance.

D. "Enrollee" means a county or municipal law enforcement officer or municipal firefighter who has enrolled in the program.

E. "Fund" means the Firefighters and Law Enforcement Officers Health Insurance Program Fund established in subsection 7.

F. "Group health plan" or "group health insurance plan" means any employer-sponsored group health insurance plan, whether self-insured or fully insured, that provides

coverage to eligible employees, retirees and their dependents.

G. "Majority multiple-employer welfare arrangement" means the multiple-employer welfare arrangement, as defined in Title 24-A, section 6601, subsection 5, in which the majority of state municipal government employees are enrolled as of the effective date of this section.

H. "Municipal firefighter" means a person employed by a municipal fire department with the primary responsibility of aiding in the extinguishment of fires and includes a member of emergency medical services line personnel but does not include a member of a volunteer firefighter association. For the purposes of this paragraph, "emergency medical services line personnel" means persons who are career employees employed full-time by a public sector agency or employer and whose primary responsibility is to provide emergency medical services.

I. "Program" means the Retired County and Municipal Law Enforcement Officers and Municipal Firefighters Health Insurance Program established in this section.

3. Eligibility for program coverage. A person must make contributions pursuant to subsection 8 for 60 months or the payment required pursuant to subsection 9 in order to be eligible for coverage under the program. In addition, a person must satisfy the eligibility criteria specified in this subsection as follows:

A. The person must:

(1) Be at least 50 years of age;

(2) Be a retired county or municipal law enforcement officer or a retired municipal firefighter;

(3) Have, while actively employed as a county or municipal law enforcement officer or municipal firefighter, participated in the person's employer's health insurance plan or other fully-insured health insurance plan; and

(4) Receive or be eligible to receive:

(a) If retired from at least 25 years of service in a position as a county or municipal law enforcement officer or a municipal firefighter, a retirement benefit from the Maine State Retirement

System or a defined contribution retirement plan other than the United States Social Security Act; or

(b) If retired from less than 25 years of service in a position as a county or municipal law enforcement officer or a municipal firefighter, a retirement benefit from the Maine State Retirement System or a defined contribution retirement plan other than the United States Social Security Act, as long as the benefit provided is at least 50% of average final compensation, with no reduction for early retirement and with or without a cost-of-living adjustment; or

B. The person must be a dependent of a person meeting the criteria of paragraph A.

4. Program administration. The program is administered by the division. The division shall:

A. Enter into administrative arrangements with fully insured health insurance product vendors to implement the purposes of this section;

B. Remit authorized premium subsidy payments for enrolled eligible persons and enrolled dependents to any fully insured group health insurance plans on a periodic basis, as established by agreements with the providers of those plans. The dollar value of the subsidy payment may vary with the premium cost of the benefit plan in which the enrollee participates; and

C. Adopt rules to implement the purposes of this section, including the determination of the program subsidy for enrollees pursuant to subsection 6. Rules adopted under this subsection are routine technical rules as defined in chapter 375, subchapter 2-A.

5. Enrollment. A county or municipal law enforcement officer, a municipal firefighter or a person retired from such a position is eligible to enroll in the program. An eligible person who fails to enroll in the program pursuant to this subsection is not otherwise eligible to enroll in the program and is not eligible for the premium subsidy provided pursuant to this section for enrollment in any other health plan. Notwithstanding the date of enrollment, insurance coverage is not effective until the date of retirement or July 1, 2007, whichever occurs later. Eligible persons may enroll themselves, their spouses and their dependents in the program during the following time periods:

A. When the effective date of hire of the eligible person is on or before November 1, 2006, the eligible person must enroll in the program before January 1, 2007, subject to the enrollment and eligibility requirements of the applicable group health plan;

B. When the effective date of hire of the eligible person is after November 1, 2006, the eligible person must enroll in the program no later than 60 days following the effective date of hire, subject to the enrollment and eligibility requirements of the applicable group health plan; or

C. Notwithstanding paragraphs A and B, when the eligible person, the eligible person's spouse or the eligible person's dependent experiences an involuntary loss of other health insurance coverage carried as of January 1, 2007 or 60 days following the date of the eligible person's hire, whichever is later, the eligible person may elect to enroll in the program no later than 60 days after the effective date of the loss of that coverage, subject to the enrollment and eligibility requirements of the applicable group health plan. Involuntary loss of coverage does not include a loss of coverage arising as a result of nonpayment of premiums.

6. Premiums; subsidy. Premiums for the program and the premium subsidy are subject to the provisions of this subsection. Premium subsidies are not provided for supplemental health insurance coverage.

A. An enrollee participating in the majority multiple-employer welfare arrangement is responsible for the premium payment associated with the cost of the majority multiple-employer welfare arrangement benefit option in which the enrollee is participating, to the extent such premium obligations exist following the application of any premium subsidy authorized by law. An enrollee who fails to remit the premium payments as established and required by the majority multiple-employer welfare arrangement must be disenrolled from the program. Beginning July 1, 2007, the State shall provide a premium subsidy for enrollees in the form of a direct payment to the majority multiple-employer welfare arrangement for each enrollee. The level of the subsidy must equal 45% of the individual premium cost for the enrollee and varies among enrollees depending upon the terms of the majority multiple-employer welfare arrangement coverage plan in which each enrollee is participating. Enrollees are responsible for the balance of the applicable individual premium, as well as the total cost of the premium for any applicable dependent coverage, and shall make

payments directly to the majority multiple-employer welfare arrangement.

B. Enrollees retiring from counties or municipalities that do not participate in the majority multiple-employer welfare arrangement but who are eligible and elect to participate in that county's or municipality's fully insured health benefits plan are responsible for the premium payment associated with the cost of that plan, to the extent such premium obligations exist following the application of any premium subsidy authorized by law. An enrollee who fails to remit the premium payments as established and required by the fully insured plan must be disenrolled from the program. Beginning July 1, 2007, the State shall provide a premium subsidy for enrollees participating in fully insured health benefits plans pursuant to this subsection. This subsidy must be made in the form of a direct payment to the enrollee's health benefits plan and must equal 45% of the individual premium cost for the enrollee or a dollar amount equivalent to the highest premium subsidy provided in accordance with paragraph A, whichever is less. A retiree electing to enroll a spouse or a dependent in the program is responsible for payment of 100% of such coverage in addition to that portion of the retiree's individual premium cost not contributed by the State.

7. Fund established. The Firefighters and Law Enforcement Officers Health Insurance Program Fund is established as a nonlapsing, dedicated account administered by the division. Money appropriated by law for the purpose of paying premium subsidies must be deposited in the fund. Premium dividends accruing to the State, return of premiums resulting from risk reduction programs, active employee contributions pursuant to subsection 8 and any other receipts must be deposited into the fund to be used for the purposes of the program. The fund is a pooled account. Individual law enforcement officers and firefighters do not have a right to money deposited in the fund except to the extent premium subsidies are available to program enrollees.

8. Employee contributions to the fund. The contributions of enrollees to the fund are governed by this subsection.

A. Beginning January 1, 2007, each enrollee who participates as an active employee in a retirement plan shall contribute 1.5% of that enrollee's gross wages to the fund.

B. The employer of an enrollee required to contribute to the fund shall remit on a monthly basis that enrollee's contribution to the fund.

9. Retirees without 5 years of contributions to fund. A person who retires without making 60 months of contributions to the fund but who meets the other eligibility criteria of subsection 3, referred to in this subsection as "the retiree," is eligible to participate pursuant to this subsection.

A. The retiree is eligible for coverage under the program upon enrollment.

B. The retiree shall pay the dollar equivalent of the retiree's scheduled contributions based upon the following schedule:

(1) A retiree who is at least 50 years of age and under 55 years of age shall pay 2% of that retiree's average final monthly compensation multiplied by 60;

(2) A retiree who is at least 55 years of age and under 60 years of age shall pay 1.75% of that retiree's average final monthly compensation multiplied by 60; and

(3) A retiree who is at least 60 years of age shall pay 1.5% of that retiree's average final monthly compensation multiplied by 60.

As used in this paragraph, "average final monthly compensation" means the average annual rate of earnable compensation, divided by 12, of a retiree during the 3 years of creditable service as a county or municipal law enforcement officer or municipal firefighter, not necessarily consecutive, in which the average annual rate of earnable compensation is highest or during the retiree's entire period of creditable service as a county or municipal law enforcement officer or municipal firefighter, if the period is less than 3 years.

C. If the retiree has made contributions to the fund while employed as a county or municipal law enforcement officer or municipal firefighter, the retiree shall pay the difference between:

(1) The total of the retiree's employee contributions required pursuant to paragraph B based on the retiree's age as of the date of retirement; and

(2) The dollar equivalent of the retiree's scheduled contributions for 60 months pursuant to subsection 8.

D. The retiree shall make the payments required by paragraph B or C to the division within 12 months of enrollment in the program. A retiree who fails to make the required payment within 12 months of enrollment must be disenrolled from the program.

10. Coverage under the program. The benefits, copayments and deductibles under the program are determined by the fully insured health benefits plan in which the retired enrollee participates. Pursuant to the rules of the applicable plan, a retired enrollee is required to participate in the same health insurance plan as the active employees of the unit of government from which the enrolled person has retired. Participation in any qualified health insurance plan is subject to the rules of that plan.

11. Volunteer and call firefighters and reserve law enforcement officers. A member of a volunteer or call firefighters' association in this State, as well as a person serving as a county or municipal law enforcement officer on a reserve basis, is eligible to participate in the program of health benefits coverage established pursuant to the eligibility criteria and other provisions set forth in Title 24-A, chapter 87 if that person meets the eligibility requirements under that chapter.

12. Report. The division shall submit a report to the joint standing committee of the Legislature having jurisdiction over insurance and financial services matters in the Second Regular Session of the 124th Legislature, and biennially thereafter, on the status of the program, program participation and the financing of the program, including the status of the fund, expenditures from the fund, current and projected premium costs to the program and to program enrollees and a projection of funding needs for the next 5 years. The report must provide options, based on projections of future need, for changing the method of funding any state-paid premium subsidy, if such a subsidy is authorized by law, and employee contributions.

Sec. A-4. 5 MRSA §1534, sub-§1, as amended by PL 2005, c. 621, §3, is further amended to read:

1. Establishment of General Fund appropriation limitation. As of December 1st of each even-numbered year, there must be established a General Fund appropriation limitation for the ensuing biennium. The General Fund appropriation limitation applies to all General Fund appropriations, except that the

additional cost for essential programs and services for kindergarten to grade 12 education under Title 20-A, chapter 606-B over the fiscal year 2004-05 appropriation for general purpose aid for local schools is excluded from the General Fund appropriation limitation until the state share of that cost reaches 55% of the total state and local cost and except that the additional state costs for the Retired County and Municipal Law Enforcement Officers and Municipal Firefighters Health Insurance Program, established pursuant to chapter 13, is excluded from the General Fund appropriation limitation.

A. For the first fiscal year of the biennium, the General Fund appropriation limitation is equal to the biennial base year appropriation multiplied by one plus the growth limitation factor in subsection 2.

B. For the 2nd year of the biennium, the General Fund appropriation limitation is the General Fund appropriation limitation of the first year of the biennium biennial base year appropriation multiplied by one plus the growth limitation factor in subsection 2.

Sec. A-5. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Firefighters and Law Enforcement Officers Health Insurance Program Fund

Initiative: Allocates funds for an Employee Benefits Technician position effective January 1, 2007 and related All Other costs to administer the subsidy program for health insurance for eligible retired firefighters and law enforcement officers.

FIREFIGHTERS AND LAW ENFORCEMENT OFFICERS HEALTH INSURANCE PROGRAM FUND	2005-06	2006-07
POSITIONS - LEGISLATIVE COUNT	0.000	1.000
Personal Services	$0	$26,000
All Other	$0	$55,000
FIREFIGHTERS AND LAW ENFORCEMENT OFFICERS HEALTH INSURANCE PROGRAM FUND TOTAL	$0	$81,000

PART B

Sec. B-1. 5 MRSA §17656, sub-§1, ¶D is enacted to read:

D. If the plan from which the member is transferring and the plan to which the member is transferring are both plans described in section 286-M, subsection 3, paragraph A, subparagraph (3), the member may elect to make the contribution necessary to include all or part of the member's creditable service and earnable compensation from the prior plan in the new plan. The retirement system shall establish procedures for determining the contribution necessary for such a member to carry forward all or part of the creditable service and earnable compensation from a prior plan or plans.

Sec. B-2. 5 MRSA §18253, sub-§1, ¶E is enacted to read:

E. If the plan from which the member is transferring and the plan to which the member is transferring are both plans described in section 286-M, subsection 3, paragraph A, subparagraph (3), the member may elect to make the contribution necessary to include all or part of the member's creditable service and earnable compensation from the prior plan in the new plan. The retirement system shall establish procedures for determining the contribution necessary for such a member to carry forward all or part of the creditable service and earnable compensation from a prior plan or plans.

DIR00 DIRIGO HEALTH
629 DIRIGO HEALTH
0988 DIRIGO HEALTH FUND
Biennial Position Report

Biennium: 2008
Account: 05495D099801

												FY 2007-08			FY 2008-09		
Position Number	Job Class Title	Home Account	Leg Pos Count	FTE Hours	Bi-Weekly Hours	Weeks Per Year	Admin Unit	Fill Vac	Spec	Salary Grade	Step	Teacher Contract Days	Salary & Wages	Benefits	% Total	Salary & Wages	Benefits	% Total
145000029	ACCT TECH	Y	1.000	0	80	52	B	F	4	16	6	0	30,414	18,118	100%	31,663	19,391	100%
145000012	COMPRE HLTH PLN II	Y	1.000	0	80	52	B	F	4	26	8	0	51,454	31,789	100%	51,454	33,318	100%
145000003	DIRIGO HL/PROG COC	Y	1.000	0	80	52	B	F	4	33	8	0	66,600	34,917	100%	66,600	36,527	100%
145000005	DIRIGO HL/PROG COC	Y	1.000	0	80	52	B	V	4	33	3	0	53,317	32,394	100%	55,814	34,784	100%
145000013	EX DIR DIRIGO HEALT	Y	1.000	0	80	52	Y	F	2	91	9	0	104,015	47,067	100%	104,015	49,146	100%
145000030	OFFICE ASSOC II	Y	1.000	0	80	52	A	F	80	13	5	0	29,145	17,708	100%	30,598	19,033	100%
145000033	PLNG & RES ASSOC I	Y	1.000	0	80	52	B	F	4	20	5	0	34,467	19,433	100%	35,838	20,799	100%
145000004	PS EXEC II	Y	1.000	0	80	52	X	F	47	38	8	0	90,567	49,014	100%	90,567	51,032	100%
145000007	PS EXEC II	Y	1.000	0	80	52	X	F	47	38	8	0	90,567	47,226	100%	90,567	51,032	100%
145000001	PS EXEC II	Y	1.000	0	80	52	X	F	47	60	7	0	131,932	62,722	100%	137,212	67,198	100%
145000011	PS MGR I	Y	1.000	0	80	52	X	F	47	26	8	0	54,975	28,836	100%	54,975	29,998	100%
145000008	SECRETARY ASSOCIA	Y	1.000	0	80	52	A	F	80	15	8	0	35,654	19,816	100%	35,654	20,737	100%
145000026	SYS ANALYST	Y	1.000	0	80	52	B	F	4	27	8	0	63,955	35,034	100%	63,955	36,686	100%
145000027	SYS ANALYST	Y	1.000	0	80	52	B	V	4	27	3	0	51,184	31,054	100%	53,640	33,347	100%

MEMORANDUM

To: Senator Margaret Rotundo, Senate Chair
Representative Jeremy Fischer, House Chair
Joint Standing Committee on Insurance and Financial Services

From: Senator Nancy B. Sullivan, Senate Chair
Representative John R, Brautigam, House Chair
Joint Standing Committee on Insurance and Financial Services

Date: March 12, 2007

Subject: Insurance and Financial Services Committee Recommendations on the Governor's 2008-2009 Biennial Budget Bill (LD 499)

I. The Proposed Creation of A Department of Commerce (Part H).

We are writing to comment on Part H of LD 499, proposing the merger of the Department of Professional and Financial Regulation (DPFR) and the Department of Economic and Community Development (DECD) into a single Department of Commerce. We have reviewed the merger proposal within the context of our policy matter expertise and jurisdiction over DPFR, and appreciate your serious consideration of our recommendations.

We are unanimously opposed (*12 committee members present and voting)* to the merger proposal as presented in Part H of LD 499 and as discussed at the public hearing on March 9th. For the following reasons explained in further detail below, we recommend that the language be removed from LD 499 because:

- **The proposed statutory language effectively approves the merger without full study and adequate legislative input;**
- **The core missions of DPFR and DECD are not compatible and the potential conflict of interest and impact on consumer protection raises serious concerns;**
- **There is no impact on the General Fund in this biennium;**

- **Cost savings and efficiencies in other areas of state government may be possible; and**
- **To our knowledge, no other state has combined consumer protection and business promotion functions in this manner.**

The proposed statutory language effectively approves the merger without full study and adequate legislative input. We have seen no evidence that any serious consideration has been given to the process for merging or the structure of the resulting new department. As explained at the hearing, the Administration views the Part H language as full legislative authorization to merge the departments immediately. We have seen no detail of the efficiencies and cost savings that could be achieved by the merger, and received no information to demonstrate that the merger would benefit the individuals and businesses regulated by DPFR or Maine consumers. While we are highly skeptical of the concept of merging two departments with such different missions, we are equally concerned that the legislation before us would do so without a clear plan, and before the merits of the proposal have been fully considered.

The core missions of DPFR and DECD are not compatible and the potential conflict of interest and impact on consumer protection raises serious concerns. The mission of DPFR is fundamentally different from that of DECD. DFPR licenses, regulates and examines financial institutions, insurance companies, entities that extend consumer credit and entities that sell investments or provide investment advice for the protection of the public. DPFR also regulates professions and occupations that provide services to the public. The core mission of DPFR is to protect Maine consumers. In contrast, the core mission of DECD is to promote business to improve Maine's economy. Both are vital missions, but we are convinced that any such merger would compromise the consumer protection mission and threaten the exceptional performance historically exhibited by DPFR.

We recognize that some departments of state government occasionally perform both business promotion and consumer protection functions. In those instances, however, such functions are minor and incidental to a larger mission. In contrast, the proposed merger would combine two departments whose fundamental missions are very different. The "mission confusion" that would result from any attempt to meld these functions within one agency would neither advance the goal of economic development nor enhance the protection of consumers.

The committee does not believe that the potential conflicts of mission can be adequately addressed by "firewalls" in the merged Department of Commerce. Moreover, the creation of firewalls may actually increase the cost and the amount of bureaucracy, thwarting the very purpose of the merger. At the least, this significant issue has not been explored and we have heard no clear response to our concerns.

There is no impact on the General Fund in this biennium. The merger proposal will not save money or reduce the size of government. Some testimony at the public hearing hinted at potential savings to the General Fund and Other Special Revenue Funds, but

there was no real information to support that conclusion. All we know now is that the budgetary line item savings through FY 2009 is zero dollars. Moreover, there is an equally compelling argument that the merger could actually increase total administrative costs and expand bureaucracy. The bottom line is that the legislation offers no cost savings to justify the significant risks created by the proposed merger.

The merger as outlined creates the serious risk that regulated industries would be tapped to fund operations of government that are best funded by the General Fund. It is unfair and unwise to use these license fees for general purposes, where until now those fees have been assessed to provide only for the adequate funding of DPFR.

Cost savings and efficiencies in other areas of state government may be possible; The merger distracts from the real potential for cost savings and efficiencies that could be achieved from the consolidation of other state agencies and programs. We strongly support the goal of reducing the cost of state government and streamlining services where possible. We believe that costs savings could be achieved by merging compatible state programs into DECD, without creating the serious mission conflicts presented by this proposal. The recent report of OPEGA suggests the efficiencies that could be achieved by such consolidation, which would save money and better serve the goals of economic development.

To our knowledge, no other state has combined consumer protection and business promotion functions in this manner. An inquiry to the National Conference of State Legislatures reveals no other states that have merged their economic development and consumer protection functions as proposed in Part H.

In summary, the proposed merger would raise grave concerns about the future ability of both departments to continue to perform their missions. Given the economic development challenges before us, this is not the time to be distracted by a merger that threatens the missions of both agencies, entails enormous logistical complications, and saves no money. For these reasons, the members of the Insurance and Financial Services Committee unanimously oppose the merger.

II. Agency Budgets Under The Oversight of the Insurance and Financial Services Committee.

We are also writing to provide our comments on the those portions of the Governor's Budget Bill that were considered in public hearing on March 9th: the Accident, Sickness and Health Insurance Internal Service Fund (supporting the Office of Employee Health and Benefits within the Department of Administrative and Financial Services), the Dirigo Health Fund (supporting the Dirigo Health Program) and the Department of Professional and Financial Regulation (supporting the Bureau of Financial Institutions, the Office of Consumer Credit Regulation, the Bureau of Insurance and the Office of Securities). With regard to the appropriations and allocations included in LD 499 for these programs, the committee unanimously supports the recommendations as indicated on the attached worksheet.

We look forward to discussing these items with your committee in person. As noted above, we feel very strongly that the input we have provided on the budget proposals within our subject matter expertise and jurisdiction is given significant weight in your committee deliberations. We have considered our recommendations carefully and thoughtfully. We request that you notify us and include us in any further discussions of the proposed merger or of additional changes to the budgets of the entities within our policy jurisdiction.

Thank you for your consideration of our comments.

Enclosure: Budget Worksheet for Insurance and Financial Services Committee

cc: Members, Joint Standing Committee on Insurance and Financial Services
Members, Joint Standing Committee on Business, Research and Economic Development