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**STATE OF MAINE
122nd LEGISLATURE
FIRST REGULAR SESSION**

**Final Report
of the**

**HEALTH CARE SYSTEM AND
HEALTH SECURITY BOARD**

November 1, 2004

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Executive Summary

The Health Security Board, now chaired by Senator John Martin and Representative Marilyn Canavan, is a bipartisan task force with 20 members including representatives of both branches and both parties within the Legislature, the Department of Health and Human Services, the State Employee Health Commission and the State Tax Assessor and representatives of provider organizations, employers, insurers and advocacy groups. Due to resignations, there are currently 3 vacant positions.

The Health Care System and Health Security Board was established to develop recommendations to provide universal access to health care coverage and to assess the feasibility and cost of implementing a single-payer health care system in Maine. Such a system would provide universal health care coverage to every Maine resident through a standard benefit plan administered and paid for by a single payer, the State of Maine. With the assistance of a significant grant from the Maine Health Access Foundation, the Health Security Board contracted with Mathematica Policy Research, Inc. to conduct the feasibility study. This study was completed in December 2002. The Health Security Board issued its preliminary report on January 15, 2003.

In its preliminary report, the Health Security Board recommended to the Legislature that the Board be given additional time to fully consider the Mathematica feasibility study and develop final recommendations for a single-payer health plan. During the 2003 legislative session, a law was enacted to extend the Board's authority and delay submission of a final report. Also during that session, the Legislature enacted the Dirigo Health reform law. The law focused on three areas to reform Maine's health care system: (1) a mechanism to increase access to health care for all Maine residents;(2) measures to ensure quality of care; and (3) measures to contain health care costs. The cornerstone of the law was the creation of Dirigo Health, a public agency charged with overseeing a voluntary health insurance program for small businesses, self-employed persons and individuals. Because Dirigo Health was developed to achieve universal coverage over time, the Health Security Board now faced a changing landscape for Maine's health care system. The Board's primary focus became the consideration of its future role and the role of a single-payer health care plan as Dirigo Health began to implement its comprehensive health care reforms.

Given the progress with DirigoChoice and the other Dirigo reform efforts, the Board is hopeful that universal access can be achieved over time with this approach. However, with enrollment in DirigoChoice just beginning and coverage not expected until January 1, 2005, it is premature to measure the success of the Dirigo Health reforms. While the Board supports these overall reforms, the members also agree that it is worthwhile for the Board to seek continued authority to meet in the event that these reforms, especially DirigoChoice, are not successful. The preliminary results from the Mathematica study demonstrated that a single-payer health care plan appeared feasible, although additional analysis is necessary. If universal coverage is not achieved through the Dirigo Health reforms, the Health Security Board believes that planning for universal coverage through

a single-payer health care plan should continue. Therefore, the Board makes the following recommendation:

The Health Security Board recommends that the Legislature reestablish the Board's authority to continue the evaluation and planning for a single-payer system if Dirigo Health fails to meet its expectations for universal coverage.

The Health Security Board strongly believes that it has made a positive contribution to the dialogue among policymakers and others surrounding reform of Maine's health care system. In part, the development of Dirigo Health was based on information and research from the Health Security Board's preliminary report and feasibility study. Although Dirigo Health has taken a different approach to achieving universal coverage, the Health Security Board is hopeful that the ultimate goal---coverage for all Mainers---can be reached over time. However, if Dirigo Health fails to meet expectations, then the development of a single-payer health care plan must be reconsidered. And, if it is reestablished, the Health Security Board believes it is the appropriate group to make that effort successful.

I. Introduction

The Health Care System and Health Security Board, hereafter referred to as the Health Security Board or Board, was first established in Public Law 2001, chapter 439, Part ZZZ. While the purpose of the Board was to develop recommendations to provide universal access to health care coverage for all Maine citizens, the Health Security Board was specifically required to assess the feasibility and cost of implementing a single-payer health care system in Maine. Such a system would provide universal health care coverage to every Maine resident through a standard benefit plan administered and paid for by a single payer, the State of Maine. With the assistance of a significant grant from the Maine Health Access Foundation, the Health Security Board contracted with Mathematica Policy Research, Inc. to conduct the feasibility study. This study was completed in December 2002. The Health Security Board issued its preliminary report on January 15, 2003.

In its preliminary report, the Health Security Board recommended to the Legislature that the Board be given additional time to fully consider the Mathematica feasibility study and develop final recommendations for a single-payer health plan. During the 2003 legislative session, a law was enacted to extend the Board's authority and delay submission of a final report. A copy of Public Law 2003, chapter 492 is included as Appendix A. Also during that session, the Legislature enacted the Dirigo Health reform law (Public Law 2003, chapter 492). The law focused on three areas to reform Maine's health care system: (1) a mechanism to increase access to health care for all Maine residents;(2) measures to ensure quality of care; and (3) measures to contain health care costs. The cornerstone of the law was the creation of Dirigo Health, a public agency charged with overseeing a voluntary health insurance program for small businesses, self-employed persons and individuals. Because Dirigo Health was developed to achieve universal coverage over time, the Health Security Board now faced a changing landscape for Maine's health care system. The Board's primary focus became the consideration of its future role and the role of a single-payer health care plan as Dirigo Health began to implements its comprehensive health care reforms.

The Health Security Board, now chaired by Senator John Martin and Representative Marilyn Canavan, is a bipartisan task force with 20 members including representatives of both branches and both parties within the Legislature, the Department of Health and Human Services, the State Employee Health Commission and the State Tax Assessor and representatives of provider organizations, employers, insurers and advocacy groups. Due to resignations, there are currently 3 vacant positions. The members of the Board and their appointing authorities are as follows:

Members appointed by the President of the Senate:

- **Sen. John L. Martin, Chair**
- **Vacant position, Senate member**
- **Robert Downs**, Representing Statewide Organizations of Health Insurers
- **Tammy Greaton**, Representing Statewide Organization Advocating Universal Health Care
- **Vacant position**, Representing Health Care Economists
- **Marjorie Medd**, Representing Statewide Organizations Defending Rights of Children
- **Leo Siegel, MD**, Representing Small Hospitals in the State
- **Richard Wexler, MD**, Representing Statewide Organizations of Physicians

Members appointed by the Speaker of the House:

- **Rep. Marilyn C, Canavan, Chair**
- **Rep. Florence T. Young**
- **James Amaral**, Representing the Business Community
- **Vacant position**, Representing Large Hospitals in the State
- **John Moran**, Representing Statewide Senior Citizen's Organizations
- **Frank O'Hara**, Representing Self-employed Persons
- **Patricia Philbrook**, Representing Statewide Organization of Nurses
- **Violet Raymond**, Representing Statewide Labor Organizations, Maine AFLCIO
- **Paul Volenik**, Representing the public

Appointments required by statute:

- **Frank A. Johnson**, Director, State Office of Employee Health and Benefits
- **Jerome Gerard**, Acting State Tax Assessor
- **Christine Zukas-Lessard**, Deputy Director, Bureau of Medical Services, Designee of the Commissioner of Health and Human Services

Since the submission of its preliminary report, the Health Security Board met twice on April 2, 2004 and September 22, 2004. The Health Security Board was first convened on October 12, 2001 and met more than 20 times throughout 2002.

A. Authority of Health Care System and Health Security Board Extended

The Health Security Board was originally created in the Part II budget, Public Law 2001, chapter 439, Part ZZZ. In its preliminary report, the Health Security Board recommended legislation to extend its authority and delay submission of its final report until after the completion of the 121st Legislature. This legislation was enacted as Public Law 2003, chapter 492. The law added a 20th member representing the public and required the board to submit a final report on or before November 1, 2004.

B. Preliminary Findings and Recommendations

While the Board believed additional time was needed to fully consider the Mathematica feasibility study and develop final recommendations to the Legislature, the Health Security Board made these preliminary findings and recommendations in January 2003.

The Health Security Board supports universal coverage for all Maine citizens---every man, woman and child living in this State deserves comprehensive health care coverage.

The Health Security Board finds that maintaining the “status quo” for Maine’s health care system cannot be sustained.

While additional information and further analysis is needed, the Health Security Board finds that a single-payer health care system providing universal coverage appears financially feasible.

The Health Security Board recommends that the Legislature authorize the Board to continue its work to refine and extend the financial feasibility study and to develop a transition and implementation plan for achieving universal

coverage through a single-payer health care system in Maine until January 1, 2004.

At that time, the Health Security Board felt it could not adequately meet its charge from the Legislature. The request for an extension was made to give the Board time to thoughtfully consider and evaluate the work done by Mathematica. In addition, Governor Baldacci had just been elected and announced plans to develop and introduce health care reform legislation for consideration by the 121st Legislature. The Health Security Board wanted more time to continue its work and evaluate its role in the public policy debate for changes to Maine's health care system.

C. Health Security Board's Refined Duties

Once the Health Security Board reconvened in April 2004, the landscape of Maine's health care system had changed. In June 2003, the Legislature enacted the Dirigo Health Reform law, Public Law 2003, chapter 427. Because of Dirigo Health, the Board was now faced with the following duties: (1) to evaluate the future role for the Health Security Board and the development of a single-payer health care plan for Maine; and (2) to continue its work to refine and extend the financial feasibility study and to develop a transition and implementation plan for achieving universal coverage through a single-payer health care system in Maine. However, the primary consideration for the Board in all of its recent deliberations has been the evaluation of its future role in Maine's health policy.

D. Report and Legislation

The amended legislation required that the Board submit a final report, including any necessary legislation, on or before November 1, 2004. Draft legislation to implement the recommendations of the Health Security Board is included in Appendix C.

II. Health Security Board's Scope and Focus

While the Health Security Board planned to use its additional time to further evaluate the feasibility of a single-payer health care plan, the Board's shifted its scope and focus to the question of its future role given the existence of Dirigo Health. This issue became key in determining whether the Board should continue its effort to develop recommendations for a single-payer health care plan for Maine.

However, the Health Security Board also had a secondary focus centered on completing the work begun in its preliminary report. While, in the board's opinion, the Mathematica feasibility study provided an excellent foundation to evaluate the likely impact of a single-payer health care system on health care spending and financing in Maine, the Board identified certain unanswered questions and unexplored issues related to planning for a single-payer health care plan. An outline of these questions and issues from the

preliminary report is included as Appendix B. The feasibility study provided an initial assessment of how a single-payer system will affect Maine's economy. However, the microsimulation model had limitations that would benefit from additional analysis and refinement. In addition, the model and the feasibility study did not address many practical and policy issues affecting the operation of a single-payer system. The Health Security Board continues to believe it is critically important to evaluate these issues before making final recommendations to the Legislature on the feasibility of a single-payer health care plan.

III. Dirigo Health Reform Law

At each of its meetings in 2004, the Health Security Board received briefings on the status and implementation of the Dirigo Health Reform Act from the Governor's Office of Health Policy and Finance. The following highlights the major accomplishments for Dirigo Health in its first year.

DirigoChoice Health Plan. Under the law, Dirigo Health must contract with one or health insurance carriers to offer health insurance to eligible small businesses with 50 or fewer employees and individuals. After a competitive bidding process, Dirigo Health has contracted with Anthem Blue Cross and Blue Shield of Maine to provide the DirigoChoice health plan. DirigoChoice is a comprehensive health insurance product that uses Anthem's current network of preferred providers. DirigoChoice will begin offering coverage on January 1, 2005 to small employers with 50 or fewer employees and to self-employed individuals. Limited enrollment of other individuals and their dependents will begin on April 1, 2005. Expected enrollment in the first year is 31,000 enrollees with a goal of reaching universal coverage for all uninsured Mainers in 2009.

Employers who participate in DirigoChoice are required to contribute at least 60% toward the cost of coverage for employees who work at least 20 hours per week. Participating employers must enroll at least 75% of their eligible employees. Subsidies toward the cost of coverage and reduced deductibles and out-of-pocket maximum costs will be made available to eligible employees and individuals whose earnings are below 300% of the federal poverty level.

State Health Plan. Under the Dirigo Health reform law, the Governor is required to issue a biennial state health plan designed to provide a comprehensive, coordinated approach to the development of health care facilities and health resources in the State based on statewide cost, quality and access goals. An interim one-year plan was issued in June 2004 based on input from an advisory council. The first biennial State Health Plan will be issued in July 2005.

Capital Investment Fund and Strengthened Certificate of Need Process. The Governor's Office of Health Policy and Finance is required to establish an annual limit, called the Capital Investment Fund, on the dollar amount of third-year operating costs for capital expenditures and investments in new technology allowed under the Certificate of Need program. The Capital Investment Fund has been initially established through

emergency rulemaking and the cap set at \$6.6 million. The Legislature will review the major substantive rule next session. In addition, the State Health Plan sets priorities and criteria to be used in evaluating CON applications.

Maine Quality Forum. The Maine Quality Forum has been established as part of the Dirigo Health Agency to pursue initiatives to improve the quality of health care delivered in Maine. The Forum will collect and disseminate research, adopt quality and performance measures, coordinate quality data, issue quality reports in conjunction with the Maine Health Data Organization, conduct consumer education and technology assessment reviews, encourage the adoption of electronic technology, make recommendations for the State Health Plan and issue an annual report. The Forum works with an advisory group of health care providers, insurers, consumers and business representatives.

IV. Board's Recommendation

The Health Security Board recommends that the Legislature reestablish the Board's authority to continue the evaluation and planning for a single-payer system if Dirigo Health fails to meet its expectations for universal coverage.

Given the progress with DirigoChoice and the other Dirigo reform efforts, the Board is hopeful that universal access can be achieved over time with this approach. However, with enrollment in DirigoChoice just beginning and coverage not expected until January 1, 2005, it is premature to measure the success of the Dirigo Health reforms. While the Board supports these overall reforms, the members also agree that it is worthwhile for the Board to seek continued authority to meet in the event that these reforms, especially DirigoChoice, are not successful. The preliminary results from the Mathematica study demonstrated that a single-payer health care plan appeared feasible, although additional analysis is necessary. If universal coverage is not achieved through the Dirigo Health reforms, the Health Security Board believes that planning for universal coverage through a single-payer health care plan should continue. Therefore, the Board recommends that legislation be drafted for consideration by the 122nd Legislature that will authorize the Board to meet, as needed, through the next biennium.

Conclusion

The Health Security Board strongly believes that it has made a positive contribution to the dialogue among policymakers and others surrounding reform of Maine's health care system. In part, the development of Dirigo Health was based on information and research from the Health Security Board's preliminary report and feasibility study. Although Dirigo Health has taken a different approach to achieving universal coverage, the Health Security Board is hopeful that the ultimate goal---coverage for all Mainers---can be reached over time. However, if Dirigo Health fails to meet expectations, then the development of a single-payer health care plan must be reconsidered. And, if it is reestablished, the Health Security Board believes it is the appropriate group to make that effort successful.

APPENDIX A:

Public Law 2003, chapter 492

CHAPTER 492

H.P. 27 - L.D. 20

**An Act to Extend the Authority of the Health Care
System and Health Security Board**

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

Sec. 1. PL 2001, c. 439, Pt. ZZZ, §1, sub-§1, first ¶ is amended to read:

1. **Board established.** The Health Care System and Health Security Board, referred to in this section as the "board," consists of ~~19~~ 20 members as follows:

Sec. 2. PL 2001, c. 439, Pt. ZZZ, §1, sub-§1, ¶¶D and E are amended to read:

D. ~~Two members of the House of Representatives~~ appointed by the Speaker of the House of Representatives who are serving in the House of Representatives at the time of their appointment with preference to members of the joint standing committee of the Legislature having jurisdiction over health and human services matters, the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs and the joint standing committee of the Legislature having jurisdiction over banking and insurance matters;

E. ~~Two members of the Senate~~ appointed by the President of the Senate who are serving in the Senate at the time of their appointment with preference to members of the joint standing committee of the Legislature having jurisdiction over health and human services matters, the joint standing committee of the Legislature having jurisdiction over

appropriations and financial affairs and the joint standing committee of the Legislature having jurisdiction over banking and insurance matters;

Sec. 3. PL 2001, c. 439, Part ZZZ, §1, sub-§1, ¶G is amended to read:

G. A representative of each of the following, appointed by the Speaker of the House:

- (1) A statewide organization that represents Maine senior citizens;
- (2) A statewide labor organization;
- (3) A statewide organization of nurses;
- (4) Large hospitals in the State;
- (5) The business community; and
- (6) An organization representing the self-employed; and
- (7) The public.

Sec. 4. PL 2001, c. 439, Pt. ZZZ, §1, sub-§§2 and 3 are amended to read:

2. **Chairs.** The first-named Senate member is the Senate chair and the first-named House member is the House chair of the board. The Senate and House chairs may continue to serve until successors are appointed.

3. **Appointments; convening board.** All appointments must be made no later than 30 days following the effective date of this Part. Appointed members may continue to serve until their successors are appointed. The chairs shall call and convene the first meeting of the board within 30 days of completion of all appointments. The board may hold up to 4 meetings after June 30, 2003, all of which must be in the Augusta area.

Sec. 5. PL 2001, c. 439, Pt. ZZZ, §1, sub-§§6 to 9 are amended to read:

6. **Staff assistance.** The board may contract with and retain staffing and technical assistance from a health policy organization. Upon approval of the Legislative Council, the Office of Policy and Legal Analysis may provide necessary staffing services to the board.

7. **Funding.** The board may seek and accept outside funding through the public or private sector to advance its work and support its activities. Funds may not be appropriated from the General Fund to support any activity of the board, nor may expenses exceed available funding.

8. **Compensation.** Those members of the board who are Legislators are entitled to receive the legislative per diem as

defined in the Maine Revised Statutes, Title 3, section 2 and reimbursement for travel and other necessary expenses related to their attendance at meetings of the board. Public members not otherwise compensated by their employers or other entities whom they represent are entitled to receive reimbursement of necessary expenses and, upon demonstration of financial hardship, a per diem equal to the legislative per diem for their attendance at meetings of the board.

9. **Report.** Based on its review, the board shall develop recommendations regarding the implementation of a single-payor plan to provide health care coverage to all citizens of this State and shall submit its final report, together with any necessary implementing legislation, to the Second Regular Session of the 120th Legislature by March 1, 2002 for presentation to the First Regular Session of the 122nd Legislature by November 1, 2004. ~~If the board requires an extension of time to make its report, it may apply to the Legislative Council, which may grant the extension.~~ The board shall submit an interim report, together with any implementing legislation, to the First Regular Session of the 121st Legislature by January 15, 2003. Upon submission of the final report, the board may not take further action unless further action is authorized by law.

Sec. 6. Appropriations and Allocations. The following appropriations and allocations are made.

LEGISLATURE

Health Care System and Health Security Board

Initiative: Provides an allocation of Other Special Revenue funds for expenses of the board.

Other Special Revenue Funds	2003-04	2004-05
Personal Services	\$1,100	\$0
All Other	5,202	0
Other Special Revenue Funds Total	<u>\$6,302</u>	<u>\$0</u>

Sec. 7. Retroactivity. This Act is retroactive to September 21, 2001.

APPENDIX B:

Additional Questions and Issues Identified in Preliminary Report

HEALTH CARE SYSTEM AND HEALTH SECURITY BOARD PRELIMINARY REPORT JANUARY 15, 2003

ISSUES NEEDING FURTHER STUDY AND DISCUSSION

Operational and Policy Issues Related to Single-Payer System:

- What steps are necessary to transition from the current health care system to a single-payer system? How will the costs of transition be paid? What is the timeline necessary for transition? Should coverage under a single-payer system be phased in for certain coverage groups or populations?
- How will a single-payer system be governed? What entity will oversee and administer a single-payer system? How will that entity be structured? Will administration of the system be performed by state government or by contracting with a private entity?
- Can federal maintenance of effort be achieved? What steps are necessary to obtain necessary waivers?
- How will eligibility for coverage under a single-payer system be determined? What standards will be used?
- How will the global budget for a single-payer system be prepared? How will it work? Is there a role for certificate of need?
- How will providers participate in a single-payer system? How will they be reimbursed? At what level? Can regional differences in the cost of health care technology and procedures, for example, between Maine and Massachusetts, be addressed?
- How will the adequacy of a provider network be evaluated? Can the current supply of providers in Maine meet an anticipated increased demand for services?
- What mechanisms can be used to evaluate and ensure the quality of health care services provided under a single-payer plan?
- What health care services will be provided? Will rationing of services be necessary?
- What specific benefit design should be recommended?
- How should a single-payer system be financed? Through a payroll tax? Through a combination of payroll and other taxes?

Additional Analysis through Microsimulation Model:

- What is the economic impact of an alternative financing strategy, which requires broad participation and is more progressive than the current premium system? Does a financing mechanism with these features make Maine a more or less attractive place to do business?

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PRELIMINARY REPORT JANUARY 15, 2003**

- Can the model's estimates of the financing and economic impact of a single-payer system be integrated?
- Can the distributional impact on Maine's businesses and individuals be modeled?
- Can the model's estimates be improved by incorporating updated population data?
- Can the administrative cost savings assumptions for plans and providers be refined to reflect current costs and experience of Maine plans and providers?
- What is the potential for "adverse selection" through in migration of residents from other states if Maine establishes a single-payer plan? What is the potential for out migration if individuals, businesses and providers leave Maine? What financial impact could that have on the State? What impact would the loss of providers, especially specialty providers, have on the delivery and quality of health care?
- How well does the Watson Wyatt PreView™ model predict Maine's health care costs when applied retroactively?
- How do the single-payer benefit designs used in the model compare with current benefit packages offered by large and small employers?
- What level of financial reserves would be required for implementation of a single-payer plan?
- What are the costs of a transition to a single-payer system?

APPENDIX C:

Draft Legislation to Implement Board's Recommendation

<p style="text-align:center">Proposed Draft Legislation Recommended by Health Care System and Health Security Board</p>
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Resolve, to Continue the Health Care System and Health Security Board

Emergency preamble. Whereas, acts and resolves of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, the Health Security Board has determined that additional time is needed to monitor current health care reform efforts before making a final recommendation on a single-payer health care plan; and

Whereas, the Board has already completed substantial work to determine the feasibility of a single-payer health care plan for this State; and

Whereas, the Board intends to make recommendations to implement a single-payer health plan if other reform efforts are not successful;

Whereas, the Board has adequate funds to support its activities; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

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

Sec. 1. Board reestablished. The Health Care System and Health Security Board, established in Public Law 2001, chapter 439, part ZZZ and referred to in this resolve as the “board”, is reestablished. The board consists of 20 members as follows:

- A. The Commissioner of the Department of Health and Human Services or the commissioner’s designee;
- B. The Executive Director of the State Employee Health Commission or the director’s designee;
- C. The State Tax Assessor or the assessor’s designee;
- D. Two members of the House of Representatives appointed by the Speaker of the House of Representatives with preference to members of the joint standing committee of the Legislature having jurisdiction over health and human services matters, the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs and the joint standing committee of the Legislature having jurisdiction over insurance and financial services matters;
- E. Two members of the Senate appointed by the President of the Senate with preference to members of the joint standing committee of the Legislature having jurisdiction over health and human services matters, the joint standing committee of the Legislature having

jurisdiction over appropriations and financial affairs and the joint standing committee of the Legislature having jurisdiction over insurance and financial services matters;

F. A representative of each of the following, appointed by the President of the Senate:

- (1) A statewide organization that advocates universal health care;
- (2) A statewide organization that defends the rights of children;
- (3) A statewide organization representing health insurers and health maintenance organizations;
- (4) Health care economists;
- (5) A statewide organization of physicians; and
- (6) Small hospitals in this State.

G. A representative of each of the following, appointed by the Speaker of the House:

- (1) A statewide organization that represents Maine senior citizens;
- (2) A statewide labor organization;
- (3) A statewide organization of nurses;
- (4) Large hospitals in the State;
- (5) The business community;
- (6) An organization representing the self-employed; and
- (7) The public.

2. Chairs. The first-named Senate member is the Senate chair and the first-named House member is the House chair of the board. The Senate and House chair may continue to serve until a successor is appointed.

3. Members; appointments; meetings. Those members serving on the board as of November 1, 2004 shall continue to serve unless they submit their resignation to the chairs. All appointments for vacancies to the board as of November 1, 2004 must be made no later than 30 days following the effective date of this resolve. Appointed members may continue to serve until their successor is appointed. The chairs shall call and convene meetings of the board as necessary.

4. Board purpose. The purpose of the board is to develop recommendations to provide health care coverage to all citizens of this State through a single-payer health care plan that emphasizes access to comprehensive, preventive and long-term care, quality, cost containment and choice of provider.

5. Duties of the board. The board has the following duties.

A. In developing a proposal to implement a single-payer plan to provide health care coverage to all citizens of this State, the board shall make recommendations related to standards for:

- (1) Eligibility for coverage under the plan for residents of this State, including a requirement that residents must apply for an identification card to enroll in the plan, responsibility for collection from individuals and insurance companies and reimbursement for providers in the State;

(2) The types of health care services covered under the plan. The plan must provide coverage for health care services from a provider within the State if those services are determined medically necessary by the provider for the patient, except that the plan may not provide cosmetic services. Copayments may be charged only as charged under current Medicaid coverage. Deductibles may not be charged to plan enrollees. The plan must be at least as inclusive as Medicaid coverage. This subsection does not preclude supplemental insurance coverage for services that are not medically necessary. Covered health care must include all services and providers for which coverage is mandated under the Maine Revised Statutes, Title 24-A and must include all coverage offered by the Medicaid program;

(3) A system for the delivery of health care services throughout the State. Covered health care services must be provided to plan enrollees by participating providers who are located within the State and who are chosen by plan enrollees. The plan must pay for health care services provided to a plan enrollee while the enrollee is temporarily outside the State. The maximum period of time a plan enrollee may be covered while out of state is 90 days per year. A plan enrollee may qualify to begin services out of state but, in order to receive continued treatment, may be required to receive treatment within the State. Reimbursement for services rendered out of state must be at rates set by the board. A participating provider may not charge plan enrollees or 3rd parties for covered health care services in excess of the amount reimbursed to that provider by the plan. A participating provider may not refuse to provide services to a plan enrollee on the basis of health status, medical condition, previous insurance status, race, color, creed, age, national origin, citizenship status, gender, sexual orientation, disability or marital status;

(4) The role of other health care programs including, but not limited to, the following programs: the Medicare program of the federal Social Security Act, Title XVIII; the Medicaid program of the federal Social Security Act, Title XIX; the civilian health and medical program as referred to in 10 United States Code, Sections 1071 to 1106; the federal Indian Health Care Improvement Act, 25 United States Code, Sections 1601 to 1682; the statewide plan provided through Dirigo Health; other 3rd party payers who may be billable for health care services; and any state and local health programs, including, but not limited to, worker's compensation and employers' liability insurance pursuant to the Maine Revised Statutes, Title 39-A; and

(5) Other issues such as: promoting the purposes of the plan; setting reimbursement rates for participating providers; rules necessary to implement the plan; systems for enrollment, registration of providers for participation, rate setting and contracts with providers of services and pharmaceuticals; developing budgets with hospitals and institutional providers; administration of revenues of the plan; employment of necessary staff to implement the plan; development of plans and funding for training and assistance of health care workers displaced by moving to a single-payer health plan; addressing the unique issues related to the delivery of a single-payer health plan among the State's border communities and the impact on providers residents of those communities; and conducting public

hearings annually or more frequently regarding resource allocation, revenues and services.

B. The board shall examine funding for the single-payer plan from a combination of sources, including payments from government sources, including federal, state and other governmental health care and aid programs; payments from worker's compensation, pension and health insurance employee benefit plans; payments from state, county and municipal governmental units for coverage; payments from tobacco settlement funds; and payment from any taxes or fees based on the results of the feasibility study prepared under contract with the board in December 2002.

C. The board shall stress prevention of disease and maintenance of health in developing proposals to implement the single-payer plan and shall attempt to retain and strengthen existing health care facilities whenever possible in developing those proposals.

D. The board may evaluate current health care reform efforts, including but not limited to Dirigo Health, and examine any other issues or gather information as necessary to fulfill its purpose and duties.

6. Staff assistance. Upon approval of the Legislative Council, the Office of Policy and Legal Analysis may continue to provide necessary staffing services to the board. The board may also contract with and retain staffing and technical assistance from a health policy organization.

7. Funding. The board may seek and accept outside funding through the public or private sector to advance its work and support its activities. Any unexpended funds allocated to the board as of November 1, 2004 must be carried forward for use by the board and may not lapse. Funds may not be appropriated from the General Fund to support any activity of the board, nor may expenses exceed available funding.

8. Compensation. Those members of the board who are Legislators are entitled to receive the legislative per diem as defined in the Maine Revised Statutes, Title 3, section 2 and reimbursement for travel and other necessary expenses related to their attendance at meetings of the board. Public members not otherwise compensated by their employers or other entities whom they represent are entitled to receive reimbursement of necessary expenses and, upon demonstration of financial hardship, a per diem equal to the legislative per diem for their attendance at meetings of the board.

9. Report. The board shall develop recommendations regarding the implementation of a single-payer plan to provide health care coverage to all citizens of this State and shall submit its final report, together with any necessary implementing legislation, to the Second Regular Session of the 122nd Legislature by November 1, 2006. If the board requires an extension of time to make its report, it may apply to the Legislative Council, which may grant the extension. Upon submission of the final report, the board may not take further action unless further action is authorized by law.

Sec. 2. Retroactivity. This Act is retroactive to November 1, 2004.

Emergency clause. In view of the emergency cited in the preamble, this resolve takes effect when approved.

Summary

This bill continues the Health Care System and Health Security Board through the next biennium of the Legislature. The bill requires that the Board submit a final report by November 1, 2006 to the 122nd Legislature. The bill allows those members serving on the Board as of November 1, 2004 to continue as members. It also preserves any unexpended funds allocated to the Board for use to pay future expenses.

The bill is retroactive to the date when the Health Security Board submitted its final report to the 121st Legislature.

APPENDIX D:

Summaries of Board Meetings

Health Care System and Health Care Security Board Summary of Meeting on April 2, 2004

The Health Care System and Health Care Security Board met on Friday, April 2nd in Room 427, State House. Rep. Marilyn Canavan chaired the meeting. She was appointed last July as the new House chair. Paul Volenik, the Board's former House chair, has been appointed by the Speaker as the 20th member to represent the public.

Board resignations

Howard Buckley, who was appointed by the Speaker of the House to represent large hospitals, has resigned from the Board. With Mr. Buckley's resignation, the Board now has 3 vacancies: a position for a member of the Senate held previously by former Sen. Mary Small; a member who is a health care economist held previously by Beth Kilbreth, who resigned in January 2003; and a member representing large hospitals. Both Senate and House staff have indicated that these vacancies will be filled by the President and the Speaker after adjournment of the legislative session. If anyone wants to submit recommendations for these vacancies, they should speak to the chairs or to House and Senate staff directly.

Budget/Funding

The Board has a budget balance of \$6299. These funds should be adequate to cover the costs of 4 meetings, including a public hearing. Budgeted expenses include per diem and expenses for legislative members, mailing and printing costs. Expenses have also been made available for public members of the Board who are not reimbursed for attendance at meetings by their employer or any organization they represent. Any members interested in submitting a request for reimbursement of expenses should contact board staff for more information.

Budget funds will not be sufficient to contract for additional consulting services. The Board did submit concept letters to the Maine Health Access Foundation (MeHAF) in February 03 and December 04 as part of the Foundation's request for grant proposals. MeHAF did not ask the Board to submit grant proposals in either round. The additional consulting services and analysis outlined in the Board's preliminary report, along with necessary modifications to the microsimulation model to provide public access, were estimated by Mathematica at approximately \$148,000.

Briefing on Dirigo Health

Adam Thompson of the Governor's Office of Health Policy and Finance briefed the Board on the status of the overall Dirigo Health reform law. He spoke on behalf of Trish Riley who was unable to attend. Adam gave the Board a sense of the cost containment efforts underway in the Governor's Office, including the status of the draft State Health Plan (due May 2004) and the various study commissions. Tom Dunne, Executive Director of the Dirigo Health Agency, outlined the planned CareWorks benefit plan and

the schedule for the request for proposals from carriers. He told the Board that the CareWorks benefit plan should be launched sometime this summer. Mr. Dunne explained the innovative features of the CareWorks plan, including the sliding scale deductibles and out of pocket maximums based on income; subsidies for premium assistance; and financial incentives for health risk assessments. In the event that private carriers do not participate, the Dirigo Health Board is preparing a contingency plan to establish a nonprofit corporation if needed. Legislative approval of a nonprofit corporation is required.

Several handouts were distributed.

Future Role of Health Security Board

The Board discussed its future role. Given the enactment of the Dirigo Health law, a majority of members expressed the opinion that the Board should “hibernate” until Dirigo Health may be evaluated more fully. Several felt that Dirigo Health signals that the political will and support for a single-payer health plan has eroded and the role of the Board has diminished. While a few members expressed a willingness to suspend the Board’s activities immediately, others suggested that the Board defer making any final decisions about its future until the fall when Dirigo Health may be evaluated again before the Board’s November 1 deadline. Some members advocated that the Board continue its work to develop a single-payer health plan on parallel with Dirigo Health in the event that the Dirigo Health insurance products fails to meet expectations. They felt strongly that a single-payer plan is the solution to the State’s health care problems.

In the end, the Board agreed that a final decision about its future should wait until fall. They decided to hold off on another meeting until late September or October. Since Dirigo Health is expected to be offering coverage by summer, the Board will invite Trish Riley and Tom Dunne to make another update on Dirigo’s status. Then, the Board hopes to be able to make some decisions about making its final report to the Legislature on November 1st and any recommendation to continue its planning for a universal coverage, single-payer health plan.

Next Meeting

As explained above, the next meeting of the Board will be held in September or October when called by the chairs. At that meeting, the Board will get an update on Dirigo Health and make some final decisions about its future role in preparation for submitting its report to the Legislature on November 1, 2004.

Health Care System and Health Care Security Board Summary of Meeting on September 22, 2004

The Health Care System and Health Care Security Board met on Wednesday, September 22nd in Room 427, State House. Sen. John Martin and Rep. Marilyn Canavan chaired the meeting. Other members attending were: Bob Downs, Jerome Gerard, Tammy Groaton, Patricia Philbrook, Violet Raymond, Leo Siegel and Paul Volenik.

Briefing on Dirigo Health

Ellen Schneiter, Deputy Director of the Governor's Office of Health Policy and Finance briefed the Board on the Dirigo Health Reform Act. She gave the first-year progress report on Dirigo Health, which went into effect on September 13, 2003. She highlighted the following accomplishments by the Governor's Office and Dirigo Health Agency pursuant to the law:

- DirigoChoice health plan, in partnership with Anthem, will begin enrollment on October 1st; coverage begins on January 1, 2005. Small businesses and self-employed individuals may enroll in the first quarter of operation; individuals may enroll beginning in March 2005. As you may recall, discounts on premiums, deductibles and out-of-pocket expenses will be available on a sliding scale to employees and individuals with incomes below 300% of the federal poverty line. Expected enrollment in the first year is 31,000 enrollees eligible for subsidized premiums;
- Interim State Health Plan was issued in July 2004. The State Health Plan's goal is to improve the allocation and coordination of the State's health care resources. A biennial State Health Plan will be issued in July 2005;
- Capital Investment Fund rule issued; Certificate of Need (CON) process strengthened. The Capital Investment Fund establishes an annual limit on the dollar amount of 3rd year operating costs of capital expenditures and new technology investments that may be approved under CON. The CIF was initially established through emergency rulemaking. The Legislative will review the major substantive rule next session. In addition, the State Health Plan set priorities and criteria to be used in evaluating CON applications; and
- Maine Quality Forum. The Forum has been established as part of the Dirigo Health Agency to pursue initiatives to improve the quality of health care delivered in Maine. The Forum works with an advisory group of health care providers, insurers, consumers and business representatives.

The first-year progress report (handout) was distributed.

Future Role of Health Security Board

The Board discussed its future role. The consensus of the members was that no further action of the Board is necessary at this time. Given the progress with DirigoChoice and the other Dirigo reform efforts, members expressed their hope that universal access can

be achieved over time with this approach. However, the members also agreed that it is worthwhile for the Board to seek continued authority to meet in the event that DirigoChoice is not successful. The members decided that legislation should be drafted for consideration by the Legislature that will authorize the Board to meet, as needed, through the next biennium.

Next Steps

No additional meetings of the Board are expected. Staff will soon distribute a draft of a short final report, along with recommended legislation to extend the Board's authority for 2 more years. Board members will review the draft report and legislation so that it can be finalized prior to the November 1 reporting deadline. The legislation will be considered by the Legislature during the upcoming legislative session (sometime between January and April 2005).