

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

IN RE: REVIEW OF AGGREGATE )  
MEASURABLE COST SAVINGS )  
DETERMINED BY DIRIGO ) SECOND INFORMATION REQUEST  
HEALTH FOR THE FIRST ) OF THE SUPERINTENDENT  
ASSESSMENT YEAR )  
)  
)  
Docket No. INS-05-700 )

The Superintendent of the State of Maine Bureau of Insurance hereby requests that the Dirigo Health agency Board of Director's ("Dirigo") respond to the following inquiries and document requests. In producing the requested information, Dirigo shall furnish all information regardless of whether it is in the possession of Dirigo or any of its consultants, experts, or agents. If Dirigo refuses for any reason to provide any of the information requested, Dirigo must identify and describe the reason for such refusal.

Dirigo shall consider this information request continuing in nature so as to require the production of all documents and information responsive to any item included in this request produced by or on behalf of Dirigo or obtained by Dirigo or its consultants, experts, or agents and, furthermore, Dirigo must supplement the responses provided should the information change or more information become available at any time during the pendency of this proceeding.

- 1.) Please summarize the timeframes described in the Final Report in a table with the following structure: (i) One row for each savings component identified in the report; (ii) First column contains description of the savings component; (iii) Second column describes the time period in which the savings are incurred; (iv) Third column indicates the Dirigo program year to which the savings apply (iv) Fourth column describes the time period from which data were drawn for each of the data sources used in the calculation of that savings component; (v) Fifth column explains the rationale for using the SOP estimate from the time period identified in Column 2 as first year savings (e.g, savings from SFY04 as savings for SFY05).

Inquiries Related to CMAD

- 2.) Please verify that the CMAD calculation uses a case mix index calculated from all discharges, not just from Medicare discharges.

- 3.) Please explain how Dirigo determined savings shown in the SFY 2004 CMAD calculations are true savings and not just costs deferred until SFY2005 through delayed spending or accounting changes.

#### Inquiries Related to COM

- 4.) Are the cost savings estimated in the COM savings calculation (which included three hospitals after exclusion criteria were applied) different from the dollar amount that would result if the same criteria had been applied to any other year? That is, if hospitals with margins averaging in excess of 3% in the three prior years, and a reduction to the margin in the following year relative to that average were chosen, would similar savings be shown even in the absence of Dirigo?
- 5.) Please provide a "hospital example" of the COM calculation, comparable to the one provided for CMAD on page 4 of Attachment 12A of the filing.

#### Inquiries Related to Uninsured Savings Initiatives

- 6.) Can you explain why the charges used in the bad debt and charity care calculations were not reduced to reflect the degree to which payments from commercial insurers are less than charges?
- 7.) Please provide the latest Dirigo enrollment reports used by the Dirigo health agency to monitor enrollment levels, with monthly enrollment data detail from inception to the most recent period for which data are available.
- 8.) Please explain in detail the rationale for applying Mercer's probability distribution to the estimates for bad debt and charity care – Is Mercer assuming that costs for increased service use due to insurance coverage should be included in the SOP? If not, what is the rationale? Also, please provide additional detail which shows all data and mechanics of the calculation.
- 9.) What is the rationale for assuming that 50% of MaineCare enrollments are due to Dirigo? Please provide detail, including the relationship between Dirigo and increasing MaineCare enrollment, and how secular trends in Medicaid eligibility were adjusted for in the calculation.
- 10.) Is Dirigo calculating the savings for new MaineCare enrollees using the estimates it calculated based on charges? If so, should these charge-based amounts be reduced by the ratio of MaineCare reimbursements to charges? Please explain.

#### Inquiries Related to CON/CIF

- 11.) In light of the wide year-to-year variations shown in Appendices M and N of Attachment 11 in the volume of CON projects prior to Dirigo, how can the variation in the year after Dirigo be attributed to Dirigo?

- 12.) The spending in SFY 2004, as shown in the 2004 column of Appendices M and N, reflects CON approvals for SFY 2002, 2003, and 2004. Since only 2004 approvals could be affected by Dirigo, how can the overall spending level for 2004 be attributed to Dirigo? Could the relatively high hospital spending during the base period of 2001-2003 be partly attributable to the high volume of hospital CON approvals in 2001? Could the relatively low hospital spending level in 2004 and 2005 be partly attributable to the low volume of hospital CON approvals in 2003? Since the 2001, 2002 and 2003 approvals were already known, could a better projected level of 2004 spending have been determined by taking those approvals into account?
- 13.) Attachment 14 indicates that the CON moratorium applied to letters of intent between August 3, 2003 and May 4, 2003. Since this period fell within SFY 2004 and a higher volume of hospital CONs were approved in that year than in either of the previous two years, how can hospital savings be attributed to the moratorium? Were hospitals and other providers aware of the impending moratorium before it was imposed? If so, could they have avoided the impact by filing a letter of intent before August 3, 2003?
- 14.) Please list the CON applications disapproved due exceeding the Capital Investment Fund (CIF). If there were none, how can savings be attributed to the CIF?

#### Inquiries Related to Physician Fee Initiatives

- 15.) Please provide the rationale for assuming that physicians cost shift (i.e., that they have the power to increase their commercial fees when government fees are decreased), and that these fee amounts can be decreased by commercial payers when government fees increase. Please include discussion of the manner in which commercial physician fees are established in Maine, and references to research literature that provides evidence of a cost-shifting process operating within the physician services sector.

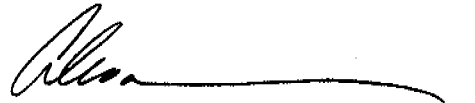
#### Inquiries Related to Time Value of Money

- 17.) Please show the calculations of \$14.0 million of savings to hospitals due to the time value of money. This response should include the following:
  - a. A schedule of amounts and date(s) of payments in the absence of Dirigo.
  - b. A schedule showing the assumed revised date(s) of payments that reflect the earlier payment dates because of the impact of Dirigo.
  - c. These schedules of amounts should be broken out by fiscal year.
  - d. What are the sources of funds for these payors that enable them to accelerate the timing of payments by 36 months as asserted in the filing?
  - e. What is the basis for the comment: "the hospitals were not planning on receiving any of this money" in Page 8 of Dr. McAfee's cover letter of September 19?

- f. Please summarize the amounts appropriated by the Legislature for the purpose of settling hospital obligations in the various budget periods that are affected. This schedule should have enough detail to allow an observer to confirm that the Legislature has made available an incremental or additional amount of funds as asserted in Dr. McAfee's letter of September 19.
- 18.) Please confirm that the payments in the time value of money analysis are all from Maine Care and not from any other payors.

The Superintendent directs Dirigo to respond to this information request no later than 3:00 p.m. on October 17, 2005. Should Dirigo require any clarification with respect to any request being made, it may contact my legal counsel, Thomas Sturtevant, Assistant Attorney General.

DATED: October 11, 2005



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ALESSANDRO A. IUPPA  
Superintendent of Insurance