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## Maine

In June 2003, Maine Gov. John Baldacci (D) signed the Dirigo Health Reform Act, creating a government-run, taxpayer-funded health insurance and medical care program for the state. Many have praised the initiative, which became effective in September of that year, as a bold effort to reform Maine's health insurance market.

But the individual and small group insurance markets in Maine had been in turmoil for more than a decade because of previous "bold efforts" to reform health insurance.

In 1993, the Maine Legislature imposed guaranteed issue and modified community rating on the individual insurance market in an effort to increase access to health insurance for the uninsured population. Specifically:

- Insurance premiums were not permitted to vary by gender, health status, claims experience or length of time with coverage. Insurers were permitted to adjust premiums by 20 percent more or less than the community rate for age, occupation, and geographic area, and premiums could be adjusted for smoking and family status; and
- Insurers were required to issue coverage to any applicant who had resided in the state for at least 60 days.

### **High and Rising Premiums**

As is true with every other state to take this action, the mandates failed to make health insurance more affordable and accessible in Maine. Individual insurance premiums are well above the national average, ranging from hundreds of dollars per month for singles to thousands of dollars per month for families for plans with moderate

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deductibles. (See Maine Figure 1.)

“We know that Maine has the highest tax burden of all 50 states,” wrote State Sens. Paul Davis (R-Sangerville) and Chandler Woodcock (R-Franklin) in a letter to the editor of the online newspaper The Daily ME, on March 11, 2004. “But do you also know that Maine has some of the highest health insurance [premium] rates?

“A Maine family of four buying an individual insurance policy from Anthem must pay \$1,395 per month. And that’s with a \$1,000 deductible,” Davis and Woodcock wrote. “Yet, that same family living across the border in New Hampshire only pays \$586 a month for the same Anthem policy. If they live in the similarly rural state of North Dakota, then they only pay a low \$346 per month.

“The reason for this difference is not hard to understand,” the senators conclude. “It has to do with bad insurance regulation which drives up costs in Maine.”

<b>Maine Figure 1 Monthly Premiums for Standard Plan in Maine Individual Insurance Market (as of March 1, 2005)</b>		
<b>Standard Plan</b>		
<b>Plan</b>	<b>Single</b>	<b>Two-Parent Family</b>
Aetna Health	\$1,015.21	\$2,772.29
Anthem - Health Choice (\$1,000 deductible)*	\$526.59	\$1,395.46
CIGNA Healthcare	\$1,368.99	\$3,760.06
Harvard Pilgrim	\$1036.38	\$3,109.15
HMO Maine (Anthem)	\$1,011.29	\$2,679.91

\*Anthem also offers plans with lower and higher deductibles  
 All other plans in this table are HMO's without deductibles.  
 Source: Bureau of Insurance, Maine Department of Professional & Financial Regulation,  
<http://www.state.me.us/pfr/ins/indhlth.htm>.

### **Fewer, More Expensive Choices**

By some counts, half as many insurance companies serve the state's individual market as did so when the guaranteed issue and community rating laws were passed. Although five carriers—Aetna, Anthem (formerly Blue Cross Blue Shield), CIGNA, Harvard Pilgrim and Maine Partners Health Plans—write individual policies in Maine, the state is a virtual monopoly for Anthem, which in 2001 had 97.3 percent of the market, according to the Maine Bureau of Insurance.

Dave Spellman, president of Pratt Financial Group, Inc. in Westbrook, Maine and past president and legislative chair for the Maine chapter of the National Association of Insurance and Financial Advisors, noted, "I have seen first-hand the negative impact of over-regulation on insurance markets over the past 22 years of my career.

"Just over 10 years ago," he said, "we had well over 90,000 Maine consumers in the individual market. Today there are fewer than 30,000. From a competitive market with more than 10 carriers, we now have a monopolistic market with only one, Anthem, writing new individual policies."

Spellman pointed out, "While all this regulation was part of a stated overall goal to reduce insurance rates and, thereby, help decrease the ranks of the uninsured, just the opposite has occurred. Maine health insurance rates are now among the highest in America (two or three times that of just about anywhere else) and we have a growing uninsured population."

Adam Brackemyre, executive director of the Coalition Against Guaranteed Issue, agreed, saying: "Guaranteed issue and community rating have combined to accelerate Maine's health insurance costs above the national average."

Brackemyre cited a report issued in March 2004 by eHealthInsurance.com, a nationwide online health insurance business, which documented what its customers paid on average for individual coverage in 42 states representing 94 percent of the U.S. population. Maine was not included in the firm's survey. But customers in two

other guaranteed issue and community rated states, New Jersey and New York, paid an average \$335 a month for individual coverage. For all states, the average was \$151 a month.

By contrast, the accompanying table (Maine Figure 1) shows rates for a standard plan in Maine range between \$526.59 (Anthem's HealthChoice plan with a \$1,000 deductible) and \$1,368.99 per month for a single individual, and between \$1,395.46 and \$3,760.06 for a two-parent family.

R. Kenneth Lindell, a certified employee benefits specialist and Republican candidate for Maine House District 41, summed it all up when he wrote in the August 29 issue of the *Waldo County Citizen*, "Kentucky is a good case study because it made many of the same mistakes as Maine prior to enacting reforms in 2001.

"The result of these well-intended but misguided regulations," wrote Lindell, "was to force premiums higher, causing many to drop coverage and insurance companies to leave the state. By 2001, Kentucky's health insurance market was in chaos, with only one insurer [Anthem] left to cover the individual insurance market.

"If this story sounds familiar, it should. This is exactly what has happened in Maine in the last 10 years."

### **Little Improvement for Uninsured**

Despite the chaotic market conditions, the uninsured rate in Maine has improved slightly, going from 11.1 percent of the state's population in 1993 to 10.4 percent in 2003, according to Census Bureau figures. But those figures mask a large movement of people from private insurance to public welfare programs.

While 16 percent of the state's residents were covered by individual policies in 1994 (figures for 1993 are not available), just 11 percent were covered in the individual market in 2003.

In 2003, 18 percent of the state's population was covered by Medicaid, up from 7.5 percent in 1995. "Little wonder," Spellman said, "why we have runaway income, sales, and property taxes and a budget deficit of over \$1 billion."

**High-Risk Pool**

In 1990, Maine adopted one of the market-oriented reforms that have proven successful in other states: a high-risk pool for expanding access to the uninsured population. But the measure was short-lived. “The high-risk pool failed because enrollment was capped and the Legislature wouldn’t fund it appropriately,” said Spellman. “The pool was deemed a failure by the Democrat-controlled Legislature, so they came up with a final solution that destroyed the insurance market and brought us all closer to a single-payer health care plan with guaranteed issue and community rating.”

Instead of a high-risk pool, the Legislature increased Medicaid eligibility, again with the goal of reducing the ranks of the uninsured. “Well,” said Spellman, “that succeeded only in increasing the Medicaid population from just under 10 percent to over 20 percent of all Maine citizens. And the new Dirigo legislation could grow that population to 25 percent.”

**Voluntary Today ... Mandatory Tomorrow?**

The insurance component of the Dirigo health plan, DirigoChoice, is a voluntary program for Maine residents who do not have coverage. Dirigo expected to enroll 31,000 people in 2004 and all 140,000 uninsured Maine residents within five years. At the beginning of 2005, only 1,800 had actually enrolled.

DirigoChoice will be available to uninsured Maine residents under age 65 whose income does not exceed 300 percent of the federal poverty level (about \$55,000 for a family of four, \$27,000 for an individual). The unemployed and self-employed will enroll in the plan as individuals with the benefit of heretofore unavailable group rates.

DirigoChoice also will be available to employees of small businesses in Maine, who will sign up through their workplaces. Participation by small businesses will be voluntary, government officials say.

But Arthur Levin, director of the New York-based Center for

Medical Consumers, says it is misleading to call participation in Dirigo “voluntary” for small businesses.

“Small businesses are going to get pressure from their employees to do this if they don’t have insurance now. This plan calls for small businesses to pick up 60 percent for employees who work over 20 hours, and for their families,” said Levin, adding, “This state is full of small businesses. This was a flawed plan from the get-go.”

### **A Choice of One**

Baldacci announced on August 23 that Anthem Blue Cross and Blue Shield of Maine—the insurer that already holds a near-monopoly on the state’s individual insurance market—will administer DirigoChoice. The governor said marketing would begin October 1.

The DirigoChoice plan was supposed to be available at monthly community-rated premiums as low as \$260 for a single adult and \$780 for a family of four. The state planned to subsidize deductibles and out-of-pocket maximums and discount by up to 40 percent the monthly premiums incurred by enrollees under 300 percent of Federal Poverty Level.

Lee Tooman of Golden Rule Insurance Co. said, “Maine tried to contract with insurance carriers to sell subsidized health insurance to just about anyone. Since the carriers did not materialize, the state contracted with Maine Blue Cross.” Meanwhile, the state will impose a new 4.1 percent tax on all health insurance premiums to finance universal health care.

In the first year, the plan predicts it will be paid for with \$53 million in tax dollars set aside by the Legislature in 2003. In future years, the plan will be funded through a complex system of employer and employee payments, Medicaid cost-shifting, and a fee charged to insurers.

“A long time ago,” Tooman said, “an actuary told me there are only two scenarios in which community rating works: Either you force people to buy the insurance or you subsidize it so heavily that people would be foolish not to buy it. Maine is going to try subsidies

first. My guess is that this will not work and the next step will be an employer mandate, which would force employers to provide coverage.”

“Maine is moving very fast toward government-run, single-payer health insurance,” warned Scott K. Fish, director of special projects for the Maine Public Policy Institute. “The revised Maine Rx program is part of that movement. Maine’s Dirigo Health Plan is another part.”

“The governor and Legislature haven’t learned a thing,” said Merrill Matthews, director of the Council for Affordable Health Insurance. “Maine is next to Canada, and gets a lot of business from Canadians coming south of the border to get the medical care they can’t get in Canada. With Dirigo, Canadians will still be traveling south, and Mainers will be joining them—heading to New Hampshire, or even further.”

# Resource Directory

**Council for  
Affordable Health Insurance**

112 South West Street #400  
Alexandria, VA 22314  
Telephone 703/836-6200  
mail@cahi.org  
<http://www.cahi.org>

**The Heartland Institute**

19 South LaSalle Street #903  
Chicago, IL 60603  
Telephone 312/377-4000  
Fax 312/377-5000  
think@heartland.org  
<http://www.heartland.org>

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**Association of  
American Physicians & Surgeons**

1601 North Tucson Boulevard #9  
Tucson, AZ 85716-3405  
Telephone 520/327-4885  
Fax 520/325-4230  
aaps@aapsonline.org  
<http://www.aapsonline.org>

**American Legislative  
Exchange Council**

1129 20th Street NW #500  
Washington, DC 20036  
Telephone 202/466-3800  
Fax 202/466-3801  
info@alec.org  
<http://www.alec.org>

**American Council on  
Science and Health**

1995 Broadway - 2nd Floor  
New York, NY 10023-5860  
Telephone 212/362-7044  
Fax 212/362-4919  
acsh@acsh.org  
<http://www.acsh.org>

**The Josiah Bartlett Center**

7 South State Street #2  
Concord, NH 03301  
Telephone 603/224-4450  
Fax 603/224-4329  
jbartlett@jbartlett.org  
<http://www.jbartlett.org/>

**American Enterprise Institute**

1150 Seventeenth Street NW  
Washington, DC 20036  
Telephone 202/862-5800  
Fax 202/862-7177  
jantos@aei.org  
<http://www.aei.org>

**The Beacon Hill Institute**

Suffolk University  
8 Ashburton Place  
Boston, MA 02108-2270  
Telephone 617/573-8050  
Fax 617/994-4279  
bhi@beaconhill.org  
<http://www.beaconhill.org/>

## DESTROYING INSURANCE MARKETS

**Bluegrass Institute for  
Public Policy Solutions**  
400 East Main Avenue #306  
Bowling Green, KY 42102  
Telephone 270/782-2140  
Fax 305/675-0220  
derry@bipps.org  
<http://www.bipps.org/>

**Cato Institute**  
1000 Massachusetts Avenue NW  
Washington, DC 20001-5403  
Telephone 202/842-0200  
Fax 202/842-3490  
mcannon@cato.org  
<http://www.cato.org>

**Citizens' Council on Health Care**  
1954 University Avenue West #8  
St. Paul, MN 55104  
Telephone 651/646-8935  
Fax 651/646-0100  
info@cchconline.org  
<http://www.cchc-mn.org>

**Coalition Against  
Guaranteed Issue**  
112 South West Street #400  
Alexandria, VA 22314  
Telephone 703/837-1382  
Fax 703/836-6550  
mail@cagionline.org  
<http://www.cagionline.org>

**Coalition for  
Affordable Health Coverage**  
1615 L Street NW #650  
Washington, DC 20036  
Telephone 202/626-8548  
info@cahc.net  
<http://www.healthtaxcredits.org>

**Cornerstone Policy Research**  
136 North Main Street #2  
Concord, NH 03301  
Telephone 603/228-4794  
Fax 603/228-6069  
cornerstone@nhcornerstone.org  
<http://www.nhcornerstone.org>

**Empire Center for  
New York State Policy**  
P.O. Box 7113  
Albany, NY 12224  
Telephone 518/434-3100  
Fax 518/295-3130  
ejm@empirecenter.org  
<http://www.empirecenter.org/>

**Ethan Allen Institute**  
4836 Kirby Mountain Road  
Concord, VT 05824  
Telephone 802/695-1448  
Fax 802/695-1436  
eai@ethanallen.org  
<http://www.ethanallen.org>

**Evergreen Freedom Foundation**  
P.O. Box 552  
Olympia, WA 98507  
Telephone 360/956-3482  
Fax 360/352-1874  
effwa@effwa.org  
<http://effwa.org>

**Galen Institute**  
P.O. Box 19080  
Alexandria, VA 22320  
Telephone 703/299-8900  
Fax 703/299-0721  
galen@galen.org  
<http://www.galen.org>

## RESOURCE DIRECTORY

### **The Heritage Foundation**

214 Massachusetts Avenue NE  
Washington, DC 20002-4999  
Telephone 202/546-4400  
Fax 202/546-8328  
info@heritage.org  
<http://www.heritage.org>

### **The HSA Coalition**

2121 K Street NW #800  
Washington, DC 20037  
Telephone 202/271-3959  
dperrin@hsainsider.com  
<http://www.hsainsider.com>

### **Institute for Policy Innovation**

1660 South Stemmons #475  
Lewisville, TX 75067  
Telephone 972/874-5139  
Fax 972/874-5144  
ipi@ipi.org  
<http://www.ipi.org>

### **Maine Heritage Policy Center**

P.O. Box 7829  
Portland, ME 04112  
Telephone 207/321-2550  
Fax 207/773-4385  
info@mainepolicy.org  
<http://www.mainepolicy.org/>

### **Maine Public Policy Institute**

27 State Street #68  
Bangor, ME 04401  
Telephone 207/944-3264  
Fax 207/862-2433  
betsy@maineinstitute.com  
<http://www.maineinstitute.com/>

### **Manhattan Institute for Public Policy**

52 Vanderbilt Avenue  
New York, NY 10017  
Telephone 212/599-7000  
Fax 212/599-3494  
mi@manhattan-institute.org  
<http://www.manhattan-institute.org>

### **National Center for Policy Analysis**

12770 Coit Road #800  
Dallas, TX 75251  
Telephone 972/386-6272  
Fax 972/386-0924  
devon.herrick@ncpa.org  
<http://www.ncpa.org>

### **Pacific Research Institute**

755 Sansome Street #450  
San Francisco, CA 94111  
Telephone 415/989-0833  
Fax 415/989-2411  
jgraham@pacificresearch.org  
<http://www.pacificresearch.org>

### **Washington Policy Center**

P.O. Box 3643  
Seattle, WA 98124-3643  
Telephone 888/972-9272  
Fax 888/943-9797  
info@washingtonpolicy.org  
<http://www.washingtonpolicy.org>