



MONEY IN POLITICS PROJECT

REPORT #3

Money, Insurance,
and Health Care
Policy:

How Health Insurance
Companies' Campaign
Contributions Helped Them
Win Major Legislation



MONEY IN POLITICS PROJECT

The *Money in Politics Project* is a program of **Maine Citizens for Clean Elections**, a nonpartisan organization that has been working in the public interest to advocate for, increase public support for, defend and improve the Maine Clean Election Act and related campaign finance law since 1995. MCCE is a 501(c)(3) organization. www.MaineCleanElections.org

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Executive Summary

One of the signature initiatives of the 125th Maine Legislature was passage of a comprehensive health insurance law. The new law's enactment in May of 2011 changed fundamental components of Maine's health insurance statutes, and it provided a significant victory for the new Republican majority.

It also provided Maine's health insurance carriers with a policy that they had long sought.

This report examines the political donations by health care interests over the ten-

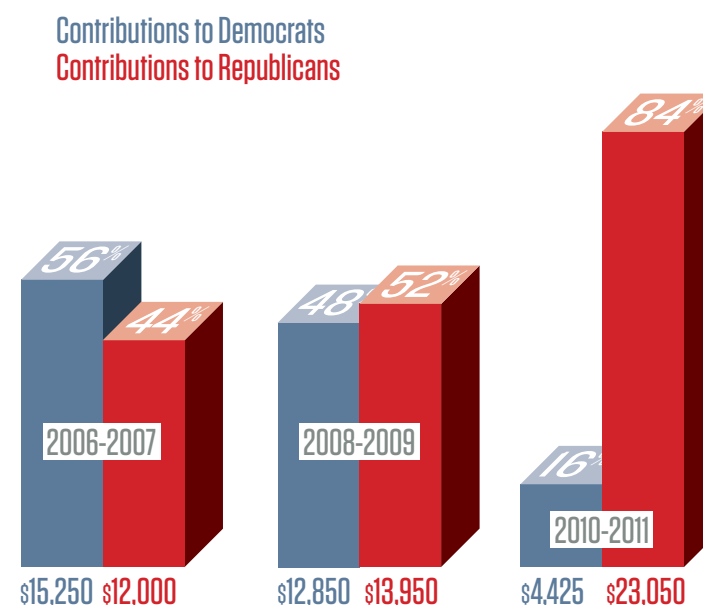
year period leading up to the new law's enactment. More than \$1 million dollars were spent on contributions to candidates and political action committees (PACs) by those with powerful financial interests in both health insurance and health care.

Health insurance interests—brokers, carriers, and individuals affiliated with them—are familiar players in Augusta, employing the state's most prominent lobbyists. Together they provided 35% (\$389,227) of the contributions examined in this report. They have historically been reliable donors to both privately funded candidates and legislator-con-

trolled PACs, and this study confirms that industry giving was directed to both major political parties.

This report reveals that the single company with the most direct financial interest in Maine's insurance regulation laws dramatically changed its giving pattern just before and after the passage of the new law. Anthem/Wellpoint not only gave more than all other health insurance carriers combined (\$154,656), but it directed a startling 84% of its donations to Republicans in 2010 and 2011, a significant departure from the balanced giving evident in previous cycles, and coinciding with

FIGURE 3-1
Anthem Contributions Shift to Republicans in 2010 to 2011



the Republican takeover of the Maine House and Senate.

The new law addresses two longstanding pillars of Maine's health insurance system: guaranteed issue and community rating. The new approach allows health insurance carriers more flexibility and imposes fewer requirements on their business practices.

While supporters tout the benefits to business and consumers, opponents warn that the law will lead to dramatic inequities in access to health care among demographic and geographic groups in the state.

As individual elements of the law are implemented, the wisdom and impact of the law will be revealed and debated anew. Since access to health care along with the cost and quality of care is of interest to every Maine business, family, and individual, and since health care spending is a significant portion of the state's budget, it will remain a salient issue in elections and in future legislatures.

This report's scrutiny of campaign donations from the health care industry to Maine candidates and PACs does not imply that any illegal activity has taken place. Its purpose is

to shine a light on how a pool of money from an important industry sector was deployed in Maine elections over a period of ten years, and how that money may have paved the way for industry-desired reforms.

The implications of these findings point to the need for strengthened campaign finance policies that reduce the role of special interest money in our elections. We can address these problems by restoring the Maine Clean Election Act to the robust system that was originally enacted by voters and push forward on further reforms. In addition to providing the disclosure that allows reports like this to be written, our campaign finance laws should give every Mainer confidence that vested interests do not wield undue influence in the State House.

Maine law should keep voters in the driver's seat of our democracy, so that there will be no doubt that the health and well-being of Maine people are the first and foremost consideration of lawmakers while important legislation is debated in Augusta. Only when Maine people join together to insist on a government that puts people—not contributors—at the center of the policy-making process can this problem be solved.

ABOUT THIS SERIES

The Money in Politics Project is a series of twelve reports about the role and effect of money on Maine politics. The reports combine a review of publicly available campaign finance data with on-the-ground analysis of how money influences Maine's elections, government, and public policy. **Maine Citizens for Clean Elections** launched this project because money in politics is an issue of vital concern to the people of Maine, one that goes to the heart of our democratic system.

Money, Insurance, and Health Care Policy:

How Health Insurance Companies' Campaign Contributions Helped Them Win Major Legislation

Background

The people of Maine spend \$11.2 billion annually on health care. The health care “system” consists of a sprawling patchwork of entities in both the private and public sectors. Nearly 38% of the Maine state budget is dedicated to health care-related programs. On the private side, insurance costs consume a significant slice of the disposable income available to Maine families, with the average family premium for a policy bought through the workplace now almost \$16,000 per year¹. A standard plan for a single individual can cost \$24,000². The cost of health care coverage is one of

the most important issues facing Maine.

In the 1990's, the legislature adopted an approach to private health insurance centered on a system of controls intended to ensure that consumers were not denied insurance (“guaranteed issue”) and not charged excessive premiums based on where they lived, their age, or other factors (“community rating”).

This approach generated significant controversy over the years. Supporters of guaranteed issue and community rating argued that these policies protected consumers by ensuring that insurance carriers treated them fairly and did not discriminate against those more at risk of incurring medical costs. Opponents argued that these policies created a dysfunctional system where healthy people did not

purchase insurance, and consequently premiums continually rose to cover the costs of an increasingly unhealthy pool of customers.

The Maine legislature has considered many proposals to reform this system. Some have focused on increasing access to health care. Others have sought to reduce the cost of private insurance. A third tack has attempted to make health care delivery more cost-effective.

Some of these have succeeded to various degrees, but nearly every session of the legislature since 2000 has featured one or more bills that would have removed or greatly revised guaranteed issue and community rating. Each session, the major health insurance carriers lobbied hard for these changes. None of them succeeded—until last year.

LD 1333, enacted and signed into law in May of 2011 as Public Law 90, gave the insurance industry what it had long sought. The new law significantly alters the regulatory landscape, allowing insurance carriers more flexibility and imposing fewer requirements on their business practices.

Under the new law, all insurance policies in Maine are assessed a fee to fund a risk pool that subsidizes the most expensive patients. Carriers are allowed greater latitude in setting premiums and can lower premiums for younger customers while increasing them for older policy holders. The complex new law is 39 pages long and sets in motion many other policy changes desired by the insurance industry. Its provisions take effect gradually over the coming years.

It is sometimes said that the more technically complicated an issue, the more influence is held by lobbyists and special interests. Health insurance policy is among the most technically complicated issues addressed in Augusta. This debate saw lobbyists of all stripes wielding their influence on behalf of an assortment of clients.

And not all of that influence was in the form of rational debate and persuasion. During the years leading up to this vote (2001 to 2011), contributors in the health care and health insurance system

Health Insurance and Health Care in Maine

- Total Health Care Expenditures: \$11.2 billion
- Average Health Insurance Premium (employer-based, family policy): \$15,585
- Largest Insurance Carrier: Anthem/Wellpoint
- Uninsured Population: 125,600 (9.4%)
- Medicaid Enrollment: 287,500 (21.6%)
- Medicaid Spending (State Share): \$582 Million
- Medicare Spending: \$2.285 Billion

used \$1,110,750 in political contributions to ensure their access and influence in Augusta. As detailed in **FIGURE 3-2**, a large portion of those funds came from contributors with a strong financial interest in these issues. They brought their expertise to the table—and their checkbooks.

What's At Stake

Health care and health insurance involve some of the state's largest employers and most financially powerful companies. The stakes are huge for hospitals, physicians, health insurance carriers, and others involved in this sector of the economy.

The stakes are equally high for elected officials in Augusta, partly because this issue hits home for their constituents. Few other issues directly touch as many people in the state. Rising insurance premiums and the convoluted health insurance bureaucracy mean that health care reform

is a salient issue for voters in every election.

It's not surprising that the insurance and health care industries have retained the most prominent lobbyists in the state to vigorously represent them under the Capitol dome. Lobbyists for consumer groups also have a lot riding on the debate. Although less numerous, they are equally passionate and engaged.

This report looks at the campaign-related spending and fundraising by the major players over the ten years leading up to the enactment of these major reforms. The amount of money that the vested interests poured into the political system is huge—commensurate with the billions of dollars of health insurance money at stake.

Unfortunately, the campaign fundraising examined in this report raises a serious question whether legislators can evaluate complicated policy choices such as those

1 *Statehealthfacts.org and Sunshinereview.org.*

2 *Source: Bureau of Insurance consumer guide. <http://www.maine.gov/pfr/insurance/consumer/indhlth.htm>.*

in health care reform fairly and objectively, based on the best interests of the people of Maine, and without being influenced by considerations about who funds their political ambitions. It also raises questions about whether the insurance industry has too much sway over Maine elections.

Data Gathered For This Report

Although health care reform has implications for every person and business in Maine, this report focuses on campaign giving by entities with a specific financial stake in the policy decisions of the legislature. We focused on money given by contributors who have a direct connection to the health insurance industry or a health care provider.³

Specifically, we reviewed contributions from health insurance companies (known as “carriers”), insurance brokers, hospitals, physicians, nurses, and other health care providers. We also included associations, PACs, and employees of any of these entities. Our study analyzed contributions received by candidates, political party committees, and political action committees

³ We gathered our data from the contribution database maintained by the Commission on Governmental Ethics and Election Practices (Ethics Commission).

FIGURE 3-2
Health Insurance and Health Care Contributors
2001 to 2011 by Category



(except PACs that are focused exclusively on citizen initiatives or single issues not directly connected to health care, such as gaming).⁴ We did not include insurance carriers that do not specialize in health insurance. Nor did we include long term care interests since those services are generally not covered by health insurance.

⁴ To avoid double-counting, this study omitted contributions to any entity that was included as a contributor. For example, Friends of Maine Hospitals appears in the Ethics Commission's data as both a contributor and a recipient of contributions. The data analysis in this report includes contributions from Friends of Maine Hospitals, but we excluded contributions to Friends of Maine Hospitals even if those contributions came from an entity with a strong health care or health insurance connection.

Health care consumer advocacy groups also play a role in health care policy, but most are non-profits and are not permitted to make contributions to candidates or PACs. We did not discover any health care consumer group that made significant financial contributions in Maine campaigns.

Overview of Data

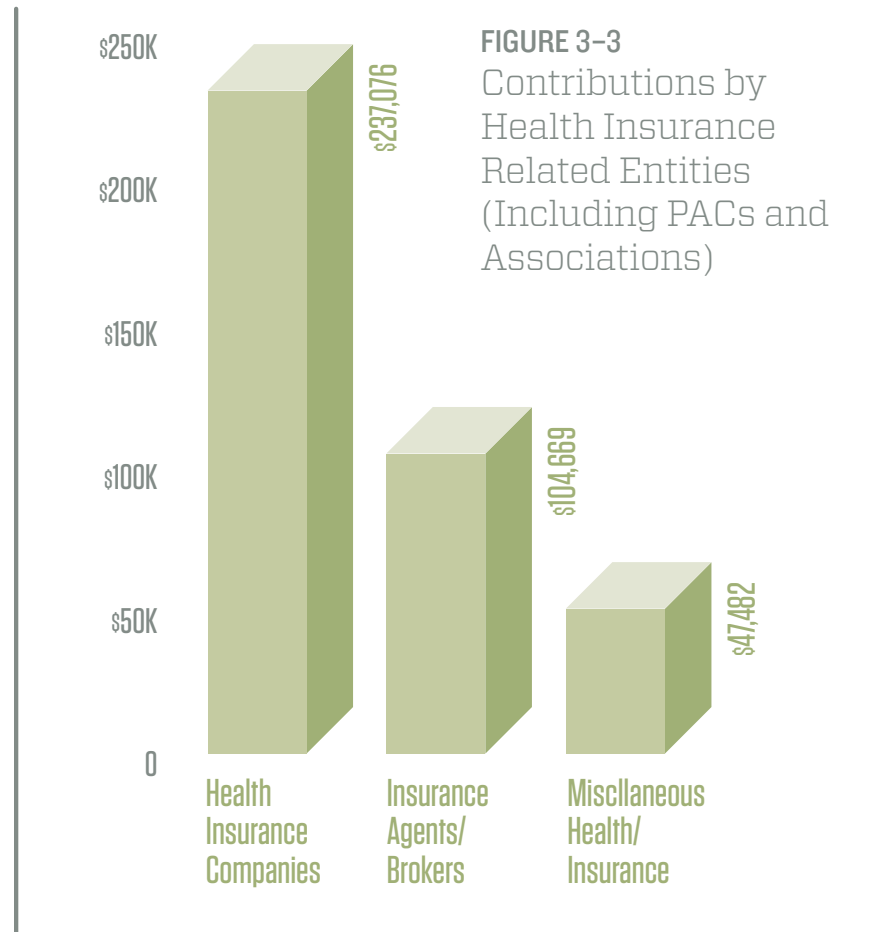
Between 2001 and 2011, contributors with a strong interest in health care or health insurance gave 3,124 contributions totaling \$1,110,750 to candidates, political party committees, and PACs in Maine. **FIGURE 3-2** shows how

the total divides out across eight separate interest areas included in the study.

Pharmaceutical interests gave a whopping \$590,870 during this period, but are not included in this study since they did not have a large financial stake in Maine's health care reform legislation. Similarly, assisted living and nursing facility interests gave \$155,560 but are also excluded since this policy debate did not directly affect those facilities.

Contributors with Close Ties to Health Care Gave Generously.

The industry with the most direct stake in reform legislation is health insurance. Maine's new law fundamentally shifts the approach to insurance regulation from one of legal constraints to one of market-driven competition. Removing these restrictions means that insurers are poised to increase sales to healthy customers, expanding their bottom line. They are also able to increase premiums and/or decrease sales to less healthy people, again contributing to their profitability. As agents or “producers” for the insurance carriers, insurance brokers are also intensely interested in how the insurance market works in Maine.



Health insurance-related contributors gave \$389,227 or 35% of all the money covered in this study. Of that amount, health insurance carriers gave \$237,076 (21% of the total), while contributors connected with health insurance brokerages contributed \$104,699 (9.4% of the total). The remainder consists of contributors with other miscellaneous health insurance connections.

No single company had more at stake in the health care reform debate than Anthem/Wellpoint, Maine's largest health insurer. Anthem has

long maintained a strong lobbying presence in Augusta, and the company has fortified its lobbying position by participating actively as a campaign contributor. Anthem⁵ gave \$154,656 over the course of this study – more than all other Maine health insurance carriers combined. (This does not include over \$62,000 that Anthem contributed to citizen initiative campaigns or other recipients not directly related to health care policy.)

⁵ In this report contributions from persons closely aligned with a company, such as its senior officers, may be aggregated with those of the company itself.

Contributions from the Health Care Provider Sector

The balance of the contributions reviewed in this study came from individual health care providers and hospitals. Doctors and nurses contributed \$311,319 (28% of the total), while hospitals contributed \$213,788 (19% of the total).⁶

Health care providers accounted for a larger share of the contributions studied than did insurance interests. But health care providers were not the driving force behind LD 1333. In fact, some hospitals actively opposed provisions that were eventually included in LD 1333, especially a rule change that allows insurance companies to financially pressure their policy holders to travel farther to receive care. While they certainly have an interest in legislation relating to health insurance, that interest is less acute than the interest of the insurance carriers themselves.

In contrast, the carriers' business model is directly determined by state insurance programs and requirements. To the extent that state legislation establishes the limits to insurance underwriting and sets forth premium standards,

⁶ These figures include contributions made by associations and political action committees.

it is more significant to carriers than to doctors and hospitals.

Who Received Insurance Money?

We also examined the list of recipients of health insurance-related contributions. These recipients include legislative candidates, PACs operated by legislative leaders of the political parties, state party committees, and gubernatorial candidates. There were 26 entities that received \$2,000 or more from such contributors. The top recipients are listed in FIGURE 3-5.

Partisan Breakdown of Health Insurance-related Contributions

Over the period 2001 to 2011 gifts from all contributors directly to political candidates and partisan PACs slightly favored the Republican Party, although candidates and PACs from both parties benefited substantially. Republican PACs received \$366,091 and Republican candidates received \$188,999. Democratic PACs received \$224,948 and Democratic candidates received \$223,693. At this very high level of review, it might appear that the contributions in this study did not provide substantially more direct ben-

FIGURE 3-4
Contributions by Maine's Major Health Insurance Carriers

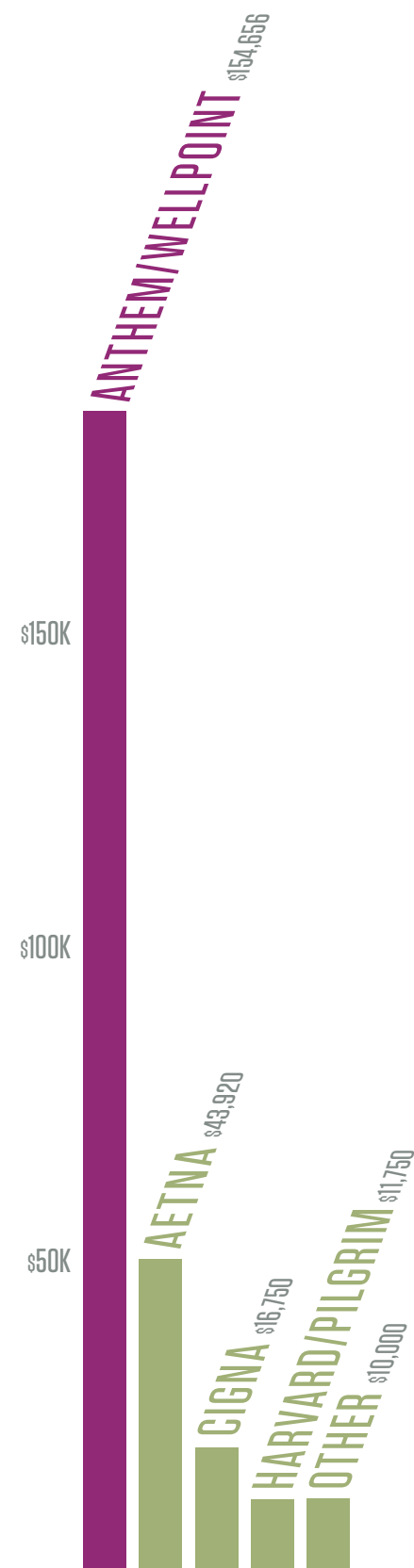
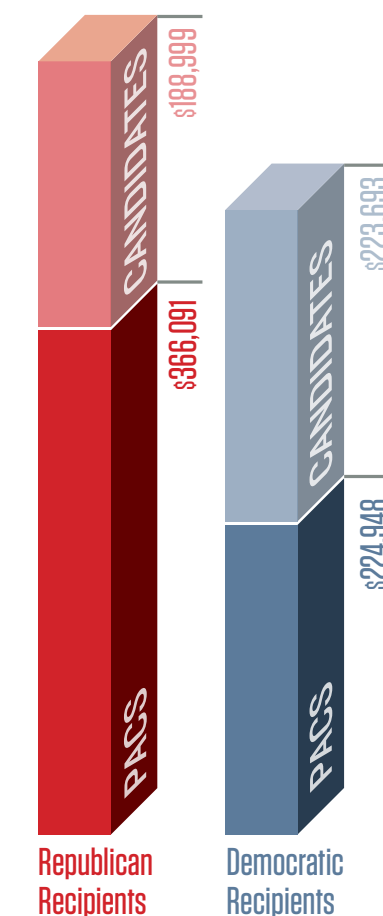


FIGURE 3-5
Top 26 recipients of health insurance-related contributions

RANK	RECIPIENT	AMOUNT
1	Maine Republican Party	\$72,136
2	House Republican Fund	\$31,070
3	Senate Democratic Campaign Committee	\$28,250
4	Maine Senate Republican Committee	\$25,200
5	House Democratic Campaign Committee	\$19,750
6	Maine Democratic State Committee	\$19,000
7	Majority 2004	\$18,250
8	Maine Senate Republican Majority	\$13,750
9	Leadership for Maine's Future	\$10,900
10	Committee for a Responsible Senate	\$8,250
11	Senate Republican Leadership for the 21st Century	\$7,750
12	Diamond PAC	\$6,750
13	Maine Unlimited	\$6,000
14	Business Minded Democrats	\$5,500
15	Baldacci, John E.	\$5,350
16	Responsible Action Yields Excellence for Maine	\$4,850
17	Clean House Political Action Committee	\$4,700
18	Sullivan, Nancy	\$3,475
19	Majority 101	\$3,100
20	Empowering Maine Leadership PAC	\$2,750
21	Mitchell Leadership Fund	\$2,350
22	LePage, Paul R.	\$2,300
23	Maine Senate PAC	\$2,250
24	Beardsley, William H.	\$2,250
25	High Hopes PAC	\$2,000
26	Cain for Maine	\$2,000

FIGURE 3-6
Partisan Breakdown of Health Insurance Related Contributions to PACs and Candidates



efit to one party than another over the ten year period.

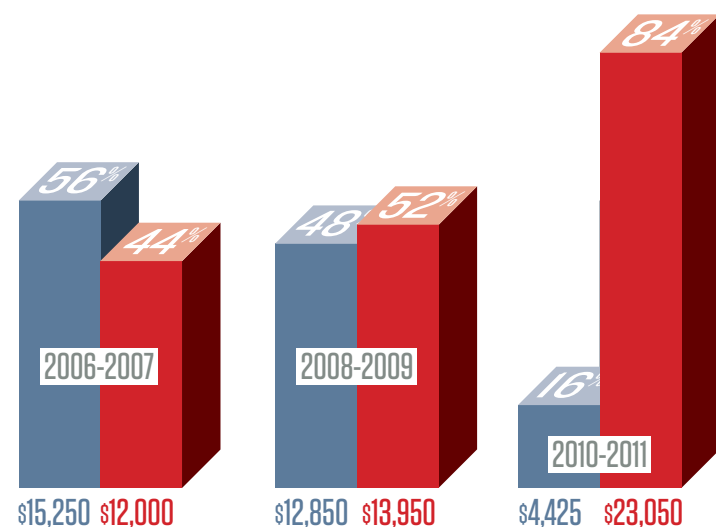
Focusing on Anthems' contributions from 2008 to 2011, however, reveals a decidedly partisan shift in the contribution pattern of Maine's largest health insurance carrier immediately before and after the 2010 election. In 2008-2009 Democratic candidates and PACs received 47.75% of Anthem's political contributions compared to 52.25% for Republicans. In the next biennium Democratic PACs and candidates received only

15.63%, while the Republican share grew to 84.38%.⁷

Anthem's shift toward Republicans was one of the most remarkable facts uncovered in the data. Just as the Republicans took control of the legislature and the Blaine House in 2010, one of the largest companies in Maine dramatically realigned its campaign giving to support that party, its PACs, and its candidates. That pattern continued after LD 1333 was signed into law following

⁷ Anthem's total contributions to candidates and partisan committees was approximately \$27,000 per biennium for these three cycles.

FIGURE 3-7
Anthem Contributions Shift to
Republicans in 2010 to 2011



nearly party line votes in both the House and Senate.

Was Anthem trying to use its financial clout to tilt the legislative makeup toward a political party that was friendlier to its legislative goals? Was Anthem rewarding legislators who took up its cause? Either way, the outcome was a major policy change that opponents claimed would benefit the industry at the expense of Maine policyholders.

Leading Lobbyists On Health Care Reform Are Also Major Contributors to Candidates and PACs

Reports filed with the Ethics Commission reveal that 72

individuals or firms were registered to lobby the legislature on LD 1333. This list includes both professional lobbyists and the companies or associations they represented.

Many of these entities enhanced their lobbying position through a long history of political contributions to legislators who hold the keys to achieving their policy goals, and to PACs that wield significant influence in Augusta. In the ten years from 2001 to 2011, entities registered to lobby on LD 1333 contributed \$936,328 to Maine candidates and PACs. These lobbyist-contributors included the National Association of Insurance and Financial Advisors (\$16,555), Maine Insurance Agents Association (\$36,825), America's Health Insurance

Plans (\$4,750), Maine Association of Health Plans (\$4,000), and the National Federation of Independent Businesses (\$11,100)⁸. These contributions helped to ensure that these commercial interests had access and leverage when this long legislative battle finally reached its peak in 2011.

⁸ Except for NFIB, these lobbyist-contributors are included in Chart 3-5 on page 9.

Conclusion

In 2011, legislators were once again deeply embroiled in the fight over Maine's health insurance system. In April 2011 the legislature's handling of LD 1333 erupted into controversy, with opponents claiming that a bill written by and for the insurance industry was "rammed through" without following normal procedures.

Regardless of the merit of those claims, this report makes clear that the legislative process surrounding LD 1333 was polluted by a large amount of special interest money given over many election cycles. In the period leading up to the passage of significant health insurance legislation the major players in the legislative battle contributed more than a million dollars in campaign contributions. Maine's dominant insurance company made a dramatic change in its political giving, favoring the party in power. The industry finally secured the policy it had long favored, and with each new step of the law's implementation, Maine will feel its effects.

We leave it to others to analyze whether or not Maine's comprehensive new health care law provides the promised benefits to the people and businesses of Maine or whether it causes the serious

problems predicted by opponents. The point of this report is to shine a light on one pool of special interest money and how it was deployed in Maine elections over a period of ten years. Did the large amount of campaign money from health care interests taint the legislative process? Did the solicitation and receipt of these contributions skew the priorities of legislative leaders? Were the campaign contributions made by Maine's largest insurer an investment in that company's bottom line?

We don't know for sure whether industry contributions unduly influenced the actions of any individual with responsibility for Maine policy. But it is not difficult to imagine that, in the complex area of health care policy, these contributors were given special access and consideration that they would not have received without their significant and dependable financial contributions.

Maine people have a strong interest in ensuring that the policy-making process in Augusta is a fair one that ultimately serves the public. With so much at stake for Maine people, Maine businesses, and the health care interests examined in this report, it is important that the money-in-politics story behind Maine's new health care law be told.

UPCOMING REPORTS

This is the third in a series of monthly reports on the role of money in Maine politics. Future reports will be released on the following topics:

Gubernatorial fundraising

Independent spending in recent Maine elections

And many more...

PREVIOUS REPORTS

REPORT #1

PACs Unlimited: How Legislator PACs Distort Maine Politics

REPORT #2

Profiles in Fundraising — The Leader Board: Maine's Top Legislative Fundraisers and How They Earned Their Spots



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