### Office of Consumer Information and Insurance Oversight

### State Planning and Establishment Grants for the
### Affordable Care Act's Exchanges

### Quarter 1 Project Report

**Date:** January 31, 2011

**State:** Oregon

**Project Title:** Oregon Health Insurance Exchange Planning Grant

**Project Quarter Reporting Period:** Quarter 1 (09/30/2010-12/31/2010)

<u>Grant Contact Information</u>
Primary Contact Name: Nora Leibowitz
Primary Contact Email Address: nora.leibowitz@state.or.us

<u>PROJECT SUMMARY</u>
In the first quarter of the grant period, Oregon conducted policy planning, hired staff and contracted with a consulting firm that will provide operational planning assistance starting in the second quarter.

In the fall, Oregon Health Authority (OHA) staff and legislative bill writers crafted a legislative concept that then became Senate Bill 99 for consideration by the Oregon Legislature in its 2011 session. As Oregon has a biennial legislature, 2011 is the state's first opportunity to pass exchange legislation since the passage of the Affordable Care Act. In December, the Oregon Health Policy Board submitted a report to the Oregon Legislature on Health Insurance Exchange development, in which it made recommendations regarding the Exchange authorizing legislation and identified issues requiring further operations and policy development. Also in December, the OHA issued a request for proposals for a contractor to perform exchange operational development work. The RFP review team met late in the month to make a selection. The contract will be signed and work will begin in early February. An operations analyst was hired using grant funds; Gregory joined the Exchange team in January. For more on staff, please see the Staffing Updates section of this report.

<u>CORE AREAS</u>
**Background Research**
In Project Quarter 1, Oregon analyzed estimates of the number of Medicaid enrolees and people in individual and small group markets that will go into the Exchange (including information on the number and types of Oregonians who will likely remain uninsured). In addition, we conducted high level estimates of the operational costs associated with administering an exchange and assessed the operational cost impacts of running an exchange under a "dual" market (in which individuals and small groups can purchase through the Exchange or in the

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outside market) and in a "sole" market (in which all individual and small group consumers get insurance through the Exchange). Details of these analyses are included in Appendix 1. The enrollment estimates Oregon used for its analysis were produced by Dr. Jonathan Gruber of the Massachusetts Institute of Technology.[1]

**Stakeholder Involvement**
**Internal Stakeholders.** In September 2010, the Exchange Steering Committee began meeting monthly to review progress, discuss next steps and provide support and guidance to the Exchange team. The Steering Committee members represent the various sectors of the Oregon Health Authority (including policy and planning, Medicaid and other publicly-sponsored health care programs,  eligibility and enrollment improvement, health care purchasing) Department of Human Services (information services, non-health care public programs) and Department of Business and Consumer Services (Insurance Division). Membership is provided in Appendix 2. For more information on these state agency partners, please see the Collaborations section of the report.

**Consumer and Technical Advisory.** In October 2010, OHA put out a request for applications for an Exchange Consumer Advisory Group (CAG). Applications were reviewed and members chosen in November, and in December the group held its first meeting. The CAG includes representatives of individual and small business insurance consumers, advocacy organizations, medical and social service providers working with low income, at-risk and minority populations. In addition, the Technical Advisory Group (TAG) established in the summer of 2010 to advise the Oregon Health Policy Board on policy operations issues continues under Oregon's planning grant. The TAG met most recently in January to provide input on the issue of whether all individual and small group consumers should go through the Exchange (a "sole" market) or whether the state should utilize a "dual" market. Both groups will continue to meet periodically throughout the grant period and are expected to continue in the implementation phase. Membership of these groups is provided in Appendix 2.

**Other Stakeholder Input.** In addition to working with the groups described above, the Exchange team met with numerous other stakeholders to discuss Exchange development. Groups with which the team met include business sector groups representing both small and larger businesses in Oregon, health care advocates, advocates for low income and minority populations, agents/brokers, and health insurance carriers located in the state.

In September 2010, the Oregon Health Authority and the Oregon Health Policy Board held six community meetings around the state (Corvallis, Baker City, Portland, Florence, Medford, and Bend). The meetings introduced the OHA and OHPB to the public, provided an update about the progress of health reform in Oregon, and solicited public input on key elements of the health insurance exchange. High level state staff and at least one board member participated in each meeting. Attendance at the meetings was strong; approximately 850 people participated in the six meetings. Participants were enthusiastic about the opportunity to engage in discussions about the development of the state's exchange. Further information on the community meetings and

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[1]Additional information on Dr. Gruber's work for Oregon can be found on the OHA web site at:
http://www.oregon.gov/OHA/OHPB/meetings/2010/100810-est-cov-exp-fed.pdf

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meeting-by-meeting summaries of the input are available at:
http://www.oregon.gov/OHA/public-input.shtml.

A web survey tool was also used during this period to collect stakeholder feedback, including but not limited to input on Oregon's Exchange development efforts. Respondents were asked to indicate preferences regarding the following:
- An Exchange that prioritizes choice or simplification;
- An Exchange-only market or a "dual" market;
- The appropriate role for an Exchange as a driver of health reform;
- The qualities that would contribute to satisfaction with the Exchange; and
- Any other comments related to the development of an Exchange in Oregon.

Most respondents preferred an Exchange that plays an active role in the market, though many people were not sure whether more choices or simple choices are better. Opinions were divided on the sole/dual market question, with a plurality of the responses favouring a dual market scenario. Additional information on and summary of results of this survey are available on the OHA web site: http://www.oregon.gov/OHA/docs/web-input-2010.pdf. The Exchange discussion begins on page 7.

**Program Integration**
Until the Exchange legislation passes during the 2011 session and the Exchange board is appointed and confirmed, the OHA is guiding the development and implementation of the Exchange. The OHA is responsible for the health of 850,000 enrolled in the Oregon Health Plan (Medicaid), public employees' health coverage (through the Public Employees' Benefits Board), teachers across the state (through the Oregon Educators Benefits Board) and other state-sponsored programs. As the Exchange team developed plans for the state's Exchange, they have worked closely with OHA staff involved in a variety of health care programs, including OHP, PEBB, OEBB, and the Office of Private Health Partnerships (OPHP) which administers the Oregon Medical Insurance Program (OMIP), the Family Health Insurance Assistance Program (FHIAP), and Healthy Kids Connect.[2] Exchange staff has spent considerable time with OPHP staff to understand the work OPHP does to administer OMIP, FHIAP and Healthy Kids Connect, discuss best practices, barriers and opportunities. Recognizing that many families will qualify for Healthy Kids coverage for their children and tax credits for adults in the family, staff have discussed ways to ensure coordination between coverage through the Exchange and existing programs such as FHIAP and Healthy KidsConnect. In addition, staff has had high level discussions regarding transition strategies for OMIP.

Exchange staff has regular meetings with the leadership of the Self-Sufficiency Modernization (SSM) project. SSM is an effort to streamline, speed and modernize eligibility and enrollment for Medicaid and self-sufficiency programs in the state.

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[2] The Oregon Medical Insurance Pool (OMIP) is the state's high risk pool. The Family Health Insurance Assistance Program (FHIAP) is a premium assistance program for low income working Oregonians. Healthy Kids Connect provides health insurance coverage to Oregon's children without regard to income. Premiums under Healthy KidsConnect are subsidized for families with income up to 300% of the federal poverty level. Above 300%, families may purchase Healthy KidsConnect coverage on a guaranteed issue basis but are not eligible for premium subsidies.

Although the SSM project existed prior to the passage of the ACA, the "SSM vision" for the eligibility process for Medicaid/CHIP, Supplemental Nutrition Assistance Program and other self-sufficiency programs is very similar to the "eligibility vision" of the ACA for both Medicaid and the Exchange: a vision of applications submitted online; an automated system searching databases for information critical to the eligibility decision; and an automated 'rules engine' making eligibility determinations in real time. Both project teams agree that the Exchange IT solution must be compatible with and coordinate with the SSM planning and implementation. In February, the SSM team is asking vendors of automated eligibility systems to explain precisely how the vendors' products will fit in with the requirements of the Exchange. The work of the SSM project, as laid out in its advanced planning documents, formed much of the basis for Oregon's IT innovator grant application.

Both OPHP and SSM staff participate in the Exchange Steering Committee. More specific work will be done in this area as the consultants contracted in grant quarter 1 perform a more detailed needs and resources assessment during grant quarter 2.

**Resources & Capabilities**
The State's contract with Wakely Consulting Group for Exchange operational planning work includes resources and needs assessments deliverables. In addition, the contract includes as a deliverable an assessment of information technology needs that will support the IT solution implementation work expected to begin in February 2011 (supported by an OCIIO Exchange IT innovator grant). The proposed final contract, which is currently under review by the Oregon Department of Justice, includes the following deliverables:
- A detailed assessment of the resources and capabilities that exist in Oregon and that can be used for the development of the Exchange, to include infrastructure resource analysis and readiness assessment.
- A detailed needs and gaps assessment that will identify areas in which Oregon must develop or purchase resources or capabilities in order to establish the Exchange, including recommendations on what resources or capabilities should be purchased or expanded internally and how these efforts should be undertaken.
- An assessment of the Exchange's technical infrastructure needs and a plan to address the needs (through the utilization of existing resources, building new capacity or outsourcing to meet resource needs) in order to administer the Exchange functions.

The contract with Wakely Consulting Group, which will be finalized in early February, is provided as Appendix 3.

First quarter activities included identification of Exchange executive team staffing needs. In addition, Oregon identified the functional areas that the Exchange will need to provide, both in terms of "internal" functions required to make the Exchange run and "external" functions such as consumer assistance, eligibility and enrollment functions, and others. The work done in grant quarter 1 primarily focused on identifying the core functions and preliminarily assessing what functions should definitely be done "in house" and what could more easily be contracted out. Discussions also focused on the relationships with existing programs (Medicaid, FHIAP and

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Healthy KidsConnect) for eligibility, enrollment, customer assistance and in other areas.

**Governance**
As described in the Policy Board's report to the Legislature (Appendix 1) and laid out in Oregon
Senate Bill 99, Oregon intends to establish its Exchange as a public corporation (a government
entity that is not a state agency or division of another agency).[3] This public corporation will be
governed by a nine member board. Six members will be Governor-appointed and Senate-
confirmed. The other three members will serve on the Exchange Board due to their respective
positions as the Director of the Oregon Health Authority, Director of the Department of
Consumer and Business Services and the Oregon Health Policy Board chair or designee.

Members of the Exchange Governing Board will be chosen for their experience and knowledge
in individual insurance purchasing, business, finance, consumer retailing, health benefits
administration, individual and small group health insurance, and other areas to be identified.
The governing Board will ensure the Exchange is well-governed, sustainable and responsive to
individual and group consumers, payers, the state and other stakeholders, and will:
- Oversee the implementation, administration and sustainability of Oregon's Health Insurance
  Exchange.
- Be broadly representative and include as members individuals chosen for their professional
  and community leadership and experience.
- Establish consumer advisory Boards to advise the Exchange Board.
- Provide guidance and direction to the Exchange executive leadership team as it implements
  and administers the Exchange based on Board leadership, the organization's mission and the
  requirements of federal law.

The Exchange will be more than a marketplace for insurance. It will be a mission-driven public
corporation that coordinates purchasing strategies for all Oregonians, starting with the individual
and small group markets. The Exchange will be accountable to the public interest but not
beholden to state budget cycles. Legislation can ensure accountability of the Exchange through
the establishment of a governing Board, strong public participation, annual reporting, and the use
of consumer advisory groups and surveys. No matter what model is chosen for the Exchange, the
entity must be given authority and flexibility under statute to do its work.

The Exchange's authorizing legislation will ensure the accountability of the Exchange through
the inclusion of provisions for:
- Advisory groups (individual consumers, small employers and health plans participating
  in the Exchange) and consultation with providers and other relevant state advisory
  groups;
- Annual reporting to the Governor and Legislature;
- Surveys and focus groups of consumers, navigators, agents and others;
- Open public meetings of the board;
- Publicly available information on the Exchange administrative costs;

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[3] There is no specific public corporation statute in Oregon. An exchange can be built with specific roles, authority
and responsibilities in state statute. The State Attorney General's office has been consulted in the development of
the statutory language for the Exchange as a public corporation.

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- Exchange employees subject to ORS 243 Public Employee Rights and Benefits; and
- Requirement and authority to collaborate with OHA, DCBS, Employment Department and Revenue Department, for the efficient operation of programs.

**Finance**

In the first quarter of the grant period, Oregon conducted high level estimates of operating costs for the exchange in 2013-1016. This analysis utilized the enrollment estimates in the microsimulation modeling Dr. Jonathan Gruber did for Oregon in 2010. Dr. Gruber's model does not identify where small group purchasers will buy insurance, only the number of employees that will gain coverage post-reform. To estimate Exchange participation by small group employees, Oregon used the number of employers anticipated to get the largest tax credit for insurance purchase in 2014. The number of employees working for "micro" employers was used as a proxy for the number of employees in the state that will use the Exchange. Estimates of operating costs were broken into variable and fixed costs, with estimates based on the expected number of participating individual and small business consumers.[4]

To further develop the anticipated operational costs for the Exchange, as well as the likely implementation costs, in grant quarter 1 Oregon developed a RFP that included as a deliverable a financial model that includes projected Exchange revenues and expenses, funding required to sustain the Exchange from 2015 on, and detailed estimates of the resources required for the first five years of operation. In addition, the contractor will provide an analysis of potential funding sources (and recommendations for a source) and the impacts on insurance carriers and others. A contract with Wakely Consulting Group to conduct this work will be signed in early February. More information on this work will be provided in the grant quarter 2 report.

**Technical Infrastructure**

As described in the Program Integration section, the work Oregon has undertaken to develop a system solution for the Exchange has been greatly influenced by the state's Self-Sufficiency Modernization (SSM) effort. The application Oregon submitted for an innovator IT grant is based on the idea that the Exchange will purchase an off the shelf solution that the state can modify to our specific needs, allowing the state to assess eligibility for financial assistance and conduct enrollment for Medicaid and commercial consumers.

Oregon's vision for the exchange is an integrated, web-accessible portal for Medicaid and commercial coverage. Toward that end, Exchange staff has been and continues to work with the SSM team to determine technical work flow needs, coordinate contracting requirements and develop technical specifications that will allow the two projects to utilize the same technical solution (or at least to seamlessly link the solutions so that from the client's perspective there is no disjuncture). The state is beginning to develop standards that ensure program interoperability, an activity that will be accelerated under the IT innovator grant. Even if Oregon is not a recipient of the innovator grant, the State will continue to move ahead on its system solution development in conjunction with the SSM project team and with the support of the Office of Information

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[4] For more information on the analysis described, please see:
http://www.oregon.gov/OHA/OHPB/meetings/2010/101116-exchange.pdf for the dual market analysis and
http://www.oregon.gov/OHA/OHPB/meetings/2010/101214-hiex-sm.pdf for the sole market analysis.

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Services executive team.

## Business Operations

In its recommendations to the Legislature, the Oregon Health Policy Board wanted to ensure that any legislation included the required elements of an Exchange, providing authority to the new organization to conduct needed operations, establishing governance, functions and requirements consistent with the ACA, and assuring that the new organization will be built in such a way to ensure transparency and accountability to the public, legislature and Exchange consumers.

The Exchange staff provided information and analysis to the Health Policy Board on these issues. The Policy Board submitted recommendations regarding the Health Insurance Exchange to the legislature in December. This report is provided as Appendix 1.

The RFP that Oregon put out in grant quarter 1 included as a deliverable a business plan that addresses the Exchange's operational needs in the following areas: customer service; government relations; communication; marketing/information/outreach; publication; contracting; appeals; policy; data; financial management including auditing, budget and general financial management; information technology; staffing (executive, managerial and operational); human resource management; internal management and organizational structure; legal; accounting; research and analysis; procurement; facilities; and other operational planning needs not addressed in other areas of the contract. A contract with Wakely Consulting Group to conduct this work will be signed in early February. The business operations plan is due in May, 2011. More information on this work will be provided in the grant quarters 2 and 3 reports.

## Regulatory or Policy Actions

In addition to the Oregon Health Policy Board's recommendations on the Exchange authorizing legislation, Exchange staff provided input to the development of Senate Bill 99, the exchange authorizing legislation developed in grant quarter 1.[5] Due to the timing of the Policy Board's work and the deadlines for bill drafting by Legislative Council, the full set of Policy Board recommendations were not included in the first version of SB 99. Appendix 4 provides the proposed amended bill and a memo to legislative council identifying where changes are recommended.

What remains the same in the two versions of the legislation is: the Exchange is established as a public corporation that runs both an individual and SHOP exchange, serves the whole state but does not cross state boundaries. The Exchange is governed by a 9 member board, with 6 members appointed by the Governor and confirmed by the Senate, and 3 ex officio members serving due to their positions as the Oregon Health Authority Director, Department of Consumer and Business Services Director, and the chair or designee of the Oregon Health Policy Board. The legislation includes the following proposed accountability measures:

The Policy Board believes that the authorizing legislation should lay out Exchange functions, requirements and authorities, but should not include detailed implementation and operational requirements. This will allow the Exchange governing board and leadership team to develop

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[5] Senate Bill 99 as introduced is available on the Oregon Legislature's website at:
http://www.leg.state.or.us/11reg/measpdf/sb0001.dir/sb0099.intro.pdf

requirements in areas such as plan participation specifications or Exchange build/buy decisions. This also ensures that if the Exchange develops along one path and then determines through experience that a different course of action is required, changes can be made without returning to the Legislature for amending legislation, speeding up the organization's ability to change and ensuring that the organization is sufficiently protected from administrative changes or other political shifts.

## BARRIERS, LESSONS LEARNED, RECOMMENDATIONS TO THE PROGRAM

### Importance of Education and Marketing

The development of Oregon's Exchange is a complicated, multi-faceted project. Development work has included a high degree of stakeholder education (including with state staff, interested industry and consumer advocates and the public at large). Exchange staff is aware that confusion about the goals, functions and benefits of an exchange are likely to continue as implementation moves forward, and recognize the need for consumer and stakeholder education and involvement. To ensure that this occurs, implementation planning will include the development of marketing and consumer education expertise. Hiring or contracting with skilled communications and marketing personnel will be required to successfully engage consumers, develop marketing and education materials, and ensure that consumer needs are met and expectations exceeded.

### Medicaid Eligibility Verification

In working with state agency partners to develop work flows and assess changes that will be needed in Medicaid or elsewhere to ensure the seamlessness of the Exchange and Medicaid processing, we have identified possible barriers to the complete integration of Medicaid with the Exchange and the ability of our system to make Medicaid eligibility determinations as swiftly as the ACA anticipates. The ACA provides that:

- An individual applying to the Exchange will also be screened for Medicaid/CHIP eligibility.
- There will a 'single streamlined form' to apply for the Exchange, CHIP, and Medicaid, that may be filed online, in person, by mail, on phone, and with either the Exchange or Medicaid/CHIP offices.
- Applicants may, without filing any form, request a determination of eligibility based on authorizing disclosure of third-party data.
- States shall, to the extent practicable, determine eligibility for health programs on the basis of data obtained through electronic interfaces and data matching.

**Barriers to Streamlined Eligibility Determination.** We have identified the following as potentially impacting Oregon and other states' ability to achieve the vision of the ACA, especially for Medicaid:

**Limits of Electronic Databases.** The ACA reiterates that eligibility for Medicaid – as opposed to eligibility for subsidies under the Exchange – is based on a person's income at the time of application. Electronic interfaces and data matching can give fairly up-to-date income information for people whose entire income consists of unemployment benefits, child support from an ex-spouse living in the state, or SSI benefits. If the person is employed, and the

employer happens to use the service known as The Work Number, a data match with The Work Number could also verify income.

However, if part of the applicant's income is from child support from an ex-spouse in another state, required information is not currently available through an electronic data match. Establishing an interstate database for such forms of income could solve this problem. In addition, it also may not be possible to verify Medicaid eligibility through data matches if an applicant receives income from an employer that does not use The Work Number.

CMS may authorize States to search information from Employment databases or tax records, and then electronically ask applicants: "this is what our records tell us your income is, is this about right?"[6] This will be helpful, but as it appears that applicants will have the right to say "no, my income has dropped recently" the State would not be able to rely entirely on data matches.

**A Possible Work-Around.** One way of enrolling a large number of 'new eligibles' in Medicaid immediately in 2014 would be to allow States to automatically enroll in Medicaid anyone in the State's SNAP program whose income (as recorded in the SNAP program) is below 138% of FPL. If allowed, that could be done through database matching. However, as SNAP does not use MAGI as the measure of income and does not use tax filing groups as household groups, it is not clear at this point if that would be permissible.


## TECHNICAL ASSISTANCE

At this time, Oregon does not have any outstanding technical assistance needs. However, we await further guidance and clarification on numerous key issues, including but not limited to benefit requirements and standards for certification of qualification health plans.

The OHA has contracted with Wakely Consulting Group for exchange operational planning support. Among other things, the contract provides for (1) an assessment of resources and capabilities that exist in Oregon and that can be used for the development of the exchange, (2) development of a financial model to project revenues and operating expenses for the exchange, and (3) identification of the technical infrastructure needs and development of a plan to address those needs. Oregon has worked some with the Wakely principals and believes them to be a strong resource for the state, as well as for other states and the federal government.


## DRAFT EXCHANGE BUDGET

As part of its background research, Oregon conducted high level operational budgeting. The budgeting work was developed using forecasts provided by Dr. Jonathan Gruber. It used the Massachusetts Connector as a point of departure, as the scope was similar. The work examined operating expenses under both the sole market and dual market scenarios. The figures in the table below are based on that analysis.

Oregon focused on the operational costs for two reasons:

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[6] We understand this may be allowed even though Employment information tends to be a few months old and tax records may be even older.

- The legislation to be considered in the 2011 Legislature was likely to include an assessment on health plans. In order to determine the likely size of an assessment, we needed to develop a baseline overall cost to administer the Exchange. We anticipate some interest by legislators and stakeholders regarding the size of an assessment, and wanted to be prepared to address any questions and concerns that arise.
- A number of key policy decisions need to be made before an accurate implementation budget could be developed. Some of these issues (Exchange organizational structure and governance, for example) will be settled by the passage of the state's authorizing legislation, while others will be determined based on the operational planning underway during Oregon's planning grant year. Rather than developed the overall budget in grant quarter 1, Oregon focused on the likely operational costs of its Exchange and the costs to design and implement the IT portion of the work. This second area of focus is key to the timely development of this central piece of the Exchange, so developing this budget early was deemed valuable.

As the focus of the operational costs was on the out years, estimates are not currently available for development costs in FFY 2011 and 2012.  In the second grant quarter, we will be building a detailed budget that includes development costs for the full development, implementation and operations period through 2014.  This information will be updated in the next quarterly report and further refined as more information becomes available and as final policy decisions are made.

**Operational Costs**

| Estimated Exchange Operational Cost: Sole Market and Dual Market Scenario | | | | |
|---|---|---|---|---|
| (Dollars in Millions) | Sole Market | | Dual Market | |
| Function | FFY 2013 | FFY 2014 | FFY 2013 | FFY 2014 |
| Salaries and Benefits | $9.5 | $13 | $6.3 | $6.6 |
| Marketing & Advertising | 6.8 | 8.3 | 4.5 | 4.2 |
| Customer Services[a] | 27.8 | 27.4 | 18.5 | 13.9 |
| IT & Communications | 3.3 | 4.3 | 2.2 | 2.2 |
| Professional & Consulting Svc | 5.1 | 6.3 | 3.4 | 3.2 |
| Other | 3.5 | 4.7 | 2.3 | 2.4 |
| Totals[b] | $56 | $64 | $37.2 | $32.5 |
| a. Includes individual and small group eligibility processing, enrollment, premium billing, appeals, and customer service. | | | | |
| b. The figures in this table are estimates. They will be adjusted in future reports | | | | |

Oregon has also developed a detailed project budget for the IT solution portion of its Exchange work. Recognizing that cost allocation is required for the development and operations portions this and other Exchange work, the State has proposed to cost allocate by identifying development activities and program functions that benefit Medicaid and/or commercial Exchange enrollees. For those that benefit only one portion of the population, development activities will be billed to the appropriate grant. For instance, development of Exchange's SHOP specific functions such consolidated billing for an employer group would not be relevant to Medicaid. Where both the commercial and Medicaid populations benefit from the development of particular functions or structures, both associated funding sources will be billed based on the following:

- Medicaid: current enrollment in managed care or primary care case management (as of November 2010, 545,000 Oregonians were enrolled). This does not include individuals exempt from managed care using the fee-for-service program, as these are the individuals unlikely to use the Exchange once it is operational.

- Commercial enrollment: estimated total enrollment for individual and group enrollees is 574,000, based on the following:
  - Individual enrollment of 360,000 is based on Dr. Gruber's microsimulation analysis.[7] The total anticipated individual enrollment in the Exchange is based on 2019, when the program is fully implemented and ACA-related changes have gone into effect.
  - 214,000 enrollees entering the Exchange as part of employee groups. This is based on Dr. Gruber's analysis as a starting point with additional estimates and analysis used to reach the total. Dr. Gruber's work does not estimate where groups will get their coverage, only the change in group coverage due to the implementation of various ACA-mandated changes. The Institute for Health Policy Solutions conducted additional analyses for Oregon to estimate the number of group enrollees that could be expected from groups of various sizes. Using the same methodology employed with the State's Healthy Kids program, Oregon anticipates reaching 95% of potential enrollees. The data used to estimate the total is provided below:

### Workers and Lives in Firms with 1-99 Employees (lives in thousands)

| Employer Size, from 2009 Published MEPS Data | Workers | Total Lives, Low Estimate | Total Lives, High Estimate |
|---|---|---|---|
| <50 Market, Currently Enrolled (CE) | 169[8] | 253 | 296 |
| <50 Market, Declined | 33 | 50 | 58 |
| <50 Market, No ER plan | 193 | 289 | 337 |
| 50-99 Market, Currently Enrolled | 75 | 113 | 131 |
| 50-99 Market, Declined | 16 | 23 | 27 |
| 50-99 Market, No ER plan | 12 | 18 | 21 |

### Firms Eligible for Small Employer Tax Credit (lives in thousands)

| Estimates from Special MEPS Tabulations (Currently Offering Employers) | Workers | Total Estimated Lives |
|---|---|---|
| Eligible for Substantial Small Employer Tax Credit | 45 | 79 |
| Eligible for Less-Than-Substantial Small Employer Tax Credit | 41 | 72 |

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[7] Additional information on Dr. Gruber's work for Oregon is available on the OHA website: http://www.oregon.gov/OHA/OHPB/meetings/2010/100810-est-cov-exp-fed.pdf
[8] Numbers represent thousands of workers and estimated covered lives.

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### Estimated Potential SHOP Enrollment (lives in thousands)

| | | Workers | Estimated Covered lives | |
|---|---|---|---|---|
| | | | Low | High |
| % participating | SHOP Exchange Enrollment, <50 Employee Groups | 114 | 171 | 199 |
| | SHOP Exchange 50-99 | 15 | 23 | 27 |
| 100% | of CE Eligible for Substantial Small Employer Tax Credit | 45 | 68 | 79 |
| 50% | of CE Eligible for Less-Than-Substantial Sm. Employer Tax Credit | 21 | 31 | 36 |
| 15% | of Remaining <50 Market (currently offering) | 12 | 19 | 22 |
| 20% | of Current Decliners in <50 Market | 7 | 10 | 12 |
| 15% | of Current No-ER-plan in <50 Market | 29 | 43 | 51 |
| 15% | of 50-99 <Market | 11 | 17 | 20 |
| 15% | of Current Decliners in 50-99 Market | 2 | 3 | 4 |
| 15% | of Current No-ER-plan in 50-99 Market | 2 | 3 | 3 |

## WORK PLAN

In the development of its multi-year Exchange work plan, Oregon used *Health Benefit Exchanges: An Implementation Timeline for State Policy Makers* produced by Patrick Holland and Jon Kingsdale for State Coverage Initiatives as a starting place, building state-specific changes into the State work plan. The full work plan is attached as Appendix 5, an excel spreadsheet with details covering the Exchange project from planning through implementation and operations (2010-2014). The Oregon work plan continues to be revised and expanded as the Exchange team engages in planning and implementation activities. Updated versions will be provided to OCIIO at least quarterly. Oregon's work plan does not organize Oregon's efforts by the "core areas" described in the Planning Grant application materials. Therefore, the following narrative is provided in order to address the specific requirements of the Planning Grant quarterly report to identify and discuss milestones within each core area.

### Background Research
### Objective 1: Determine resource needs and funding in order to conduct operational planning for the Exchange

- **Milestone:** Estimate Exchange Enrollment
- **Timing:** 8/1/10-12/14/10
- **Description:** Prior to the grant period, Dr. Jonathan Gruber was hired to estimate Oregon's exchange enrollment using a microsimulation model. This work is described elsewhere in the report. This work provided an estimate of individual enrollment in the Exchange and was used as a basis to determine employer enrollment. This work was undertaken during the fall by the Institute For Health Policy Solutions and Oregon staff. Estimates used to determine the latter enrollment are provided in this report.

- **Milestone:** Analysis of Sole/Dual Market Decision
- **Timing:** 10/1/10-12/14/10
- **Description:** Contractor analyzed impact of Exchange operating in sole and dual market scenarios on enrollment and operating costs. Convened expert panel to identify the impacts of both and the most effective ways for the Exchange to control costs. The Oregon Health

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Policy Board discussed implications of both scenarios, declining to make a recommendation. Legislation assumes dual market and staff are prepared to address further questions by legislators or others seeking to re-open this discussion.

## Stakeholder Involvement
**Objective 1: Ensure the Oregon's Exchange is attractive to and works for Individual and Business Consumers**

- **Milestone:** Establish and Utilize Consumer Advisory Work Group

- **Timing:**
    - Group announced, applications solicited October 2010
    - Members chosen November 2010
    - First meeting held December 2010
    - Subsequent meetings held January 2010 (1/7 and 1/21)
    - Additional meetings planned for February, June, August 2011

- **Description:** The Consumer Advisory Group was established to solicit input and feedback from individual and small business insurance consumers, as well as those who work with them (advocacy organizations, medical and social service providers working with low income, at-risk and minority populations, insurance agents). The group does not have decision-making authority but provides input into the process. Oregon has a history of extensive stakeholder work, and the Exchange process is following that pattern.

    The first meeting of the group provided a chance for staff to give the background on Oregon's exchange development to date and to identify some of the key areas in which consumer feedback will be especially important. Group members were encouraged to identify additional areas for input and have been enthusiastic about providing input on the issues raised by staff. In January the group had a lively discussion about the potential benefits of implementing the Exchange in either a dual or sole market, including which course would offer the best opportunity to rein in costs and ensure quality for consumers. The second meeting focused on the legislation and potential amendments that could be offered to it. As the legislative session moves forward, the group will meet again to discuss progress in this and other areas of Exchange development.

**Objective 2: Design, build and implement Oregon's Exchange with the input and support of key state agencies and divisions.**

- **Milestone:** Establish Exchange Planning Grant Steering Committee

- **Timing:**
    - Established September 2010
    - Meets the fourth Monday of each month through planning grant period
    - Will transition to implementation steering group in October 2011

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- **Description:** As described elsewhere in the report, the Exchange Steering Committee meets monthly to review progress, discuss next steps and provide support and guidance to the Exchange team. The Steering Committee members represent the various sectors of the Oregon Health Authority (including policy and planning, Medicaid and other publicly-sponsored health care programs, eligibility and enrollment improvement, health care purchasing), Department of Human Services (information services, non-health care public programs), and Department of Business and Consumer Services (Insurance Division). The membership is included in Appendix 2.

## Program Integration

**Objective 1: Ensure consumers in existing State-supported or administered programs are smoothly transitioned to or coordinated with the Exchange.**

- **Milestone:** Include OPHP staff in planning activities

- **Timing:**
  - OPHP staff loaned to Exchange project team October 2010
  - OPHP leadership participates in steering committee September 2010 - on

- **Description:** Engaging OPHP staff on the Exchange team, complimented by OPHP leadership on the steering committee, has provided the Exchange team easy access to the activities and functions involved in the day-to-day operations of the programs OPHP administers. This provides insights into the skill sets, challenges and best practices that may be required for the Exchange as it builds and operates similar functions and activities.

**Objective 2: Coordinate planning with the OHA Medicaid eligibility and enrollment transformation initiative, including an analysis of eligibility and enrollment barriers**

- **Milestone:** Have Medicaid Transformation Initiative manager coordinate formal comments to federal partners on Exchange planning needs, draft regulations, etc wherever Medicaid eligibility and enrollment are (or should be) considered.

- **Timing:**
  - Work with Exchange team, Division of Medical Assistance and Division of Children, Adults and Families to coordinate comments to federal partners on development of regulations related to ACA, September 2010 – July 2013
  - Exchange team working meetings, twice monthly, ongoing starting December 2010

- **Description:** By including the Medicaid Transformation Initiative manager on the Exchange team and including him on the steering committee, the Exchange team gets the benefit of Mr. Novick's eye for cross-over issues, including but not limited to those affecting the operation of eligibility and enrollment, two of the Exchange's core functions. In addition to participating in the twice monthly work team meetings, Mr. Novick engages in regular policy and operations planning discussions with the Exchange team.

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## Resources and Capabilities

### Objective 1: Identify "external" and "internal" functions of exchange and state needs in order to implement Exchange

- **Milestone:**  Assessment of state capacity, resources, gaps, requirements

- **Timing:**
    - Contract signed by February 2011
    - Work commences February 2011
    - Draft deliverables due March – June 2011
    - Final deliverables due April – July 2011

- **Description:** Contracted consultant to conduct operations planning that includes the assessment of current state capacity and resources, gaps and requirements for implementing and operating the Exchange.

- **Status:** Contract under routine review by Department of Justice, expected to be signed in early February, 2011.

- **Milestone:** Determine staffing, functions that will be moved to Exchange from state agencies

- **Timing:**
    - Contractor's assessment of current capacity will be used to determine gaps April - July 2011
    - Exchange staff will lay out existing resources that could transfer to Exchange, lay out plans for services currently provided by state agencies to be done by Exchange using agreement with state agencies.

- **Description:** Some state staff currently working on Exchange development may move into Exchange once it becomes a free-standing organization. In addition, Medicaid functions (eligibility and enrollment) currently done by DHS Division of Children Adults and Families on behalf of the OHA Division of Medical Assistance Programs may move to the Exchange. Planning for the transfer of functions will be needed in order to establish inter-agency agreements, MOUs, etc.

## Governance

### Objective 1: Determine structure and oversight of Exchange

- **Milestone:** Implement Exchange as public corporation

- **Timing:**
    - Policy Board analysis August – December 2010
    - Policy Board recommendations December 2010

      o  Legislative concept developed November 2010
      o  SB 99 introduced December 2010
      o  Exchange legislation passes and is signed into law May 2011

- **Description:** The Oregon Health Policy Board recommended the Exchange be built as a public corporation. This language was included in the Exchange authorizing legislation (SB 99).

- **Milestone:** Establish Exchange governance structure

- **Timing:**
  - Policy Board analysis August December 2010
  - Policy Board recommendations December 2010
  - Legislative concept developed November 2010
  - SB 99 introduced December 2010
  - Legislation amended to include accountability measures identified by Policy Board February 2011
  - Exchange legislation passes and is signed into law May 2011

- **Description:** The Oregon Health Policy Board recommended the Exchange be overseen and run by a 9 member board that includes 3 voting ex officio members and six members appointed by the Governor and confirmed by the Senate. Ex officio members will be the Department of Consumer and Business Services Director, Oregon Health Authority Director and chair or designee of the Oregon Health Policy Board. No more than two of the six appointed members may have financial affiliation with health care or health insurance industries. Board structure was included in SB 99 language. Additional accountability measures (including conflict of interest provision described above) will be introduced as amendments to the legislation.

## Finance

**Objective 1: Determine revenues and operating expenses for the Exchange**

- **Milestone:** Development of financial model to project revenues and operating expenses for the Exchange

- **Timing:**
  - State put out RFP that included financial modelling deliverables November 2010
  - Contract with Wakely consulting February 2011
  - Preliminary modelling and analysis March 2011
  - Any additional modeling required, draft analysis May 2011
  - Final model and analysis June 2011
  - Exchange board accepts or alters projections September 2011

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- **Description:** Contract deliverable is a financial model that projects the Exchange's revenues and expenses over five years. The model will include an analysis and recommendations regarding funding needed to make the Exchange self-sustaining by January 2015.

## Objective 2: Determine source of ongoing funding for Exchange

- **Milestone:** Analysis of potential funding sources and recommendations for a funding source that will allow the Exchange to be self-sufficient by January 1, 2015.

- **Timing:**
    o State put out RFP that included financial modelling deliverables November 2010
    o Contract with Wakely consulting February 2011
    o Draft analysis April 2011
    o Final analysis July 2011
    o Exchange board begins to implement recommendations September 2011

- **Description:** Contract deliverable is a written analysis of potential funding sources, a recommended funding source and an assessment of the impact on health insurance carriers and any other affected parties.

## Technical Infrastructure

## Objective 1: Develop and implement Exchange IT solution

- **Milestone:** Apply for and receive Exchange IT innovator grant funding

- **Timing:**
    o Exchange IT application team established November 2010
    o Application team sets up work plan and begins application process November – December 2010
    o Application reviewed, completed and submitted December 2010
    o Team meets by conference call with federal review staff January 2011
    o Team responds to federal questions in writing February 2011
    o Federal grant awards announced February 2011
    o State begins RFP process for Exchange IT solution February 2011

- **Description:** Oregon's application for an IT innovator grant is based in the work of the state's self-sufficiency modernization effort, which is discussed elsewhere in the report. Using SSM as a springboard and utilizing the state's expedited procurement procedures, Oregon will be able to have contracts in place with vendors within 90 days from grant award.

## Objective 2: Ensure Exchange IT development and implementation is coordinated with other relevant state IT projects and goals

- **Milestone:** Utilize Exchange/SSM IT liaison to coordinate between Exchange IT and self-sufficiency modernization efforts

- **Timing:**
  - o Hire Exchange/SSM IT liaison to ensure coordination of projects March 2011
  - o IT Liaison establishes protocols and connections across IT project teams to ensure coordination and information sharing

- **Description:** Oregon's planning grant includes funding for this position. As the state is very committed to the improvement of Medicaid eligibility and enrollment processes, this person will ensure that the goals of the modernization project are aligned with Exchange goals and that the IT development tasks are conducted in a way that does not compromise Exchange requirements but that allows seamless interface and coordination with the modernization effort.

## Business Operations

**Objective 1: Develop business operations plan, including determination of Exchange functions and requirements for conducting required activities.**

- **Milestone:** Detailed business plan for internal and external exchange functions, including staffing and other resource needs and plan for building.

- **Timing:**
  - o State put out RFP that included business plan deliverables November 2010
  - o Contract with Wakely consulting February 2011
  - o Draft analysis May 2011
  - o Final analysis June 2011
  - o Exchange board accepts business plan September 2011

- **Description:** Contract deliverable includes business plan (including customer service, government relations, communications, marketing, outreach, publications, contracting, appeals, policy, data, financial management, information technology, staffing, human resource management, internal management and organizational structure, legal). Once the Exchange board is in place, it will agree to implement the plan

**Objective 2: Implement business plan**

- **Milestone:** Utilize business plan developed by contractors to implement Exchange as an organization.

- **Timing:**
  - o Exchange board begins implementing business plan September 2011
  - o Board identifies staff and contractors to conduct implementation October 2011

- **Description:** Exchange business plan will be acted on once the Board is established.

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**Regulatory or Policy Actions**

**Objective 1: Ensure Exchange has required statutory and regulatory responsibilities and authority to conduct federally-required functions and activities**

- **Milestone:** Pass Exchange authorizing legislation

- **Timing:**
    - Exchange team provided input for development of Exchange legislative concept October 2010
    - Legislative concept developed November 2010
    - Senate Bill 99 produced for discussion in 2011 legislative session
    - SB 99 passes out of committees May 2011
    - SB 99 is approved by Oregon House and Senate May 2011
    - SB 99 signed by Governor and goes into effect May 2011

- **Description:** As described elsewhere in the report, SB 99 is the Exchange authorizing vehicle. Broad support for an Exchange has been shown in both houses of the Oregon legislature and from both parties.

**Objective 2: Ensure any relevant statutory or regulatory changes not included in the Exchange authorizing legislation are enacted**

- **Milestone:** Research whether any additional requirements need to be included in state statute or regulation prior to 2014.

- **Timing:** Research compete June 2011

- **Description:** Staff is researching the provisions of the Affordable Care Act to ensure that no additional legislative or regulatory changes are needed in order to assure successful Exchange implementation. If any are found, staff will work with relevant agency and legislative partners to ensure passage of legislation and implementation of regulation as required.

**COLLABORATIONS/PARTNERSHIPS**

As described in Appendix 2, the Exchange Steering Committee provides leadership and oversight from across the Oregon Health Authority and provides a link to the state Insurance Division. The state agency and OHA divisional partners are described further below:

**Partner: Department of Consumer and Business Services, Insurance Division**

**Organizational Type of Partner:** State agency that regulates individual and small group health insurance carriers.

**Role of Partner in Establishing Insurance Exchange:** Leadership participates on the Steering Committee, leadership and staff collaborate on design and planning with Exchange team, staff provides data and analysis as needed.

**Accomplishments of Partnership:** The Insurance Division's Annual Report "Health Insurance in Oregon" has provided baseline data for Exchange development work. The 2011 report is available at: http://www.cbs.state.or.us/external/ins/health_report/health-report_intro.html.

## Partner: Department of Human Services Division of Children, Adults and Families

**Organizational Type of Partner:** Administers self-sufficiency programs for state, currently contracts with OHA/DMAP to conduct eligibility and enrollment for Medicaid through its field office staff.

**Role of Partner in Establishing Insurance Exchange:** Leadership participates on the Steering Committee, staff collaborates to coordinate Self-Sufficiency Modernization (SSM) and Exchange IT development and implementation.

**Accomplishments of Partnership:** Collaboration on the coordination of resources, staff and goals for the SSM and Exchange IT projects

## Partner: Department of Human Services Office of Information Services (OIS)

**Organizational Type of Partner:** Administers and supports OHA and DHS information technology, including technical staffing of Self-Sufficiency Modernization effort.

**Role of Partner in Establishing Insurance Exchange:** Leadership participates on Steering Committee, planning implementation of IT development under innovator grant.

**Accomplishments of Partnership:** OIS Leadership is very committed to this project and understands its high priority to the OHA and Governor's office. Leadership and assigned task were instrumental in the state's application for IT innovator grant funding (including establishing a work team and Exchange IT steering committee, developing and implementing a project plan, and working with Exchange staff to ensure all elements of the application were completed in a timely manner).

## Partner: Oregon Health Authority Division of Medical Assistance Programs

**Organizational Type of Partner:** Single state Medicaid agency, administers Oregon Health Plan, the state Medicaid program

**Role of Partner in Establishing Insurance Exchange:** Leadership participates on Steering Committee

**Accomplishments of Partnership:** Ensures Medicaid is aware of and agrees to planning and implementation decisions, including but not limited to aligning Self-Sufficiency Modernization project with Exchange IT work in order to ensure seamless access to medical insurance for all Oregonians.

## Partner: Oregon Health Authority Office of Private Health Partnerships

**Organizational Type of Partner:** Administers several state health care programs: the state high risk pool (Oregon Medical Insurance Pool) and federal high risk pool (Federal Medical Insurance Pool); the Family Health Insurance Assistance Program; and the Healthy KidsConnect program.

**Role of Partner in Establishing Insurance Exchange:** Loaned OPHP staff person is active participant on Exchange team, leadership participates on Steering Committee, staff provides information on experience running programs with qualities similar to that of the Exchange.

**Accomplishments of Partnership:** Loaned staff is engaged in building implementation work plan.

## Partner: OHA Office for Oregon Health Policy and Research

**Organizational Type of Partner:** Conducts policy analysis and research on Medicaid, health care reform and related areas. Provides analytic support for policy development and legislative analysis on an as-needed basis.

**Role of Partner in Establishing Insurance Exchange:** Leadership participate in Steering Committee

**Accomplishments of Partnership:** In the first grant quarter, Exchange leadership worked out of OHPR and engaged staff in the development of work plans and analysis in support of the Exchange policy planning conducted for the Oregon Health Policy Board. Staff is well versed in the Exchange work, engaged in the development of ACA-mandated and state-initiated health reform activities, and are aware of the cross-cutting implications of the Exchange work.

## Partner: OHA Office of Healthy Kids

**Organizational Type of Partner:** Administers the Healthy Kids program, including Healthy KidsConnect, which offers all Oregon children coverage through commercial carriers.

**Role of Partner in Establishing Insurance Exchange:** Leadership participates on Steering Committee and regularly partners to work through operational and policy planning issues.

**Accomplishments of Partnership:** Leadership worked through areas of overlap with Exchange and have started to develop plans for "split families" in which children are eligible for Healthy Kids (using CHIP funds) and parents will be eligible for tax credits. Providing counsel on the program's lessons learned and best practices in communications, consumer education, enrollment, use of application assistors, etc.


## PERSONNEL CHANGES/UPDATES

Hired during a recruiting process that occurred during the first grant quarter, in January Gregory Jolivette joined the Exchange team as an Operations Analyst. He is new to Oregon state service, having joined the state from California where he worked for the Legislative Fiscal Office as a senior analyst. He joins the team with extensive fiscal analysis experience as well as knowledge of the Affordable Care Act and its Exchange provisions. Mr. Jolivette's resume is attached as Appendix 6.

Nasreen Khan has joined the Exchange team, providing project management support to the project. As the Project Portfolio Manager for Health Reform Implementation, Ms. Khan is tracking multiple concurrent projects relevant to the implementation of Oregon's Exchange. She has extensive experience with programs and divisions across the agency, as well as strong project management skills. Appendix 7 (Ms. Khan's resume) provides additional information about Ms. Khan's knowledge and experience.

Rocky King, who continues as a member of the Exchange team, moved from the Department of Business of Consumer Services to the Oregon Health Authority. He replaced the retiring Barney Speight and currently serves as Interim Director of Healthcare Purchasing. In this position, Mr. King works with the Medicaid and CHIP programs, Public Employees Benefit Board, Oregon Educators Benefit Board, Oregon Medical Insurance Pool, Family Health Insurance Assistance Program, and Oregon Prescription Drug Program. Mr. King was previously Senior Policy Advisor for Health Reform, Director's Office, Department of Consumer and Business Services and administrator to the Senior Health Insurance Benefit Assistance program and spent several years as the administrator of the Oregon Medical Insurance Pool (the state's high-risk pool) and the Family Health Insurance Assistance Program (the state's premium assistance program). In addition to his other duties, Mr. King is a key part of the Exchange team. His role with respect to the Exchange has not changed; Mr. King's in-depth knowledge of program operations and expertise in risk adjustment will be used to guide staff and consultant work in those areas.

Nora Leibowitz, who continues as the project director for Oregon's planning grant, became the Development Director of the Oregon Health Insurance Exchange in October. In this role Ms. Leibowitz continues to manage the activities under the Exchange grant and lead the state's Exchange planning and development activities. Under Ms. Leibowitz, the Exchange team was organizationally moved into the OHA Director's Office to allow multiple divisions of the OHA to participate in the work on equal footing and to signal the OHA Director's commitment to this project.