

# **Oregon Health Insurance Exchange Corporation**

## **Business Plan**

*February 2012*



**Oregon Health Insurance Exchange Corporation**  
3414 Cherry Ave. N.E., Suite 190  
Salem, OR 97303  
[www.ohix.org](http://www.ohix.org)

# Table of Contents

<b>Executive Summary .....</b>	<b>3</b>
<i>What is the Exchange? .....</i>	<i>3</i>
<i>Financial Viability and Sustainability .....</i>	<i>4</i>
<b>Overview of the Oregon Health Insurance Exchange.....</b>	<b>5</b>
<i>Value of the Exchange .....</i>	<i>5</i>
<i>Road to Oregon's Exchange .....</i>	<i>6</i>
<i>Timeline of Exchange Activities.....</i>	<i>8</i>
<b>What is the Exchange? .....</b>	<b>9</b>
<i>For Individuals .....</i>	<i>9</i>
<i>For Small Employers .....</i>	<i>12</i>
<i>Links to Better Health .....</i>	<i>14</i>
<i>Exchange Plan Requirements and Grading .....</i>	<i>14</i>
<b>Customer Service and Outreach .....</b>	<b>16</b>
<i>Customer Service .....</i>	<i>16</i>
<i>Communications and Outreach Plan .....</i>	<i>17</i>
<b>Information Technology Infrastructure.....</b>	<b>18</b>
<b>Enrollment and Financial Projections.....</b>	<b>20</b>
<i>Enrollment Projections .....</i>	<i>20</i>
<i>Financial Projections .....</i>	<i>21</i>
<b>Appendix.....</b>	<b>24</b>
<i>Uncertainties and Risks – Frequently Asked Questions .....</i>	<i>24</i>
<i>Market-wide Selection Issues.....</i>	<i>25</i>
<i>Board of Directors .....</i>	<i>27</i>
<i>Individual and Small Employer Consumer Advisory Committee .....</i>	<i>27</i>
<i>Legislative Oversight and Advisory Committee.....</i>	<i>27</i>
<i>Exchange Enrollment Projections .....</i>	<i>28</i>
<i>Exchange Financial Projections .....</i>	<i>32</i>
<i>Enrollment and Financial Assumptions .....</i>	<i>34</i>
<i>High-Level Operational Timeline .....</i>	<i>36</i>

## Executive Summary

The Oregon Health Insurance Exchange is a central marketplace where consumers and small employers can shop for health insurance plans and access federal tax credits to help them pay for coverage. The Oregon Legislature created a public corporation to operate the Exchange in the public interest for the benefit of the people and businesses that obtain health insurance coverage for themselves, their families, and their employees through the Exchange.

The Exchange will provide Oregonians with:

- A central place to shop for insurance plans
- Trusted information and assistance
- Focus on cost and value
- Seamless eligibility and enrollment process
- Help paying for health coverage
- Innovative plan options and simplified plan administration for small employers
- Community-based assistance
- More accessible health coverage

*Our Mission: Improving the health of all Oregonians by providing health coverage options, increasing access to information, and fostering quality and value in the health care system.*

There is no state funding for the Exchange. Start-up funding comes from federal grants, and Senate Bill 99 creates an administrative fee to cover costs once the Exchange is operational. Enrollment and financial projections developed by national and state experts show the Exchange generating sufficient revenue from the administrative fee to cover its costs as well as to build an ample reserve.

Senate Bill 99 requires the corporation to submit a board-approved formal business plan to the Oregon Legislature in February 2012. This business plan is intended to answer four key questions: What is the Exchange? What is the value for Oregonians? How much will it cost? Will it be sustainable?

### ***What is the Exchange?***

Through the Exchange website, Oregonians will be able to easily compare plans, find out if they are eligible for tax credits and other financial assistance, and enroll for health coverage. They also will be able to shop and enroll by calling a toll-free number and working with community-based navigators and insurance agents.

The Exchange will serve two major customer groups: individuals and small employers.

- **Individuals** who do not have access to affordable coverage at work will be able to use the Exchange to make “apples-to-apples” comparisons of health insurance plans and costs. The plans offered through the Exchange will meet specific requirements and will be graded in areas such as quality, care coordination, and network adequacy. Through one seamless application process, individuals will be able to enroll in commercial insurance plans or programs such as the Oregon Health Plan. They also will be able to find out whether they are eligible for tax credits to help them pay for coverage.

- **Small employers** with 50 or fewer employers can use the Exchange to provide expanded choices of health plans to their employees. Under a defined contribution model, employers could contribute a set amount to premiums and allow their employees the choice of all plans offered on the Exchange. The Exchange also will provide employers with administrative efficiencies by coordinating premium payments.

### ***Financial Viability and Sustainability***

As stated above, the Exchange Corporation worked with national and state experts to develop enrollment and financial projections. Those projections show the Exchange becoming financially self-sustaining, including having a sufficient reserve, by 2015.

The Exchange is funded entirely by federal grants through 2014. To pay for operations beyond 2014, Senate Bill 99 establishes an administrative fee, charged to insurance companies, which is a percentage of premiums for lives enrolled in the Exchange. The maximum fee allowed is based on total enrollment in the Exchange. Since the Exchange will begin with zero enrollees, the initial fee will be at the maximum amount but the fee will decrease as enrollment grows. Any fees collected over what is needed to operate the Exchange will be put into a reserve or returned to insurance companies.

It is difficult to project how many Oregonians will enroll in the Exchange. The corporation's enrollment projections are based on national economic models developed and adjusted to reflect Oregon's insurance market and the impact of federal health reforms taking effect in 2014. Key points:

- *There is no state funding for the Exchange.*
- *Federal grants finance the start-up stage.*
- *An administrative fee will provide sufficient revenue for operations and a reserve starting in 2015.*

- Three enrollment projections were developed: low, moderate, and high.
- The corporation used the moderate enrollment projection to develop the financial projections for 2014 through 2015.
- The moderate enrollment estimate projects 281,790 enrollees at the end of 2015.
- Using the moderate enrollment projection, the corporation calculated, for illustrative purposes, an administrative fee that would be below the maximum amounts established in statute at 2.5 percent in 2014 and 2.7 percent in 2015.
- The corporation conducted a preliminary break-even analysis, to determine the minimum number of enrollees necessary to cover the costs of operating the Exchange. This analysis showed that between 100,000 and 120,000 enrollees would be required for the Exchange to be self-sustaining using the maximum administrative fee allowed in statute.

## Overview of the Oregon Health Insurance Exchange

Access to quality, affordable health insurance coverage is increasingly challenging for many Oregonians and businesses. An estimated 636,000 Oregonians are uninsured, and, for those who have insurance, premium costs are rising.

The Oregon Health Insurance Exchange will help improve access to coverage by providing a central marketplace where individuals and small employers can shop for health coverage options and may receive help paying for coverage. Oregonians will be able to easily compare plans, find out if they are eligible for tax credits and other financial assistance, and enroll for health coverage through the Exchange website. They also will be able to shop and enroll by calling a toll-free number and working with community-based navigators and insurance agents.

*Our Mission:  
Improving the health  
of all Oregonians by  
providing health  
coverage options,  
increasing access to  
information, and  
fostering quality and  
value in the health  
care system.*

Oregon created a public corporation to operate the exchange in the public interest for the benefit of the people and businesses that obtain health insurance coverage for themselves, their families, and their employees through the Exchange. The Exchange Board of Directors consists of private citizens, with the exception of two state officials.

The Exchange is a key part of Oregon's current health reform efforts aimed at improving health, increasing the quality and availability of medical care, and controlling costs.

Senate Bill 99, which created the Exchange, requires the corporation to submit a board-approved formal business plan to the Oregon Legislature in February 2012. This business plan is intended to answer four key questions: What is the Exchange? What is the value for Oregonians? How much will it cost? Will it be sustainable?

### ***Value of the Exchange***

The mission of the Oregon Health Insurance Exchange Corporation is improving the health of all Oregonians by providing health coverage options, increasing access to information, and fostering quality and value in the health care system. The corporation's goal is to create an Exchange that attracts all Oregonians in the individual and small group markets as well as the uninsured by providing the following services:

- **Central place to shop for insurance plans.** The Exchange will provide easy-to-compare information on health plan quality and price.
- **Trusted information and assistance.** The Exchange will provide information on how to best use health benefits to improve health as well as referrals to other resources if appropriate.

- **Focus on cost and value.** The Exchange can help control the underlying cost drivers in health care through the standards it sets for plans sold in the Exchange. This work will be done in concert with Oregon's other efforts to improve health care and reduce costs.
- **Seamless eligibility and enrollment process.** With a single application, Oregonians can find and enroll in the health plan that best meets their needs.
- **Help paying for health coverage.** Federal tax credits and other assistance available through the Exchange will make health care coverage more affordable.
- **Innovative plan options and simplified plan administration for small employers.** Small employers can allow their employees to choose an insurance company and plan through a defined contribution model.
- **Community-based assistance.** The Exchange will include a network of specially trained customer service staff, navigators, insurance agents, and other community-based organizations that will help guide Oregonians in all parts of the state through applying to the Exchange and enrolling in coverage.
- **More accessible health coverage.** Through its easy-to-use website, community outreach, and financial assistance, the Exchange will make health coverage accessible to more Oregonians.

The Oregon Health Insurance Exchange will go live with these core services and start open enrollment Oct. 1, 2013, for coverage effective on Jan. 1, 2014. After a successful initial launch, the corporation will begin Phase 2, in which it will build additional capacity to better serve individuals and small employers.

## ***Road to Oregon's Exchange***

Oregon has been exploring the concept of a health insurance exchange for the past decade. A series of legislative acts, starting in 2007, culminated in the passage of Senate Bill 99, signed into law on June 22, 2011.

The Patient Protection and Affordable Care Act, signed into law in March 2010, requires all states to operate a health insurance exchange by January 1, 2014. States developing exchanges must receive readiness certification from the federal government in January 2013.

If states do not operate their own exchanges, the federal government will implement an exchange for them. By developing its own exchange, Oregon can ensure it meets the unique needs of the state's individuals, employers, and health insurance market. It also gives Oregon the ability to be innovative in the design of plans offered through the Exchange, so it can better contribute to broader state health reforms under way.

*By developing its own exchange, Oregon can ensure it meets the unique needs of the state's individuals, employers, and health insurance market.*



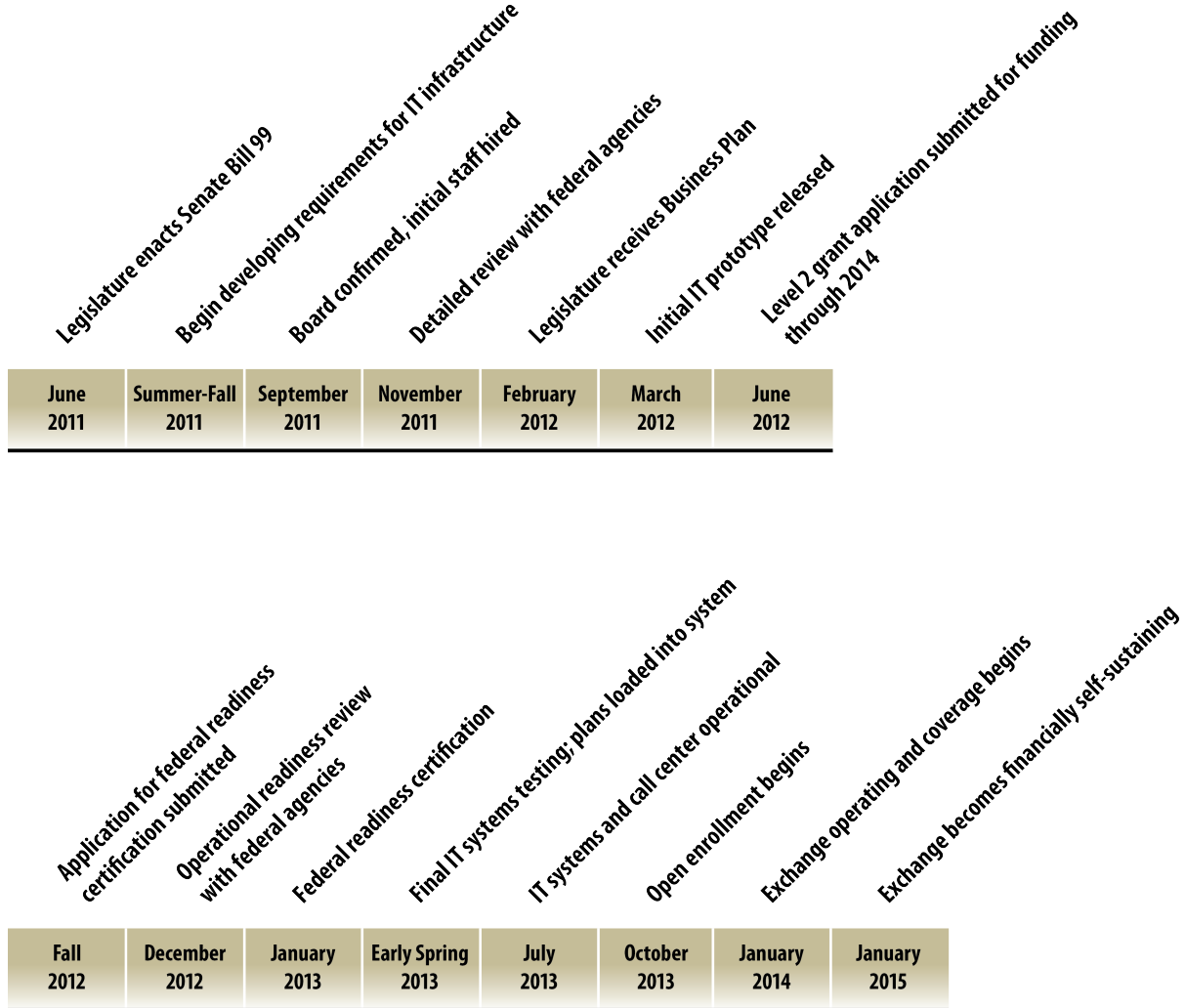
Senate Bill 99 established the Oregon Health Insurance Exchange as a public corporation, governed by a nine-member board of directors appointed by the Governor and confirmed by the Senate. The bill also created a bipartisan Legislative Oversight and Advisory Committee, composed of two representatives and two senators, to advise the corporation on matters concerning the implementation of the Health Insurance Exchange.

Exchange board meetings are open to the public and allow for public participation through a public comment period. The public also can participate by submitting comments through the Exchange website, at <http://www.ohix.org> or by e-mailing [public.comments@ohix.org](mailto:public.comments@ohix.org). The legislation established an Individual and Small Employer Consumer Advisory Committee to provide additional perspectives and input to the board.

The Exchange is funded by federal grants through 2014. To pay for operations beyond 2014, Senate Bill 99 establishes an administrative fee, which is a percentage of premiums for lives enrolled in the Exchange, charged to insurance companies. There is no state funding for start-up or ongoing operations of the Exchange.

Given the various federal and state reforms under way, Oregon's insurance market will be significantly different when the Exchange launches in 2014. This requires the corporation to be innovative and nimble as it develops the Exchange website and programs.

## Timeline of Exchange Activities\*



*\*Please see Appendix for more detailed operations timeline.*



## What is the Exchange?

The Oregon Health Insurance Exchange is a central marketplace where individuals and small employers can shop for health coverage options and may receive help paying for coverage. Oregonians will be able to easily compare plans, find out if they are eligible for tax credits and other financial assistance, and enroll for health coverage through the Exchange's website. They also will be able to shop and enroll by calling a toll-free number and working with community-based navigators and insurance agents.

The Exchange will serve two major customer groups: individuals and small employers. While there will be similarities between the individual and small employer products and services available in the Exchange, each portion of the Exchange will have unique characteristics and functions.

### ***For Individuals***

#### **Plan comparison and selection**

The Exchange's interactive website will allow individuals to make "apples-to-apples" comparisons of health insurance plans and costs. For example, a person could search for plans that include their doctor or hospital system, plans that have wellness programs or chronic disease management programs, plans that score highest on quality measures, or plans with the lowest costs.

Plans offered through the Exchange offer two distinct advantages to individuals. One, each plan will meet specific requirements set by the Exchange. The Exchange will use the federal minimum standard requirements as a baseline, potentially adding other requirements that ensure quality health plans are available across the state and that the types of plans available support other health system reforms in Oregon.

Second, the Exchange will grade each plan in areas like quality, care coordination, and network adequacy. Individuals will know that plans in the Exchange have been independently and objectively judged based on quality and value.

Health plans on the Exchange will be categorized into the following levels of coverage. The levels are based on how much of total benefit costs the plans pay.

- *Bronze plan* – represents minimum creditable coverage. Bronze plans will pay, on average, 60 percent of an individual's health care expenses. Enrollees would then pay 40 percent through cost sharing.
- *Silver plan* – covers an average of 70 percent of health care expenses.
- *Gold plan* – covers an average of 80 percent of health care expenses.
- *Platinum plan* – covers an average of 90 percent of health care expenses.

Individuals under the age of 30 also can buy a "catastrophic" plan through the Exchange. These plans offer a minimum level of coverage and some preventive care.

## Seamless enrollment

Individuals who do not have access to affordable coverage through an employer can come to the Exchange to shop for and enroll in health coverage. Oregon's seamless, integrated systems will mean individuals can fill out one application to apply for and enroll in any type of health coverage offered through the Exchange.

Accessing the Exchange online, by phone, and in-person, Oregonians will be able to easily compare and enroll in commercial plans. They also will be able to find out if they are eligible for federal tax credits to help pay premiums or if they are eligible for the Oregon Health Plan (Medicaid) or Healthy Kids (CHIP) program. The Exchange website will be able to pull from other state and federal data sources, cutting down the amount of paperwork that has to be sent in and processed.

Individuals eligible for commercial plans on the Exchange can choose a plan and enroll using the Exchange website. Behind the scenes, the Exchange will forward information and the first month's premium payment securely to the insurance company. At that point, the insurance company will issue insurance cards and begin billing the customer directly and coverage will begin. For individuals eligible for the Oregon Health Plan or the Healthy Kids program, the Exchange will transfer the enrollment information to the Oregon Health Authority, who will complete the enrollment process. This process will be seamless to the customer.

*Oregon's seamless, integrated systems will mean individuals can fill out one application to apply for and enroll in any type of health coverage offered through the Exchange.*

The Exchange will seamlessly determine eligibility for tax credits and state programs such as Healthy Kids and the Oregon Health Plan. Eligibility requirements are below:

- *Individual commercial plans* – Children and adults who do not have access to affordable coverage through an employer
- *Federal tax credits* – Children and adults up to 400 percent of federal poverty level (\$89,000 for a family of four in 2011)
- *Oregon Health Plan or Healthy Kids* – Children up to 300 percent of federal poverty level
- *Oregon Health Plan* – Adults up to 138 percent of federal poverty level

## Tax credits

Starting in 2014, many Oregonians will receive assistance paying their monthly premium using a federal tax credit for health plans offered through the Exchange. Based on income, some will also get additional help with cost-sharing expenses, such as co-pays and deductibles. To be eligible for the tax credits, Oregonians must be U.S. citizens or legal immigrants and must not have affordable coverage available through their employer. The federal government will determine the definition of “affordable coverage.”

The tax credit is determined during the application process and is on a sliding scale based on income and the insurance plan chosen. Once a person is determined eligible for the tax credit, they can choose to have it as an advance payment or receive the credit when they file their taxes. The advance payment lowers the premium a person pays each month and is paid by the federal Department of the Treasury directly to the insurance company.

The Exchange will have a simple-to-use premium calculator to help Oregonians estimate their monthly premium bill.

### **Individual tax credit scenarios:**

#### **EXAMPLE #1: Family of four with income of \$50,000**

*Income as a percentage of federal poverty level: 224 percent*

*Premium for plan: \$750 per month*

*Premium tax credit: \$452.50 per month*

*Actual family contribution: \$297.50 per month*

#### **EXAMPLE #2: 40-year-old individual with income of \$30,000**

*Income as a percentage of federal poverty level: 261 percent*

*Premium for plan: \$375 per month*

*Premium tax credit: \$166 per month*

*Actual contribution: \$209 per month*

*Sources: U.S. Treasury, Kaiser Family Foundation*

*Note: The premiums for plans in the examples are hypothetical; premiums have not yet been set for Exchange plans.*

## ***For Small Employers***

Offering health insurance to their employees is becoming increasingly challenging for Oregon's small employers, which account for more than 50 percent of the private sector jobs in the state, according to the Small Business Administration (SBA). Only about 34 percent of private-sector firms with fewer than 10 employees offer health insurance to workers, according to the Medical Expenditure Panel Survey (MEPS). The Oregon Health Insurance Exchange Corporation is exploring a defined contribution model, which will make it easier for employers to offer insurance to their employees. The model will provide expanded choices for employees and administrative efficiencies for employers.

### **More options for employers and employees: defined contribution model**

The federal government is developing requirements for the Small Business Health Options Program, known as SHOP, which will serve employers with 50 or fewer employees in 2014 and, beginning in 2016, up to 100 employees. In Oregon, the Exchange Corporation has explored offering four major plan options for small employers, including:

1. *Traditional.* The employer chooses one insurance company and plan that their employees must enroll in.
2. *Plan bundling.* The employer chooses one insurance company, but lets their employees select from all plans offered by that company.
3. *Multiple companies/one plan.* The employer selects a benefit plan level – such as bronze, silver, gold, and platinum, explained on page 9 – and the employees can select a plan from all companies.
4. *Full choice.* Employees can select from all companies and all plans.

*The Oregon Health Insurance Exchange is exploring a defined contribution model, which will make it easier for employers to offer insurance to their employees. The model will provide expanded choices for employees and administrative efficiencies for employers.*

The fourth option, full choice, has resonated with the small business community and meets the Exchange's goal of providing innovative health insurance options to Oregonians. Known as a defined contribution model, option No. 4 would allow employers to pay a certain percentage of premiums or a set dollar amount and give their employees as much choice as they want. The Exchange Corporation will continue to work with the insurance community and small employers on designing the defined contribution model.

## Administrative efficiencies for employers

Instead of having to research multiple insurance companies, small employers will be able to visit the Exchange website to offer insurance choices to their employees. After employers decide how much they will contribute to premiums, their employees will go to the Exchange to enroll. If employers choose to give their employees the ability to select from a range of carriers, the employers will only have to pay one bill to the Exchange, and the Exchange will remit the premiums to the participating insurance companies.

In Phase 2, the Exchange plans to expand its services to employers, including administering health savings accounts, or HSAs, which allow employees in high-deductible plans to use pre-tax dollars to pay for medical expenses.

## Tax credits

The Exchange also will provide information to help small employers determine whether they are eligible for a federal tax credit to help cover the cost of coverage. The credit is designed to encourage small employers to offer health insurance coverage for the first time or maintain coverage they already have. While the Exchange will perform a preliminary calculation to determine whether employers may be eligible for the tax credit, the credit will be administered by the IRS. The Exchange will encourage employers to contact their tax adviser to take advantage of the credit.

To qualify for the tax credit, small employers must:

- Provide health insurance to employees and cover at least 50 percent of the cost of coverage.
- Employ up to the equivalent of 25 full-time workers (for example, an employer with fewer than 50 half-time workers may be eligible.).
- Pay average annual wages below \$50,000.

Employers can be for-profit or tax-exempt. In 2014, the tax credit is worth up to 50 percent of a small employer's premium costs (35 percent for tax-exempt employers). The tax credit phases out gradually for firms with average wages between \$25,000 and \$50,000 and for firms with the equivalent of between 10 and 25 full-time workers.

### Small employer tax credit scenarios:

#### **EXAMPLE #1: Auto repair shop with 10 full-time employees**

*Wages: \$250,000 total, or \$25,000 per worker*

*Employee health care costs: \$70,000*

*2014 tax credit: \$35,000 (50 percent credit)*

#### **EXAMPLE #2: Restaurant with 40 part-time employees**

*Wages: \$500,000 total, or \$25,000 per full-time equivalent worker*

*Employee health care costs: \$240,000*

*2014 tax credit: \$40,000 (50 percent credit with phase-out)*

#### **EXAMPLE #3: Foster care nonprofit with 9 full-time employees**

*Wages: \$198,000, or \$22,000 per worker*

*Employee health care costs: \$72,000*

*2014 tax credit: \$25,200 (35 percent credit)*

*Source: IRS*

## ***Links to Better Health***

Having insurance is a first step toward better health, but it is important to use health care services wisely. Working with insurance companies and other organizations, the Exchange will provide Oregonians with links to information and tools they need to help meet the state's goals of improving the lifelong health of Oregonians, increasing the quality, reliability, and availability of care, and lowering or containing the cost of care.

The Exchange will connect people with the best resources available for all things health, such as exercise and nutrition, managing chronic health conditions, immunizations, and talking to your doctor. The Exchange also will link Oregonians with helpful services offered by their health plans, such as nurse advice lines and preventive wellness programs. The Exchange will help consumers learn the difference between co-pays and co-insurance, know what a deductible is, and understand their benefits so they can use them effectively.

*The Exchange will provide Oregonians with links to information and tools they need to improve health, increase the quality of care, and lower or contain costs.*

In Phase 2, the Exchange plans to expand on its role as a source of trusted information by providing consumers with information about the cost and quality of medical services so they can make better choices.

As part of its educational efforts, the Exchange Corporation will develop culturally appropriate materials in multiple languages using a variety of mediums, such as brochures, web pages, short informational videos, and social media (like Facebook or Twitter). The Exchange will partner with community-based organizations to ensure the information is accessible to all Oregonians, including those in rural areas and hard-to-reach populations.

The Exchange also will provide referrals to health care and health insurance resources in local communities through the website and the customer call center.

## ***Exchange Plan Requirements and Grading***

The Oregon Health Insurance Exchange Corporation will establish quality standards for plans sold in the Exchange. In addition to certifying plans, the corporation will grade plans on a variety of criteria and publish those grades so that people can make meaningful comparisons.

### **Certification of plans**

The Affordable Care Act lays out general standards for "Qualified Health Plans (QHPs)" that will be certified by the state Exchanges. To be certified as a QHP, plans will have to provide essential health benefits, follow established limits on cost-sharing

*The Exchange will grade plans on a variety of criteria and publish those grades so that people can make meaningful comparisons.*



(like deductibles, co-payments, and out-of-pocket maximum amounts), and meet other requirements.

The Affordable Care Act requires all plans in the individual and small group markets to offer “essential health benefits.” Each state will design its own essential benefits package using a benchmark plan currently offered in the market. Because the essential benefit requirement is for all individual and small group plans, inside and outside of the Exchange, the Department of Consumer and Business Services Insurance Division will take the lead role for Oregon. The Exchange Corporation plans to work closely with the Insurance Division as well as the Governor’s Office and the Oregon Health Authority in this effort.

The Exchange Corporation is working with its Individual and Small Employer Consumer Advisory Committee and technical workgroups to determine other requirements for qualified health plans.

Besides the bronze, silver, gold, and platinum qualified health plans (described on 9), individuals under the age of 30 can buy a “catastrophic” plan. These plans will only be available in the Exchange and will provide a minimum level of coverage including some upfront preventive care.

Beginning in 2014, all insurance companies in the individual and small group markets in Oregon must provide a bronze plan and a silver plan. To be certified to sell in the Exchange, insurance companies also must agree to offer at least one gold plan. In addition, insurers must be licensed and in good standing with the state, agree to charge the same premium for the same plan inside and outside of the Exchange, and meet other requirements as determined by federal rule or the corporation to participate in the Exchange.

In Phase 2, the Exchange will focus on incorporating lessons learned from other state health reform efforts and offering plans with more innovative benefit design that can help curb costs and improve health.

### **Grading of plans**

The Exchange will publish grades for qualified health plans, to help people choose the plan that best meets their needs. The Exchange will grade plans on a variety of measures, including quality, care coordination, provider network adequacy, customer service, and price. The Exchange Corporation is working with Quality Corporation, the Oregon Health Authority, the Insurance Division, and stakeholder groups to establish consistent quality indicators while awaiting federal government regulations.

The corporation will work with the Insurance Division and the Oregon Health Authority to collect necessary information from insurance companies for certification and grading, so that companies submit information only once.

Because the plans offered in the Exchange will be new in 2014, only limited information on quality may be available. Phase 2 will include more complete information on quality, including customer service ratings.



## Customer Service and Outreach

In developing the Oregon Health Insurance Exchange, the corporation is centering its efforts around its two major customer groups: individuals and small employers. To ensure it can best serve those groups, the corporation is developing a robust customer service program as well as a broad communications and outreach plan to reach all Oregonians.

### Customer Service

The Exchange will be a central place where Oregonians can turn for health coverage information and assistance. The corporation is developing an extensive customer service program, including a call center with highly trained customer service staff, community-based “navigators,” and insurance agents.

*The Exchange will be a central place where Oregonians can turn for health coverage information and assistance.*

Customers will be able to turn to the Exchange not only for help enrolling, but for referrals to other entities if necessary. Through its customer service program, the Exchange will provide the following:

- Expertise in eligibility, enrollment, and program specifications.
- Public education activities to raise awareness about the Exchange.
- Fair, accurate, and impartial information.
- Help enrolling in Exchange plans.
- Help for consumers with complaints about their plans.
- Information in appropriate languages for those with limited English proficiency.
- Accessible information for those with disabilities.

The corporation will develop its customer service plan in spring 2012, based in part on guidance from the federal government on the roles of navigators and agents.

Oregon’s navigator program will provide resources to community-based organizations to assist Oregonians throughout the state. In creating its navigator program, Oregon is looking to build off the success of similar local, grassroots assistance programs, such as the Senior Health Insurance Benefits Assistance (SHIBA) program and the Healthy Kids program. The SHIBA program uses community-based organizations and a network of volunteers throughout the state to help Medicare beneficiaries and their families. The Healthy Kids program partnered with community organizations to help enroll more than 100,000 children.

The corporation also views insurance agents as key to the Exchange’s success. The corporation will develop a certification program for licensed agents who sell plans in the Exchange and a referral service for consumers who request to work with an agent. In addition, the corporation is exploring ways to give agents the ability to sell all plans in the Exchange – from a variety of insurance companies – and work on behalf of consumers.

Some people in particularly challenging or unique situations may need a higher level of assistance. The Exchange will have specially trained staff and partners throughout the state to help those Oregonians.

### ***Communications and Outreach Plan***

The Exchange Corporation is approaching communications and outreach in five steps, beginning with engaging stakeholders and developing partnerships, leading to a broader effort to educate individuals and small employers about the Exchange so they are prepared to begin enrolling by 2014. The Exchange will reach all Oregonians, particularly those in rural areas and hard-to-reach populations.



## Information Technology Infrastructure

Oregon is one of five states to receive a federal Early Innovator Grant to develop the information technology infrastructure to support its health insurance exchange. At the time Oregon received the Early Innovator Grant, the Department of Human Services (DHS) and the Oregon Health Authority (OHA) were modernizing and automating their outdated eligibility systems and processes. Oregon chose to develop a single web portal for the Exchange and federal assistance programs such as Medicaid using an enterprise software platform of integrated commercial, off-the-shelf (or COTS) products.

This approach allows Oregon to configure existing proven products to meet its needs, rather than use the time-consuming and expensive process of building new systems from scratch. It also gives the state the flexibility to integrate other systems into the enterprise platform over time.

As an Early Innovator state, Oregon is sharing its work with other states and its federal funding partner.

*An off-the-shelf technology product allows Oregon to configure existing proven products to meet its needs, rather than use the time-consuming and expensive process of building new systems from scratch.*

### Product selection

Oracle was chosen to provide the enterprise software platform after an extensive vendor selection process. One of the key elements of this platform is the “rules engine” that is the heart of the system’s configurability. Using special word processing templates, business and policy analysts are able to convert program rules into Oracle formats to implement functions such as eligibility determination and financial management (billing and payments) into the web portal.

### Development process

The team designing and developing the web portal is using a process that provides flexibility and the ability to adapt to evolving requirements and regulations for the Exchange. Every three weeks, the team releases an updated version of the system to be tested and reviewed. During each iteration, the team makes improvements and changes program requirements if needed. This approach allows the project to move forward in a rapidly changing environment.

### Focus on the user

Oregon is among 11 states participating in the “Enroll UX 2014” project, which is developing design standards for health insurance exchanges in order to make them easy for people to shop for and enroll in plans. The public-private partnership involves national and state health care foundations, the federal government, and the 11 states. Global design firm IDEO is the design partner. In addition to developing design standards all states can use, IDEO will be designing an Oregon-specific prototype, to illustrate how Exchanges can best use the design standards. The prototype will be released in spring 2012.

### **IT project governance structure**

The two-year project is managed by OHA. An Executive Steering Committee consisting of the directors of the Exchange Corporation, OHA, DHS, and the administrator of the Insurance Division provides governance for the project. There is also a Tactical Steering Committee, made up of staff from all the impacted agencies above, including Early Innovator project management staff, which is responsible for operational decisions. Oregon consults frequently with the federal Center for Consumer Information and Insurance Oversight (CCIIO), and undergoes rigorous, periodic “gate reviews” with the center to affirm the project is on target. OHA is also required to provide regular updates to the Oregon Legislature.

## Enrollment and Financial Projections

Given the uncertainties of the economy and the unknown impacts of health insurance market reforms, it is difficult to project how many Oregonians will enroll in the Exchange. Likewise, in a start-up organization like the Exchange, projecting operating expenses over the next several years is challenging. That said, the Exchange Corporation has worked with state and national experts to develop enrollment projections and an Exchange budget for both the start-up phase and the first two years of operations.

### Enrollment Projections

The corporation's enrollment projections are based on national economic models developed by MIT economist Jonathan Gruber and adjusted by Wakely Consulting Group. The projections reflect Oregon's insurance market and the impact of federal health reforms taking effect in 2014, including the Exchange, the individual mandate, and tax credits and cost-sharing subsidies. The scope and intensity of outreach and communications efforts also will impact enrollment.

### Oregon Health Insurance Enrollment, 2010

<b>Oregon Population**</b>	<b>3,749,000</b>	
<b>Commercial Health Insurance*</b>		
Individual	174,000	4.6%
Portability	19,000	0.5%
Small Group 2-50	210,000	5.6%
Oregon Medical Insurance Pool	14,000	0.4%
Large Group Over 50 Fully Insured	634,000	16.9%
Associations and Trusts	178,000	4.7%
<b>Total Covered Under State Regulation</b>	<b>1,229,000</b>	<b>32.8%</b>
<b>Large Group Self-Insured⊙</b>	<b>576,000</b>	<b>15.4%</b>
<b>Federal Health Care Programs</b>		
Medicare	621,000	16.6%
Medicaid	550,000	14.7%
<b>Total Covered Under Federal Regulation</b>	<b>1,171,000</b>	<b>31.2%</b>
<b>Uninsured★</b>	<b>636,000</b>	<b>17.0%</b>

*These enrollment estimates do not total 100 percent of Oregon's population because the numbers are rounded to the nearest thousand and come from several sources.*

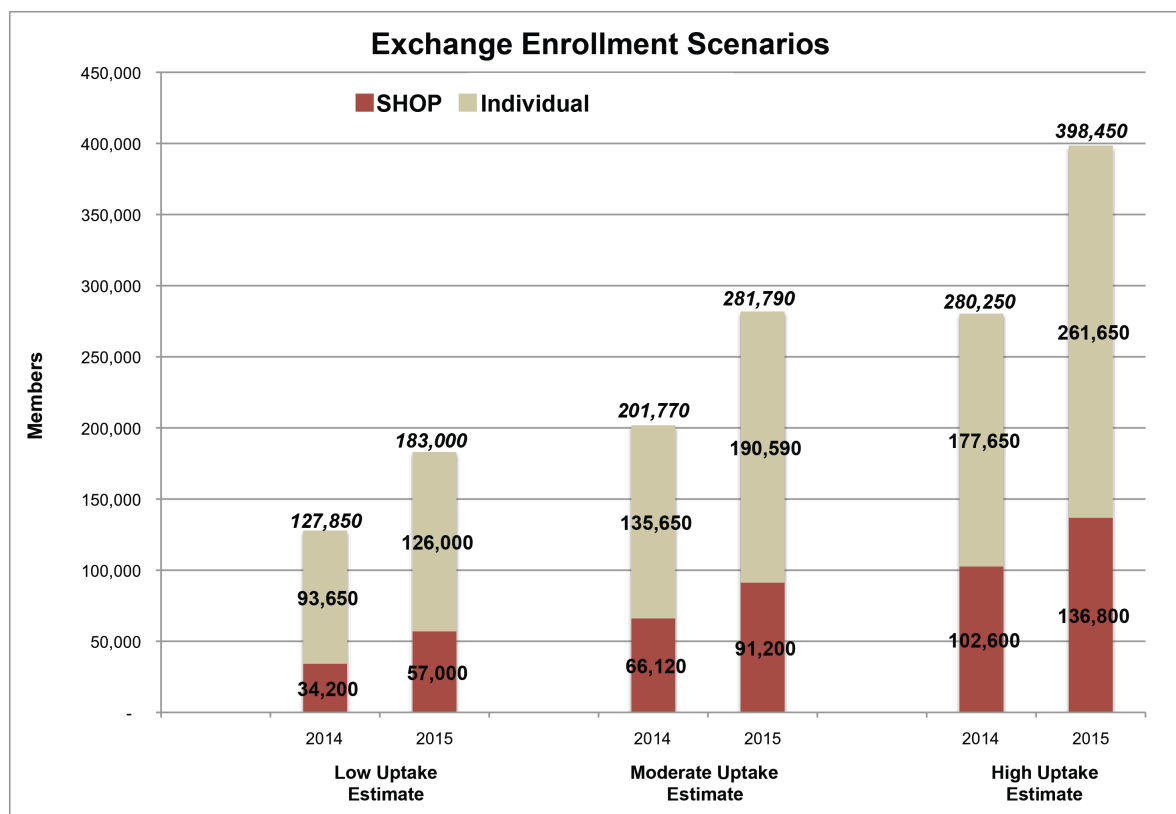
*\*\* Office for Oregon Health Policy & Research. Figures for civilian non-institutionalized population are used.*

*\* Oregon Insurance Division quarterly enrollment data and data from the Oregon Medical Insurance Pool.*

*⊙ Oregon Insurance Division quarterly enrollment data. In 2010, self-insured enrollment was reported by insurance companies, special districts, and third-party administrators.*

*★ Centers for Medicare and Medicaid Services.*

Wakely Consulting developed three enrollment scenarios – low, moderate, and high – shown below. A month-by-month accumulation of the enrollment projections can be found in the Appendix.



These enrollment projections are estimates only and will be revised as new information becomes available, such as final decisions on the essential benefits required in Exchange plans and the premiums to be charged for plans sold in the Exchange.

## Financial Projections

The corporation has developed financial projections for two stages: start-up, from 2011-2013 and initial operations, from 2014-2015 (details attached in the Appendix). Federal grant funding finances the start-up phase and the operating costs for 2014.

In 2015, the Exchange must be financially self-sustaining via insurance company administrative fees on plans sold through the Exchange. Senate Bill 99 sets a maximum fee of between 3 percent and 5 percent of earned premium depending on enrollment.

Because the Exchange will begin with zero enrollees, it will initially charge the maximum administrative fee of 5 percent. The fee then will adjust downward each year as enrollment grows. Per SB 99, any revenue generated in excess of what is necessary to fund operations will be used to build a six-month reserve. Any excess beyond that would be refunded to participating insurance companies.

As more fully explained in the assumptions section in the Appendix, these projections are preliminary and may change in material respects as the corporation receives new information and resolves operational issues.

### **Start-up, 2011-2013**

The corporation estimates annual start-up costs at \$910,511 in 2011, \$10.5 million in 2012, and \$15.6 million for 2013. Year-end, full-time equivalent (FTE) staffing figures are estimated at 21, 39.5, and 133, respectively. These costs are funded entirely by federal implementation grants. Because the Exchange will begin open enrollment in 2013, staffing costs increase significantly in that year. No costs associated with the development of the IT infrastructure and website are included in these years because they are being funded by the IT Early Innovator Grant managed by the Oregon Health Authority.

- *There is no state funding for the Exchange.*
- *Federal grants finance the start-up stage.*
- *An administrative fee will provide sufficient revenue for operations and a reserve starting in 2015.*

### **Initial operations, 2014-2015**

The corporation principally used the Wakely Consulting Group's "moderate" enrollment forecast and expense model to develop a budget for 2014-2015. This model was derived and benchmarked based on Wakely's experience with the Massachusetts Connector and the work done by Jonathan Gruber at the Massachusetts Institute of Technology.

Funding from the Level 2 grant will cover all estimated operating expenses for 2014, the first full year of operations. The corporation will use administrative fee revenue from 2014 to build a reserve of 50 percent of estimated operating costs for 2015, or \$17.3 million. Any balance that exceeds this allowable reserve will be refunded to the carriers. Because the Exchange will begin 2014 with zero enrollees, it will initially charge the maximum 5 percent administrative fee. However, based on enrollment projections, the net result after accumulating the reserve and refunding any excess revenue to carriers will be a 2.5 percent administrative fee – significantly below the maximum.

For 2015, enrollment is estimated to start at 200,000 and grow to 280,000 – allowing a maximum administrative fee of 4 percent. However, since the operating reserve was accumulated in 2014, the Exchange projects it only will need to charge a 2.7 percent administrative fee to cover operating costs in 2015.

Lastly, as part of its financial analysis, the corporation estimated the minimum number of enrollees necessary to cover the costs of operating the Exchange. These numbers were developed by estimating the amount of fixed costs associated with running the Exchange, and then calculating how many enrollments would be needed using the maximum 5 percent administrative fee to cover these overhead costs. This preliminary "break-even" analysis concludes this enrollment figure to be between 100,000 and 120,000, depending on the mix of small group and individual policies. This is below the "low" enrollment estimate in Wakely's modeling.



The corporation will carefully monitor enrollment and expenses and adjust operations as necessary to ensure it becomes self-sufficient by 2015. This will include:

- Conducting monthly assessments of enrollment and premium upon which the administrative fee is based.
- Updating the projections for overhead costs based on the latest information available.
- Calculating the minimum cost structure necessary to service various levels of enrollment.
- Conservatively estimating reserve levels to build an adequate cushion.
- Reporting quarterly to the Exchange Board of Directors and the Legislature.

If the corporation anticipates that it will not be able to achieve financial self-sufficiency by 2015, it would present options, which may include a restructuring plan, to the Board of Directors, the Governor, and the Legislature.

### **Enrollment and Financial Projections Summary:**

- Three enrollment projections were developed: low, moderate, and high.
- The corporation used the moderate enrollment projection to develop the financial projections for 2014 through 2015.
- The moderate enrollment estimate projects 281,790 enrollees at the end of 2015.
- Using the moderate enrollment projection, the corporation calculated, for illustrative purposes, an administrative fee that would be below the maximum amounts established in statute at 2.5 percent in 2014 and 2.7 percent in 2015.
- The corporation conducted a preliminary break-even analysis, to determine the minimum number of enrollees necessary to cover the costs of operating the Exchange. This analysis showed that between 100,000 and 120,000 enrollees would be required for the Exchange to be self-sustaining using the maximum administrative fee allowed in statute.

*Please see the Appendix for more detailed financial information.*

## Appendix

### ***Uncertainties and Risks – Frequently Asked Questions***

*What happens if the Supreme Court overturns the Affordable Care Act's requirement that all Americans have health insurance?*

Oregon has been on a path toward a health exchange for many years, long before the Affordable Care Act. The Exchange will offer valuable services to Oregonians, such as a central place for consumers to compare health insurance plans and a way for small employers to offer more choice for their employees with less administrative burden. These services still will be needed, and the corporation's goal is to build an Exchange where consumers will want to purchase insurance, with or without a mandate. If the mandate is overturned, the Exchange Corporation will consult with legislators and the Governor to determine whether it needs to make any changes to its Business Plan.

*What happens if federal funding for subsidies and tax credits are reduced?*

The subsidies and tax credits made available as part of the Affordable Care Act will help drive enrollment to the Exchange. If this federal assistance is lowered or eliminated, the Exchange Corporation may have to adjust its enrollment projections.

*If the Exchange loses its federal funding, is the state of Oregon at any financial risk?*

No. The Exchange is a public corporation independent of state government and has not received any state funding. If the federal start-up funding is reduced or eliminated, the state is under no obligation to move forward with the Exchange. If this occurs, the Exchange Corporation will consult with legislators and the Governor on next steps.

*What are the consequences of Oregon not receiving federal readiness certification in January 2013?*

The Oregon Health Insurance Exchange undergoes periodic reviews by its federal partners to ensure it is on track to receive readiness certification in January 2013.

If the federal government determines in January 2013 that any states are not ready to operate an Exchange, it may grant provisional certification. In that case, the state could address the federal government's concerns and receive certification later. If the federal government finds that a state will not be ready to operate an Exchange, it will move forward on implementing a federal Exchange for that state.

*How is Oregon moving forward with its Exchange without federal requirements?*

There are a number of critical areas where the federal government has not yet released regulations, such as standards for qualified health plans, the functions of navigators and agents, and eligibility determinations, appeals, and exemptions. The Exchange Corporation is watching the federal rules process closely and coordinating statewide responses to requests for comments. As explained on page 18, the Exchange is developing its web portal using a three-week, iterative process so it can adapt quickly to evolving requirements.

## **Market-wide Selection Issues**

Reforms that are part of the federal Affordable Care Act will have a significant impact on the health insurance market. For example, beginning in 2014, insurance companies will no longer be able to deny coverage to anyone regardless of their medical history. Because 20 percent of the population accounts for 80 percent of total medical spending, some imbalances are likely to occur once those higher-cost people are covered by commercial health insurance plans. Some insurance companies may attract a disproportionate number of higher-cost members while others may end up with a larger portion of lower-cost members. In addition, the defined contribution model the Exchange Corporation is developing may cause some imbalances in the small group market.

Federal health insurance reform creates three mechanisms that address such selection issues, help stabilize premiums, and level the playing field for insurance companies. Two of these programs end after 2016 and are intended to protect against losses during the start-up years, while one is a permanent program.

*20 percent of the population accounts for 80 percent of total medical spending, while 50 percent of the population accounts for just 3 percent of spending.*

Oregon may want to pursue its own risk adjustment programs, inside the Exchange and market-wide. The Oregon Department of Consumer and Business Services Insurance Division is contracting with an actuarial firm to help determine the impact of the market reforms on the individual and small group markets so it can develop Oregon-specific risk-adjustment programs. The Oregon Health Insurance Exchange Corporation will collaborate with the Insurance Division to design and administer any such programs.

## **Federal programs**

### **Reinsurance** (Transitional, for 2014-2016)

- Applies to the individual market, both inside and outside of the Exchange.
- Spreads the risk of certain high-cost individuals by providing reinsurance that covers the claims of those people after a certain threshold is reached.
- Funded by a federal assessment on insured premiums and self-funded claims payments.
- Administered by non-profit reinsurance entity.

### **Risk corridor** (Transitional, for 2014-2016)

- Applies to individual and small group inside the Exchange only.
- Limits the losses (or gains) resulting from medical costs.
- If a plan has losses greater than 103 percent of total premiums (minus administrative costs), the federal government will help defray the costs; if a plan's costs are less than 97 percent of total premium, the plan will make payments to the federal government.
- Administered by the federal government directly to insurance companies.

***Risk adjustment*** (Permanent)

- Individual and small group, both inside and outside the Exchange.
- Reallocates premiums based on the relative risk of enrollees so plans with enrollees having less-than-average risk will pay an assessment, while plans with higher-than-average risk enrollees will receive payments.
- Administered by either the state or federal government.

## ***Board of Directors***

**Chair:** Liz Baxter, Executive Director, We Can Do Better

**Vice Chair:** Teri Andrews, Owner, CG Industries

Ken Allen, Executive Director, Oregon AFSCME Council 75

Dr. George Brown, Chief Executive Officer, Legacy Health System

Aelea Christofferson, Owner, ATL Communications

Dr. Bruce Goldberg, Director, Oregon Health Authority

Jose Gonzales, Principal Broker, Tu Casa Real Estate Corporation

Gretchen Peterson, Vice President of Human Resources, Hanna Andersson

Vacant, Administrator, Insurance Division, Oregon Department of Consumer and Business Services

## ***Individual and Small Employer Consumer Advisory Committee***

**Chair:** Lavinia Goto, Willamette Valley Providers/Health Authority/University of Phoenix/Chemeketa Community College

**Vice Chair:** Steve Ferree, Mr. Rooter Plumbing

John Brenne, Eastern Oregon Foster Grandparent/Senior Companion

Laura Calvo, Retired

Melvin C. Cheney, Community Cancer Center/Community Cancer Foundation

Jim Coffee, Coastal Family Health Center

Laura Etherton, OSPIRG

Dr. David R. Gilmore, Medford Medical Clinic

Janet Hamilton, Project Access Now

Jim Houser, Hawthorne Auto Clinic, Inc.

Cynthia Rae Johnson, Publicist/Writer/Consultant

Dyan Kuehn, Oregon Child Development Coalition

John Layton, Layton Manufacturing Co., Inc.

Steven McCoid, Oregon Restaurant and Lodging Association

Pepper McColgan, Northeast Oregon Network

Jason McNichol, Oregon Health Action Campaign/Health Advocacy Solutions

DeLeesa Meashintubby, Volunteers in Medicine Clinic

Sean Moriarty, CESSCO, Inc.

Patrick Okeefe, Cascade Insurance Center

Dori Statton, H & R Block, PSU research project dealing with Mental Health

Kelsey Wood, Gordon Wood Insurance and Financial

## ***Legislative Oversight and Advisory Committee***

Sen. Frank Morse, R-Albany

Sen. Laurie Monnes-Anderson, D-Gresham

Rep. Mitch Greenlick, D-Portland

Rep. Jim Thompson, R-Dallas

## ***Exchange Enrollment Projections***

Wakely Consulting Group prepared three scenarios for enrollment projections for 2014 and 2015: low, moderate and high. Each scenario was based upon estimated penetration rates of the individual and small group markets and the uninsured population, using the 2009 census.

The penetration rates for 2014 for the low, moderate, and high scenarios ranged from:

- 15 percent to 25 percent for the individual market,
- 15 percent to 45 percent for the small group market, and
- 10 percent to 20 percent for the uninsured.

In 2015, the moderate scenario showed an increase to year-end penetration rates of:

- 25 percent for the individual market,
- 40 percent for the small group market, and
- 22 percent for the uninsured.

The tables on the following pages show the month-by-month breakdown of the enrollment estimates. Differences between the year-end figures and the chart on page 21 are due to rounding in the formulas.

## 2014 Enrollment Projections — Low Uptake Estimate

Rate*		12.0%	18.0%	20.0%	18.0%	6.0%	4.0%	4.0%	4.0%	4.0%	4.0%	3.0%	3.0%
Month		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014	Jan	15,342	15,327	15,311	15,296	15,281	15,265	15,250	15,235	15,220	15,204	15,189	15,174
	Feb		23,013	22,990	22,967	22,944	22,921	22,898	22,875	22,852	22,830	22,807	22,784
	Mar			25,570	25,544	25,519	25,493	25,468	25,442	25,417	25,392	25,366	25,341
	Apr				23,013	22,990	22,967	22,944	22,921	22,898	22,875	22,852	22,830
	May					7,671	7,663	7,656	7,648	7,640	7,633	7,625	7,617
	Jun						5,114	5,109	5,104	5,099	5,094	5,088	5,083
	Jul							5,114	5,109	5,104	5,099	5,094	5,088
	Aug								5,114	5,109	5,104	5,099	5,094
	Sep									5,114	5,109	5,104	5,099
	Oct										5,114	5,109	5,104
	Nov											3,836	3,832
	Dec												3,836
Total		15,342	38,340	63,871	86,820	94,405	99,424	104,439	109,448	114,453	119,452	123,169	126,881

## 2015 Enrollment Projections — Low Uptake Estimate

Rate*		8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
Month		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014	Jan	15,159	15,144	15,129	15,113	15,098	15,083	15,068	15,053	15,038	15,023	15,008	14,993
	Feb	22,761	22,738	22,716	22,693	22,670	22,648	22,625	22,602	22,580	22,557	22,535	22,512
	Mar	25,315	25,290	25,265	25,240	25,214	25,189	25,164	25,139	25,114	25,089	25,063	25,038
	Apr	22,807	22,784	22,761	22,738	22,716	22,693	22,670	22,648	22,625	22,602	22,580	22,557
	May	7,610	7,602	7,595	7,587	7,579	7,572	7,564	7,557	7,549	7,542	7,534	7,527
	Jun	5,078	5,073	5,068	5,063	5,058	5,053	5,048	5,043	5,038	5,033	5,028	5,023
	Jul	5,083	5,078	5,073	5,068	5,063	5,058	5,053	5,048	5,043	5,038	5,033	5,028
	Aug	5,088	5,083	5,078	5,073	5,068	5,063	5,058	5,053	5,048	5,043	5,038	5,033
	Sep	5,094	5,088	5,083	5,078	5,073	5,068	5,063	5,058	5,053	5,048	5,043	5,038
	Oct	5,099	5,094	5,088	5,083	5,078	5,073	5,068	5,063	5,058	5,053	5,048	5,043
	Nov	3,828	3,824	3,820	3,816	3,813	3,809	3,805	3,801	3,797	3,794	3,790	3,786
	Dec	3,832	3,828	3,824	3,820	3,816	3,813	3,809	3,805	3,801	3,797	3,794	3,790
2015	Jan	4,596	4,591	4,587	4,582	4,577	4,573	4,568	4,564	4,559	4,555	4,550	4,546
	Feb		4,596	4,591	4,587	4,582	4,577	4,573	4,568	4,564	4,559	4,555	4,550
	Mar			4,596	4,591	4,587	4,582	4,577	4,573	4,568	4,564	4,559	4,555
	Apr				4,596	4,591	4,587	4,582	4,577	4,573	4,568	4,564	4,559
	May					4,596	4,591	4,587	4,582	4,577	4,573	4,568	4,564
	Jun						4,596	4,591	4,587	4,582	4,577	4,573	4,568
	Jul							4,596	4,591	4,587	4,582	4,577	4,573
	Aug								4,596	4,591	4,587	4,582	4,577
	Sep									4,596	4,591	4,587	4,582
	Oct										4,596	4,591	4,587
	Nov											4,596	4,591
	Dec												4,596
Total		131,350	135,814	140,274	144,730	149,181	153,628	158,070	162,508	166,941	171,370	175,794	180,214

\* The rate shown is the percentage of the total enrollment for the year achieved during each month.



## 2014 Enrollment Projections — Moderate Uptake Estimate

Rate*		12.0%	18.0%	20.0%	18.0%	6.0%	4.0%	4.0%	4.0%	4.0%	3.0%	3.0%	
Month		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014	Jan	24,212	24,188	24,164	24,140	24,116	24,092	24,067	24,043	24,019	23,995	23,971	23,947
	Feb		36,319	36,282	36,246	36,210	36,174	36,137	36,101	36,065	36,029	35,993	35,957
	Mar			40,354	40,314	40,273	40,233	40,193	40,153	40,112	40,072	40,032	39,992
	Apr				36,319	36,282	36,246	36,210	36,174	36,137	36,101	36,065	36,029
	May					12,106	12,094	12,082	12,070	12,058	12,046	12,034	12,022
	Jun						8,071	8,063	8,055	8,047	8,039	8,031	8,022
	Jul							8,071	8,063	8,055	8,047	8,039	8,031
	Aug								8,071	8,063	8,055	8,047	8,039
	Sep									8,071	8,063	8,055	8,047
	Oct										8,071	8,063	8,055
	Nov											6,053	6,047
	Dec												6,053
Total		24,212	60,507	100,800	137,018	148,987	156,909	164,823	172,729	180,627	188,517	194,382	200,240

## 2015 Enrollment Projections — Moderate Uptake Estimate

Rate*		8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
Month		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014	Jan	23,923	23,900	23,876	23,852	23,828	23,804	23,780	23,756	23,733	23,709	23,685	23,662
	Feb	35,921	35,885	35,849	35,813	35,778	35,742	35,706	35,670	35,635	35,599	35,563	35,528
	Mar	39,952	39,912	39,872	39,833	39,793	39,753	39,713	39,673	39,634	39,594	39,555	39,515
	Apr	35,993	35,957	35,921	35,885	35,849	35,813	35,778	35,742	35,706	35,670	35,635	35,599
	May	12,010	11,998	11,986	11,974	11,962	11,950	11,938	11,926	11,914	11,902	11,890	11,878
	Jun	8,014	8,006	7,998	7,990	7,982	7,974	7,967	7,959	7,951	7,943	7,935	7,927
	Jul	8,022	8,014	8,006	7,998	7,990	7,982	7,974	7,967	7,959	7,951	7,943	7,935
	Aug	8,031	8,022	8,014	8,006	7,998	7,990	7,982	7,974	7,967	7,959	7,951	7,943
	Sep	8,039	8,031	8,022	8,014	8,006	7,998	7,990	7,982	7,974	7,967	7,959	7,951
	Oct	8,047	8,039	8,031	8,022	8,014	8,006	7,998	7,990	7,982	7,974	7,967	7,959
	Nov	6,041	6,035	6,029	6,023	6,017	6,011	6,005	5,999	5,993	5,987	5,981	5,975
	Dec	6,047	6,041	6,035	6,029	6,023	6,017	6,011	6,005	5,999	5,993	5,987	5,981
2015	Jan	6,668	6,662	6,655	6,648	6,642	6,635	6,628	6,622	6,615	6,609	6,602	6,595
	Feb		6,668	6,662	6,655	6,648	6,642	6,635	6,628	6,622	6,615	6,609	6,602
	Mar			6,668	6,662	6,655	6,648	6,642	6,635	6,628	6,622	6,615	6,609
	Apr				6,668	6,662	6,655	6,648	6,642	6,635	6,628	6,622	6,615
	May					6,668	6,662	6,655	6,648	6,642	6,635	6,628	6,622
	Jun						6,668	6,662	6,655	6,648	6,642	6,635	6,628
	Jul							6,668	6,662	6,655	6,648	6,642	6,635
	Aug								6,668	6,662	6,655	6,648	6,642
	Sep									6,668	6,662	6,655	6,648
	Oct										6,668	6,662	6,655
	Nov											6,668	6,662
	Dec												6,668
Total		206,709	213,170	219,625	226,074	232,516	238,952	245,382	251,804	258,221	264,631	271,035	277,432

\* The rate shown is the percentage of the total enrollment for the year achieved during each month.

## 2014 Enrollment Projections — High Uptake Estimate

Rate*		12.0%	18.0%	20.0%	18.0%	6.0%	4.0%	4.0%	4.0%	4.0%	3.0%	3.0%	
Month		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014	Jan	33,630	33,596	33,563	33,529	33,496	33,462	33,429	33,395	33,362	33,329	33,295	33,262
	Feb		50,445	50,395	50,344	50,294	50,244	50,193	50,143	50,093	50,043	49,993	49,943
	Mar			56,050	55,994	55,938	55,882	55,826	55,770	55,715	55,659	55,603	55,548
	Apr				50,445	50,395	50,344	50,294	50,244	50,193	50,143	50,093	50,043
	May					16,815	16,798	16,781	16,765	16,748	16,731	16,714	16,698
	Jun						11,210	11,199	11,188	11,176	11,165	11,154	11,143
	Jul							11,210	11,199	11,188	11,176	11,165	11,154
	Aug								11,210	11,199	11,188	11,176	11,165
	Sep									11,210	11,199	11,188	11,176
	Oct										11,210	11,199	11,188
	Nov											8,408	8,399
	Dec												8,408
Total		33,630	84,041	140,007	190,312	206,937	217,940	228,932	239,913	250,883	261,842	269,988	278,126

## 2015 Enrollment Projections — High Uptake Estimate

Rate*		8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
Month		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014	Jan	33,229	33,195	33,162	33,129	33,096	33,063	33,030	32,997	32,964	32,931	32,898	32,865
	Feb	49,893	49,843	49,793	49,743	49,694	49,644	49,594	49,545	49,495	49,446	49,396	49,347
	Mar	55,492	55,437	55,381	55,326	55,270	55,215	55,160	55,105	55,050	54,995	54,940	54,885
	Apr	49,993	49,943	49,893	49,843	49,793	49,743	49,694	49,644	49,594	49,545	49,495	49,446
	May	16,681	16,664	16,648	16,631	16,614	16,598	16,581	16,565	16,548	16,531	16,515	16,498
	Jun	11,132	11,121	11,110	11,098	11,087	11,076	11,065	11,054	11,043	11,032	11,021	11,010
	Jul	11,143	11,132	11,121	11,110	11,098	11,087	11,076	11,065	11,054	11,043	11,032	11,021
	Aug	11,154	11,143	11,132	11,121	11,110	11,098	11,087	11,076	11,065	11,054	11,043	11,032
	Sep	11,165	11,154	11,143	11,132	11,121	11,110	11,098	11,087	11,076	11,065	11,054	11,043
	Oct	11,176	11,165	11,154	11,143	11,132	11,121	11,110	11,098	11,087	11,076	11,065	11,054
	Nov	8,391	8,382	8,374	8,366	8,357	8,349	8,340	8,332	8,324	8,315	8,307	8,299
	Dec	8,399	8,391	8,382	8,374	8,366	8,357	8,349	8,340	8,332	8,324	8,315	8,307
2015	Jan	9,850	9,840	9,830	9,820	9,811	9,801	9,791	9,781	9,771	9,762	9,752	9,742
	Feb		9,850	9,840	9,830	9,820	9,811	9,801	9,791	9,781	9,771	9,762	9,752
	Mar			9,850	9,840	9,830	9,820	9,811	9,801	9,791	9,781	9,771	9,762
	Apr				9,850	9,840	9,830	9,820	9,811	9,801	9,791	9,781	9,771
	May					9,850	9,840	9,830	9,820	9,811	9,801	9,791	9,781
	Jun						9,850	9,840	9,830	9,820	9,811	9,801	9,791
	Jul							9,850	9,840	9,830	9,820	9,811	9,801
	Aug								9,850	9,840	9,830	9,820	9,811
	Sep									9,850	9,840	9,830	9,820
	Oct										9,850	9,840	9,830
	Nov											9,850	9,840
	Dec												9,850
Total		287,697	297,260	306,812	316,356	325,889	335,413	344,928	354,433	363,929	373,415	382,891	392,358

\* The rate shown is the percentage of the total enrollment for the year achieved during each month.

## ***Exchange Financial Projections***

### **Oregon Health Insurance Exchange Start-up Phase**

**Years Ended December 31, 2011-2013**

	<b>2011(*)</b>	<b>2012</b>	<b>2013</b>
<b>Grant revenues:</b>			
Level 1 Grant	\$ 910,511	\$ 7,989,489	\$ -
Level 2 Grant	-	2,506,511	15,671,000
<b>Total operating revenues</b>	910,511	10,496,000	15,671,000
<b>Operating expenses:</b>			
Salaries, taxes, and benefits	737,210	5,012,000	10,615,000
Consulting and other professional fees	45,423	3,996,000	1,710,000
Communications, outreach, and marketing	3,441	71,000	1,500,000
IT infrastructure and communications systems	78,922	142,000	290,000
Facilities and equipment	20,000	657,000	772,000
Other general and administrative	25,515	618,000	784,000
<b>Total operating expenses</b>	910,511	10,496,000	15,671,000
<b>Net increase (decrease) in net assets</b>	\$0	\$0	\$0
<b>Net assets beginning of year</b>	\$0	\$0	\$0
<b>Net assets end of year</b>	\$0	\$0	\$0

*\*September 1, 2011 – December 31, 2011*

**Oregon Health Insurance Exchange**  
**Initial Stage of Operations**  
**Years Ended December 31, 2014 and 2015**

	<b>2014</b>	<b>2015</b>
Enrollees at year end	201,770	281,790
Member months	1,729,752	2,905,552
Total carrier earned premium	\$677,704,940	\$1,250,354,162
Premium per member month	\$391.79	\$430.33
Administrative fee percentage	2.52%	2.73%
Administrative fee per member month	\$10.03	\$11.94
Administrative cost per member month	\$16.72	\$11.94

**Operating revenues:**

Exchange administrative fee	\$ 17,350,871	\$ 34,701,742
Level 2 Grant	28,918,118	-

<b>Total operating revenues</b>	<b>46,268,989</b>	<b>34,701,742</b>
---------------------------------	-------------------	-------------------

**Operating expenses:**

Salaries	17,373,118	20,847,742
Consulting and other professional fees	1,637,000	1,964,400
Outsourced IT and other	5,000,000	6,000,000
Communications, outreach, and marketing	2,000,000	2,400,000
IT infrastructure and communications systems	608,000	729,600
Facilities and equipment	1,100,000	1,320,000
Other general and administrative	1,200,000	1,440,000

<b>Total operating expenses</b>	<b>28,918,118</b>	<b>34,701,742</b>
---------------------------------	-------------------	-------------------

<b>Change in net assets</b>	<b>17,350,871</b>	<b>-</b>
-----------------------------	-------------------	----------

<b>Net assets beginning of year</b>	<b>-</b>	<b>17,350,871</b>
-------------------------------------	----------	-------------------

<b>Net assets end of year</b>	<b>\$ 17,350,871</b>	<b>\$ 17,350,871</b>
-------------------------------	----------------------	----------------------

## ***Enrollment and Financial Assumptions***

Following are the preliminary key assumptions and estimates underlying the enrollment and financial projections. The Exchange Corporation expects to revise its projections as new information becomes available and operational issues are resolved.

- These projections have been prepared on a modified accrual basis. Expenses are recorded in the period they are anticipated to be incurred and revenue is recorded when it is anticipated to be earned. No expenditures have been capitalized and depreciated. No assessment has been made to determine the differences between this basis of presentation and generally accepted accounting principles or generally accepted governmental accounting principles.
- All years are calendar year. 2011 represents the period from inception, September 1, 2011 through December 31, 2011.
- Federal grant funding includes the Level 1 and anticipated Level 2 grants. These have been set to exactly cover the expenses for the start-up phases, 2011-2013, and the first year of operations, 2014.
- For illustration, the corporation set the insurance carrier administrative fee for 2014 at the rate necessary to cover 50 percent of the estimated operating costs for 2015, so that it could establish a reserve. The administrative fee for 2015 was set at a rate to exactly offset operating costs in 2015.
- Enrollment estimates were provided by the Wakely Consulting Group in its report to the Oregon Health Authority (OHA) on April 15, 2011. For the financial projections, the Corporation used Wakely's "moderate" enrollment estimates. Wakely's estimates included estimates of penetration and take-up rates by market segment, spread between precious metal tiers and anticipated per member per month premiums by tier. Subsequent adjustments to these factors may have a material impact on results.
- Operating expenses for 2011-2014 were built on management's best estimate of a ground-up approach to each expense category. The corporation used an estimate of full-time equivalent (FTE) staffing by functional unit, salaries, and benefit load. 2015 expenses were projected to be 20 percent higher than 2014.

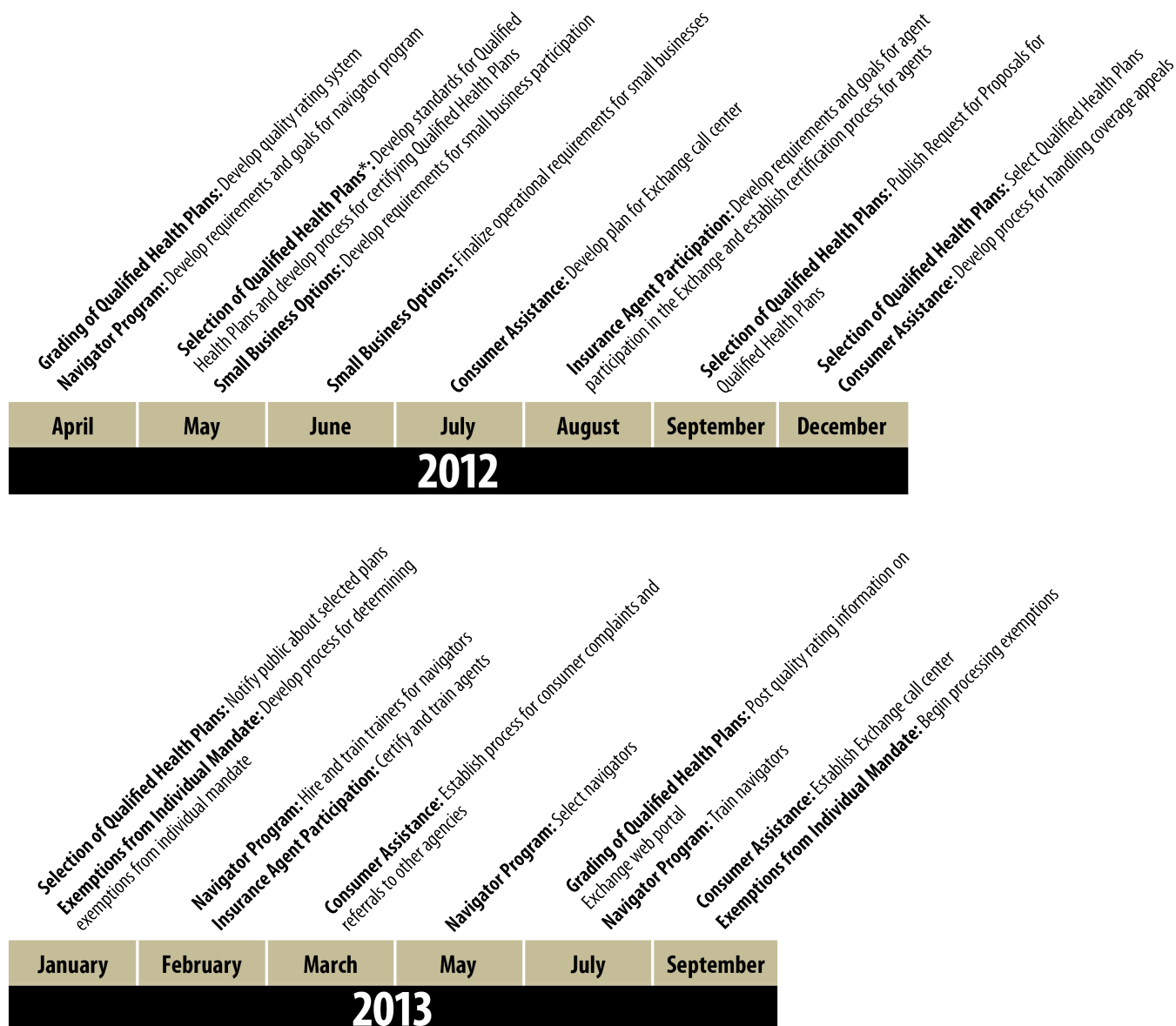
## ***Other material limitations and uncertainties***

- The costs associated with ongoing IT support and enhancements for the web-based eligibility and enrollment systems and other systems created by the Early Innovator IT Grant are unknown at this time. The best estimate for the IT costs at this time is \$5 million in 2014. There have been no decisions or estimates on how these costs will be shared with the Department of Human Services and the Oregon Health Authority with respect to system supports and enhancements.
- The functionality of the system developed by the IT Innovator Grant will have a material impact on staffing levels. The breadth and scope of this functionality cannot be determined at this time.
- The number and types of functions outsourced, if any (i.e., call center, billing and collection, etc.), may affect the ultimate cost of operations.

- The size of the available market in the individual and small group segments is likely to change significantly.

## High-Level Operational Timeline

Between now and open enrollment in October 2013, the Oregon Health Insurance Exchange Corporation will be making several important decisions about how the Exchange will operate. Many of those decisions will be based on federal guidance as well as feedback from stakeholders and the public. Below are the key areas the corporation is working on and approximate time frames for decisions and actions. Stakeholders and the public can stay informed and provide comments on these and other issues through the Exchange website at [www.ohix.org](http://www.ohix.org).



\*The Department of Consumer and Business Services Insurance Division will be determining the essential benefits package that Qualified Health Plans must include.



