OREGON HEALTH FUND BOARD – Finance Committee
Exchange Workgroup Meeting

April 30, 2008 — **Portland State Office Building, Room 1B**
1 to 5 pm — **Portland, OR**
(Digitally Recorded)

MEMBERS PRESENT: Denise Honzel, Chair
Laura Etherton, Vice Chair
Kerry Barnett
Aelea Christofferson (by phone)
Chris Ellertson
Jon Jurevic
Kelsey Wood
Lynn-Marie Crider
Nina Stratton
Terry Coplin

MEMBERS EXCUSED: Damian Brayko
Steve Doty
Jack Friedman
Ken Provencher

OTHERS ATTENDING: Ree Sailors, Governor's Office
Rocky King, Office of Private Health Partnerships
Bill Kramer, Kramer Health Care Consulting
James Matthisen, The Mosier Group

STAFF PRESENT: Nora Leibowitz, Senior Policy Analyst, OHPC
Barney Speight, Executive Director, OHFB
Alyssa Holmgren, Policy Analyst
Zarie Haverkate, Communications Coordinator

ISSUES HEARD:

- **Call to Order**
- **PMPM Implications of a Merged Individual Market**
- **Report Overview**
- **Next Steps**
- **Public Testimony**

(Digitally Recorded)

Chair Honzel — I. Call to Order

Meeting was called to order at approximately 1:15 pm.

- There was a quorum.
- Minutes from April 7 reviewed; approval is not required for workgroups. No changes were suggested.

James Matthisen — II. PMPM implications of a merged individual market (See Exhibit 3)

- James Matthisen presented results of early modeling of combining the Individual, Portability and OMIP pools with the uninsured population.
- Could flag whether loss ratio changes based on role played by Exchange.
- Talked with actuaries from carriers, who thought portability rates were representative of the group market. Discussed factors used (OMIP data, data from other carriers, etc.).

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- Uninsured:
  - Results are assumption-driven for the uninsured population. **(See slide 5)** This group resembles the commercial population, but use about half the services, based on cost. Assume lower costs are in part due to the population not getting care due to being uninsured.
  - Related reports that if you capture the money spent on charity care, it would come close to covering the uninsured, arguing that funds needed are not all new money.
  - Question from work group member: is estimated percentage of children not covered (17%) too low?
  -
- Kerry Barnett expected costs for newly insured to be higher at first because people are finally able to get care. It is not that they are sicker than the previously insured, just care they have put off care because they were uninsured.
- Used "allowed charges" (what is paid by combination of carrier and enrollee) and "paid claims" number (paid by carrier). Data provided by OMIP was very helpful.
- Summary of Results discussed - premium costs with no OMIP subsidy vs. after OMIP subsidy and summary not including OMIP. The level of plan benefits affects PMPM as well as banding **(See slides 7, 8).**
  - Will do a sensitivity analysis on the assumption of the cost of the uninsured (e.g., average, 10% above average, etc.) and return with results.
  - Uncompensated care not included.
  - Data represents a blend of all of the packages in the market.
  - Will need to take into account the benefit design, the essential benefit package and an estimate of how many will buy a package richer than the essential services benefit plan.
  - Discussed effect on rates of a mandated environment.
  - OMIP cost profile and assessment profile does not make them cost neutral when entering combined group. Discussion on premium costs of 249 with OMIP subsidy in combined pool vs. 243 without OMIP in the pool.
  - OMIP income demographics related. Discussion on OMIP costs (premium now capped at 125% of rates in underwritten market).
  - Discussion on the premium increase of 14% in individual market.
  - *Question*: Why does calculation only include 112,000 uninsured?
    - 107,000 uninsured are 100% below FPL (will go into Medicaid).
    - 178,000 between 100-200% (mostly go to Medicaid).
    - Some others work for employers that provide benefits. Discussed how many individuals work for employers not providing insurance.
  - Will do a sensitivity analysis on what parameter???? (MEDIA PLAYER 1:15:50)
  - I CANNOT HEAR WHAT THE COMMITTEE MEMBERS ARE ASKING HIM TO DO? Projector sound or something.
  - Suggestion to do bell curve around current average plan.

The Committee thanked James for his presentation.

Nora Leibowitz III. Report Overview (See Exhibit 4)

Item I.

Nora Leibowitz stated recommendations were developed around changes that may need to be made to the individual market and how the Exchange could play a role.

- Market Reforms – much of this part of the report was presented to the Finance Committee in February.
- Recommendations are based on Work Group discussions, often less than consensus recommendations. Dissenting opinions will be expressed in report.
- Chair Honzel presented progress of recommendations to the Oregon Health Fund Board (OHFB) at its last meeting.
- Open issues will be captured in the report.

<u>II. Market Reform Recommendations</u> presented. **(See page 1)**

iii. Limit Market Disruption from Integration of High Risk Population discussed:

- o Discussion on combining pools, including OMIP, and how to use the OMIP assessment ($64 million annually) with three possible options: 1) as a transition fund to offset rate impact when OMIP and portability markets are merged with current underwritten market. Assessment either goes away after 1-2 years; 2) Use assessment to offset costs of subsidies for low income; or 3) eliminate assessment and face larger rate impact.
- o Concern expressed on using group funds for individual market.
- o It was noted that in John McConnell's work, portability and OMIP rates decreased.
- o Suggestion that the main thing is not to lose track of that money. Should use it for a year and re-evaluate or eliminate after a year.
- o Support to eliminate assessment and use to justify payroll tax to employers to show offsetting.
- o Split in recommendation will be noted in report.

vi. Use Essential Services Benefit Definition to Establish Product Baseline and Tiers.

- o Language use discussed.
- o Staff will take outline and compose a draft for distribution to group over the next couple of weeks.

vii. Use a Plan Enrollment Period to Facilitate Universal Coverage and Avoid System Gaming.

- o Language use discussed including another term for universal coverage. Staff will work on that language.

viii. Dealing with limiting transition period disruption bullet is a repeat.

- Move section V. (Enforcement of an Individual Insurance Requirement) of report to Individual Market Reform section. Penalties for non-enrollment discussed. Suggestion that there will need to be more discussion on this issue.
- Input from the Finance Committee will be included. Final report will come from that Committee.

<u>III. Health Insurance Exchange Options</u>

- First full discussion with Finance Committee at next meeting.
- **i. Establish Exchange as a Strong Tier 2 with possible Tier 3 later**.
  - o Will relate that there was not a consensus, but it was the majority opinion and note dissenting opinions.

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- **ii. Core Populations Required to Use Exchange identified**.
  - Use of 125 plans and tax issues of state and federal discussed.
  - Require Employers to establish 125 Plans for employees.
- **iii. Voluntary Participation**
  - Dissenting opinion about allowing voluntary entry for self-pay population, support for merging all of individual market.
  - Board has asked to see the pros and cons on this issue.
  - Would be a very significant shift in market.
  - Depends on role of Exchange and may not reduce choice and allows for greater negotiation of rates expressed.
  - Will the number of carriers participating in the Exchange be limited? Tier 2 would allow in all who meet standards.
  - Voluntary participation allows those with current coverage to continue it. Suggestion to move entire market in over time.
  - Chair suggested to leave recommendation as voluntary for now and anticipates that the Board will debate it vigorously in future.
  - State that predominant recommendation was to keep voluntary and list pros and cons.
- **iv. Do Not Initially Enroll Groups in Exchange, Revisit Once Individual Exchange is Well Established**.
  - Dissenting opinion expressed feeling it could be to the advantage of small employers.
  - Are we heading to an employer market or to an individual market?
  - Discussed issue of small employers that offer benefits with cost sharing that is high for employees, ways to retain employer contribution.
    - Structuring payroll tax to provide incentive for employers to provide insurance.
    - Effect of guarantee market debated.
    - Further work needs to be done in this area.
    - Listing what needs to be addressed to allow small groups in should be related in report.

IV. Building and Exchange: Administration and Financing

- Discussion on problems identified with a public entity including contract and procurement rules, as well as limited ability to be quickly responsive.
- **a. Key Characteristics** related.
- **b. Exchange Financing** needs to be transparent.

Chair Honzel **IV. Next Steps**

- Finance Committee will discuss recommendations.
- Staff will create draft and distribute for comments.
- This is the last meeting.
- Later - Board will provide feedback and staff will email those comments to Work Group members.
- Staff urged members to email any comments they may have for the Board.
- *Question: If we ca not get to an individual mandate with subsidies for reform can we get into some reform in the individual market?*

Chair Honzel **V. Public Testimony**

- Betsy????

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- Written testimony submitted by David Monaghan, CPCU, American Family Insurance. **(See Exhibit 5)**

Chair Honzel **VI. Adjournment**

- Chair thanked Nora, Alyssa and Zarie for their excellent work with the group.
- Meeting was adjourned at approximately 5 pm.

NEXT MEETING: No further meetings are planned at this time.

Submitted By:
Zarie Haverkate
Communications Coordinator

Reviewed By:
Nora Leibowitz
Senior Policy Analyst

EXHIBIT SUMMARY

1. Draft Agenda
2. April 7 Draft Exchange Work Group Minutes
3. PMPM Implications of Merged Individual Market
4. Draft Exchange Report Outline
5. David Monaghan, CPCU, American Family Insurance, written testimony.

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OREGON HEALTH FUND BOARD – Finance Committee
Exchange Workgroup Meeting

April 7, 2008 | **Wilsonville Training Center**
1:00 pm to 5:00 pm | **Room 111-112**
(Digitally Recorded) | **Wilsonville, OR**

MEMBERS PRESENT: Denise Honzel, Chair
Laura Etherton, Vice Chair
Kerry Barnett
Aelea Christofferson (by phone)
Chris Ellertson
Jon Jurevic
Kelsey Wood
Lynn-Marie Crider
Nina Stratton
Terry Coplin

MEMBERS EXCUSED: Damian Brayko
Steve Doty
Jack Friedman
Ken Provencher

OTHERS ATTENDING: Ree Sailors, Governor's Office
Rocky King, Office of Private Health Partnerships
Bill Kramer, Consultant

STAFF PRESENT: Nora Leibowitz, Senior Policy Analyst, OHPC
Alyssa Holmgren, Policy Analyst
Zarie Haverkate, Communications Coordinator
Barney Speight, Executive Director, OHFB

ISSUES HEARD:

- **Call to Order**
- **Update from Benefits Committee**
- **Update on Exchange Report Development**
- **Small Groups in the Exchange**
- **Individual Mandate: Incentives and Penalties**
- **Public Testimony**

(Digitally Recorded)

Chair Honzel **I.** **Call to Order**

Meeting was called to order at approximately 1:30 pm.

- There was a quorum.
- Minutes from March 12 and March 25 reviewed; approval is not required for workgroups. No changes were suggested.

Nina Stratton **II.** **Update from Benefits Committee**

- Nina distributed a draft proposal from the Benefits Committee (BC) of the minimum essential benefits package for non-subsidized groups, which is still in the Staff Review Process and is being provided for input by the Exchange Workgroup. She acknowledged Lynn-Marie Crider for attending and offering her input regarding the package at a recent BC meeting.
  - Out-of-pocket maximum addresses the cost shift.

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- Prevention and value-based services have no or low co-pay amounts (list not provided) in order to create a system that emphasizes and encourages preventive and chronic care and evidence-based medicine. Individuals would have access to these services before the deductible.
- $7,500 deductible for non-subsidized individuals using the essential benefits package.
- The essential benefits package would be the minimum coverage that an individual would need to qualify as meeting the individual mandate. Clarification that the minimum plan is not just in the exchange but will be a floor for all Oregonians.
  - Rocky King, Office of Private Health Partnerships, related two approaches to the individual mandate: 1) new benefit mandate becomes statute; or 2) not mandating what purchased but will penalize for coverage below minimum benefit standards.
- Discussion on comparing plans actuarially. BC identified a value-based service rather than an actuarial equivalent, non-value-based service in order to direct care, and it has not described mandates or penalties.
- Question: What services are provided today that would not be provided under this plan, and what is not provided today that would be provided under this plan. How does this differ from what's modeled today?
- Using the prioritized list inside and outside the exchange is discussed. Next step is to price packages.
- Cost sharing and ensuring that no one is precluded is discussed.
- Question: How will pharmacy be handled and will there be a formulary set? BC to make a request that the Health Services Commission (HSC) get increased governance over plan and would create formulary.
- Benefits Committee will meet next on April 15. Please send any questions to Nora for Nina to share with Benefits Committee.
- The proposal addresses need for low level basic benefits for healthy people.
- Possible affordability issues for moderate income people. Create different standard buy-ups.
- With approximately 75,000 uninsured people above the poverty level, concern was expressed that the package needs to be affordable.
- Portability issues related and discussed, including high co-pays and deductibles.

Nora Leibowitz **III.** **Update on Exchange Report Development (See Exhibit 4)**

Nora shared work of the Market Reform Staff Review Panel.

- If want to use tax credit have to go through exchange because it is difficult to administer outside the exchange and would be open to fraud if not monitored. The exchange gives integrity to the tax credit.
- Would risk adjust between carriers.
- Initially, it is an uncertain pool since there's no claims experience for those currently uninsured.
- How to know what cost sharing is going to be with two markets. Need discussion regarding different kinds/types of subsidies. What would form subsidies take? Smart Cards? Would depend on whether one lane or two to the Exchange.

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- Difficult implications/tradeoffs with various choices.
- Chair asked Work Group members to review document. Staff will work on ways to mitigate and bring back to next meeting.
- Questions raised regarding conclusion on page 1, Discussion Item, bullet 2, that rates must be the same inside and outside of Exchange and page two, bullet two statement relating, ". . . only way to have clout."

Bill Kramer / Nora Leibowitz

IV. Small Groups in the Exchange (See Handout Exhibit 5)

- A small staff review panel met to discuss participation of small groups in the exchange.
- Bill Kramer identified some of the issues involved including adverse selection and risk adjustment.
- Questions raised regarding the mechanics of retaining small employers' contributions for subsidy-eligible employees. Discussion of use of the exchange by small groups, purchasing individual products.
- Meaning of ". . . movement of younger people . . ." Page 1, paragraph 3, last sentence, is debated.
- Option 2) Micro groups (2-9 people), high experience and rates for these groups in the market are discussed. Assumptions regarding micro groups are questioned and discussed.
- Make group start at 10 employees.
- Options 3 and 4 reviewed.
- Small group employees accessing subsidies is discussed.
- Debate on the current effectiveness of small group coverage.
- Limitations of dual plan choices to small group market were asserted with contradicting arguments. It was suggested that the limitation may be geographical. The Committee expressed an interest in receiving data on small group market plan options.
- Question asked, in creating an exchange, why wouldn't you allow small groups to participate?
- Portability facilitated by the exchange and the current high costs of premiums is addressed.
- Effect of groups on rates in and out of the Exchange is debated.
- Barney Speight offered his observations that the first hierarchical problem is that 60-70% of uninsured are working. Second, the toughest administrative problem is how to get eligible individuals who have employer-offered coverage, subsidized; and third, is the absence of choice or not enough choice. Some would like all small groups to be in the Exchange but it comes with ramifications.
- Exchange may not leave employers with the leverage to hold onto workers. It is a retention/recruitment tool.
- Assertion that putting all small groups into the exchange would be disruptive. Need to think about transition in rating rules in small and individual markets. Discussion on transitionary period.
- Will capture the small groups that are not offering coverage, do we want other small groups in the exchange?
- Barney related staging an implementation of what has been discussed to date, clearly advantages potentially for some small groups, if not all, foresees problems of multiple market upheavals. Look at environment and complexity and need to study stages (i.e., rating rules) and what it will mean to the purchaser and those in the groups.

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- It was suggested not to allow other groups into the exchange due to disruption but a goal would be to evaluate and look at how to allow phased approach (i.e., possibly micro-groups first).
- Eligibility and Enrollment recommends allowing special tax treatment for people with income between 300%-400% FPL.
- Identify subset of small groups that would benefit from exchange.
- Discussion on pay-or-play and at what point would employers drop coverage to allow employees into the Exchange in which the employer would pay into the exchange. Pre-tax funding to employee scenario offered.
- Geographical restrictions of some carriers related.
- Suggestion to include employees of non-offering employers to come into the Exchange as individuals. Figure out solution to FHIAP problem. Don't allow other groups into Exchange because of disruption with goal to accommodate all employers with minimal disruption (phased approach).
- Ree Sailors suggestion to look at household and employer survey to determine how big a problem the issues are.

Chair Honzel **V.** **Individual Mandate: Incentives and Penalties (See Exhibit 6)**

- How to get incentives to get compliance.
- Lynn-Marie is open to talking with staff as they have been working on this issue in Finance Committee. She volunteered to be on a Staff Review Panel to look at mandates/penalties.

Chair Honzel **VI.** **Public Testimony**

Betsy Earls, Associated Oregon Industries, testified that she does not want to see any more disruption to the small group market. She may also submit written testimony.

Chair Honzel **VII.** **Adjournment**

- Next meeting will include testimony from James Matthison regarding risk pool.
- Meeting was adjourned.

NEXT MEETING: Wednesday, April 30, from 1 to 5 pm at the Portland State Office Building, Room 1B, 800 NE Oregon Street, Portland, OR.

Submitted By:
Zarie Haverkate
Communications Coordinator

Reviewed By:
Nora Leibowitz
Senior Policy Analyst

EXHIBIT SUMMARY

1. Draft Agenda
2. March 12 Draft Exchange Work Group Minutes
3. March 25 Draft Exchange Work Group Minutes
4. Identifying Implications of Exchange Options
5. Small Groups in Exchange
6. Personal Insurance Requirements

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OREGON HEALTH FUND BOARD – Finance Committee
Exchange Workgroup Meeting

March 25, 2008 — **Northwest Health Foundation**
1:00 pm to 5:00 pm — **Bamboo Room**
(Digitally Recorded) — **Portland, OR**

MEMBERS PRESENT:
Denise Honzel, Chair
Laura Etherton, Vice Chair
Damian Brayko
Chris Ellertson
Jon Jurevic (by phone)
Kelsey Wood
Lynn-Marie Crider
Steve Doty
Scott Kipper
Nina Stratton
Terry Coplin (by phone)

MEMBERS EXCUSED:
Kerry Barnett
Ken Provencher
Jack Friedman
Aelea Christofferson

OTHERS ATTENDING:
Rocky King, Office of Private Health Partnerships
Ellen Lowe, Eligibility and Enrollment Committee
Scott Kipper, Oregon Insurance Commissioner
Bill Kramer, Consultant
Maribeth Healey, Delivery Systems Committee

STAFF PRESENT:
Nora Leibowitz, Senior Policy Analyst, OHPC
Alyssa Holmgren, Policy Analyst
Zarie Haverkate, Communications Coordinator

ISSUES HEARD:

- **Call to Order**
- **Update – Presentation to the Finance Committee**
- **Exchange Governance**
- **Rating implications of individual market reform**
- **Financing the Exchange**
- **Public Testimony**

(Digitally Recorded)

Chair Honzel — **I. Call to Order**

Meeting was called to order at 1:05 pm.
- There was a quorum.
- Minutes from 03/12/08 to be reviewed at next meeting.

Chair Honzel — **II. Update – Presentation to the Finance Committee (See Exhibit Materials 2/Power Point Presentation)**

The Chair reported on her presentation to the Finance Committee and related the following comments:
- Agreement regarding need for strong front-end enrollment incentives.
- Supported a strong penalty for non-participation (50-100% average premium cost).

- Will there be a chance to revisit the issue of penalties? Yes.
  - Direction to Board does not need to be specific.
  - Discussion on penalty, individual mandate and the need for good public education campaign.
- Staff related presentation will be updated.
- Meetings set for April 7 at Wilsonville and April 23 at the Northwest Health Foundation.
- Finance Committee is meeting on April 3, 16 and May 29.
- Exchange meeting on April 7 will focus on small groups and on April 23 on James Matheson will work with the Committee.
- Update on Benefits Committee given.

Nora Leibowitz **III. Exchange Governance (See Exhibit Materials 3)**

Staff updated document on Organizational Structure and Governance of Exchange from Committee comments at last meeting, provided document overview. Discussion included:

- Rocky King, Office of Private Health Partnerships, discussed exchange roles as being on a continuum from a consolidator, marketer and connector, a method to tie subsidies to market management.
- Tier I, Tier II and Tier III may be seen as along the continuum.
- Discussed pros/cons of public versus private entity.
- The following models were discussed:
  - SAIF (see page 2).
  - Massachusetts Health Connector Authority (see page 3).
  - The Energy Trust of Oregon, Inc. (see page 4).
  - The Land Conservation and Development Commission (see page 4).
  - Environmental Quality Commission (see pages 4-5).
  - Minnesota's proposed exchange as a public not-for-profit entity (see page 6).
- Chair asked the Committee members what their thoughts were about a publically governed entity. Discussion included:
  - Administrative ease/flexibility.
  - Exemption from contracting procurement hazards possibility.
  - Importance of transparency/structure around procurement process.
  - Exemptions by SAIF discussed.
  - Lorey Freeman, Office of Legislative Council suggested identifying the problems with the procurement requirements before asserting that waivers are needed generally. Oregon Health Sciences University (OHSU) and Oregon State Bar were suggested as additional models.
  - Will state personnel and labor laws apply to this entity?
  - Chair suggested that it was shaping into a public model entity with a lot of transparency, public meetings, some flexibility to have executive sessions, some flexibility in administrative functions, with clear appeals process but less hindering than at current public agencies.
  - What is the relationship between the exchange and the Board in terms of accountability?
  - Eileen Brady related that has not been set yet, could set in place policies for reporting, negotiations, etc. Gray areas of governance discussed.

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- Dedicated funding stream, protection, independence, Governor's role in appointing the Board and the Board elects an executive director discussed.
- Suggestion to combine models.
- Need for scrutiny and discussion on how much staff would be needed for something with this size of public representation involved.
- Discussion on public/private enterprise. Example of a statutorily-established 501(c)3 (not-for-profit) entity with assigned duties, accountability and serving the public given.
- Concern expressed about making the exchange a private corporation, citing its possible market regulatory power.
- Accountability, not-for-profit, and creating a new entity that is both public and private. Is it public with nimbleness or private with public accountability?
- Discussion of qualities of SAIF model listed: not a government agency, like a private enterprise; insulation from the public sector, operate in a competitive manner; difference noted that the exchange will be a sole source while consumers can choose an alternative to SAIF.
- Receptiveness by legislature discussed. Support for public model.
- Ellen Lowe, Chair of the Eligibility and Enrollment Committee, related her committee's conversations regarding the exchange. There had been conversation relating to FHIAP and low income Oregonians. She noted the change in terminology from subsidy to contribution.
- Options are public, private and SAIF-like.
- SAIF model discussed, what is the oversight?
- Will flesh out, clarify DCBS role. Want more clarity around the options and email will be sent out.

Nora Leibowitz **IV. Rating Implications of Individual Market Reform**

Staff provided update on James Matheson's work.

- Will conduct a follow-up on modeling regarding the impact of having OMIP, portability and newly covered individuals join the individual market.

Denise Honzel **V. Financing the Exchange (See Exhibit Materials 4)**

Reviewed document and Pros and Cons of the options (1:45:40)

- **Option 1**
  - Ultimately pays for itself
  - May be less stable
- **Option 2**
  - Discussion of fee being passed on, including self-insured and TPAs.
  - Rocky King related that covered-life basis creates some inequities in the market; student health coverage, stop-loss carriers pay assessments (big fee relative to cost of insurance). He noted Kitzhaber's concept of implicit-versus-explicit cost shift.
  - He added that another con may be unpredictability of assessment, others noted this would be less of an issue in funding exchange than it is funding OMIP (medical costs fluctuate).
- **Option 3**

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- Staff added another con that if you ask for money from General Fund something else gets less money.
  - Ree Sailors related that California received a loan from state with a repay at the end of a specified period of time. Ongoing operations eventually become self-sustaining.
  - **Option 4** overviewed.
  - **Option 5** created as a combination of 1 and 4.
- Will market mechanism/competition make the exchange more efficient? Discussion on parallel markets, administrative fees and keeping exchange costs down.
- Ree Sailors offers suggestions regarding ways that the exchange could minimize administrative costs.
- Rocky King supports using seed money, relating that many health care programs have done this.
- In a dual model what portion of the exchange is for consumers not accessing state financial assistance?
- Exchange costs versus outside carrier costs discussed.
- Disclosing costs and breaking out subsidized from non-subsidized.
- Work Group was polled for option choices.
- Alternative suggested as health care reform may have to be staged.
- No consensus reached by the Work Group on the option choices.
- Staff will flesh out and return.
- Charge of creating a lower cost system and why mechanisms to contain costs are not being discussed?
- It was suggested that how the exchange can drive the market should be addressed.
- Healthcare Purchasers Coalition efforts related.
- Maribeth Healey of the Delivery Systems Committee reported on ideas being circulated, including Certificate of Need (CON) as controlling costs with new technology, but no solid recommendations. She invited suggestions.
- Interaction between committees, joint meetings and integration of ideas discussed.

Chair Honzel **VI. Public Testimony**

No public testimony offered.

Chair Honzel **VII. Adjournment**

Meeting was adjourned.

NEXT MEETING: Monday, April 7, from 1 to 5 pm at the Wilsonville Training Center, Rooms 111/112, Wilsonville, Oregon.

Submitted By:
Paula Hird

Reviewed By:
Nora Leibowitz, Senior Policy Analyst

EXHIBIT SUMMARY

1. Draft Agenda
2. Market Reform Presentation to the Finance Committee
3. Exchange Governance Working Document
4. Financing Options Working Document

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OREGON HEALTH FUND BOARD – Finance Committee
Exchange Workgroup Meeting

March 12, 2008 **CCC, Wilsonville Training Center, Room 111**
8:30 am (Digitally Recorded) **Wilsonville, OR**

MEMBERS PRESENT: **Denise Honzel, Chair**
Laura Etherton, Vice Chair
Aelea Christofferson
Damian Brayko
Chris Ellertson
Jack Friedman
Jon Jurevic (by phone)
Kelsey Wood
Kerry Barnett
Lynn-Marie Crider
Steve Doty
Scott Kipper
Terry Coplin

MEMBERS EXCUSED: **Ken Provencher**
Nina Stratton

OTHERS ATTENDING: **Bill Kramer, Consultant**
Rick Curtis, Consultant
Scott Kipper, Oregon Insurance Commissioner

STAFF PRESENT: **Nora Leibowitz, Senior Policy Analyst, OHPC**
Barney Speight, OHFB Executive Director
Alyssa Holmgren, Policy Analyst
Zarie Haverkate, Communications Coordinator

ISSUES HEARD:

- **Call to Order**
- **Review of Minutes**
- **Exchange Options – Functions and Population**
- **Exchange Governance**
- **Report on Agent/Broker Staff Review Panel**
- **Public Testimony**

(Digitally Recorded)

Chair/ Nora Leibowitz **I.** **Call to Order / Housekeeping**

There is a quorum.

- Newsletter / OHFB Meeting Corrections: The Oregon Health Fund Board March 20 meeting location has changed to the Sheraton Portland Airport Hotel. The OHFB Enrollment and Eligibility Committee will meet on April 23 instead of April 22.
- *GovDelivery:* The OHFB and Oregon Health Policy and Research (OHPR) have implemented *GovDelivery,* which will now allow subscribers to choose what information they wish to receive and will be phasing out the master mailing list. Please sign up for *GovDelivery* notifications at the OHFB or OHPR websites.

These minutes are in compliance with Legislative Rules. Only text enclosed in italicized quotation marks reports a speaker's exact words. For complete contents, please refer to the recordings.

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- *TalkHealthReform*.org website: The Northwest Health Foundation is sponsoring a new website, www.talkhealthreform.org to engage Oregonians in conversations about health reform. Each week there will be a new topic posted to the website where people can share their views.

Chair **II.** **Review of Minutes of 2/25/08 meeting** (see Exhibit 2)

Minutes were reviewed; approval is not required for workgroups. No changes were suggested.

Bill Kramer / Nora Leibowitz / Rick Curtis **III.** **Exchange Options –Populations** (see Exhibit 3)

The Work Group reviewed and discussed the various options.

- Category A – Individuals receiving state premium contributions (income between 150-300% FPL)
  Group Decision: Include in Exchange

- Category B – Individuals receiving tax credits for premium purchase (income between 300-400% FPL)
  Discussion
  - Rick Curtis stated that California would not consider allowing use of tax credit for premium purchase unless users went through the Exchange. The rationale was that tax credits are expensive to administer and subject to abuse. The Exchange could be the agent of the state since it already does the enrollment and is in a position to verify the use, ensure that people get the tax credit in a timely manner, and improve the integrity for the state. This would assist with high medical costs compared to income.

  Group Decision: Include in Exchange

- Category C – Individuals not eligible for employer's ESI, but who can use Sect. 125 plan (income above 400% FPL)
  Group Decision: Include in Exchange if employer chooses option for all such employees.

- Category D– Individuals working for non-offering employer, who use Section 125 plan (income above 400% FPL)
  Group Decision: Include in Exchange if employer chooses option for all such employees.

- Category E – Self-employed or non-employed individuals with income above 400% FPL
  Discussion
  - Denise received input from James Matthison who stated that a dual market would work as long the same rating rules and risk adjustment are applied across both markets. To minimize risk selection, would want to require products in the direct market meet minimum essential benefit level. Applying risk adjustment to medical component of rates would level out risk. Very strong Insurance Division rules are needed to govern and administer the system.

Group Decision: Poll of Work Group revealed most preferred to allow participation in an exchange or purchase outside. Asked Staff Review Panel to work with James Matthison to look into other market reform options needed if go with this option.

- Category F – Employees of small employer groups

  Discussion
  - Denise stated that James Matthison's recommendation is to combine the small and individual group markets into one pool.
  - Discussed cost vs. selection being important to small employer in choosing plans.
  - Steve Doty's experience has been that although choice is a factor in choosing plans, it is the cost that drives the decision.
  - Having an Exchange may save small employers the administrative time and cost of reviewing and selecting plans.

  Group Decision: Ask Market Reform Staff Review Panel to work with actuary and underwriting folks to see what would be the market implications if went to different rate bands whether or not the small market is brought into the Exchange and what could be done to minimize the risk. Also to look at what provisional conditions are needed if small employers could participate in the Exchange on a voluntary basis and cost would be and bring back to the Work Group. Need further discussion with Jonathan Gruber.

Bill Kramer **IV.** **Possible Functions and Roles for Exchange** (see Exhibit 4)

The Work Group reviewed the Functions and Roles document.

Discussion:
- Tier 1, second to last bullet, revise to state: "Offer to train and certify agents and brokers on exchange functions . . . ".
- Kelsey Wood concerned that the options do not address what is needed in an Exchange and will email the Work Group with his suggestions for a cost saving model.
- Concerned that options will not reduce costs and need modeling that guaranteed issue will not drive up costs. Working with James Matthison to model this.
- SB 329 talked about having contradicting mandates preserve employer base, then to create something where there is a single seamless system which questions individual choice. Need to address seamlessness.

Group Decision: Some members wanted Tier 1 if Exchange cannot show a value. Majority of Work Group preferred a High Tier 2, with an ability to go to Tier 3. Need to see modeling for cost implications.

Nora Leibowitz **V.** **Exchange Governance** (see Exhibit 5)

The Work Group reviewed a draft of three types of entities that might administer an Exchange: 1) Public agency; 2) Public-Private Hybrid; and 3) Private organization and provided examples.

Discussion
- Chart needs to address appeals rights, process functions.

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- Rick Curtis stated that the Exchange needs to have authority to operate efficiently and move quickly in order to meet the quickly changing market. There may be advantages to using a pay scale that differs from the state system in order to attract and keep employees.
- Continue to work on this.

Chair **VI. Report on Agent/Broker Staff Review Panel**

Not provided.

Chair **VII. Public Testimony**

No testimony was requested.

Chair **VIII. Adjournment**

The Work Group decided to hold two additional meetings in April. Staff will identify dates and will post the information on the OHFB website. Meeting adjourned by Chair Honzel at approximately 12 pm.

NEXT MEETING: Wednesday, March 25, from 1 to 4 pm at the Northwest Health Foundation, Bamboo Room, 221 NW 2nd Avenue, Suite 300, Portland, OR.

Submitted By:
Zarie Haverkate, Communications Coordinator

Reviewed By:
Nora Leibowitz, Senior Policy Analyst

EXHIBIT SUMMARY

1. Draft Agenda
2. Draft February 25, 2008 Minutes
3. Health Insurance Exchange Options Discussion Document
4. Exchange Functions and Roles Discussion Document
5. Exchange Governance Document

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OREGON HEALTH FUND BOARD – Finance Committee
Exchange Workgroup Meeting

February 25, 2008 **CCC, Wilsonville Training Center, Room 111**
10:00 am (Digitally Recorded) **Wilsonville, OR**

MEMBERS PRESENT: Denise Honzel, Chair
Laura Etherton, Vice Chair
Damian Brayko
Chris Ellertson
Jack Friedman
Jon Jurevic (by phone)
Kelsey Wood
Kerry Barnett
Lynn-Marie Crider
Nina Stratton
Steve Doty
Scott Kipper

MEMBERS EXCUSED: Aelea Christofferson
Terry Coplin
Ken Provencher

OTHERS ATTENDING: Bill Kramer, Consultant

STAFF PRESENT: Nora Leibowitz, Senior Policy Analyst, OHPC
Alyssa Holmgren, Policy Analyst
Zarie Haverkate, Communications Coordinator

ISSUES HEARD:

- Call to Order
- Review of Minutes
- Market Reform Discussion
- Health Insurance Requirement
- Next Steps
- Public Testimony

(Digitally Recorded)

Chair **I. Call to Order**

There is a quorum.

Chair **II. Review of Minutes of 2/13/08 meeting**

Minutes were reviewed; approval is not required for workgroups. No changes were suggested.

These minutes are in compliance with Legislative Rules. Only text enclosed in italicized quotation marks reports a speaker's exact words. For complete contents, please refer to the recordings.

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Nora Leibowitz **III. Market Reform (See Exhibit Materials 3)**

***Amended Report from Staff Review Panel*:** A straw plan and issue development document was presented from the Staff Review Panel on Market Reform. Each item in the document was discussed. Group provided wording changes and suggested some reordering of content.

- **Risk Management Options**: some preference that risk adjustment be prospective.
- **Financing Mechanism for High Risk Enrollees**: Suggested financial modeling of how high risk and portability pools would work to maintain stability and in regard to OMIP.
- **Benefit Design:** add language indicating that benefit levels are dependent on cost of essential benefit package
- **Plan Enrollment Period:** Discussed modeling two options for enrollment; one with an open enrollment period and a second around automatic enrollment. Will include language to indicate there is a process to ensure people can and will be enrolled easily.
- **Group Market and Groups of One:** Clarify definition of group market and self-employed people with no other employees.
- **Rating:** want to increase transparency of both medical and administrative cost components of rates. Clarified that "healthy behavior" discounts would be allowed but not mandated, allow geography-based rating with continuing oversight by DCBS.
- **Limiting Disruption for Current Individual Market Enrollees:** 9.e. is a placeholder for further thought and discussion.

Staff will revise the Market Reform straw plan based on discussions and send to the work group. Denise Honzel will be providing the Finance Committee with an update of this information at a March meeting.

Bill Kramer **IV. Health Insurance Exchange Options (See Exhibit Materials 4)**

The work group continued its discussion, starting by reviewing page 6 of the discussion document chart regarding the Summary of Options, "Categories of Enrollees Potentially Entering Exchange."

The staff review panel had discussed whether people not getting state financial assistance should go through the exchange. Group discussed pros and cons.

- Might be some reduction in administrative costs in determining eligibility and collection of premium through exchange. Exchange may track population changes (people new to Oregon/leave Oregon). Risk adjustment works best if revenue is coming into a central place.
- If outside the exchange, needs to be the same process (Tier 1).
- Questioned the statement: "While administrative costs of enrollment may decline, the cost of administering the exchange would likely offset that reduction to some degree."
- If outside subsidy, what value is the exchange? Why not use FHIAP which operates well for subsidy? Exchange would offer more plan choices. Would offer individuals same purchasing clout as groups.
- PEBB is a good example of an entity that is forcing the market to be better.

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- Could you drive change in Tier 2 by setting standards? It could make improvements on the industry. All need to be completely transparent and value-based could drive lower costs on the long term.
- Tier 3 is where could make health care more affordable and drive lower cost structures. Insurers would get more aggressive with their marketing.
- Having a free market outside the change also drives innovation.
- Ways to deal with risk adjustment inside or out of an exchange, but may not be most efficient. Easier to risk adjust through exchange.
- Tier 1 - not adding a lot of value to what's already happening. Add "Eligibility" to Tier 1.
- Tier 2 – Some carriers may not participate
- Tier 3 – Voluntary market (direct route and exchange route). Possibly restructure premium – may add additional value, as long as risk pool inside and outside exchange and essential benefit level set. 3C could be achieved in a voluntary market as long as have value for the consumer.
- Rick Curtis previously advised that allowing individual-by-individual choice causes risk selection problems.
- Staff will draft comments from discussion.
- Decided to convene a staff review panel to further discuss role of agent and brokers inside and outside of an exchange.
- Move 4th bullet under 3, 2. Page 2.

Chair **V.** **Public Testimony**

Joe Zaerr, member and representative of the Mid-Valley Health Care Advocates, submitted written testimony supporting Tier 3 as the preferred model for the Insurance.

Chair **IX.** **Invited Testimony**

Teresa Schuh and Steve Purkeypile with the Oregon Department of Revenue testified about the issues to consider if the personal income tax system was used to enforce an individual mandate. The Department of Revenue would need statutory authority in order to collect penalty. When talking tax returns, "resident" means something different than "Oregonian." "Non-resident return" "Part-Resident Return" and all of these terms would have different meanings in regards to health insurance. Need to ensure that any additional requirement put on tax form does not reduce compliance with filing.
Additionally, many people do not file a tax return, (elderly, low income, migrant workers, and students). Depending on how people file their return, it could cost quite a large amount just to process the return in Oregon. The tax will add a substantial cost to administer. Lane County asked Department of Revenue to add a tax which ran $1.5 - $2.6 million in administrative costs. Would be challenge to Department of Revenue to add anything additional to the tax form as it is full now, and probably will need to go to a three-page tax form, also an additional cost. What about using for tax penalty? Have to have statutory authority to enforce and appeal the penalty. Right now appeals go to Tax Court.

Chair **X.** **Adjournment**

Meeting adjourned by Chair Honzel at approximately 1 pm.

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The next meeting is Wednesday, March 12, from 8:30 am – Noon at the Wilsonville Training Center, Rooms 111/112, 29353 Town Center Lop E, Wilsonville, OR.

Submitted By:
Zarie Haverkate, Communications Coordinator

Reviewed By:
Nora Leibowitz, Senior Policy Analyst

EXHIBIT SUMMARY

1. Draft Agenda
2. Draft January 13, 2008 Minutes
3. Amended Market Reform Straw Plan
4. Health Insurance Exchange Options: Discussion Document
5. Individual Mandate: Discussion Document

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OREGON HEALTH FUND BOARD – Finance Committee
Exchange Workgroup Meeting

February 13, 2008 **CCC, Wilsonville Training Center, Room 111**
9:00 am (Digitally Recorded) **Wilsonville, OR**

MEMBERS PRESENT: Denise Honzel, Chair
Laura Etherton, Vice Chair
Damian Brayko
Aelea Christofferson
Chris Ellertson
Jack Friedman
Jon Jurevic (by phone)
Kelsey Wood
Kerry Barnett
Lynn-Marie Crider
Ken Provencher
Nina Stratton
Steve Doty
Scott Kipper

MEMBERS EXCUSED: Terry Coplin

OTHERS ATTENDING: Rocky King, FHIAP
Bill Kramer, Consultant
Rick Curtis, Institute for Health Policy Solutions (by phone)
Ed Neuschler, Institute for Health Policy Solutions (by phone)

STAFF PRESENT: Nora Leibowitz, Senior Policy Analyst, OHPC
Alyssa Holmgren, Policy Analyst
Zarie Haverkate, Communications Coordinator

ISSUES HEARD:

- **Call to Order**
- **Review of Minutes**
- **Market Reform Discussion**
- **Report to Legislature: Health Insurance Exchanges and Market Reform**
- **Next Steps**
- **Public Testimony**

(Digitally Recorded)

Chair **I.** **Call to Order**

There is a quorum.

Chair **II.** **Review of Minutes of 1/7/08 meeting**

- Minutes were reviewed; approval is not required for workgroups. No changes were suggested.

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These minutes are in compliance with Legislative Rules. Only text enclosed in italicized quotation marks reports a speaker's exact words. For complete contents, please refer to the recordings.

Nora Leibowitz **III. Market Reform (See Exhibit Materials 3)**

- ***Report from Staff Review Panel*****:** A straw plan and issue development document was presented from the Staff Review Panel on Market Reform. Discussed each item in the document.
  1. **Risk Pool**: One individual market pool.
  2. **Risk Management Options**:
     - Can a risk adjustment approach be done with two markets (direct and exchange) and or is it only possible to have risk adjustment for a single market (as if all individual market purchasers are within the exchange?) Rick Curtis responded stating:
       - Spread risk as broadly as possible
       - Phase-in period for high risk
       - Compare to normative standard as agreed upon
       - If too expensive, then possibly include an external subsidy.
       - Discussion of individual mandates and being able to keep costs low enough during interim
     - Risk adjustment rather than reinsurance, direct vs. exchange are discussed.
  3. **Financing Mechanism for High Risk Enrollees**: Needs to be worked out; the following was discussed:
     - OMIP pool transitioned over time.
     - Need to provide additional financial assistance to people in OMIP pool during transition period, including OMIP assessment to make rates affordable and transitioning to protect infrastructure.
     - Based on the group market, if we go to new essential service benefit (ESB) would that potentially lower the overall cost of the high risk pool? In the current reasoning, it would not.
     - Of those currently in the individual market, what is the ratio of OMIP enrollment to the total individual market?
     - Rocky King, FHIAP, related that if a subsidy were currently available, approximately 8,000-10,000 would be added to the high risk pool.
     - Discussion on phasing out subsidies/OMIP population.
     - Flag portability market and talk to actuaries regarding this market. Funding and the need to model and provide transition financing through risk adjustment or pool itself (structure) were discussed.
     - The need for an effective enforcement mechanism on individual mandate for guarantee issue to be work. The experience of the Washington state market (no mandate) and resulting price increases is related.
  4. **Benefit Design:**
     - Lowest level plans enroll the healthy risks while higher risk individuals take plans with more generous benefits level. In guaranteed market, if risk adjustment works, that may mitigate the effect, but does cause concern.
     - Regarding d): Benefits committee to establish ESB and market will create other, higher level plans.
     - Rocky King, related that the basic plan has to be low enough in cost so that it is comparable to people pay today or it may disrupt current market.

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- Discussion regarding carriers offering only one type of plan and not offering higher risk options and if it needs to be a requirement that a carrier must offer all plan levels to participate in the exchange. Rick Curtis discussed the tiers in the California and Massachusetts plans and requirements that participating carriers participate in various plan levels, but cannot offer plan below EBL.
- In discussion of plan design and cost – assume that the subsidized market has very low access for coverage, co-pay or no co-pay (full access) then move to the next level.

5. Plan Enrollment Period:

- Delete 5. g.

6. Transition Period Efforts: No changes.

7. Group Market and Groups of One: No changes

8. Rating:

a. Add "administrative costs" to medical component. Rocky: 1-19 matches with CHIP.
f. Delete.
g. make through 19 (not 18), matches CHIP.
h. Keep or drop? Steve: need incentives to make affordable so people will be insurance. Jack said should "cautiously consider"
h. Move under benefits design?
i. Reevaluate depending on what happens on exchange.
j. Rating adjustments based on behaviors not required but allowed.
   - "Allow the **market as a whole** [delete 'exchange'] to work with carriers....
   - Leave 2nd sentence in.
k. No changes.

9. Limiting Disruption for Current Individual Market Enrollees: Add e. Determine whether currently enrolled will be eligible for subsidies.
10. Maintaining Carrier Participation: Ok.
11. Benefit Plan for Young Adults: Initially, no separate plan for young adults. Leave this option open for later if needed.

Motion to approve document as amended is **seconded. Motion passed unanimously**.

Contact Nora regarding any additional comments.

Nora Leibowitz / Bill Kramer	**IV.**	**Report to Legislature: Health Insurance Exchanges and Market Reform**

- **Report/presentation to the Legislature.** Jack Friedman complimented staff on a great report to the legislature.
- **Discussion of Exchange Options, populations laid out (See Exhibit Materials 5)**
  - Page 2 (top of page), 2nd Bullet – Change "Provide" to "Assure."
  - Discussion of brokers, who they represent and the advantage of a broker represented exchange.

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- Need to represent the full market choice not particular carrier.
- What are the activities the exchange will take on?
- Exchange could certify broker to sell and would have to be certified to sell FHIAP.
- Discussion on revising #2, page 9 if there is one market.
- Members were urged to contact Bill/Nora if any goals are missing.

Chair **V.** **Public Testimony**

- Jane-Ellen Weidanz, testifying as a citizen, stated that a critical component of the exchange should be to advocate for people, especially seniors and people with disabilities in helping with choice, fraud, appeals process, understand rights and processes.

Chair **IX.** **Adjournment**

Meeting adjourned by Chair Honzel at approximately 11:55 am.

Next meeting is February 25, 10 am – 1 pm at the Wilsonville Training Center, Rooms 111 & 112, 29353 Town Center Lop E, Wilsonville, OR

Submitted By:
Paula Hird, Office Specialist

Reviewed By:
Nora Leibowitz, Senior Policy Analyst

EXHIBIT SUMMARY

1. Draft Agenda
2. Draft Minutes
3. Report to the Legislature: "Health Insurance Exchanges and Market Reform"
4. Market Reform Straw Plan
5. Health Insurance Exchange Options: Discussion Document
6. Individual Mandate: Discussion Document

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OREGON HEALTH FUND BOARD – Finance Committee
Exchange Work Group Meeting

January 7, 2008 | **CCC, Wilsonville Training Center, Room 111 & 112**
2:00 pm (Digitally Recorded) | **Wilsonville, OR**

MEMBERS PRESENT: Denise Honzel, Chair
Laura Etherton, Vice Chair
Chris Ellertson
Jack Friedman
Jon Jurevic
Kelsey Wood
Kerry Barnett
Lynn-Marie Crider
Ken Provencher
Nina Stratton
Steve Doty
Damien Brayko
Scott Kippner
Aelea Christoferson (by phone)

MEMBERS EXCUSED: Terry Coplin

OTHERS ATTENDING: Rocky King, FHIAP
Bill Kramer, Consultant

STAFF PRESENT: Nora Leibowitz, Acting Director, Health Policy Commission
Susan Otter, Policy Analyst
Alyssa Holmgren, Policy Analyst
Zarie Haverkate, Communications Coordinator

ISSUES HEARD:

- **Call to Order**
- **Review of Minutes**
- **Update on Market Reform Work**
- **Insurance Data**
- **Discussion: Insurance Design Issues**
- **Public Testimony**

(Digitally Recorded)

Chair **I.** **Call to Order**

There is a quorum.

Chair **II.** **Review of Minutes of 12/19/07 meeting**

- Minutes were reviewed; approval is not required for workgroups. No changes were suggested.
- Introduced Oregon's new Insurance Commissioner, Scott Kipper.

Chair **III. Update on Market Reform Work**

- Risk management and sharing with a broader base in how to deal with high risk and discontinuing the Oregon Medical Insurance Pool (OMIP).
- Staff provided information on the exchange proposed in California health reform legislation. The Group discussed the California plan and the need to obtain more details for further study.
- Staff provided the current market reform straw plan. The chair asked work group members to look at it and provide any input. A staff review panel providing input on market reform proposals will continue to work on it and return it to the Work Group.

Nora Leibowitz **IV. Insurance Data**

- This information will be part of the modeling work that Jonathan Gruber will be doing for Oregon.

Denise Honzel **V. Discussion: Insurance Design Issues**

Who will go through an exchange? (see page 6 of handout). The group discussed the options.

- Option one – Subsidized individuals are mandated to go through the exchange, others may enter voluntarily.
- Option two – Everyone purchasing insurance in the individual market goes through the exchange.
- Additional issue – would any interested insurer be allowed to participate, or would the exchange select which insurers may participate.
  - Limiting entry could strengthen value-based purchasing and might promote competition, could also keep insurers out of the individual market, et al.

Discussion

- Which option encourages market competition more?
  - It was suggested that the more carriers involved the greater the competition.
  - Limiting carriers may make it difficult for new businesses.
  - What portion of the market will the exchange occupy?
  - Can limiting carriers encourage competition through bidding and setting standards?
- Discussion on the value of an exchange.
  - The market inside and outside of the exchange.
  - Plan certification will be by DCBS.
  - It was noted that insurance carriers that offer coverage through a business to its employees often require minimum participation level by employees.
  - Suggestion to separate discussions between groups' needs and individuals' needs.
  - Agreement that individuals getting subsides all go through the exchange.
- Discussion of California's Plan

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  - The exchange plays more of a consumer education and market change role and not necessarily a negotiating role in addition to its role with subsidies.
  - In the individual (non-exchange) market, insurers must offer plans in each of five levels, with the difference being cost-sharing. The exchange must offer levels 1, 3 and 5.
  - There needs to be more exploration regarding education versus negotiation.
- All members voted in support of an exchange providing the following services:
  - administer subsidies for individuals,
  - administration of entry by volunteer/other individuals in the exchange, and
  - provide information to individuals choosing a plan within the exchange.

  The group also supported the continuation of a separate individual market.
- It was suggested to move to addressing what the exchange would have to look like to add value in the market place.
- Eileen Brady of the Oregon Health Fund Board (OHFB) spoke from the audience stating there is currently a strong voice from the Board that believes the purpose of exchange is to increase cost containment, increase health outcome, and increase coverage to Oregonians.

Possible Functions of an Exchange (see page 4 of handout)

- Reviewed and agreed to the first four bulleted statements.
- The group discussed bullet 5.
  - The role of the exchange in regards to benefits and cost sharing.
  - Will the minimum benefit package be subsidized or will there be a different requirement and how will this affect the set-up of the exchange?
  - Discussion on base benefits and plan designs.
  - Change bullet 5 to read "establish standardized or comparable tiered benefits…" instead of "base benefits."
- Discussion of bullet 6 involving risk adjustment and providing incentives to reduce costs, drive quality, prevent gaming, and encourage case management.
- Review of bullet 7 was identified as a DCBS function.
- Discussion of bullet 8 included:
  - The importance of centralized eligibility certification.
  - The problem of coordination between Medicaid, the exchange and the private market.
  - The statement needs to reflect "work with existing state agencies to confirm subsidy eligibility, to encourage ease of entry and transfer between subsidized and unsubsidized coverage."
- Group agreed that exchange will administer subsidies for low income individuals.
- Eileen Brady asked if the exchange might be a vehicle to stimulate the market, suggesting the Market Reform staff review panel may want to work on the issue of portability.
- Bullets 9 through 12 were reviewed with discussion on value-based strategies, community based rates, regulatory power, and negotiating rates.
- Do we want market shaping; would regulation be more advantageous and help create a better market place? Discussion about: having two

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separate individual markets and the possible problems; pay-for-performance; market limiting; and whether an exchange with only subsidized individuals would be sufficient or if it should include the entire individual market.
- Chair asked for opinions on the exchange having the authority to aggregate and reaggregate to build health insurance products, a function that historically has been the role of health plans.
- A staff review panels will meet to address the value of the exchange from the perspective of the purchaser. The Market Reform staff review panel will continue.

Chair **V. Public Testimony**

- Ellse Brown, America's Health Insurance Plans, testified on guaranteed issue and community rating. Submitted a report by Millman and highlights from AHIP's Guarantee Access Proposal. Provided highlights from a conceptual plan featuring a Guaranteed Access (GAF) plan. Discussion by the group about combining high risk individuals and the individual market.
- Jon Gruber and Rick Curtis, consultants will be on the phone with the Finance Committee to discuss revenue models and market analysis at the next meeting.

Chair **IX. Adjournment**

Announcements
- Alyssa Holmgren distributed a chart on the options for the exchange's administration (public, private, quasi-public).
- A January 7 Wall Journal Article entitled "The New Insurance Frontier" was distributed.
- January 15 at 9:00 am is the next Benefits Committee meeting.

Meeting adjourned by Chair Honzel at 4:35 pm.

Next meeting is January 23 at the ODOT Building, 123 NW Flanders, Portland. [Note: This meeting was later cancelled.]

Submitted By:
Paula Hird, Office Specialist

Reviewed By:
Nora Leibowitz, Senior Policy Analyst

EXHIBIT SUMMARY

1. Draft Agenda
2. Draft Minutes
3. Discussion document: Insurance Exchange – Problems, Opportunities
4. Exchange Workgroup Roster

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OREGON HEALTH FUND BOARD – Exchange Workgroup Meeting

December 19, 2007 **CCC, Wilsonville Training Center, Room 112**
9:00am (Digitally Recorded) **Wilsonville, OR**

MEMBERS PRESENT:
Denise Honzel, Chair
Chris Ellertson
Jack Friedman
Jon Jurevic
Kelsey Wood
Kerry Barnett
Lynn-Marie Crider
Nina Stratton (by phone)
Steve Doty
Terry Coplin
Damien Brayko (by phone)
Aelea Christoferson

MEMBERS EXCUSED: **Laura Etherton, Vice Chair**

OTHERS ATTENDING:
Rocky King, FHIAP
Bill Kramer, Consultant
Ree Sailors, Health Care Policy Advisor to the Governor

STAFF PRESENT:
Nora Leibowitz, Acting Director, Health Policy Commission
Alyssa Holmgren, Policy Analyst
Judy Morrow, OHFB/OHPR Assistant

ISSUES HEARD:

- **Call to Order/Review of Minutes**
- **Board Assumptions**
- **Discussion: Exchange – identifying problems, opportunities, options, objectives**
- **Discussion: Exchange functions and affected populations**
- **Public Testimony**

(Digitally Recorded)

Chair **I.** **Call to order and Review of Minutes of 12/06/07 meeting.**

There is a quorum. Minutes were reviewed; approval is not required for workgroups.

Nora Leibowitz **II.** **Board Assumptions**

- Design principles and assumptions are being revised.
- Working assumptions include:
  - Strengthen foundational elements
  - Shared responsibility and accountability
  - Financial sustainability
  - Consumerism in healthcare needed
  - Remove financial barriers
- New details will be passed on to group.

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Chair **III. Discussion: Exchange – identifying problems, opportunities, options, objectives.**

Work is due to Finance Committee on or before March 15, 2008. The Committee began reviewing the handout Insurance Exchange Design Issues:

- Review "What problems are we trying to solve by creating an Insurance Exchange?"
  - Portability and Affordability.
  - Barrier for employees with multiple employers.
  - Disadvantages that individuals have vs. large groups.
  - Promote wellness.
- Review of "What opportunities are created by the proposed comprehensive reform plan?"
- Review of "Possible Objectives for an Insurance Exchange." Discussion regarding:
  - Portability and COBRA.
  - Minimizing the problems/gaps when changing between employer-based coverage, the individual market, and Medicaid.
  - Should employers be allowed to contribute to premium for individual plans, currently prohibited?
  - Uninsured include small business employees, self-employed and seasonal workers.
  - Individual market reform will affect the structure of portability. Would these individuals be eligible for subsidy and would it be in the individual market via an exchange, or for COBRA?
  - Contributions by employer and opening 125 accounts.
  - Administrative responsibility of enforcing coverage mandate, part of the exchange or existing regulatory entity?
  - Change bullet seven to: Provide a mechanism to collect premium contributions from multiple sources.

Chair **IV. Discussion: Exchange functions and affected populations** (see handout).

- Bullet one: will be determined over time, will revisit after identifying who will be in the exchange.
- Bullet two: exchange to provide consumers with tools/information.
- Bullet three: accepted as written
- Bullet four: will revisit but change to the following: Provide a mechanism to collect premium contributions from multiple sources.
- Bullets five and six: committee will revisit at a later time.
- Bullet seven: accepted as written.
- Bullet eight: there was general consensus that 1) the exchange would not determine eligibility, but would be responsible to ensure it is completed, and 2) the committee will recommend that eligibility be determined by a single source.
- Bullet nine: accepted as written.
- Bullets ten through thirteen: discussion on limiting vs. not limiting number of carriers, problems with insurers entering and exiting the market, and what group(s) of individuals will be included in the exchange.

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Other Issues:

Who would use the exchange?

- The three possibilities were debated (see handout) and will be discussed further.

What organization should serve as the administrator of the exchange/purchasing pool?

- Should it be a public entity, a public service nonprofit organization, a private organization, or something else?
- Who would do means/eligibility testing?
- Include cost estimates of screening when determining program cost, not just subsidy costs.

Chair **V.** **Public Testimony**

No public testimony was offered.

Chair **IX.** **Adjournment**

Meeting adjourned by Chair Honzel at 11:55 am.

Submitted By:
Judy Morrow and Paula Hird

Reviewed By:
Alyssa Holmgren, Policy Analyst, OHFB

EXHIBIT SUMMARY

1. Draft Agenda
2. Draft Minutes
3. Discussion document: Insurance Exchange – Problems, Opportunities
4. Exchange Workgroup Roster

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OREGON HEALTH FUND BOARD (OHFB) – FINANCE COMMITTEE
EXCHANGE WORKGROUP

December 6, 2007
2:00pm

CC - Wilsonville Training Center, Room 111
Wilsonville, OR

MEMBERS PRESENT:
Denise Honzel, Chair
Laura Etherton, Vice-Chair (by phone)
Kerry Barnett
Damian Brayko (by phone)
Aelea Christofferson
Terry Coplin
Lynn-Marie Crider
Steve Doty
Chris Ellertson (by phone)
Jack Friedman
Kelsey Wood (by phone)
Nina Stratton

MEMBERS EXCUSED:
Jon Jurevic
Ken Provencher

STAFF PRESENT:
Nora Leibowitz, Policy Analyst
Alyssa Holmgren, Policy Analyst
Zarie Haverkate, Communications Coordinator

ISSUES HEARD:

- Review November 29 minutes
- Overview of timeline
- Discussion: Market Reform
- Discussion: Health Insurance Exchange Goals
- Public Testimony

Chair

I. Call to order / Review November 29 minutes.

There is quorum. November 29 minutes reviewed; approval of minutes not required for workgroups.

Nora Leibowitz

II. Overview of Timeline

Staff will draft descriptive report of market reform changes on health insurance exchange for Workgroup's review in early January meeting in order to meet the February 1 report to the legislature.

III. Discussion: Market Reform

Discussed two proposed options: 1) Continue to allow medical screening and a high risk pool (uncapped, with a sustainable financing formula) and possible other reforms (in rating, benefits, etc.); or 2) Guaranteed issue with no separate high risk pool, with a risk adjustment or reinsurance mechanism to handle high cost members or cases and possible other market reforms (in rating, benefits, etc.).

- Workgroup decided to focus initially on individual market changes and how to ensure a market with rates that are affordable, stable and transparent. Can return to group market issues later.

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- Rocky King stated individual market rejection rates now average 20-30% compared to 7-12% 4-5 years ago. Some rejected do not enter high risk pool. Noted cost to absorb all subsidized people (est. 200,000 people).
- Issues discussed include: need to not confuse allocation needs or spreading the costs vs. market reform; reinsurance and whether underwriting would be justified when exchange in place.
- Discussed need to investigate single risk pool for stability (such as Medicare) where each insurer would have one pool with a transition period to ensure fair and equitable transitioning of 18,000 high risk people. Need to absorb initial costs. Compliance with mandatory insurance will be tied to affordability, and subsequent enforcement issues.
- Questioned whether the individual market should include groups of one, how to share the risk more broadly than the individual pool. Kerry stated risk adjustment mechanism needed, other is cost allocation issue.
- Need to not drive insurance carriers out of the market as happened in Washington State.
- Discussed need to define rating criteria. Current high risk pool operates with 25% surcharge. Should there be a surcharge on certain individuals (e.g. based on age, illness, gender, location).
- Need to control the variations in risk selection if risk adjustment method is not robust.
- Discussion on whether it is a guaranteed issue for one plan or several plans and that there is a variety of different regulatory issues around carrier offerings. Pricing needs to be addressed.

Chair **IV. Discussion: Health Insurance Exchange Goals and Values**

- Should aggregate as many people as possible in one pool or should have multiple pools for rating? A value would be that we want to aggregates many people as possible into one risk pool.
- One pool would include those already covered, new people who do not have coverage and high risk individuals as opposed to having a pool and different rate for each group.
- A single pool could be more stable, but cost could erode the value of the pool for some.
- A single Oregon pool would create greater stability but there would be different plan choices to allow for consumer choice.
- How the public perceives this leads to a criteria of making it that market responsive.
- Review process built into Exchange.

<u>Summary of Values/Goals</u>

- General agreement was reached to have one pool to spread the risk over a broader number of people.
- Look at how to minimize cost differential based on age, sex, health status, but recognize lifestyle, also taking geography into account.
- Mitigate unintended adverse risk events on insurers.
- Provide sustainable financing for high-risk segment.
- Minimize financial impact on those who already have coverage.
- Access to affordable coverage.
- Create a stable and sustainable market, stable rates, participation by numerous insurers.
- Minimize administrative costs.

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Nominations for a sub-group to flesh out issues, such as transition period, design of risk adjustment, reinsurance, included Laura Etherton, Steve Doty, Rocky King, Jack Friedman, Bill Kramer with Nora Leibowitz.

Nora asked the committee to look over straw person document and send her comments.

V. Public Testimony

No one signed up for public testimony and none was given.

Next meeting: Wednesday, December 19, 9 - Noon. December 19 meeting will cover the functionality, role and duties of the Exchange.

The meeting adjourned at approximately 5 pm.

Submitted by:
Zarie Haverkate
Communications Coordinator

Reviewed by:
Nora Leibowitz
Acting Director, OHPC

EXHIBIT SUMMARY:
1. Draft Agenda
2. Timeline
3. Revised List of Issues for Workgroup Discussion
4. Discussion document: Market Reform
5. Discussion document: Market Design Problems, Goals and Options

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OREGON HEALTH FUND BOARD (OHFB) – FINANCE COMMITTEE
EXCHANGE WORKGROUP

November 29, 2007 **CCC-Wilsonville Training Center, Room 111**
2:00 PM (Digitally recorded) **Wilsonville, OR**

MEMBERS PRESENT: **Denise Honzel, Chair**
Laura Etherton, Vice-Chair
Kerry Barnett
Damian Brayko
Terry Coplin
Lynn-Marie Crider
Steve Doty
Chris Ellertson
Jack Friedman
Jon Jurevic
Kelsey Wood (by phone)
Nina Stratton

MEMBERS EXCUSED: **Ken Provencher**

STAFF PRESENT: **Nora Leibowitz, Policy Analyst**
Barney Speight, Executive Director, OHFB
Alyssa Holmgren, Policy Analyst
Susan Otter, Policy Analyst
Zarie Haverkate, Communications Coordinator

ISSUES HEARD:

- Introduction of Workgroup Members
- Introduction to the work of the committee and this workgroup's task, deliverable and timelines
- Nomination and election of workgroup of Chair and Vice Chair
- OHFB guiding assumptions
- Discussion: Market reform and issue identification
- Public Testimony

(Digitally Recorded)

Nora Leibowitz

I. Call to order / Introductions

There is quorum. Introductions made.

II. Introduction to the work of the committee and this workgroup's task, deliverable and timelines

Nora discussed overall scope of work of the various OHFB committees. The charge of the Exchange Workgroup is to address how the individual market should change based on the design assumptions for reform and look at the role an Exchange could make. A report with recommendations on how an exchange would

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be implemented in Oregon is due to the Finance Committee by February 1.

Nora Leibowitz **III. Nomination and Election of Chair and Vice Chair**

The Committee unanimously approved Denise Honzel to serve as chair. Was approved to have a vice-chair and Laura Etherton was unanimously approved to serve as vice-chair.

IV. OHFB guiding assumptions

Overview was given regarding design principles and assumptions document.

V. Market reform and issue identification

Barney Speight stated that the Board strengthened language around delivery system reform and transformation, containing cost increases over time, with a strategic emphasis on early intervention and wellness, and aggressive disease management for chronic diseases. System has to be affordable to those who can't afford health coverage. Through accountability and funding what is implication of that change alone to how the current market would or should change. Need to discuss if there should be an Exchange and, if so, what would it look like.

Staff distributed an Initial Identification List as a starting point for discussion. The workgroup went through the initial issue identification list and identified additional items for discussion. Staff will take the suggestions and revise the document. Next meeting will focus primarily on moving through the list, adding comments made at today's meeting. Some of the discussion points included:

Discussion

- Concern that if the Exchange competes against the individual market, it could drive up the costs of current individual policy holders. If individual market is rolled together with Exchange and rates skyrocket, need to be careful not to force people out of affordable insurance.
- Look at family coverage and how small businesses cover only employee and not family members.
- Also costs aren't being borne to those who have insurance of the uninsured. All being insured will balance this out.
- Need to look at how affects small employers.
- Whether to assess individual pool or across all pools.
- Need modeling to see various ways to deal with high risk pools.
- Typically, larger pools do better than smaller pools and could possibly eliminate underwriting. Need benefit design to make more value based and more efficient to offer reasonable rates.

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VI. Public Testimony

Doug Barber, with Oregon Association of Health Underwriters stated that the chronically uninsured are a relatively small group. The largest uninsured group of people is the individual and small market, by people who change jobs. Portability needs to be built into the new system in order allow people to not only obtain but keep their insurance.

Oregon Association of Health Underwriters, National Association of Insurance and Financial Advisors – Oregon, and Professional Insurance Agents of Oregon/Idaho submitted written testimony in the form of a memo from the to the Exchange Workgroup regarding agent participation in the Oregon Health Fund. They urged the workgroup to seek the active participation of Oregon's professional health insurance agenda in formulating the new exchange recommendations and offered their assistance.

Meeting adjourned at approximately 4:20 p.m.

Next Meeting: Thursday, December 6, 2 – 5 pm. Additional meetings to be scheduled in January and February.

Submitted by:	**Reviewed by:**
Zarie Haverkate	Nora Leibowitz
Communications Coordinator	Acting Director, OHPC

EXHIBIT SUMMARY

1. Draft Agenda
2. Presentation on Market Reforms and Health Insurance Exchange (Presented at 11/6 Board meeting and 11/19 Finance Committee meeting)

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