

OREGON HEALTH FUND BOARD – Finance Committee
Exchange Workgroup Meeting

February 25, 2008
10:00 am (Digitally Recorded)

CCC, Wilsonville Training Center, Room 111
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.

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.

- 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 Purkeypille 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.

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

DRAFT