

**Oregon Health Policy Board  
EXECUTIVE STAFF RECOMMENDATIONS  
Health Insurance Exchange**

**Date:** October 12, 2010

**Action item:** Request Board adoption of:

- 1) strategies to achieve the Board's goals for an Exchange identified in the Board's February meeting: simplification of access, regulation and plan rules; increased access to coverage and care; improving the way services are provided and paid for; and containing costs;
- (2) decisions on two key policy issues: the Exchange organizational structure and governance.

*(Note: Most of the straw plan elements presented to the Board at its August meeting are not required to develop effective enabling legislation and should be determined by the Exchange Board using the framework adopted by the Health Policy Board.)*

**Executive staff recommendation:**

1. In order to meet the goals of the Exchange as outlined by the Board, executive staff recommends that the Board pursue the following strategies:
  - maintaining costs within a sustainable fixed rate of growth;
  - regionalization of resources and accountability;
  - alignment, coordination and consolidation of purchasing power in the state;
  - standardization of benefits, quality measures, contracting and other relevant areas.

In addition, we recommend that the Board adopt proposals that:

2. Develop Oregon's Exchange as a not-for-profit public corporation with a strong consumer-oriented mission, governing board and consumer advisory board. The public corporation structure offers advantages that are not obtained in either a not-for-profit stand alone or a government agency.
  - The public corporation is accountable to the public and is therefore intended to maximize public benefit rather than profit.
  - A public corporation is able to manage with independence, initiative and is relatively free to adapt because of its autonomous structure.
3. Provide for effective governance by recommending an Exchange governing board large enough to provide for diverse representation, but small enough to get the necessary work done (e.g., 9 to 11 members).
  - The members should be nominated by the Governor and confirmed by the Oregon Senate.

- Only a small minority of the members should be gainfully employed in health care delivery or finance
  - A specified number of Board members should represent those who purchase health insurance coverage through the Exchange (e.g., individual and small business members).
  - Board should include the Director of the Oregon Health Authority, Director of the Department of Consumer and Business Services and a member of the Oregon Health Policy Board.
4. Establish authorities for the Board to meet the requirements in the Patient Protection and Affordable Care Act of 2010 (ACA) and to enable the Board to implement the strategies outlined in recommendation #1 above. For example:
- Authorizing the Exchange to determine participation requirements, standards, and selection criteria for carriers and products offered through the Exchange within the guidance to be created by the HHS Secretary.
  - Authorizing the Exchange to set and charge user fees for the support of the Exchange.
  - Authorizing the Exchange to contract for functions and services. *(Attached document outlines minimum requirements for compliance to ACA).*

**Why the project was undertaken:** House Bill 2009 directed the Oregon Health Authority to develop a plan for an exchange in conjunction with the Department of Consumer and Business Services. HB 2009 requires recommendations be presented to the Legislature in December 2010. The passage of the federal Patient Protection and Affordable Care Act created a baseline by providing guidance and requirements for state exchanges.

**Summary of initial straw plan elements:** OHA staff developed straw plan proposals in the following areas: development of an exchange as a public corporation with a strong, consumer-oriented mission, governing board and consumer advisory boards; establishment of a single statewide exchange with individual and small business product lines; parallel markets with strong standards and meaningful carrier and plan choice in the exchange; allowing carriers participating in the exchange to sell young adult/catastrophic plans; allowing insurance brokers to participate in the exchange; opening the exchange to 51-100 employee businesses in 2016; consideration of early implementation under certain circumstances; and ongoing funding for the exchange through a carrier assessment.

**New information developed at the request of the Board:** Following a presentation to the Board on August 10, an expert panel was convened to identify the policy decisions that would have the greatest impact on premium costs in an exchange. The panel, which included national experts and two of the leadership team that built the Massachusetts Connector Authority, identified the two policy decisions that can have the greatest impact on costs in the exchange: establishing standardized cost sharing packages; and limiting insurance carrier participation in the exchange. The group discussed the concept of a sole market in which all individual and small group insurance purchasers use the exchange, noting that if the exchange is the whole

market it is harder to set a high bar for participating plans in terms of price, quality, and delivery system requirements. The Exchange population estimated by Dr. Gruber's modeling (355,000 individual market consumers) was deemed sufficiently robust to support an exchange in a dual market.

**Opportunities:** Providing a clear vision for reform offers the structure to ensure the exchange is developed in a holistic, consistent and flexible manner. A well-designed exchange can improve access to insurance and health care, increase consumers' ability to compare health plans and choose ones that work for them, and support Oregon's efforts to improve its health care delivery system. Supported by a federal planning grant, over the next year the state will develop an operational plan based on the Policy Board's framework and strategies as well as a legislative concept that will be considered by the 2011 Legislature.

**Conclusion:** Agreement on the strategies discussed above will frame the development of the Exchange and ensure that detailed operational planning is consistent with this vision. Most of the straw plan elements presented in August are not required to develop effective enabling legislation, but should be worked out by an Exchange Board using a framework agreed upon by the Policy Board. Staff recommends that Policy Board support the development of the Exchange as a public corporation with a strong consumer-oriented mission and led by a broadly representative governing board. The Health Policy Board's goals and strategies for an Exchange will provide guidance to the legislature as they take up this important topic during the 2011 session.

**Next Steps:**

- Develop a legislative concept for an Exchange that meets requirements to conform with the ACA, but that also allows the Exchange Board to implement the recommended strategies.
- Complete the business plan for a Health Insurance Exchange for presentation to the legislature in December 2010.
- Initiate the detailed operational plan outlined in the federal exchange planning grant awarded to the state on September 30, 2010.