



Oregon

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TO: The Honorable Mitch Greenlick, Chair
House Health Care Committee

FROM: Jeanene Smith, MD, MPH
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Oregon Department of Human Services

SUBJECT: HB 2755 – Studying options for Reinsurance

Chair Greenlick and members of the committee. I am Jeanene Smith, Administrator of the Office for Oregon Health Policy and Research. HB 2755 furthers the work and recommendations of the Oregon Health Fund Board (OHFB), which my office staffed and can provide the state more options to consider expanding access to care for Oregonians.

Many health plans purchase private reinsurance to protect themselves from unexpectedly large numbers of high cost insurance claims and for other business reasons. A purchaser of health coverage, particularly for groups or individuals who would be newly insured often times pay for the insurers' "fear of risk" or potentially expensive costs greater than expected. By sharing in the payment of some portion of the claims through a reinsurance mechanism, some states have looked to it as a means of bringing down the costs of buying coverage.

In 2001 New York State began Healthy NY, a program of state-funded reinsurance program. It has grown to cover almost 150,000 people, including many small groups, who are now able to purchase insurance that has significantly lower-priced premiums than if buying outside of the program. New York actually buys more of a middle "corridor" of risk and I have attached a diagram at the end of my testimony summarizing their approach.

Because of New York's efforts, reinsurance has been actively discussed at numerous national meetings with other states. Staff from the Office of Private Health Partnerships and I participated in a Reinsurance Institute sponsored by the Robert Wood Johnson Foundation recently in an effort to help learn from New York and others for "best practices" and avoid pitfalls as states consider this as a means to lower the costs of healthcare insurance and expand access to care. The Foundation funded modeling and analytical support to three states, Wisconsin, Rhode Island and Washington State, to help understand the unique features of different state markets and estimate the impacts of reinsurance.



Some of the findings of the modeling work with the 3 states showed:

- Reinsurance from state support did expand coverage among the previously uninsured.
- Premium reductions of about 1/3 were noted overall, varying by the assumptions made in the model and the states' unique characteristics.
- Most of the impact occurred because of increased employer offers of coverage
- It solidified existing coverage by making it less likely that small employers would drop coverage and allowing some people with individual coverage to switch to group coverage

Healthy NY's efforts focused on the previously uninsured, but this newer modeling which included Washington states suggests that this could be a mechanism to sustain employers' efforts to offer insurance to their employees.

In efforts to recommend strategies to make healthcare coverage affordable for both healthy and high-risk Oregonians and aim to keep insurance rates stable over time, the Board, through the work of the Insurance Exchange Workgroup and the Finance Committee, developed recommendations for market changes within a comprehensive reform plan, including the development of a health insurance exchange. To encourage carriers' participation in the exchange, the Board recommended that there should be a look at reinsurance or other risk-sharing arrangements. The committee has been provided a copy of the letter from the Board in full support of this bill, as they view it will accomplish some of the further work necessary to develop a solution to lower costs for small business and individuals seeking to obtain or maintain health insurance.

Expanding access to health care services serves to achieve the Board's aim for affordable, quality health for all Oregonians. This study is a great next step towards a Healthy Oregon.

Appreciate your time in consideration of this bill.

Simple Sketch: How Healthy NY does Reinsurance

Claims in Dollars per
person year

