COVER OREGON™

UPDATE TO COVER OREGON BUSINESS PLAN 2014-2015

PRESENTED TO OREGON STATE LEGISLATURE ON MAY 28, 2014

Cover Oregon
16760 SW Upper Boones Ferry Road, Suite 200
Durham, OR 97224
1-855-CoverOR
www.CoverOregon.com

UPDATE TO COVER OREGON BUSINESS PLAN 2014-2015

I. INTRODUCTION

Senate Bill 1562, Section 3, passed on March 28, 2014, requires that the executive director of the Oregon Health Insurance Exchange Corporation submit an updated business plan for the remainder of 2014 and 2015.

SECTION 3. The executive director of the Oregon Health Insurance Exchange Corporation shall appear before the Interim House Committee on Health Care and the Interim Senate Committee on Health Care and Human Services, at the first meeting of each committee following adjournment sine die of the 2014 regular session of the Legislative Assembly, to present an updated business plan for the future of the health insurance exchange. The updated business plan must include, but is not limited to:

(1) Demographic information about the individuals who have enrolled in qualified health plans through the exchange;

(2) The number of individuals enrolled in qualified health plans through the exchange who have paid premiums, both subsidized and unsubsidized; and

(3) Adjustments to the fees and charges described in ORS 741.105, or other administrative changes, necessary for the corporation to be self-sustaining.

This document is submitted in compliance with the above requirement and provides an update to Cover Oregon's business plan that includes:

- An overview of recent developments and the current situation at Cover Oregon;
- Information about the Technology Transition Project that will (i) ensure a smooth 2015 open enrollment period for private health plans beginning November 15, 2014 and (ii) efficiently process Oregon Health Plan eligibility;
- Responses to the three points specified in the legislation above;
- Changes within Cover Oregon to support 2014 operations and the Technology Transition Project;
- An overview of 2014 operations and budget; and
- Guiding principles shaping the direction of Cover Oregon in 2015 and beyond.

This document reflects the most current thinking within Cover Oregon about its future course, but does not purport to be a fully updated business plan. Further assessment needs to be done of 2015 enrollment and revenue projections, scope and cost of future services, and the appropriate status, structure, and governance of the organization in light of the transition project that is currently underway. Recommendations in these areas will be brought to the Cover Oregon Board of Directors for consideration over the summer.

II. RECENT DEVELOPMENTS

Failure to complete the IT system on time created an emergency need to manually supplement the gaps and led to significant stress on resources at Cover Oregon and the Oregon Health Authority (OHA). The two organizations redeployed full-time staff and added temporary personnel, rapidly working out a hybrid procedure for processing qualified health plan (QHP) and Medicaid/Oregon Health Plan (OHP) applications. The hybrid process uses core components of the completed technology but remains manual and expensive.

A number of leadership changes occurred in March, April, and May. Current leadership of Cover Oregon and the related technology project is as follows:

- Alex Pettit – State of Oregon CIO and serving as interim Cover Oregon CIO
- Clyde Hamstreet – interim Executive Director
- Tina Edlund – Technology Transition Project Director
- Mark Schmidt – interim COO
- Sue King – interim CFO

Cover Oregon must overcome challenges in three basic areas:

1. Technology
2. 2014 operations, including application and redetermination processing
3. Financial stability

The organization has made significant progress on all three points:

1. Technology

On April 25, 2014, the Cover Oregon Board voted to stop further development on the current state website, an ambitious one-stop shop that would have enabled Oregonians to enroll in public or private health insurance *(OHP or QHP)* through a single online process. Instead, Oregon will follow a two-pronged approach to public and private health plan enrollments: (1) Beginning with the next open enrollment period on November 15, 2014, Cover Oregon will use federal technology to sign people up for QHPs; and (2) most of Cover Oregon's new technology will be moved to OHA and re-scoped to focus specifically on processing Medicaid eligibility determinations.

2. 2014 Operations

Despite the IT problems, in the five months between December 2013 and the end of April 2014, the dedication and hard work of many people within Cover Oregon and OHA generated a significant enrollment success. These details are included in the discussion below. At the same time, the inadequate technology has led to a large backlog in processing Medicaid redeterminations, which must be done on top of the ongoing hybrid processing of QHP change-of-life/ circumstance applications.

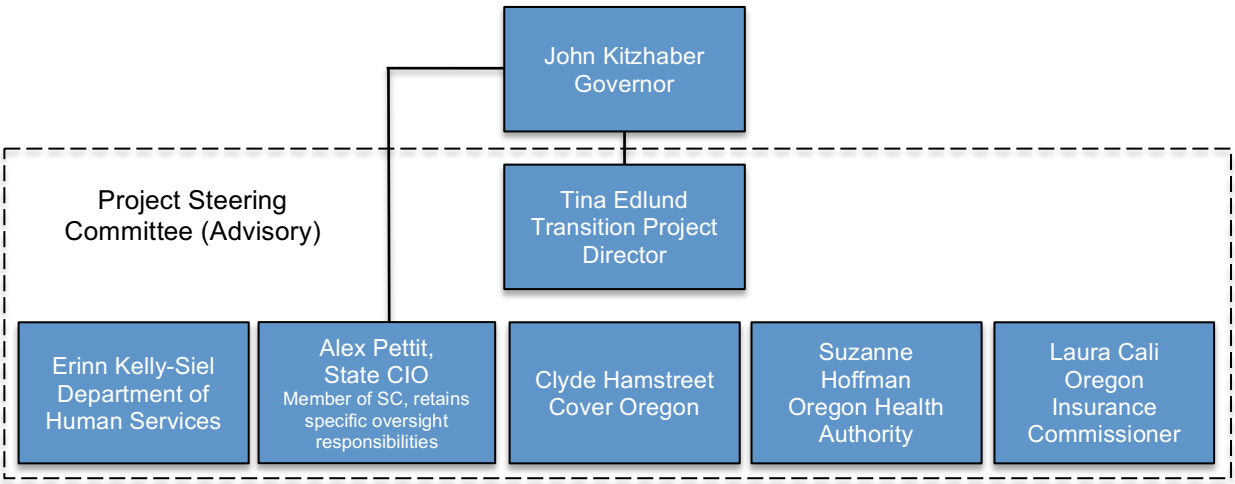
3. **Finances**

   Cover Oregon has saved money by introducing tighter budgeting procedures, reducing and better controlling expenses, improving business practices, and restructuring staff. Organizational funding appears to be on solid footing for 2014, although certain revenue issues remain to be worked out with CMS and OHA over the next few months.

Cover Oregon's focus for the remainder of 2014 is on (i) supporting the Technology Transition Project charged with completing the transfer of QHP eligibility and enrollment to the federal system and of Medicaid eligibility technology to OHA; (ii) efficiently serving existing customers and fulfilling 2014 operational responsibilities; (iii) ensuring financial stability; and (iv) determining long-term direction.

III. TECHNOLOGY TRANSITION

The Transition Project is a joint effort between Cover Oregon and OHA, with a clear governance structure and lines of accountability. The Project Director works with an Advisory Steering Committee and reports directly to Governor Kitzhaber *(see figure).* The project team is a cross-agency group working together in a shared location with dedicated resources and access to additional resources at Cover Oregon, OHA, and other state agencies as needed.



The Transition Project has three areas of responsibility:

1. **2014 Operations:** Cover Oregon and the Transition Project retain responsibility for 2014 operations through December 31, 2014, including:
   - Providing service to existing QHP customers and processing QHP applications for change in circumstances/life events and new-to-Oregon enrollees.
   - Processing ongoing 2014 Medicaid enrollments
   - Processing approximately one million Medicaid redeterminations

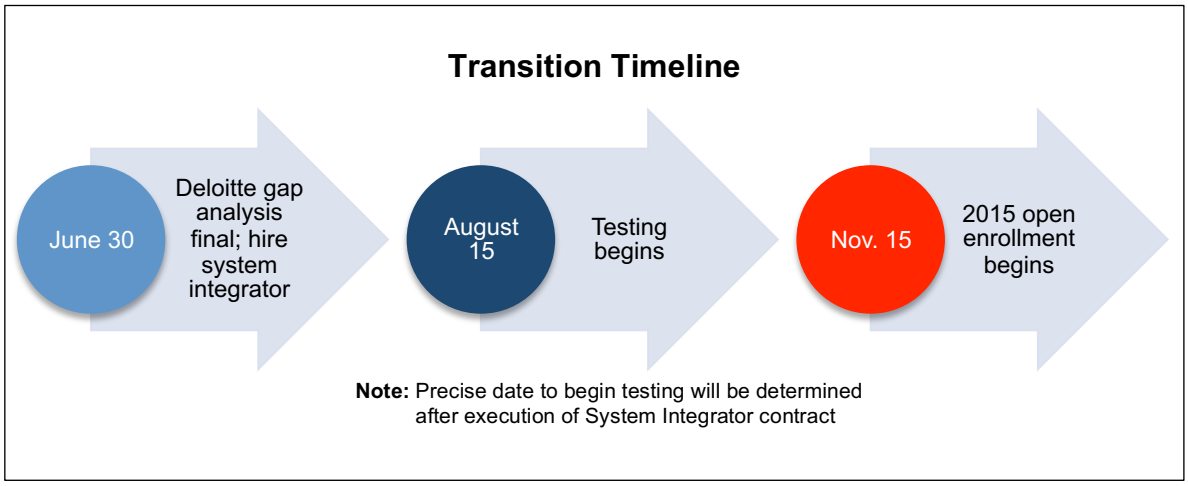
2. **2015 QHP Transition Project:** By November 15, 2014, the team will transfer Cover Oregon's QHP eligibility and enrollment functions to federal technology, including the web portal and call center. Cover Oregon retains:
   - Consumer outreach and education, including tribal consultations
   - Certification of plans
   - Initial QHP plan management and some QHP oversight

3. **2015 Modified Adjusted Gross Income (MAGI) Medicaid Project:** By November 15, 2014, the team will transfer Cover Oregon's Medicaid engine to OHA and connect OHA to the federal system. OHA retains:
   - Consumer outreach and education, including tribal consultations
   - New Medicaid portal and call center
   - Medicaid determinations *(other than for applicants enrolling through the federal site),* enrollments, notices, redeterminations, and appeals.

Deloitte is conducting a 45-day "gap analysis" to complete three major tasks. First, they will build a business process roadmap for using the federal technology for QHP eligibility and enrollment. Second, they will build a roadmap that covers the business system and IT requirements needed for moving the Medicaid eligibility technology from Cover Oregon to OHA. Third, they will complete work to initially connect the OHA system to the federal technology platform. Deloitte will submit its report for quality assurance review on June 20, with State sign-off no later than June 30.

On a parallel track, the project team is posting an RFP to hire a single systems integrator to coordinate the IT work on both QHP and Medicaid transition components. Existing quality assurance (QA) services from Maximus will continue, and a strategy for independent verification and validation (IV&V) services will be developed.

The QHP transition must be fully tested and operational by November 15, 2014. On the Medicaid side, the Transition Project will meet minimum Affordable Care Act requirements by the same date, including readiness to bi-directionally transmit information between the federal site and OHA. Meanwhile, OHP will begin soon to process the large backlog of redeterminations created by the technology delay.



Project leadership is working closely with CMS to make the transition as smooth as possible for the consumer. By November 15, 2014, **a consumer wishing to enroll in a QHP** will be able to do so online in a single sitting through the following process:

- Visit Oregon's public website and click "Apply Now"
- Automatically be redirected to federal portal
- Fill out application online
- Federal portal determines eligibility and tax credits; results with available plans appear online[1]
- Consumer enrolls into a plan and pays premium — consumer is covered

The Oregon Health Plan will elect to be a Federal Determination state for any applications that come through HealthCare.gov, but will continue to make determinations for applications that come directly through OHA. For QHP applications made through HealthCare.gov, if the system determines that a given consumer is eligible for Medicaid rather than a private plan, it will forward the determination status and associated data to OHA for processing. The consumer will be enrolled in OHP without having to resubmit application information.

Consumers wishing to enroll in Medicaid may do so by going to OHA directly or by going to the same Oregon public website that handles QHP applicants. For consumers visiting the OHA site the process will work as follows:

- Click "Apply Now"
- Complete Medicaid application form
- Eligibility rules engine determines Medicaid eligibility[2]
- OHA sends eligibility information to the Medicaid Management Information System (MMIS) for enrollment in a Coordinated Care Organization (CCO) or fee-for-service Medicaid.
- OHP welcome packet sent to consumer — consumer is covered

With its status as a conditional state-based marketplace, Oregon will retain most exchange functions. Only those that must be assumed by the federal system because of the technology transfer or federal legal requirements *(e.g., use of call center and licensing rules for agents with access to federal data)* will shift away from Oregon. In addition, certain aspects of Oregon's relationship with CMS are still under discussion, including matters related to re-enrollment of existing consumers from Cover Oregon into the federal system and division of responsibility for QHP monitoring and oversight, community partners, and navigators.

The Transition Project team posts key documents and reports to a publicly available webpage (http://resources.coveroregon.com/technology_transition.html) and strives to communicate regularly about progress to carriers, agents, tribes, and other stakeholders. Outreach is an ongoing process and will increase to involve more community partners and consumers as we work out additional details and gain traction.

---

[1] Results could include a determination of Medicaid eligibility, in which case the federal site would forward the determination and related data to OHA for enrollment into a Coordinated Care Organization (CCO) for fee-for-service (FFS) Medicaid.

[2] An automated process is contemplated but will not be certain until the systems integrator (SI) contract is executed and the SI confirms this deliverable.

IV. 2014 ENROLLMENT

Whereas Medicaid enrollment is an ongoing process throughout the year, open enrollment for 2014 private plan coverage (QHP) closed on April 30, 2014. In the months leading up to April 30, Cover Oregon saw a strong interest and received more than 348,000 applications.[3] The tables below show medical, dental, and Medicaid/OHP enrollments that have taken place through Cover Oregon *(directly or using the community partner/agent portal)* as of May 27, 2014.

COVER OREGON	
Total Medical Enrollments	**285,578**
QHP Enrollments	83,852
OHP Eligibility Determinations	201,726
Total Dental Enrollments	**16,979**
OHA	
Fast Track OHP Enrollments	**137,000**
TOTAL MEDICAL ENROLLMENTS	
Cover Oregon and OHA *(incl. Fast Track)*	**422,578**

As of May 15, 2014, 51,402 of the 66,798 members enrolled in private health plans effective in May had paid premiums — a so-called “effectuation” rate of 76.9%. Cover Oregon expects this rate to increase given the influx of applications in the final weeks of the extended enrollment period.

[3] As of May 6, 2014 to account for mailed in applications

The following tables present QHP enrollment demographics by gender, metal tier, financial assistance, and age as of May 15, 2014.

DEMOGRAPHIC	NUMBER	PERCENTAGE
BY GENDER		
Male	35,649	43.5%
Female	46,368	56.5%
TOTAL	**82,017**	**100.0%**
BY METAL TIER		
Bronze	18,969	23.1%
Silver	53,292	65.0%
Gold	8,219	10.0%
Platinum	814	1.0%
Catastrophic	723	0.9%
TOTAL	**82,017**	**100.0%**
BY FINANCIAL ASSISTANCE STATUS		
With Financial Assistance	65,617	80.0%
Without Financial Assistance	16,400	20.0%
TOTAL	**82,017**	**100.0%**
BY AGE		
Age < 18	3,782	4.6%
Age 18-25	5,984	7.3%
Age 26-34	12,734	15.5%
Age 35-44	12,934	15.8%
Age 45-54	16,911	20.6%
Age 55-64	29,283	35.7%
≥ 65	389	0.5%
TOTAL	**82,017**	**100.0%**

The next table compares Oregon to other state-based exchanges as of April 19, 2014:

	Compared to all states and D.C.	Compared to other state-based exchanges
RAW NUMBERS[4]		
Total Enrollment	15th of 51	6th of 15
Qualified Health Plans	28th of 51	7th of 15
Oregon Health Plan *(Medicaid)*	5th of 51	5th of 15
AS PERCENTAGE OF POPULATION[5]		
Total Enrollment	7th of 51	7th of 15
Qualified Health Plans	36th of 51	9th of 15
Oregon Health Plan *(Medicaid)*	6th of 51	6th of 15

[4] U.S. Dept. of Health and Human Services http://aspe.hhs.gov

[5] Calculated using resident population data, 2013 update

V. 2014 OPERATIONS AND BUDGET

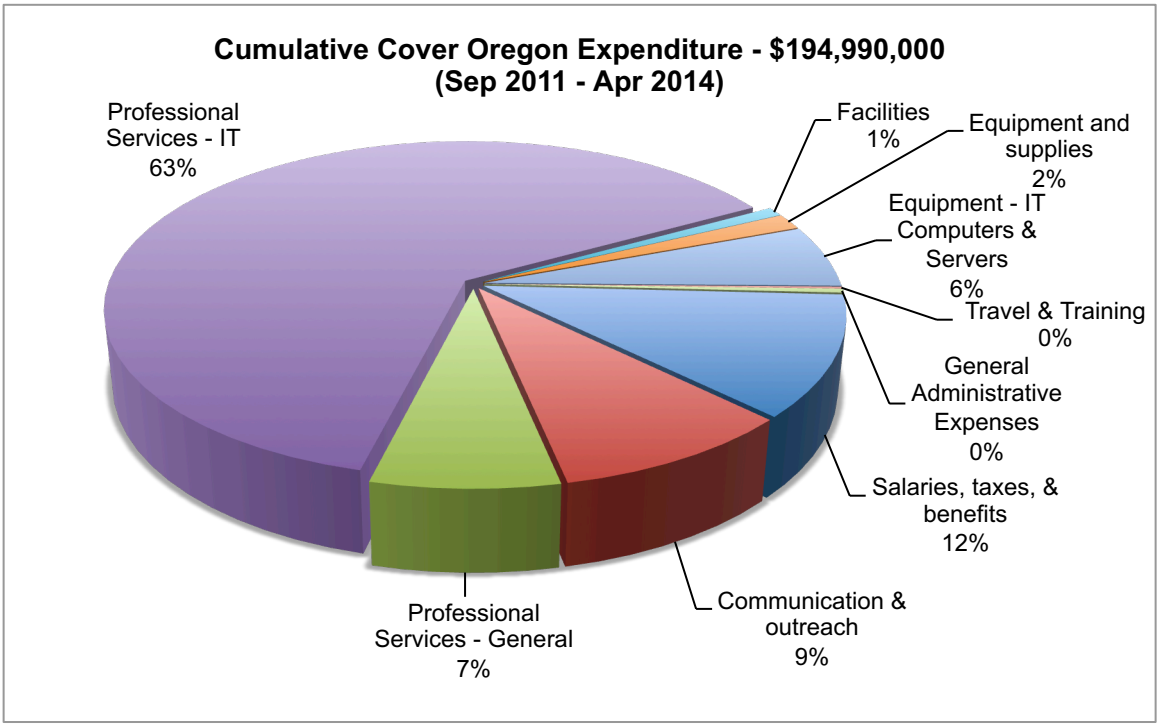
Operationally, Cover Oregon retains several important functions through at least December 31, 2014. Open enrollment for individual private coverage during the 2014 plan year has ended, but Oregonians can submit applications through Cover Oregon for certain qualifying life events. Qualifying events include getting married or divorced, losing health insurance, or having a baby. A full list of qualifying events can be found at CoverOregon.com.

Medicaid-eligible Oregonians can also apply for and enroll in the Oregon Health Plan year round. Cover Oregon will continue receiving applications for Medicaid until the transition to OHA is complete. In the interim, Cover Oregon and OHA are using a hybrid process involving Cover Oregon's new technology to determine Oregonians' eligibility for Medicaid. For the remainder of 2014, Cover Oregon will also help OHA process the annual eligibility redeterminations for approximately one million OHP participants.

One of the consequences of the failure to complete the IT as planned has been that Cover Oregon cannot timely reconcile and pay agent commissions and cannot timely bill and collect plan administration fees. The organization has been working to address both issues. Staff members have met individually with insurance agents and conducted a webinar to help address commission payment problems and also to facilitate the transition to federal technology. As of May 19, 78% of commissions owed had been paid, with plans to follow up on those that remain outstanding. By the end of July Cover Oregon expects to be reconciling and paying 98% of commissions owed on time.

Cover Oregon has met with carriers both individually and in groups and has consulted with tribes about their participation. Further outreach is needed to community partners and consumer advocates, and will take place over the course of the next several months.

From its inception in September, 2011, through the end of April, 2014, Cover Oregon has spent approximately $195 million. By far the bulk of those funds has gone towards IT *(see chart).*



Since taking over executive director responsibility and functions on April 10, 2014, Clyde Hamstreet and his team have made organizational changes to control expenses while also recommending and supporting the Transition Project, improving management organization and accountability, and participating in stakeholder relations and communications.

The most significant expense reductions relate to IT and result from needed cost controls and Cover Oregon's decision to switch to federal technology in November. Other cost savings derive from company-wide and closely monitored cash flow budgeting, significant reduction and control of contract expenses, and restructuring of staff. Without the switch to the federal system and other changes, Cover Oregon was projected to run out of money in August 2014. With the changes, the organization is expected to fulfill its responsibilities through the end of year as planned. The table below presents Cover Oregon's sources and uses of funds in 2014, with a side-by-side comparison of the first and second halves of the year.

It should be noted that the budget below is subject to input from CMS about how Cover Oregon and OHA will allocate and use grant funding to support the Transition Project. It may be several months before this issue is resolved between these organizations. In addition, the funding source identified as the Public Program (OHP) Assessment had previously been set at $15 million to help pay for enrolling Oregonians in OHP. This amount was established before OHA took on part of the hybrid QHP/OHP enrollment process. After the budget is worked out with CMS, Cover Oregon and OHA will need to agree on an appropriate assessment amount, if any. Revenue from QHP administrative fees is based on rates set by the Cover Oregon board *($9.38 per plan member per month in 2014).* On April 10, 2014, the Board set the 2015 rate at $9.66 per member per month.

	2014 (Jan-Jun)*	2014 (Jul-Dec)**	2014 Total
		(Dollars in thousands)	
SOURCE OF FUNDS			
QHP Administrative Charge	$ -	$ 5,389	$ 5,389
Public Program (OHP) Assessment	-	TBD	TBD
Federal Grant Funds	66,716	23,790	90,506
Total Source of Funds	*66,716*	*29,179*	*95,895*
USE OF FUNDS			
Salaries, Taxes, & Benefits	$ 8,804	$ 6,781	$ 15,585
Communication & Outreach	3,374	2,171	5,545
Professional Services - General	9,493	4,485	13,978
Professional Services - IT	40,741	6,911	47,652
Facilities	676	736	1,412
Equipment and supplies	536	255	791
Equipment - IT Computers & Servers	81	108	189
Travel & Training	53	40	93
General Administrative Expenses	458	457	915
Contingency	2,500	5,346	7,846
Total Use of Funds	*66,716*	*27,290*	*94,006*
NET FUNDS	**$ -**	**$ 1,889**	**$ 1,889**

*Actuals Jan-Apr 2014, estimated May-Jun 2014
**Estimated Jul-Dec 2014

The budget for 2015 cannot be reasonably determined until we have firmer estimates of future QHP enrollments and expected administrative fees, the level of carryover funds from 2014, and the scope and cost of services to be provided. Cover Oregon will be working over the next few months to gain clarity on these issues.

VI. LONG-TERM DIRECTION

The progress and developments described in this report give rise to three guiding principles that management believe shape Cover Oregon's longer-term direction:

1. OHA should be the organization to process Medicaid applications;
2. The State of Oregon should complete its Medicaid processing technology; and
3. Oregon should keep its status as a state-based marketplace (SBM).

The following discussion considers each of these principles in turn.

1. OHA should process Medicaid applications

OHA already administers an extensive Medicaid operation that involves processing approximately 300,000 new applications and 900,000 redeterminations each year. OHA has the history, the expertise, and the capacity to perform these functions. Moreover, Cover Oregon and OHA have already decided to transfer the new Medicaid rules engine from Cover Oregon to OHA as part of the Technology Transition Project.

2. The State of Oregon should complete its Medicaid processing technology

The cost of processing Medicaid applications manually is extremely high. Our preliminary estimates of ***direct labor costs*** suggest that an exclusively manual procedure would exceed $120 million per year. Currently, using the new *(but unfinished)* technology, Cover Oregon and OHA employ a hybrid manual and automated process estimated to cost closer to $30 million per year in direct labor. By contrast, a fully automated electronic process is projected to cost less than $1 million annually in direct labor *(not including call center functions or hands-on staff time to help applicants understand or complete the application).* While a fully-automated process is not realistic given the federal requirement that paper applications be made available and the larger number of applicants that will require hands on assistance to apply, these figures show that the State of Oregon cannot afford ***NOT*** to complete the technology.

3. Oregon should keep its status as a state-based marketplace (SBM)

CMS has designated Oregon as a "conditional SBM." This status means the State:

- Can use federal technology at no cost
- Retains QHP plan administration fees
- Eliminates the need to process applications, reducing expense on IT
- May receive additional outreach funding to assist with enrollment/re-enrollment
- Continues to control health care plans and the insurance market
- Can leave existing carrier agreements in place
- Does not have to pass legislation

Where these three guiding principles should lead Cover Oregon remains to be determined. The organization has yet to solidify enrollment and revenue estimates for 2015 and beyond, or to reach clarity on the scope and cost of the services it will offer in the future. Following these principles will entail a significant reduction in the scope of the organization from what was originally envisioned. Whether it should remain an independent entity or be consolidated into an existing state agency is one question that needs to be addressed, along with the appropriate governance structure given the size and function of the organization.

Cover Oregon will present more details on these matters to its Board over the summer with recommendations as to its future course.