



# MEMORANDUM

February 3, 2016

To: Patrick Allen, Director, DCBS  
Berri Leslie, Administrator, Oregon Health Insurance Marketplace  
Carolina Marquette, Financial Services Manager

From: Gary Helmer, Senior Economist, DCBS

Subject: Oregon Health Insurance Marketplace (OHIM) Report on Administrative Charges for CY 2017

## Issue

DCBS needs to determine assessment rates for individual medical plans and for stand-alone dental plans for CY 2017. The current assessment rates are \$9.66 per member per month (PMPM) for members of individual medical health plans and \$0.97 PMPM for members of stand-alone dental plans.

This memo provides calculations of the needed rates, an evaluation of the rates compared to the statutory cap on assessments, and a comparison of the fund balance to the statutory fund balance limit.

The financial stability of the OHIM fund depends on having revenue that covers expenditures over a long time period. Therefore, although the focus of the analysis is on the next two years, the analysis extends through CY 2021. The analysis first discusses the expenditure assumptions and the revenue transferred from the Oregon Health Authority (OHA). It then provides a model of marketplace enrollment through CY 2021, and the revenue generated by various assessment rates. It ends with an analysis of the possible financial outcomes and a comparison of the outcomes to the statutory caps.

## Summary

The previous financial analyses have forecast a revenue surplus of several million dollars per year. The CY 2016 enrollment has caused us to increase the long-term enrollment forecast by more than 30 percent. The combination of these two items means that the assessment rates can be lowered by nearly 40 percent.

We have modeled a medical assessment rate of \$6.00 PMPM and a stand-alone dental assessment rate of \$0.57 PMPM.

Statute requires a rebate of funds above six months of expenditures. This rebate will be done as a credit against future assessments. We will show three scenarios for this set of assessment rates: the financial outcomes without regard to the statutory fund balance cap, financial outcomes with annual credits as currently defined in the OAR, and financial outcomes with biennial credits.

## Summary of assumptions

- The Financial Services Manager's February 2016 planned expenditures model for the 2015-2017 and 2017-2019 biennia is used. This model includes actual expenditures through December 2015. It also includes planned shared services expenditures for the 2015-2017 and 2017-2019 biennia.
- The planned shared services expenditures for the 2015-2017 biennium are used. They are forecast to grow at 3 percent per year in the 2017-2019 biennium. This is a standard assumption DCBS uses for forecasting when no other information is available.
- Expenditures are forecast to grow 3 percent per year after the 2017-2019 biennium.
- The Financial Services Manager's model of revenue transfers from the OHA for the 2015-2017 and 2017-2019 biennia is used. The model includes actual revenue through December 2015.
- The medical-plan enrollment forecast is based on early CY 2016 figures for CY 2016 enrollment, estimates of Oregon's population growth, the percentages of eligible individuals who purchase insurance, and the percentages who enroll through the exchange.
- The initial analysis is for the current program, with and without the fund balance cap. The fund cap is modeled two ways. The first model is for December-ending fund balances, as is currently written in the OAR; the second model is for biennium-ending fund balances.
- Federal charges are assumed to be collected by the federal government.
- Neither revenue nor expenditures for the Small Business Health Options Program (SHOP) are included in the analyses. These are unknown.

## OHIM expenditures and transfers

### OHIM planned expenditures

The table below shows actual expenditures through December 2015, detailed planned expenditures for the rest of the biennium, and a summary of planned expenditures for the 2017-2019 biennium.

DCBS Health Insurance Marketplace, planned expenditures, FY 2016 - 2019  
with actual expenditures through December 2015

| Marketplace                     | FY 2016      | FY 2017      | 2015-2017<br>total | FY 2018      | FY 2019      | 2017-2019<br>total |
|---------------------------------|--------------|--------------|--------------------|--------------|--------------|--------------------|
| Personal services               | \$1,443,660  | \$1,512,570  | \$2,956,230        |              |              |                    |
| Services and supplies           |              |              |                    |              |              |                    |
| Publicity & Publications        | 2,290,200    | 0            | 2,290,200          |              |              |                    |
| Professional Services           | 4,430,600    | 2,830,000    | 7,260,600          |              |              |                    |
| IT Professional Services        | 2,726,874    | 1,501,706    | 4,228,580          |              |              |                    |
| Attorney General Legal Fees     | 1,139,078    | 954,698      | 2,093,776          |              |              |                    |
| Facilities Rent & Taxes         | 166,308      | 179,232      | 345,540            |              |              |                    |
| Other S&S                       | 212,482      | 733,425      | 945,907            |              |              |                    |
| Services and supplies total     | 10,965,541   | 6,199,061    | 17,164,602         |              |              |                    |
| Special Payments                | 500,000      | 500,000      | 1,000,000          |              |              |                    |
| Expenditure total               | \$12,909,201 | \$8,211,631  | \$21,120,832       |              |              |                    |
|                                 |              |              |                    |              |              |                    |
| Call Center                     | FY 2016      | FY 2017      | 2015-2017<br>total | FY 2018      | FY 2019      | 2017-2019<br>total |
| Personal services               | \$1,019,208  | \$591,059    | \$1,610,267        |              |              |                    |
| Services and supplies           |              |              |                    |              |              |                    |
| Telecomm/Tech Svc & Supplies    | 49,668       | 90,890       | 140,558            |              |              |                    |
| Professional Services           | 3,655        | 2,800        | 6,455              |              |              |                    |
| IT Professional Services        | 378,000      | 756,000      | 1,134,000          |              |              |                    |
| Facilities Rent & Taxes         | 0            | 0            | 0                  |              |              |                    |
| Other S&S                       | 47,651       | 80,133       | 127,784            |              |              |                    |
| Services and supplies total     | 478,974      | 929,823      | 1,408,797          |              |              |                    |
| Expenditure total               | \$1,498,183  | \$1,520,882  | \$3,019,065        | \$0          | \$0          | \$0                |
|                                 |              |              |                    |              |              |                    |
|                                 | FY 2016      | FY 2017      | 2015-2017<br>total | FY 2018      | FY 2019      | 2017-2019<br>total |
| Marketplace total               | \$14,407,383 | \$9,732,513  | \$24,139,897       | \$10,561,294 | \$10,561,294 | \$21,122,587       |
| DCBS Shared Services - Direct   | \$186,860    | \$107,037    | \$293,897          | \$107,961    | \$107,961    | \$215,922          |
| DCBS Shared Services - Indirect | \$534,133    | \$640,959    | \$1,175,092        | \$660,188    | \$679,994    | \$1,340,182        |
| Total planned expenditures      | \$15,128,376 | \$10,480,510 | \$25,608,885       | \$11,329,443 | \$11,349,248 | \$22,678,691       |

### Oregon Health Authority planned transfers

The OHA transfer amounts and the estimated timing of their payment are shown in the following table. The payments are treated as revenue in our accounting system. There were no transfers in the first quarter of the fiscal year. Second-quarter transfers were \$4.7 million.

Estimated transfer amounts from the Oregon Health Authority  
February 2016 estimates

|                     | 2015 - 2017 |             | 2017 - 2019 |           |
|---------------------|-------------|-------------|-------------|-----------|
|                     | FY 2016     | FY 2017     | FY 2018     | FY 2019   |
| ININ Software       | \$675,000   | \$675,000   | \$675,000   | \$675,000 |
| Oracle Premiere*    | 1,140,000   | 0           | 0           | 0         |
| Oracle software*    | 644,955     | 0           | 0           | 0         |
| Oracle On Demand*   | 3,135,000   | 0           | 0           | 0         |
| Oracle Cloud*       | 1,102,950   | 0           | 0           | 0         |
| Speridian (ongoing) | 2,212,000   | 0           | 0           | 0         |
| Speridian (SOW #2)  | 162,667     | 325,333     | 101,742     | 27,212    |
| Amazon Cloud        | 153,600     | 153,600     | 153,600     | 153,600   |
| Tornai Consulting   | 120,000     | 0           | 0           | 0         |
| Speridian (SOW #3)  | 539,140     | 1,617,419   | 0           | 0         |
|                     | \$9,885,311 | \$2,771,352 | \$930,342   | \$855,812 |

### Statutory cap on the OHIM account balance

The process for applying the statutory cap on the OHIM fund balance is defined in OAR 945-030-0020(9). (The OAR is attached to the end of this memo.) If, at the end of each calendar year, the fund balance exceeds the account balance cap, the amount of the difference will be applied to insurers' future assessments as a credit. The OAR says the cap is "... calculated as one-fourth of the budgeted operating expenses for the biennium," which we have interpreted as OHIM Legislatively Adopted Budget (LAB) plus the additional shared services costs that are used to support OHIM. The distribution of the credit will be based on the December enrollment. The credit will be applied by the end of March.

For example, assume that the fund balance was \$1 million above the limit. That amount would be credited to insurers' accounts, lowering their assessments beginning with their April bills. The result would be to lower the revenue in the fourth quarter of the fiscal year by \$1 million.

The following table shows the current calculations of the limits. For the 2015-2017 biennium, the LAB is used, with indirect shared services charges added. This produces a cap of \$8.4 million. As there is no approved budget for later years, Fiscal Services' planned expenditures for 2017-2019 and extrapolated expenditures for 2019-2021 are used. With lower planned expenditures, the statutory cap is about \$5.7 million in the 2017-2019 biennium.

There is discussion of changing the OAR so that the calculation is done at the end of each biennium rather than at the end of each calendar year. The table also shows the caps if this change is made.

The December 31, 2015 account balance was \$6.2 million, \$2.2 million less than the statutory cap. Therefore, the department does not need to issue a rebate this year.

Statutory OHIM fund balance caps

|                            | 2015-2017 LAB |           |      | Planned expenditures |              |
|----------------------------|---------------|-----------|------|----------------------|--------------|
|                            | Expenditures  | Positions | FTE  | 2017-2019            | 2019-2021    |
| Marketplace                | \$30,525,202  | 24        | 24.0 | \$21,122,587         | \$22,408,953 |
| Shared Services - direct   | \$1,951,351   | 10        | 7.0  | \$215,922            | \$229,072    |
| Shared Services - indirect | \$1,175,092   |           |      | \$1,340,182          | \$1,421,799  |
| February 2016 revisions    |               |           |      |                      |              |
|                            | \$33,651,645  | 34        | 31.0 | \$22,678,691         | \$24,059,823 |

| Statutory fund balance caps, annual refund |             | Statutory fund balance caps, biennial refund |             |
|--|-------------|--|-------------|
| December 2015                              | \$8,412,911 | June 2017                                    | \$8,412,911 |
| December 2016                              | \$8,412,911 | June 2019                                    | \$5,669,673 |
| December 2017                              | \$5,669,673 | June 2021                                    | \$6,014,956 |
| December 2018                              | \$5,669,673 |  |             |
| December 2019                              | \$6,014,956 |  |             |
| December 2020                              | \$6,014,956 |  |             |

The caps through June 2017 are based on the 2015-2017 LAB; later caps are based on estimates of planned expenditures.

## Marketplace medical-plan enrollment forecast

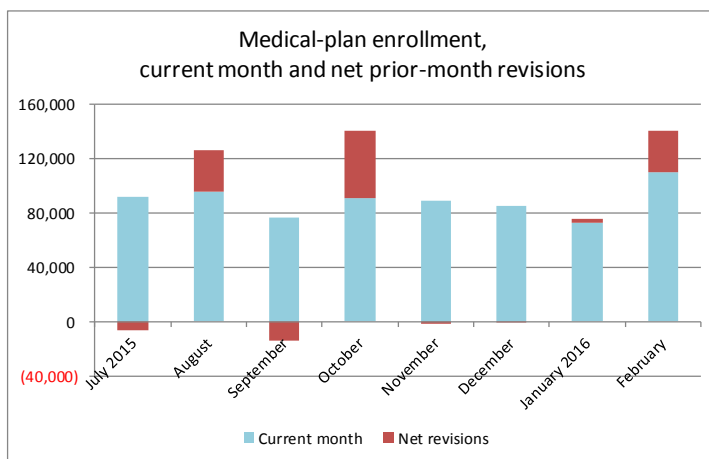
### Insurer monthly reporting

Insurers provide enrollment figures each month. They provide the anticipated enrollment for the upcoming month and revisions to the history of their monthly enrollment since January 2015. Therefore, the CY 2015 enrollment figures change each month as insurers provide revised information.

Since the department took over the marketplace regulation from Cover Oregon, OHIM staff has worked with the insurers to ensure that they are reporting correctly. As a result, a number of the insurers revised their reporting. This led to large revisions to their reports. This is illustrated in the following figure; the light-blue bars reflect the reported enrollment for the month; the dark-red bars show the revisions. The large revisions through October mostly reflect changes to insurers' reporting. Therefore, we have little history from which to predict normal patterns of revisions. However, we expect that the monthly enrollment figures will tend to vary by several percent for a couple of months and then change by 0.1 – 0.2 percent with each subsequent report.

The reporting of anticipated enrollment can also cause an issue at the beginning of the calendar year. As illustrated in the figure, the January enrollment initially reported was low, about 72,500. The February reports increased the January enrollment to about 106,200.

These adjustments have two impacts. First, it is difficult to use recent data to forecast trends. Second, it affects the timing of revenues. With the large adjustments, the February 2016 invoices will total about 80 percent more than the January invoices.



Note: The September data lacks a report from a large insurer.

### Medical-plan enrollment forecast

We need a long-term enrollment forecast to create OHIM’s long-term revenue forecast. We also need a long-term forecast of average premium to estimate federal technology charges and to show that the assessment rates are lower than the statutory caps.

The department’s health insurance actuaries have provided a forecast of enrollment increases and premiums for CY 2016 and CY 2017. They forecast that individual-market enrollment (both exchange and direct enrollment) should increase by 13 percent in CY 2016, and then remain stable. They forecast the average premium to increase by 15 percent for CY 2016 and CY 2017.

#### Individual market estimates Div. of Financial Regulation (Jan. 2016)

|                                | 2014    | 2015    | 2016    | 2017      |
|--------------------------------|---------|---------|---------|-----------|
| Enrollment                     | 204,100 | 208,000 | 235,000 | 235,000   |
| Ave. premium                   | \$289   | \$298   | \$344   | \$395     |
| Premiums (\$millions)          | \$710.0 | \$750.0 | \$970.0 | \$1,110.0 |
| year-to-year percentage change |         |         |         |           |
|                                | 2014    | 2015    | 2016    | 2017      |
| Enrollment                     |         | 2%      | 13%     | 0%        |
| Ave. premium                   |         | 3%      | 15%     | 15%       |
| Premiums                       |         | 6%      | 29%     | 15%       |

These figures are used as a check on the reasonableness of the OHIM model.

The OHIM model used to forecast marketplace enrollment uses the following elements:

- Growth of Oregon’s population under 65
- Growth in the percentage of individuals with insurance
- Percentage of insured individuals who enroll through the exchange
- Relation of CMS enrollment to OHIM assessed enrollment
- Distribution of enrollment over the calendar year

The Office of Economic Analysis forecasts population growth. They forecast that the population of Oregonians under 65 will increase by 0.6 - 0.7 percent per year.

In work by the McKinsey Center for U.S. Health System Reform, it was estimated that there were about 358,000 Oregonians in CY 2015 who could have enrolled in individual plans. We assume that this population will grow at the rate of the under-65 population. This assumption does not take into account other possible causes for changes to the size of the individual insurance market, such as employers' decisions about whether to provide insurance or insurers' entrance into or exit from the marketplace. We do not have any estimates for these other changes.

About 65 percent of the eligible individuals were in enrolled in CY 2015; those without insurance form the largest pool of people for growth in marketplace enrollment. We assume that the percentage of enrolled individuals increases at a decreasing rate. Individual coverage should increase over time, and there will always be individuals without insurance, but we do not know what level of insurance coverage can be reached. For this model, we have assumed that by CY 2021, 88 percent of those eligible will be insured.

We also need to estimate the percentage of people who enroll through the exchange rather than directly with insurers. Insurers reported that 47 percent of their CY 2015 members enrolled through the exchange; they reported that 53 percent of their CY 2016 members went through the exchange. We have assumed that this change will hold into the future.

#### Marketplace and Direct Enrollment

December 2015 coverage month; February report

| Plan type    | Marketplace | Direct | Total   | % Marketplace | Marketplace dist. |
|--------------|-------------|--------|---------|---------------|-------------------|
| Bronze       | 19,646      | 24,770 | 44,416  | 44%           | 23%               |
| Silver       | 56,313      | 44,567 | 100,880 | 56%           | 66%               |
| Gold         | 7,975       | 23,128 | 31,103  | 26%           | 9%                |
| Platinum     | 950         | 4,757  | 5,707   | 17%           | 1%                |
| Catastrophic | 521         | 349    | 870     | 60%           | 1%                |
|              | 85,405      | 97,571 | 182,976 | 47%           | 100%              |

#### Marketplace and Direct Enrollment

January 2016 coverage month; February report

| Plan type    | Marketplace | Direct | Total   | % Marketplace | Marketplace dist. |
|--------------|-------------|--------|---------|---------------|-------------------|
| Bronze       | 32,707      | 25,108 | 57,815  | 57%           | 31%               |
| Silver       | 62,753      | 43,468 | 106,221 | 59%           | 59%               |
| Gold         | 10,020      | 19,528 | 29,548  | 34%           | 9%                |
| Platinum     | 0           | 4,210  | 4,210   | 0%            | 0%                |
| Catastrophic | 682         | 233    | 915     | 75%           | 1%                |
|              | 106,162     | 92,547 | 198,709 | 53%           | 100%              |

We have different sources of enrollment data, and these sources have consistently provided different figures. This is due in part to the timing of the different reports and the monthly revisions of insurers' reports. The following table shows the June and September 2015 enrollment reported through three sources: CMS reports, the insurers' quarterly report to DFR, and two of the insurers' monthly reports. These differences have been consistent, and we have assumed the difference will continue to occur.

### Comparison of enrollment figures

| Enrollment month | CMS     | Insurance Division | OHIM - 10/2015 report | OHIM - 2/2016 report |
|------------------|---------|--------------------|-----------------------|----------------------|
| June             | 102,912 | 107,497            | 96,859                | 96,574               |
| September        | 99,654  | 102,113            | 91,099                | 92,847               |

- The June CMS data is from the CMS August report.
- The September CMS data is from the CMS November report.
- The Insurance Division data is reported within 30 days of the end of the quarter.
- The OHIM data is revised with each successive report month; downward revisions of enrollment result in lowered assessments.

The growth trends that follow from these assumptions are shown in the following table. The results show a marketplace enrollment increase of 31 percent in CY 2016, 7 percent in CY 2017, and 3 percent per year in later years. The growth is driven primarily by an assumed increase in the percentage of the population who are insured.

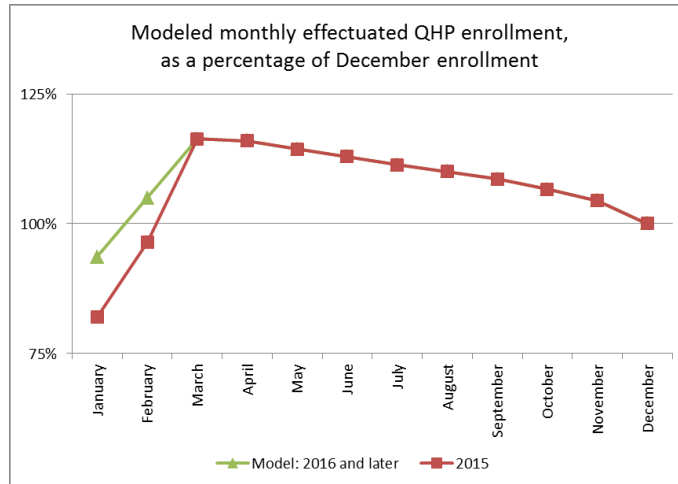
#### Model of marketplace enrollment increase through CY 2021

| CY   | Oregon population, % increase | Estimated eligible population | % insured | % marketplace enrollment | % final assessment | Forecast of marketplace enrollment | Marketplace enrollment % increase |
|------|-------------------------------|-------------------------------|-----------|--------------------------|--------------------|------------------------------------|-----------------------------------|
| 2015 | 0.7%                          | 357,788                       | 65%       | 47%                      | 93%                | 101,653                            |                                   |
| 2016 | 0.7%                          | 360,370                       | 75%       | 53%                      | 93%                | 133,220                            | 31%                               |
| 2017 | 0.7%                          | 362,728                       | 80%       | 53%                      | 93%                | 143,031                            | 7%                                |
| 2018 | 0.6%                          | 364,821                       | 82%       | 53%                      | 93%                | 147,453                            | 3%                                |
| 2019 | 0.6%                          | 366,851                       | 84%       | 53%                      | 93%                | 151,889                            | 3%                                |
| 2020 | 0.6%                          | 368,880                       | 86%       | 53%                      | 93%                | 156,366                            | 3%                                |
| 2021 | 0.6%                          | 371,090                       | 88%       | 53%                      | 93%                | 160,961                            | 3%                                |

- The Oregon population is forecast by the Office of Economic Analysis, The figures are from the December 2015 forecast and show the forecast increase for people under 65.
- The estimate of the eligible population for CY 2015 is from the McKinsey Center. We assume the eligible population will grow at the same rate as the Oregon population.
- The percentage insured for CY 2015 is from the McKinsey Center. We assume it grows at a decreasing rate.
- The percentage of the enrollment done through the marketplace is based on insurers' CY 2015 reports.
- The percentage of the enrollment that are finally assessed comes from a comparison of CMS and insurer reports.
- The forecast marketplace enrollment is computed as the product of the four prior items.

In addition to forecasting the year-to-year enrollment growth, the revenue depends on the enrollment pattern over the calendar year. The CY 2015 enrollment pattern is shown in the following figure. The model uses somewhat higher percentages for the first two months of the calendar year and then the same distribution from March through December. As noted previously, the January enrollment will generally be more uncertain than other months.





The following table shows insurers’ December 2015 and January 2016 enrollment, as of the February 2016 report. The most important shift is the growth in Providence’s enrollment. As will be shown later, Providence has low average premiums, so its growth lowers the growth in the overall average premium.

The table also shows estimated April enrollment. OHIM staff contacted the insurers and requested this information. The purpose was to see if the insurers were collectively expecting to get the large increase in enrollment that CMS was reporting. Their expected enrollment was close to the figure derived from the CMS data. This provides some validation of the forecast for this year.

Medical plan enrollment: December 2015, January 2016, and assumed April 2016, as of the Feb. 2016 report

|                                     | Dec. 2015     |               | Jan. 2016      |               | Est. April 2016 |               |
|-------------------------------------|---------------|---------------|----------------|---------------|-----------------|---------------|
|                                     | Members       | Dist.         | Members        | Dist.         | Members         | Dist.         |
| Atrio Health Plans Inc.             | 249           | 0.3%          | 1,399          | 1.3%          | 2,000           | 1.5%          |
| BridgeSpan Health Company           | 179           | 0.2%          | 399            | 0.4%          | 399             | 0.3%          |
| Health Republic Insurance Company   | 2,516         | 2.9%          | na             |               | na              |               |
| Kaiser Found. Health Plan of the NW | 6,130         | 7.2%          | 9,768          | 9.2%          | 19,000          | 14.2%         |
| LifeWise Health Plan of Oregon      | 17,961        | 21.0%         | 10,526         | 9.9%          | 15,300          | 11.5%         |
| Moda Health                         | 34,216        | 40.1%         | 21,362         | 20.1%         | 26,000          | 19.5%         |
| Oregon's Health CO-OP               | 7,069         | 8.3%          | 8,925          | 8.4%          | 8,925           | 6.7%          |
| PacificSource Health Plans          | 1,972         | 2.3%          | 1,222          | 1.2%          | 1,200           | 0.9%          |
| Providence Health Plan              | 15,094        | 17.7%         | 51,994         | 49.0%         | 60,500          | 45.3%         |
| Trillium Community Health Plan      | 19            | 0.0%          | 15             | 0.0%          | 15              | 0.0%          |
| Zoom Health Plan                    | na            |               | 552            | 0.5%          | 120             | 0.1%          |
| <b>Total</b>                        | <b>85,405</b> | <b>100.0%</b> | <b>106,162</b> | <b>100.0%</b> | <b>133,459</b>  | <b>100.0%</b> |

The April 2016 estimates were provided by the insurers; where estimates were not provided the January figures were used.

### Medical-plan average premiums forecast

As noted earlier, the health insurance actuaries have forecast that average premiums will increase by about 15 percent in CY 2016 and CY 2017 for the individual market. Based on the two months of insurers’ CY 2016 data, we estimate the increase will be about 11 percent. This is largely due to the shift toward Providence; without that shift, the growth in the average premium would have been 19 percent.

Medical plan average premium, 2015 and January-February 2016, as of the Feb. 2016 report

|                                     | Ave medical premium |              |          |
|-------------------------------------|---------------------|--------------|----------|
|                                     | CY 2015             | Jan-Feb 2016 | % change |
| Atrio Health Plans Inc.             | \$309               | \$339        | 10%      |
| BridgeSpan Health Company           | 288                 | 325          | 13%      |
| Health Republic Insurance Company   | 320                 | na           | na       |
| Kaiser Found. Health Plan of the NW | 361                 | 366          | 1%       |
| LifeWise Health Plan of Oregon      | 305                 | 375          | 23%      |
| Moda Health                         | 360                 | 453          | 26%      |
| Oregon's Health CO-OP               | 348                 | 408          | 17%      |
| PacificSource Health Plans          | 356                 | 486          | 37%      |
| Providence Health Plan              | 277                 | 326          | 18%      |
| Trillium Community Health Plan      | 314                 | 447          | 42%      |
| Zoom Health Plan                    | na                  | 264          | na       |
| Total                               | \$332               | \$369        | 11%      |

The insurers have consistently reported higher average premiums for OHIM than the insurance actuaries have for the entire individual market; this is shown in the following table. In this forecast, we assumed that this difference will decline. Given the enrollment shift we saw at the beginning of CY 2016, we want to be somewhat cautious, so we have lowered the CY 2017 average increase to 12 percent, slightly lower than the actuaries' estimate.

We have assumed a comparatively small increase of 5 percent per year for later years.

Estimates of average premium

|                | 2014  | 2015  | 2016  | 2017  |
|----------------|-------|-------|-------|-------|
| Insurance est. | \$289 | \$298 | \$344 | \$395 |
| % change       |       | 3.2%  | 15.3% | 14.8% |
| OHIM est.      | \$326 | \$332 | \$369 | \$413 |
| % change       |       | 1.9%  | 11.1% | 12.0% |
| Difference     | \$37  | \$34  | \$25  | \$18  |

Summary of the medical-plan enrollment and premium forecast

The following table shows the results of the assumptions. It shows the expected revenue if the current PMPM rate is retained. It also shows that while \$9.66 is 2.9 percent of average premium in CY 2015, \$9.66 is expected to be 2.3 percent of the average assessment rate in CY 2017.

## Medical plans summary

|                              | 2014     | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021      |
|------------------------------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Member months                | 699,687  | 1,092,367 | 1,473,940 | 1,577,116 | 1,624,429 | 1,673,162 | 1,723,357 | 1,775,058 |
| Ave enrollment per month     | 58,307   | 91,031    | 122,828   | 131,426   | 135,369   | 139,430   | 143,613   | 147,921   |
| Maximum monthly enr.         | 73,899   | 99,473    | 132,000   | 141,240   | 145,477   | 149,842   | 154,337   | 158,967   |
| December enrollment          | 68,830   | 85,405    | 113,449   | 121,390   | 125,032   | 128,783   | 132,647   | 136,626   |
| Member months/Dec. en.       | 10.2     | 12.8      | 13.0      | 13.0      | 13.0      | 13.0      | 13.0      | 13.0      |
| Total premiums (\$ millions) | \$228.28 | \$363.05  | \$544.17  | \$652.13  | \$705.28  | \$762.76  | \$824.93  | \$892.16  |
| Ave premium                  | \$326    | \$332     | \$369     | \$413     | \$434     | \$456     | \$479     | \$503     |
| Current assessment rate      | \$9.38   | \$9.66    | \$9.66    | \$9.66    | \$9.66    | \$9.66    | \$9.66    | \$9.66    |
| Assessments (\$ millions)    | \$6.56   | \$10.55   | \$14.24   | \$15.23   | \$15.69   | \$16.16   | \$16.65   | \$17.15   |
| Rate as % of ave premium     | 2.9%     | 2.9%      | 2.6%      | 2.3%      | 2.2%      | 2.1%      | 2.0%      | 1.9%      |

## Year-to-year percentage changes

|                     | 2015  | 2016  | 2017  | 2018 | 2019 | 2020 | 2021 |
|---------------------|-------|-------|-------|------|------|------|------|
| Member months       | 56.1% | 34.9% | 7.0%  | 3.0% | 3.0% | 3.0% | 3.0% |
| December enrollment | 24.1% | 32.8% | 7.0%  | 3.0% | 3.0% | 3.0% | 3.0% |
| Total premiums      | 59.0% | 49.9% | 19.8% | 8.2% | 8.2% | 8.2% | 8.2% |
| Ave premium         | 1.9%  | 11.1% | 12.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Assessment rate     | 3.0%  | 0.0%  | 0.0%  | 0.0% | 0.0% | 0.0% | 0.0% |
| Total assessments   | 60.8% | 34.9% | 7.0%  | 3.0% | 3.0% | 3.0% | 3.0% |

Notes: The CY 2014 data were compiled from multiple Cover Oregon documents.

The CY 2015 data are from insurers' February 2016 reports. Data will change as insurers provide revised data.

Data for CY 2016 and later are from the latest forecasts.

The following table shows the revenue that would be collected from selected levels of medical-plan enrollment and assessment rates in CY 2017. The forecast average monthly enrollment is about 132,000. If the assessment rate of \$9.66 PMPM is retained, this would generate \$15.34 million in revenue. An assessment rate of \$6.00 PMPM would generate \$9.53 million in revenue. If the average enrollment were 10,000 lower, then a rate of \$6.50 PMPM would be needed to raise the same revenue.

### CY 2017 revenue (\$ millions) from selected average medical-plan enrollment and assessment rates

| Ave monthly enrollment | PMPM assessment rates |         |         |         |         |
|------------------------|-----------------------|---------|---------|---------|---------|
|                        | \$9.66                | \$7.00  | \$6.50  | \$6.00  | \$5.50  |
| Forecast + 20,000      | \$17.66               | \$12.79 | \$11.88 | \$10.97 | \$10.05 |
| Forecast + 10,000      | \$16.50               | \$11.95 | \$11.10 | \$10.25 | \$9.39  |
| Forecast = 132,316     | \$15.34               | \$11.11 | \$10.32 | \$9.53  | \$8.73  |
| Forecast - 10,000      | \$14.18               | \$10.27 | \$9.54  | \$8.81  | \$8.07  |
| Forecast - 20,000      | \$13.02               | \$9.43  | \$8.76  | \$8.09  | \$7.41  |

## Stand-alone dental plan enrollment and premiums forecast

Cover Oregon did not have any dental premiums data when they created the dental assessment rate. They set the dental assessment rate as 10 percent of the medical assessment rate. That has continued through CY 2016. We now have two years of dental premiums data. While the medical assessment rate was 2.9 percent of average premium in CY 2015, the dental assessment rate was 3.1 percent of the dental premium. We propose setting the dental assessment rate so that the ratio of the dental rate to the medical rate is the same as the ratio of the average dental

premium to the average medical premium. We will use the insurers' most recent calendar year data for this calculation. In CY 2015, the average dental premium was 9.5 percent of the average medical premium. Therefore, we set the dental assessment rate as 9.5 percent of the medical assessment rate; for a \$9.66 PMPM medical rate, the dental rate would be \$0.92 PMPM.

As shown in the following table, insurers have reported little change in the average premium between CY 2015 and CY 2016.

Dental plan enrollment: December 2015 and January 2016

|                                     | Members   |        |           |        | Ave dental premium |              |          |
|-------------------------------------|-----------|--------|-----------|--------|--------------------|--------------|----------|
|                                     | Dec. 2015 |        | Jan. 2016 |        | CY 2015            | Jan-Feb 2016 | % change |
|                                     | Members   | Dist.  | Members   | Dist.  |                    |              |          |
| Best Life and Health                | 65        | 0.5%   | 0         | 0.0%   | \$54               | na           | na       |
| Dental Health Services, Inc.        | 3,116     | 24.1%  | 3,603     | 24.6%  | \$19               | \$19         | 0%       |
| Dentegra Insurance Company          | 90        | 0.7%   | na        | na     | \$38               | na           | na       |
| Kaiser Found. Health Plan of the NW | 685       | 5.3%   | 1,354     | 9.2%   | \$41               | \$35         | -14%     |
| LifeWise Health Plan of Oregon      | 16        | 0.1%   | 4         | 0.0%   | \$28               | \$28         | 2%       |
| Delta Dental (Moda)                 | 6,077     | 47.0%  | 6,503     | 44.4%  | \$38               | \$39         | 4%       |
| PacificSource Health Plans          | 1,363     | 10.5%  | 1,976     | 13.5%  | \$31               | \$31         | 1%       |
| Trillium Community Health Plan      | 1,048     | 8.1%   | 741       | 5.1%   | \$21               | \$23         | 12%      |
| Willamette Dental Insurance, Inc.   | 477       | 3.7%   | 475       | 3.2%   | \$41               | \$44         | 7%       |
| Total                               | 12,937    | 100.0% | 14,656    | 100.0% | \$31.50            | \$32.29      | 3%       |

We do not know how dental plan enrollment will grow, so we assume a growth rate of 3 percent per year. We assume that the average premium will increase 5 percent per year. The following table shows the results of these assumptions.

Dental plans summary

|                          | 2014        | 2015        | 2016        | 2017        | 2018        | 2019        | 2020        | 2021        |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Member months            | 120,844     | 167,801     | 172,835     | 178,020     | 183,361     | 188,862     | 194,527     | 200,363     |
| Ave enrollment per month | 10,070      | 13,983      | 14,403      | 14,835      | 15,280      | 15,738      | 16,211      | 16,697      |
| Maximum monthly enr.     | 12,805      | 15,284      | 15,743      | 16,215      | 16,701      | 17,202      | 17,718      | 18,250      |
| December enrollment      | 11,830      | 12,937      | 13,325      | 13,725      | 14,137      | 14,561      | 14,998      | 15,447      |
| Member months/Dec. en.   | 10.2        | 13.0        | 13.0        | 13.0        | 13.0        | 13.0        | 13.0        | 13.0        |
| Total premiums           | \$3,263,207 | \$5,285,810 | \$5,581,079 | \$6,035,937 | \$6,527,866 | \$7,059,887 | \$7,635,268 | \$8,257,542 |
| Ave premium              | \$27        | \$32        | \$32        | \$34        | \$36        | \$37        | \$39        | \$41        |
| Assessment rate          | \$0.93      | \$0.97      | \$0.97      | \$0.92      | \$0.92      | \$0.92      | \$0.92      | \$0.92      |
| Total assessments        | \$112,385   | \$162,767   | \$167,650   | \$163,778   | \$168,692   | \$173,753   | \$178,965   | \$184,334   |
| Rate as % of ave premium | 3.4%        | 3.1%        | 3.0%        | 2.3%        | 2.6%        | 2.5%        | 2.3%        | 2.2%        |

Year-to-year percentage changes

|                     | 2014 | 2015  | 2016 | 2017  | 2018 | 2019 | 2020 | 2021 |
|---------------------|------|-------|------|-------|------|------|------|------|
| Member months       |      | 38.9% | 3.0% | 3.0%  | 3.0% | 3.0% | 3.0% | 3.0% |
| December enrollment |      | 9.4%  | 3.0% | 3.0%  | 3.0% | 3.0% | 3.0% | 3.0% |
| Total premiums      |      | 62.0% | 5.6% | 8.1%  | 8.2% | 8.2% | 8.2% | 8.2% |
| Ave premium         |      | 16.7% | 2.5% | 5.0%  | 5.0% | 5.0% | 5.0% | 5.0% |
| Assessment rate     |      | 4.3%  | 0.0% | -5.2% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total assessments   |      | 44.8% | 3.0% | -2.3% | 3.0% | 3.0% | 3.0% | 3.0% |

Notes: The CY 2014 data were compiled from multiple Cover Oregon documents.

The CY 2015 data are from insurers' February 2016 reports. Data will change as insurers provide revised data.

Data for CY 2016 and later are from the latest forecasts.

### Comparison of the current enrollment forecasts to the April 2015 forecast

The following table compares this forecast of member months to the forecast done in April 2015 for the setting of the CY 2016 assessment rates. For medical plans, the total member months are expected to be at least 30 percent higher than in last year's forecast. For dental plans, the long-term forecast is about the same as used last year.

Comparison of the current forecast with the March 2015 forecast  
(member months)

| <u>Medical</u>   | <u>CY 2015</u> | <u>CY 2016</u> | <u>CY 2017</u> | <u>CY 2018</u> | <u>CY 2019</u> |
|------------------|----------------|----------------|----------------|----------------|----------------|
| Current forecast | 1,092,367      | 1,483,912      | 1,587,786      | 1,635,420      | 1,684,482      |
| Prior forecast   | 971,876        | 1,074,611      | 1,211,655      | 1,248,005      | 1,285,445      |
| % difference     | 12%            | 38%            | 31%            | 31%            | 31%            |

| <u>Dental</u>    | <u>CY 2015</u> | <u>CY 2016</u> | <u>CY 2017</u> | <u>CY 2018</u> | <u>CY 2019</u> |
|------------------|----------------|----------------|----------------|----------------|----------------|
| Current forecast | 167,801        | 172,835        | 178,020        | 183,361        | 188,862        |
| Prior forecast   | 146,950        | 161,644        | 177,809        | 183,143        | 188,637        |
| % difference     | 14%            | 7%             | 0%             | 0%             | 0%             |

### **OHIM financial outcomes**

#### Initial rate calculations

The following table shows a model for estimating the needed assessment rates. The calculations are done over several years because DCBS attempts to minimize year-to-year assessment rate changes.

The model is simplified in that it ignores quarterly enrollment variation and the interest that the OHIM account earns. These are included in the final analysis.

As shown, the OHIM planned expenditures (not the LAB amounts) are expected to decline from \$15.1 million in FY 2016 to an average of \$11.0 million during the three-year period FY 2017-2019. The OHA transfer is expected to average \$1.5 million. Therefore, the assessments need to collect about \$9.5 million per year.

If the enrollment forecasts are accurate, the current assessment rates will generate revenue of about \$15.7 million per year. For FY 2017 – FY 2019, this is about 38 percent more than needed. This suggests that the medical assessment rate should be about \$5.87 PMPM, and the dental assessment rate should be about \$0.56 PMPM.

### Simplified Rate Calculation Model

|                           | 2015 - 2017  |              | 2017 - 2019  |              | 2019 - 2021  |              |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                           | FY 2016      | FY 2017      | FY 2018      | FY 2019      | FY 2020      | FY 2021      |
| Planned expenditures      | \$15,128,376 | \$10,480,510 | \$11,329,443 | \$11,349,248 | \$11,689,726 | \$12,040,417 |
| OHA transfer amounts      | \$9,885,311  | \$2,771,352  | \$930,342    | \$855,812    | \$855,812    | \$855,812    |
| Assessment revenue needed | \$5,243,064  | \$7,709,158  | \$10,399,100 | \$10,493,436 | \$10,833,914 | \$11,184,606 |
| Current rates             |              |              |              |              |              |              |
| Medical member months     | 1,299,194    | 1,536,493    | 1,611,898    | 1,660,255    | 1,710,063    | 1,761,364    |
| Current assessment rate   | \$9.66       | \$9.66       | \$9.66       | \$9.66       | \$9.66       | \$9.66       |
| Revenue                   | \$12,550,217 | \$14,842,518 | \$15,570,935 | \$16,038,063 | \$16,519,204 | \$17,014,781 |
| Dental member months      | 169,117      | 174,191      | 179,417      | 184,799      | 190,343      | 196,053      |
| Current assessment rate   | \$0.97       | \$0.95       | \$0.92       | \$0.92       | \$0.92       | \$0.92       |
| Revenue                   | \$164,044    | \$164,610    | \$165,063    | \$170,015    | \$175,116    | \$180,369    |
| Total assessment revenue  | \$12,714,261 | \$15,007,128 | \$15,735,998 | \$16,208,078 | \$16,694,320 | \$17,195,150 |
| Excess/(Deficit)          | \$7,471,197  | \$7,297,970  | \$5,336,897  | \$5,714,641  | \$5,860,406  | \$6,010,544  |
| % Excess                  |              | 49%          | 34%          | 35%          | 35%          | 35%          |

| Test PMPM rates: | % of CY 2016 rates |
|------------------|--------------------|
| Medical          | \$5.87<br>61%      |
| Dental           | \$0.56<br>57%      |

This is a large reduction from the current medical assessment rate of \$9.66 PMPM for medical plans. The reduction comes from two sources: a reduction to bring revenue down to the level of expenditures and the increase in the enrollment forecast. As shown in the January report to the legislature, the medical assessment was expected to be \$35 million during FY 2017-2019, with a growth in the fund balance of \$10.5 million. Therefore, the assessment rate could be lowered by 30 percent so that revenues match planned expenditures. As shown earlier, the enrollment forecast was increased by about 30 percent over earlier forecasts. Therefore, assessment rates could be lowered by 25 percent and generate the same revenue. Combined, this suggests the assessment rate could be reduced by 48 percent. This rough calculation agrees with the result above.

For this analysis, we model the following pair of potential assessment rates:

| Modeled PMPM rates: |        |
|---------------------|--------|
| Medical             | \$6.00 |
| Dental              | \$0.57 |

### Detailed financial outcomes

The following table shows the forecast financial outcomes with the above enrollment model, planned expenditures, and a medical assessment rate of \$6.00 PMPM and a dental assessment rate of \$0.57 PMPM. The impact of the lower assessment rates are first seen in the third quarter of FY 2017. The fund balance would be expected to peak at \$15.4 million at the end of FY 2017. After that, the forecast revenues nearly match forecast expenditures.

Oregon Health Insurance Marketplace  
Forecast Revenues, Expenses, and Fund Balances, \$6.00 PMPM, without regard to the fund balance cap  
(actual data through December 2015)

| Period Ending | Medical Assessment | Dental Assessment | OHA Transfer | Investment/Misc | Total Revenue | Total Expenses | Excess (Deficit) | Ending Fund Balance | Months |
|---------------|--------------------|-------------------|--------------|-----------------|---------------|----------------|------------------|---------------------|--------|
|               | \$0                | \$0               | \$0          | \$0             | \$0           | \$0            | \$0              | \$0                 | 0      |
| 09/30/15      | 2,405,508          | 63,370            | 0            | 5,715           | 3,530,501     | 2,148,728      | 1,381,773        | 1,381,773           | 1.3    |
| 12/31/15      | 3,012,249          | 17,326            | 4,711,007    | 6,663           | 8,642,277     | 3,861,973      | 4,780,304        | 6,162,077           | 5.8    |
| 03/31/16      | 3,465,461          | 38,454            | 3,030,785    | 9,114           | 6,543,814     | 5,131,183      | 1,412,631        | 7,574,708           | 7.1    |
| 06/30/16      | 3,790,603          | 44,979            | 3,052,118    | 12,006          | 6,899,708     | 3,986,491      | 2,913,217        | 10,487,925          | 9.8    |
| FY 2016       | \$12,673,821       | \$164,130         | \$10,793,910 | \$33,498        | \$25,616,300  | \$15,128,375   | \$10,487,925     | \$10,487,925        | 9.8    |
| 09/30/16      | 3,643,530          | 43,051            | 827,623      | 8,182           | 4,522,386     | 3,437,554      | 1,084,832        | 11,572,757          | 10.8   |
| 12/31/16      | 3,434,999          | 39,977            | 827,623      | 13,810          | 4,316,409     | 3,070,363      | 1,246,046        | 12,818,803          | 12.0   |
| 03/31/17      | 2,303,132          | 23,275            | 827,623      | 21,794          | 3,175,824     | 2,093,666      | 1,082,158        | 13,900,960          | 13.0   |
| 06/30/17      | 2,519,221          | 27,224            | 827,623      | 32,050          | 3,406,118     | 1,878,926      | 1,527,191        | 15,428,151          | 14.5   |
| FY 2017       | \$11,900,882       | \$133,527         | \$3,310,491  | \$75,835        | \$15,420,736  | \$10,480,510   | \$4,940,226      | \$15,428,151        | 14.5   |
| 09/30/17      | 2,421,476          | 26,057            | 288,483      | 46,452          | 2,782,469     | 2,832,361      | (49,892)         | 15,378,259          | 16.3   |
| 12/31/17      | 2,282,888          | 24,196            | 213,953      | 58,279          | 2,579,316     | 2,832,361      | (253,045)        | 15,125,215          | 16.0   |
| 03/31/18      | 2,372,226          | 23,973            | 213,953      | 68,308          | 2,678,461     | 2,832,361      | (153,900)        | 14,971,314          | 15.8   |
| 06/30/18      | 2,594,797          | 28,041            | 213,953      | 78,249          | 2,915,040     | 2,832,361      | 82,679           | 15,053,994          | 15.9   |
| FY 2018       | \$9,671,388        | \$102,267         | \$930,342    | \$251,288       | \$10,955,285  | \$11,329,443   | (\$374,157)      | \$15,053,994        | 15.9   |
| 09/30/18      | 2,494,121          | 26,839            | 213,953      | 89,084          | 2,823,997     | 2,837,312      | (13,315)         | 15,040,678          | 15.9   |
| 12/31/18      | 2,351,374          | 24,922            | 213,953      | 98,273          | 2,688,522     | 2,837,312      | (148,790)        | 14,891,889          | 15.8   |
| 03/31/19      | 2,443,393          | 24,692            | 213,953      | 102,217         | 2,784,255     | 2,837,312      | (53,057)         | 14,838,832          | 15.7   |
| 06/30/19      | 2,672,641          | 28,882            | 213,953      | 105,906         | 3,021,383     | 2,837,312      | 184,071          | 15,022,902          | 15.9   |
| FY 2019       | \$9,961,530        | \$105,335         | \$855,812    | \$395,480       | \$11,318,157  | \$11,349,248   | (\$31,092)       | \$15,022,902        | 15.9   |
| 09/30/19      | 2,568,944          | 27,644            | 213,953      | 110,227         | 2,920,768     | 2,922,431      | (1,664)          | 15,021,239          | 15.2   |
| 12/31/19      | 2,421,916          | 25,670            | 213,953      | 112,266         | 2,773,805     | 2,922,431      | (148,626)        | 14,872,612          | 15.0   |
| 03/31/20      | 2,516,695          | 25,433            | 213,953      | 112,427         | 2,868,507     | 2,922,431      | (53,924)         | 14,818,688          | 15.0   |
| 06/30/20      | 2,752,821          | 29,749            | 213,953      | 112,675         | 3,109,198     | 2,922,431      | 186,766          | 15,005,455          | 15.2   |
| FY 2020       | \$10,260,375       | \$108,495         | \$855,812    | \$447,595       | \$11,672,278  | \$11,689,726   | (\$17,448)       | \$15,005,455        | 15.2   |
| 09/30/20      | 2,646,013          | 28,473            | 213,953      | 114,238         | 3,002,677     | 3,010,104      | (7,427)          | 14,998,027          | 15.2   |
| 12/31/20      | 2,494,573          | 26,440            | 213,953      | 114,182         | 2,849,148     | 3,010,104      | (160,956)        | 14,837,071          | 15.0   |
| 03/31/21      | 2,592,196          | 26,196            | 213,953      | 112,956         | 2,945,301     | 3,010,104      | (64,803)         | 14,772,268          | 14.9   |
| 06/30/21      | 2,835,405          | 30,641            | 213,953      | 112,463         | 3,192,462     | 3,010,104      | 182,358          | 14,954,626          | 15.1   |
| FY 2021       | \$10,568,187       | \$111,750         | \$855,812    | \$453,839       | \$11,989,588  | \$12,040,417   | (\$50,829)       | \$14,954,626        | 15.1   |

(The final column of the table is labeled “Months.” This provides the fund balance stated in terms of the number of months of the biennium’s planned expenditures.)

As stated earlier, there is a statutory cap on the budget. The estimated caps are shown in the following table. The left-hand portion of the table shows the results if the rebate is computed each December; the right-hand portion assumes the rebate is computed at the end of each biennium.

As discussed earlier, the December 2015, December 2016, and the June 2017 caps are estimated from the OHIM LAB; the later caps are taken from planned expenditures.

The results suggest that the fund balance at the end of December 2016 will exceed the cap by \$4.4 million. This means that OHIM expenditures during CY 2016 can be up to \$4.4 million more than planned without affecting the fund's long-term stability. Instead, the increased expenditures will reduce the credits.

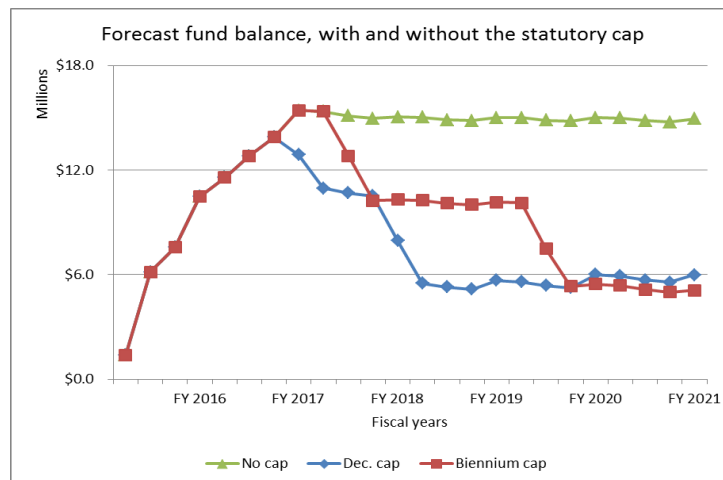
Forecast of fund balances and insurer credits

|               | Statutory fund balance cap | Dec. fund balance | Forecast credit |           | Statutory fund balance cap | June fund balance | Forecast credit |
|---------------|----------------------------|-------------------|-----------------|-----------|----------------------------|-------------------|-----------------|
| December 2015 | \$8,412,911                | \$6,162,077       | \$0             | June 2017 | \$8,412,911                | \$15,428,151      | \$7,015,240     |
| December 2016 | \$8,412,911                | \$12,818,803      | \$4,405,891     | June 2019 | \$5,669,673                | \$10,157,976      | \$4,488,303     |
| December 2017 | \$5,669,673                | \$10,694,930      | \$5,025,257     | June 2021 | \$6,014,956                | \$5,106,892       | \$0             |
| December 2018 | \$5,669,673                | \$5,288,748       | \$0             |           |                            |                   |                 |
| December 2019 | \$6,014,956                | \$5,376,370       | \$0             |           |                            |                   |                 |
| December 2020 | \$6,014,956                | \$5,697,287       | \$0             |           |                            |                   |                 |

The table and figure below summarize the forecast financial outcomes for the three scenarios. The impact of the credits is shown in the reductions in revenue in the years after the credits.

Summary of financial outcomes, by scenario

| FY end  | Expenditures | No fund cap  |              |        | December fund cap |              |        | Biennium-ending fund cap |              |        |
|---------|--------------|--------------|--------------|--------|-------------------|--------------|--------|--------------------------|--------------|--------|
|         |              | Revenue      | Fund balance | Months | Revenue           | Fund balance | Months | Revenue                  | Fund balance | Months |
| FY 2016 | \$15,128,375 | \$25,616,300 | \$10,487,925 | 9.8    | \$25,616,300      | \$10,487,925 | 9.8    | \$25,616,300             | \$10,487,925 | 9.8    |
| FY 2017 | \$10,480,510 | \$15,420,736 | \$15,428,151 | 14.5   | \$12,874,291      | \$12,881,706 | 12.1   | \$15,420,736             | \$15,428,151 | 14.5   |
| FY 2018 | \$11,329,443 | \$10,955,285 | \$15,053,994 | 15.9   | \$6,405,340       | \$7,957,603  | 7.5    | \$6,216,946              | \$10,315,655 | 10.9   |
| FY 2019 | \$11,349,248 | \$11,318,157 | \$15,022,902 | 15.9   | \$9,057,407       | \$5,665,762  | 5.3    | \$11,191,569             | \$10,157,976 | 10.7   |
| FY 2020 | \$11,689,726 | \$11,672,278 | \$15,005,455 | 15.2   | \$12,027,225      | \$6,003,262  | 5.6    | \$6,983,737              | \$5,451,986  | 5.5    |
| FY 2021 | \$12,040,417 | \$11,989,588 | \$14,954,626 | 15.1   | \$10,327,515      | \$5,938,254  | 5.6    | \$11,782,924             | \$9,110,345  | 10.7   |



Federal exchange costs

For this analysis, we have assumed that the federal technology charges will be separate from the assessment, so that the charges affect neither revenue nor expenditures. The following table shows the estimated charges under two scenarios. In scenario one, the charge is 1.5 percent of premium in CY 2017 and 3 percent of premium in later years. In scenario two, the charge is 3 percent of premium every year. Depending on the scenario, the CY 2017 costs would be the equivalent to a charge of \$6.20 or \$12.40 PMPM on medical plans. (The corresponding charges for dental plans would be \$0.59 PMPM or \$1.18 PMPM.)



Estimated federal technology costs, at 1.5% and 3% of premiums

|                               | CY 2017       | CY 2018       | CY 2019       | CY 2020       | CY 2021       |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Medical premiums              | \$656,546,885 | \$710,055,456 | \$767,924,976 | \$830,510,861 | \$898,197,497 |
| Medical member months         | 1,587,786     | 1,635,420     | 1,684,482     | 1,735,017     | 1,787,067     |
| Dental premiums               | \$6,035,937   | \$6,527,866   | \$7,059,887   | \$7,635,268   | \$8,257,542   |
| Dental member months          | 178,020       | 183,361       | 188,862       | 194,527       | 200,363       |
| Federal charge - scenario 1   | 1.5%          | 3.0%          | 3.0%          | 3.0%          | 3.0%          |
| Federal rev. (\$ millions)    | \$9,938,742   | \$21,497,500  | \$23,249,546  | \$25,144,384  | \$27,193,651  |
| Federal charge - medical PMPM | \$6.20        | \$13.03       | \$13.68       | \$14.36       | \$15.08       |
| Federal charge - scenario 2   | 3.0%          | 3.0%          | 3.0%          | 3.0%          | 3.0%          |
| Federal rev. (\$ millions)    | \$19,877,485  | \$21,497,500  | \$23,249,546  | \$25,144,384  | \$27,193,651  |
| Federal charge - medical PMPM | \$12.40       | \$13.03       | \$13.68       | \$14.36       | \$15.08       |

## SHOP

When SHOP was originally discussed, it was assumed that SHOP enrollment would be 1 – 2 percent of Oregon’s small group market. That would be an enrollment of 1,600 – 3,200 employers.

It was also assumed that employers would be paying a monthly assessment equal to the costs of their enrollment. If this is the case, the SHOP costs would be limited to any up-front costs and any additional DCBS costs for additional personnel, supplies, or chargeback. If another scenario is adopted, costs will differ.

As noted in earlier, the OHIM fund is forecast to have an account balance at the end of CY 2016 that is \$4.4 million above the statutory cap. If money is spent for SHOP during CY 2016, then the expanding would not have an impact on the fund’s long-term balance.

## **Summary**

The following table provides a summary by calendar year using the enrollment forecast, expenditures assumptions, the federal technology scenario one (1.5 percent of premium in CY 2017), and an assumed assessment rate of \$6.00 PMPM for medical plans and \$0.57 PMPM for dental plans. Given these assumptions, OHIM’s assessment would be about 1.5 percent of the average premium in CY 2017. Combined with the federal technology charge, the total costs would be about 3.0 percent of the average medical premium, a little higher than the 2.9 percent of premium that the assessment collected in CY 2015.

Medical plans summary, with proposed CY 2017 assessment rate

|                                     | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021      |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Member months                       | 699,687   | 1,092,367 | 1,483,912 | 1,587,786 | 1,635,420 | 1,684,482 | 1,735,017 | 1,787,067 |
| December enrollment                 | 68,830    | 85,405    | 114,310   | 122,312   | 125,981   | 129,760   | 133,653   | 137,663   |
| Total premiums (\$ millions)        | \$228.282 | \$363.051 | \$547.853 | \$656.547 | \$710.055 | \$767.925 | \$830.511 | \$898.197 |
| Ave premium                         | \$326     | \$332     | \$369     | \$413     | \$434     | \$456     | \$479     | \$503     |
| Assessment rate                     | \$9.38    | \$9.66    | \$9.66    | \$6.00    | \$6.00    | \$6.00    | \$6.00    | \$6.00    |
| Assessments (\$ millions)           | \$6.563   | \$10.552  | \$14.335  | \$9.527   | \$9.813   | \$10.107  | \$10.410  | \$10.722  |
| Rate as % of ave premium            | 2.9%      | 2.9%      | 2.6%      | 1.5%      | 1.4%      | 1.3%      | 1.3%      | 1.2%      |
| Federal tech. charges (\$ millions) |           |           |           | \$9.848   | \$21.302  | \$23.038  | \$24.915  | \$26.946  |
| Fed. as % of ave premium            |           |           |           | 1.5%      | 3.0%      | 3.0%      | 3.0%      | 3.0%      |

Dental plans summary, with proposed CY 2017 assessment rate

|                                     | 2014    | 2015    | 2016    | 2017    | 2018    | 2019    | 2020    | 2021    |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Member months                       | 120,844 | 167,801 | 172,835 | 178,020 | 183,361 | 188,862 | 194,527 | 200,363 |
| December enrollment                 | 11,830  | 12,937  | 13,325  | 13,725  | 14,137  | 14,561  | 14,998  | 15,447  |
| Total premiums (\$ millions)        | \$3.263 | \$5.286 | \$5.581 | \$6.036 | \$6.528 | \$7.060 | \$7.635 | \$8.258 |
| Ave premium                         | \$27    | \$32    | \$32    | \$34    | \$36    | \$37    | \$39    | \$41    |
| Assessment rate                     | \$0.93  | \$0.97  | \$0.97  | \$0.57  | \$0.57  | \$0.57  | \$0.57  | \$0.57  |
| Assessments (\$ millions)           | \$0.112 | \$0.163 | \$0.168 | \$0.101 | \$0.105 | \$0.108 | \$0.111 | \$0.114 |
| Rate as % of ave premium            | 3.4%    | 3.1%    | 3.0%    | 1.7%    | 1.6%    | 1.5%    | 1.5%    | 1.4%    |
| Federal tech. charges (\$ millions) |         |         |         | \$0.091 | \$0.196 | \$0.212 | \$0.229 | \$0.248 |
| Fed. as % of ave premium            |         |         |         | 1.5%    | 3.0%    | 3.0%    | 3.0%    | 3.0%    |

Medical and dental combined, with proposed CY 2017 assessment rate

|   | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021      |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total premiums (\$ millions)              | \$231.545 | \$368.337 | \$553.434 | \$662.583 | \$716.583 | \$774.985 | \$838.146 | \$906.455 |
| Total assessments (\$ millions)           | \$6.675   | \$10.715  | \$14.502  | \$9.628   | \$9.917   | \$10.215  | \$10.521  | \$10.837  |
| Total fed. Charges (\$ millions)          |           |           |           | \$9.939   | \$21.497  | \$23.250  | \$25.144  | \$27.194  |
| Assessment and fed. charges (\$ millions) | \$6.675   | \$10.715  | \$14.502  | \$19.567  | \$31.415  | \$33.464  | \$35.665  | \$38.030  |
| Total % of ave premium                    | 2.9%      | 2.9%      | 2.6%      | 3.0%      | 4.4%      | 4.3%      | 4.3%      | 4.2%      |

## **DIVISION 30**

### **ADMINISTRATIVE CHARGE FOR OPERATING EXPENSES**

#### **945-030-0010**

##### **Purpose**

The purpose of division 30 is to establish a process for the adoption of an administrative charge to be paid by health insurers offering a qualified health plan or stand alone dental plan through the Marketplace to pay the administrative and operational expenses of the Marketplace, including costs of grants to certified navigators.

Stat. Auth.: ORS 741.002

Stats. Implemented: ORS 741.105

Hist.: OHIE 1-2013, f. & cert. ef. 3-18-13; Suspended by OHIE 3-2013(Temp), f. & cert. ef. 5-28-13 thru 11-22-13; OHIE 3-2015, f. & cert. ef. 10-15-15; OHIE 4-2015, f. & cert. ef. 11-6-15

#### **945-030-0020**

##### **Establishment of Administrative Charge Paid by Insurers**

- (1) After consulting with the Advisory Committee created by Section 13 of 2015 Senate Bill 1, Marketplace staff will annually provide a Report on Administrative Charges to the Director of the Department of Consumer and Business Services (Director).
- (2) The report will be posted on the Marketplace's website for public review and comment.
- (3) At a minimum, the report will include
  - (a) A projection of Marketplace operating expenses (including the Marketplace share of DCBS shared services expenses, and operating expenses borne by the Marketplace and reimbursed by another agency) based on DCBS budgets, assuming for this purpose that the operating expenses in any actual or expected biennial budget are distributed evenly over the biennium;
  - (b) A projection of Marketplace enrollment for the next calendar year; and
  - (c) A proposed administrative charge for the next calendar year.
- (4) The Department will hold a public hearing on a proposed administrative charge.
- (5) No later than the end of the first quarter of a calendar year the Director shall amend or approve an administrative charge for the next calendar year.
- (6) Any administrative charge adopted by the Director shall be established in rule.
- (7) The administrative charge shall be expressed as a per member per month figure.
- (8) The annual administrative charge assessed by the Marketplace shall not exceed the limits set forth in ORS 741.105(2) on the premium or other monthly charge, prior to tax credits and cost sharing reductions, based on the number of enrollees receiving coverage in qualified health plans or stand alone dental plans through the Marketplace during the month of December preceding the report.
- (9) The maximum amount permissible under ORS 741.105 will be calculated by comparing the Marketplace's fund balance at the end of each December with the Marketplace's budgeted operating expenses for the following six-month period (calculated as one-fourth of the budgeted operating expenses for the biennium that includes the six-month period). If the fund balance exceeds six months of budgeted operating expenses, the Department of Consumer and Business Services will return excess funds to carriers on a pro-rata basis, computed from the December assessments, in the form of a credit applied against future assessments. The credit will be applied no later than the end of the first quarter of the calendar year.

Stat. Auth.: ORS 741.002

Stats. Implemented: ORS 741.105

Hist.: OHIE 1-2013, f. & cert. ef. 3-18-13; OHIE 1-2015(Temp), f. & cert. ef. 3-11-15 thru 9-4-15; Administrative correction, 9-30-15; OHIE 3-2015, f. & cert. ef. 10-15-15; OHIE 4-2015, f. & cert. ef. 11-6-15

#### **945-030-0030**

##### **2015 Administrative Charge on Insurers**

(1) Effective January 1, 2015, each health insurer offering qualified health plans through the Marketplace shall pay a monthly administrative charge equal to \$9.66 times the number of members enrolled through the Marketplace in that month.

(2) Effective January 1, 2015, each health insurer offering stand alone dental plans through the Marketplace shall pay a monthly administrative charge equal to \$0.97 times the number of members enrolled through the Marketplace in that month.

Stat. Auth.: ORS 741.002

Stats. Implemented: ORS 741.105

Hist.: OHIE 1-2013, f. & cert. ef. 3-18-13; OHIE 3-2013(Temp), f. & cert. ef. 5-28-13 thru 11-22-13; OHIE 5-2013, f. & cert. ef. 8-19-13; OHIE 2-2014, f. & cert. ef. 4-15-14; OHIE 1-2015(Temp), f. & cert. ef. 3-11-15 thru 9-4-15; Administrative correction, 9-30-15; OHIE 3-2015, f. & cert. ef. 10-15-15; OHIE 4-2015, f. & cert. ef. 11-6-15

#### **945-030-0035**

##### **2016 Administrative Charge on Insurers**

(1) Effective January 1, 2016, each health insurer offering qualified health plans through the Marketplace shall pay a monthly administrative charge equal to \$9.66 times the number of members enrolled through the Marketplace in that month.

(2) Effective January 1, 2016, each health insurer offering stand alone dental plans through the Marketplace shall pay a monthly administrative charge equal to \$0.97 times the number of members enrolled through the Marketplace in that month.

Stat. Auth.: ORS 741.002

Stats. Implemented: ORS 741.105

Hist.: OHIE 2-2015, f. 3-17-15, cert. ef. 3-31-15; OHIE 3-2015, f. & cert. ef. 10-15-15; OHIE 4-2015, f. & cert. ef. 11-6-15

#### **945-030-0040**

##### **Assessment and Collection of Administrative Charge on Insurers**

(1) By the last Wednesday of each month, an insurer shall report to the Marketplace the insurer's effectuated enrollment as of 11:59 PM on the 15th of the month and the anticipated effectuated enrollment for the following month.

(2) The Marketplace shall assess an insurer an administrative charge on or before the 10th day of each month based on the number of reasonably anticipated effectuated members enrolled in Marketplace coverage in that month.

(3) The Marketplace shall adjust the administrative charge when it reasonably believes an insurer has had changes or has made accurate corrections to enrollment for prior months, as follows:

(a) For report months beginning July of a given year and ending June of the following year, the Marketplace shall adjust the administrative charge for coverage months beginning January of the given year through the report month.

- (b) The Marketplace shall not adjust the administrative charge for changes or corrections in enrollment for coverage months preceding the period described in paragraph (a) of this section.
- (4) The administrative charge is due in full to the Marketplace on the 10th day of the month following the assessment.
- (5) For any month in which the insurer does not make full payment within 5 days following the due date for the administrative charge, the Marketplace may impose a late payment charge of 1 percent of the amount due, to be paid on the next due date for the administrative charge.
- (6) If an insurer fails to pay the administrative charge or any late payment charge or both, the Director may:
- (a) Impose an annual 9% interest charge on the amount due;
  - (b) Close that insurer's Marketplace plans to new enrollment until all outstanding charges are paid; and/or
  - (c) De-certify the insurer's qualified health plans and/or stand-alone dental plans.
- (7) The insurer must maintain data that are sufficient:
- (a) To support the assessment reported to the director and any adjustments or corrections; and
  - (b) For the Director to verify the amount reported, adjusted, or corrected.
- (8) Upon request and in the form, manner, and time prescribed by the Director, an insurer must provide to the Director the data described in paragraph 7 of this rule.
- (9) An insurer may contest the amount of the administrative charge assessed under this section through a contested case hearing under ORS 183.411 to 183.471.

Stat. Auth.: ORS 741.002

Stats. Implemented: ORS 741.105

Hist.: OHIE 1-2013, f. & cert. ef. 3-18-13; OHIE 3-2013(Temp), f. & cert. ef. 5-28-13 thru 11-22-13;

OHIE 5-2013, f. & cert. ef. 8-19-13; OHIE 1-2015(Temp), f. & cert. ef. 3-11-15 thru 9-4-15;

Administrative correction, 9-30-15; OHIE 3-2015, f. & cert. ef. 10-15-15; OHIE 4-2015, f. & cert. ef. 11-6-15

#### **945-030-0045**

##### **Administrative Assessment on State Programs**

- (1) The administrative assessment on state programs shall be established in an Intergovernmental Agreement between the Marketplace and the Oregon Health Authority.
- (2) The administrative assessment, expressed as a per member per month figure, shall be based on the number of individuals enrolled in state programs offered through the Marketplace.
- (3) The Intergovernmental Agreement shall specify the intervals and manner in which the administrative assessment is to be paid.
- (4) Marketplace staff will annually report to the Director on the assessment on state programs.

Stat. Auth.: ORS 741.002

Stats. Implemented: ORS 741.105

Hist.: OHIE 1-2014, f. & cert. ef. 1-16-14; OHIE 1-2015(Temp), f. & cert. ef. 3-11-15 thru 9-4-15;

Administrative correction, 9-30-15; OHIE 3-2015, f. & cert. ef. 10-15-15; OHIE 4-2015, f. & cert. ef. 11-6-15