Oregon Health Insurance Marketplace

Analysis of Marketplace Technology Platforms

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Analysis

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I. Introduction

i. Purpose of this Analysis

The Oregon Department of Consumer and Business Services (DCBS) is responsible for Oregon's health insurance marketplace. DCBS developed this analysis to help the state decide if it is in Oregon's best interest to pay for and continue to use the federal technology platform, HealthCare.gov, to enroll Oregonians in Qualified Health Plans.

This analysis compares two options:

1) Continuing to use HealthCare.gov
2) Switching to a technology platform from a private vendor that has been successfully deployed in another state

The analysis includes a comparison of functionality, costs, program impacts, and consumer impacts for both options.

ii. Background

The Patient Protection and Affordable Care Act of 2010 (ACA) created health insurance marketplaces where consumers can buy Qualified Health Plans. States may operate their own health insurance marketplace, called a state-based marketplace, or have the federal government run their marketplace for them.

Oregon chose to operate its own marketplace. In 2011, Oregon Senate Bill 99 established, as a public corporation, the Oregon Health Insurance Exchange Corporation to operate Oregon's health insurance marketplace. However, the marketplace technology platform developed for Oregon by a private vendor did not function.

For plan year 2014, Oregon began using the federal government's platform, HealthCare.gov, to enroll Oregonians in Qualified Health Plans for individuals. The federal government refers to state-based marketplaces that use HealthCare.gov, such as Oregon, as "state-based exchanges on the federal platform" (SBE-FPs). Although HealthCare.gov offers a technology for the small Business Health Options Program (SHOP), Oregon currently does not use it or any other technology platform for SHOP.

In 2015, DCBS became responsible for Oregon's marketplace and continued using the SBE-FP model. Under this model, the federal government provides eligibility and enrollment technology and call center functions for Oregon. The state is responsible for all other marketplace functions, including oversight and administration, finance, policy and rulemaking, plan management, outreach and education, the state's in-person assistance (navigator) program, stakeholder engagement, reporting and auditing, and Oregon's SHOP.

For the past few years, the federal government has provided HealthCare.gov to Oregon at no cost. In November 2015, the U.S. Department of Health and Human Services (HHS) proposed, by rule, to begin charging SBE-FPs, including Oregon, a user fee of 3 percent of premiums for use of HealthCare.gov. In the final rule, released in February 2016, HHS stated it has sought a waiver from the Office of Management and Budget (OMB) to reduce the user fee from 3 percent to 1.5 percent of premiums for the 2017 benefit year. After the 2017 benefit year, the final federal rule states that the user fee for SBE-FPs will be 3 percent of premiums.

DCBS has a responsibility to make sure paying for HealthCare.gov is the best use of the policyholders' dollars. In December 2015, the State of Oregon released a request for proposals (RFP) to collect information about fully functional and cost-effective technology solutions for both the individual and SHOP marketplaces. Four proposals were received by the deadline, March 4, 2016. One of those proposals did not meet the minimum requirements of the RFP and was eliminated from consideration. DCBS used the information submitted by the remaining three vendors to create this analysis. This analysis examines technology options only for the individual marketplace and does not include an analysis of SHOP technology options.

iii. Next Steps

DCBS will use this analysis to seek advice from the Oregon Health Insurance Marketplace Advisory Committee about health insurance marketplace technology platform options. DCBS will then present its findings and recommendations and the advisory committee's advice to the Oregon Legislature during the May 2016 legislative days.

If the state decides to continue to use HealthCare.gov, no further action will be necessary. If the state decides to obtain a system other than the federal platform, DCBS would need approval from the Oregon Legislature for any technology that costs more than $1 million. In addition, the purchase of any technology system would be subject to the state's stage gate process administered by the Office of the State Chief Information Officer.

II. Functionality Comparison

Functionality		
Option	Pros	Cons
Continue to use HealthCare.gov	• HealthCare.gov provides the basic functionality needed • HealthCare.gov works • Participating insurers have already connected their systems to HealthCare.gov • The federal government takes on the effort and risk of making improvements and enhancements	• HealthCare.gov cannot be customized for Oregon-specific initiatives, such as the COFA premium assistance program or special enrollment periods unique to Oregon • It includes only modest tools to help consumers make a decision (although these tools may improve) • The federal government provides limited data sharing and these reports are often late • Plans cannot be removed or reinstated easily or quickly • Errors in plan data cannot be corrected quickly • Decisions about the future of the

Functionality		
Option	Pros	Cons
		platform are vulnerable to political shifts • Only the federal government decides what improvements and enhancements to make • The federal government makes operational and policy decisions with little notice or state input
Switch to another platform	• Other platforms provide the basic functionality to run a state-based marketplace • Other platforms allow for customization for state initiatives • Oregon would prioritize what improvements and enhancements to pursue • Oregon would have direct access to data and could develop its own analyses/reports • Oregon would maintain operational control of the platform • Any necessary updates to plan data or availability could be made quickly	• There is a risk of issues and bugs when implementing or when customizing a technology platform • There is a risk of insufficient IT resources, state computing infrastructure, and ability to manage vendor • Participating insurers would need to connect their systems to the new technology platform, a process that takes time and money and includes the risk of issues and bugs • Oregon would be responsible for the risks associated with making improvements and enhancements • Oregon would be dependent on the financial and organizational stability of the vendor and its long-term commitment to the technology

HealthCare.gov and the private vendor technology platforms considered all provide Oregon with the basic functionality needed to determine eligibility and enroll Oregonians in Qualified Health Plans. We know that HealthCare.gov works. As required by the RFP, each of the three private vendor platforms has been successfully deployed in other states. Nevertheless, there is a risk of bugs or issues arising when implementing any technology system.

Because HealthCare.gov is a system that facilitates enrollment for 38 states, it is not customizable for Oregon-specific initiatives. For example, the state could not create a special enrollment period for pregnancy, because the federal government cannot customize HealthCare.gov to allow for state-specific special enrollment periods not already outlined in the ACA. HealthCare.gov also does not have the functionality to support a Basic Health Program, as contemplated by Oregon House Bill 4017 (2016). The inability to tailor the technology for Oregon-specific needs is a drawback of the federal platform, and continuing to use HealthCare.gov will require workarounds for policy initiatives of this sort.

Switching to another platform would give Oregon more flexibility to customize the technology to meet Oregon-specific needs. States such as New York and Minnesota have successfully customized their technology to pursue various health insurance initiatives, like the Basic Health Program. Customizing technology, of course, usually means extra cost, time, and risk.

If the state switched to another platform, Oregon would be responsible for continually improving the platform and making necessary enhancements. The federal government handles improvements and enhancements for HealthCare.gov. Currently, Oregonians benefit from these improvements and enhancements without any effort or risk at the state level, but Oregon does not have a say about what or when changes are made to HealthCare.gov.

III. Cost Comparison

Costs		
Option	Pros	Cons
Continue to use HealthCare.gov	• The total cost of running the marketplace is less if Oregon continues to use HealthCare.gov	• There is a risk the federal government will increase its fee in future years and Oregon has no control over the amount of the fee
Switch to another platform	• Switching to another platform would only be slightly more expensive, about $3 million or 10 percent more per year	• Additional costs, such as for an Oregon-based call center, make this the more expensive option • Customization for state-specific initiatives would add to the cost • There is a risk that actual implementation costs could be higher than quoted by vendors

If the state continued to use HealthCare.gov, the total cost of running the marketplace would be about $31 million per year. Using a different technology platform would increase the total cost of running the marketplace to about $34 million per year.

The cost of HealthCare.gov includes more than just the cost of the technology. It includes the cost of using the federal call center and managing the entire eligibility and enrollment process, including appeals and grievances. This is a sizeable amount of work that Oregon would become responsible for if it switched platforms. That would increase the program costs (non-technology platform costs) for the state from about $12 million per year to more than $25 million per year.

The table below provides an estimate of the costs for each option. The cost information provided by vendors in their responses to the RFP assumed operation over the plan years 2019 through 2023. This analysis uses the average annual cost.

Estimated Marketplace Costs

Up-front one-time costs

	Option 1. Continue using HealthCare.gov	Option 2. Switch to another technology platform
QA Vendor for Project	NA	$860,600

Ongoing annual costs

	Option 1. Continue using HealthCare.gov	Option 2. Switch to another technology platform
Program operations	$11,931,000	$25,199,000
Enrollment technology	$18,748,800	$8,606,000
Total ongoing annual costs	$30,679,800	$33,805,000
Annual costs relative to enrollment and premium		
Per member per month	$21.31	$23.48
Percent of premium	4.9%	5.4%
Assumptions		
Ave. enrollment per month	120,000	120,000
Ave. premium per month	$434	NA
Annual costs if enrollment is 10 percent higher		
Total costs	$32,555,000	$34,517,000
Per member per month	$20.55	$21.79
Percent of premium	4.7%	5.0%

The calculations show that the total costs will be about 5 percent of premium. This is the statutory maximum administrative charge that DCBS may impose on insurers under ORS 741.105(2)(a). Technology costs paid directly to the federal government or to the vendors may not be limited by the statute, but it is DCBS's intent to have the total costs remain under 5 percent of premium. Therefore, if the expenditure, enrollment, or average premium assumptions differ significantly from the modeled assumptions, DCBS may have difficulty keeping costs under the 5 percent limit.

See Appendix 1 at the end of this analysis for a detailed explanation of the assumptions used to develop this cost analysis.

IV. Program Impact

Program Impact		
Option	Pros	Cons
Continue to use HealthCare.gov	• The current split of responsibilities between Oregon and the federal government works well • Oregon can continue to focus on the aspects of the marketplace it is responsible for without the burden of managing a technology platform • The federal call center adequately handles most consumer issues	• Oregon has no control over the quality of call center consumer service • In some cases, HealthCare.gov consumer service representatives have failed to consult their scripts or have given consumers information that does not apply to Oregon • Oregon has no control over national advertising or direct mail, text, or email to consumers • Oregon does not have control over agent certification
Switch to another platform	• Oregon would have control over the quality of the call center consumer service • Oregon would have control over all advertising and consumer outreach • Oregon would have direct control over agent certification • Controlling all aspects of the marketplace could allow Oregon to ensure better internal and external consistency in terms of priorities, messaging, etc.	• Switching platforms would require a much larger program at the state level, which increases the administrative burden for the state • Managing a technology platform could divert resources from other aspects of running the marketplace • For the first year, most outreach would need to focus on the change in platform, leaving fewer resources for outreach about anything else • Considerable resources would be needed to train agents, community partners, and insurers on the new system for the first year

Currently, the federal government and State of Oregon split responsibility for Oregon's marketplace. In general, this split has worked well for Oregonians, and the state's small team dedicated to running the marketplace has been able to focus on core functions such as plan management and outreach and education without the distraction of trying to also manage a large, complicated technology platform.

However, Oregon does not have any control over the quality of the parts of the program run by the federal government, such as the call center. In a recent survey, the majority of Oregon consumers found HealthCare.gov consumer service helpful, but 29 percent found their consumer service "not at all helpful."

If Oregon switched platforms, the state would be responsible for all aspects of the marketplace. This would increase the state's control of the marketplace and increase its administrative burden. The state would need to hire and train many more people to staff a call center and handle eligibility and enrollment processes, including appeals and grievances. More staff members would require additional central services to support those staff members.

V. Consumer Impact

Consumer Impact		
Option	Pros	Cons
Continue to use HealthCare.gov	• Consumers have become familiar with HealthCare.gov and know where to go and how to use it • Consumers find value in the platform	• The platform does not always work well for all Oregonians, especially those with special circumstances • Consumers continue to be confused about when to contact the state versus the federal government and which is responsible for what
Switch to another platform	• The new platform could better serve the specific needs of Oregonians • Oregonians would have only one website to visit related to Oregon's marketplace, instead of two (one at the federal level and one at the state level)	• Consumers will have to relearn where to go to sign up for a Qualified Health Plan • Consumers, insurers, agents, and community partners will have to learn a new system • Auto-re-enrollment for the first year is unlikely and there is a risk that all consumers would have to sign up from scratch for the first year • There is a risk that consumers would avoid the new system for fear of issues • There is a risk enrollment would decrease the first year • Bugs or issues with the platform could further erode trust in state government

While HealthCare.gov is not perfect, it works for Oregonians. Oregon had the highest year-over-year increase in enrollment among the states that use HealthCare.gov in 2016, an increase of 31 percent or 35,000 people. Oregon's marketplace increased its market share not just in the subsidy eligible population, who get the most benefit out of using HealthCare.gov, but also among those whose incomes are too high to qualify for tax credits. Those consumers are finding value in HealthCare.gov, even though they are not receiving financial help. The State of Oregon and the federal government have developed a good working relationship and split of responsibilities that clearly benefits Oregon consumers.

If Oregon switched to another technology platform, Oregon consumers would need to learn a new system. There is also a risk that HealthCare.gov may not be able to transfer current consumer data to another system. In such a case, all consumers would have to sign up from scratch on the new system and not be able to automatically re-enroll for the first year. Due to the history of Oregon's marketplace, many consumers could avoid the new system for fear of issues and move off-exchange. For all of these reasons, there could be a loss in enrollment in the first year of a transition.

APPENDIX 1 – Cost Analysis

Initial assumptions

This cost analysis is based in part on responses from the above-referenced RFP in which vendors were asked to provide information about their marketplace technology solution. The assumptions in the RFP regarding the individual marketplace were:

- The costs were to cover the period CY 2019 to CY 2023
- Individual plan enrollment was forecast to be 120,000 per month over the five years
- Dental plan enrollment was to be ignored

The three respondents whose proposals DCBS analyzed had different ways of funding their technology (the details are included later in this appendix), but the overall cost for individual plan enrollment over five years were similar. Therefore, the average cost of the responses is used in this analysis.

There are a number of unresolved issues for SHOP. Because of this, SHOP is excluded from this analysis.

Option 1: Continue using HealthCare.gov

This option assumes that DCBS continues its current marketplace functions, and insurers pay 3 percent of premium for the use of the federal platform. Currently, expenditures are forecast to be $32.41 million in the 2015-2017 biennium.[1] To estimate future expenditures, we make assumptions about how the existing program will change. This involves reducing some current expenditures, mainly professional services. For the program costs that are not expected to change, we assume that costs will increase slowly, reflecting salary increases and inflation. With these assumptions, the Oregon Health Insurance Marketplace (OHIM) ongoing program costs are forecast to be approximately $11.93 million a year, as detailed in the table at right.

Estimated OHIM expenditures

Ongoing annual costs	
Personal services	$2,407,000
Services and supplies	
Publicity & Publications	$2,079,000
Professional Services	1,800,000
IT Professional Services	3,088,000
Facilities Rent & Taxes	190,000
Telecomm/Tech Svc & Supplies	112,000
Other S&S	643,000
Services and supplies total	$7,912,000
Special Payments	500,000
Shared Services	1,112,000
Total expenditures	$11,931,000

This option also assumes that DCBS continues to use the federal technology for individual enrollment. In CY 2017, the federal charges for the technology will be 1.5 percent of premium. We assume the charges will increase to 3 percent of premium in CY 2018. We need, therefore, an assumption of the average premium for individual policies. This analysis assumes an average

[1] See *Oregon Health Insurance Marketplace, Report to the Joint interim Committee on Ways and Means and Interim Senate and House Committees on Health Care*, May 2016, page 8. The 2015-2017 biennium extends from July 2015 through June 2017.

premium of $434, based on an early analysis of the initial CY 2017 rate filings[2]. If individual enrollment is 120,000 per month and the average premium is $434 per month, the federal exchange's costs would be $18.75 million per year.

As shown on page 5 of this analysis, the total costs for this option are estimated to be $30.68 million per year. This would be the equivalent of $21.31 per member per month (PMPM). Insurers are billed monthly for OHIM's operations, and the current rate is $9.66 PMPM for individual plan enrollment[3].

The total cost is also the equivalent of 4.9 percent of premium, near the statutory maximum of 5 percent. If individual plan enrollment was 10 percent higher, the costs would be about $32.56 million, or about 4.7 percent of premium.

<u>Option 2: Switch to another technology platform in use in another state</u>
This option assumes that DCBS would adopt a private vendor's technology. DCBS received three acceptable proposals for technology for a state-based marketplace. The three respondents provided proposals for an individual plan enrollment over the five-year period CY 2019 to CY 2023. The vendor proposals include the annual upgrade and maintenance costs to stay compliant with the requirements of the Centers for Medicare and Medicaid. The proposals do not include any Oregon-specific enhancements the state may want to make in the future. Those costs would need to be considered as initiatives are proposed. Each improvement could cost millions of dollars in customizations.

The proposals differ in the details, but the five-year costs are similar. Based on the assumptions of the RFP, the average cost per year would be $8.95 million for Proposer 1, $8.26 million for Proposer 2, and $8.61 million for Proposer 3. This analysis uses the average of the three responses, about $8.61 million per year for individual enrollment.

There are important limitations to this cost analysis:

- The proposals requested did not envision full integration with the OregONEligibility system for Medicaid.
- Because we requested proposers submit only systems that are fully functioning in other states, we assume their systems require little further product integration. This may not be true.
- We have not completed a technical evaluation of the proposals. Such an evaluation may result in the discovery of other costs needed for full system functionality.

Should these functionality assumptions change, or should further technical evaluation reveal additional costs, further cost analysis will need to be done, and may result in a different conclusion about the relative costs of vendor technology platforms.

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[2] The estimated average premium is based on initial rate filings by carriers. Rates are subject to the review by the Division of Financial Regulation. Final rates for 2017 will be determined in July 2016, and the actual average premium may differ from this estimate. Please note that this estimate is also not weighted based on number of policyholders.

[3] DCBS intends to decrease the state's PMPM to $6.00 in 2017.

If DCBS adopts a private vendor's technology, it will need to expand its current operations. The current marketplace program within DCBS manages all aspects of an exchange, except for the technology and the transactions related to eligibility and enrollment. Eligibility and enrollment are significant functions of the exchange and carry a large administrative burden. If Oregon managed its own technology, DCBS would need to rebuild some of the infrastructure that was dismantled after Oregon moved to HealthCare.gov. The majority of Cover Oregon employees worked on eligibility and enrollment functions. Based on those previous staffing levels, we estimate that DCBS would need to add about 80 employees to the staff of 24 currently working at the marketplace.

One way to estimate the personnel costs of an expanded program is to use DCBS's planned costs. Divisions provide estimates of their planned employee compensation for the current biennium. If the personnel costs for the average OHIM staff member are used, then a program with 100 employees would cost about $10.42 million a year. This cost depends, of course, on the distribution of the job classifications in this expanded program.

The other costs for the expanded marketplace operations are estimated relative to the estimated costs derived for option 1. Some costs, mainly professional services, would be the same under both options.

Other costs are expected to be higher under the expanded program. Because the marketplace would lose the federal marketing, we assume that the marketplace's marketing costs would double. We have estimated the increases of other costs, such as rent and telecommunications, with a model developed by the DCBS budget staff.

DCBS divisions pay for the costs of the department's central services divisions. These divisions' costs are based in part on the number of the divisions' full-time employees (FTE). Therefore, an expanded marketplace program would incur a larger share of shared services costs.

The following table compares the program costs of the two options.

Comparison of estimated program costs

Ongoing annual costs

	Option 1. Current program	Option 2. Expanded program
Personal services	$2,407,000	$10,422,000
Services and supplies		
Publicity & Publications	$2,079,000	$4,158,000
Professional Services	1,800,000	1,800,000
IT Professional Services	3,088,000	3,088,000
Facilities Rent & Taxes	190,000	1,015,000
Telecomm/Tech Svc & Supplies	112,000	232,000
Other S&S	643,000	1,721,000
Services and supplies total	$7,912,000	$12,014,000
Special Payments	$500,000	$500,000
DCBS Shared Services	1,112,000	2,263,000
Total annual expenditures	$11,931,000	$25,199,000

With these assumptions, the operating costs of an expanded program would be expected to be about $25.20 million per year.

With the technology costs, the total costs for option 2 would be about $33.81 million a year. This would be the equivalent of 5.4 percent of the forecast premium.