

# **Oregon Health Insurance Marketplace**

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Report to the Joint Interim Committee on  
Ways and Means and Interim Senate and  
House Committees on Health Care

May 2016



Department of Consumer and Business Services

350 Winter St. NE

Salem, OR 97309

855-268-3767

[www.oregon.gov/dCBS](http://www.oregon.gov/dCBS)

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# Marketplace Report

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## Table of Contents

I.	Introduction .....	2
II.	Financial Condition .....	3
III.	Technology Development.....	10
IV.	Coordination with the Oregon Health Authority.....	10
V.	Program Integration .....	11
VI.	Small Business Health Options Program (SHOP) .....	12
VII.	Liabilities .....	13
VIII.	Federal Agreements.....	18
IX.	Additional Information .....	18
	i. COFA Islander Premium Assistance Program (House Bill 4071, 2016 session) .....	18
	ii. Basic Health Program (House Bill 4017, 2016 session).....	18
	iii. Eligibility and Enrollment Data.....	19
	iv. Outreach Campaigns.....	23
X.	Closing Summary .....	24
	Attachment A: Litigation Summary.....	25
	Attachment B: Costs Paid-to-Date to Legal Services Firms Relating to the Oracle Litigation and Related Investigations.....	27
	Attachment C: Publicity and Publication Plan and Report for the Joint Committee on Ways and Means Addendum .....	28

## I. Introduction

### *Introduction from the Director of the Department of Consumer and Business Services*

The Department of Consumer and Business Services (DCBS) developed this report to update the Joint Interim Committee on Ways and Means, Interim Senate Committee on Health Care, and Interim House Committee on Health Care about Oregon's health insurance marketplace (Marketplace). In accordance with Section 21 of Senate Bill 1 (Chapter 003, 2015 Laws), DCBS provides these reports every time the interim committees meet. The reports for September 2015, November 2015, and January 2016, as well as the April 15, 2016 annual report for the Marketplace, can be found at [www.oregonhealthcare.gov/reports-audits.html](http://www.oregonhealthcare.gov/reports-audits.html).

Since the DCBS report in January 2015, open enrollment for the Marketplace has ended. More than 147,000 Oregonians signed up for health insurance through HealthCare.gov, an increase of 35,000 or 31 percent over last year. In fact, Oregon had the highest percentage of increase in enrollment over the previous year of any HealthCare.gov state.

Now that open enrollment for plan year 2016 is over, DCBS is focused on providing ongoing support for Marketplace customers by answering questions, helping people enroll through special enrollment periods, and handling consumer issues. We also continue to focus on helping small businesses understand health insurance options for their employees.

Since our previous report, the U.S. Department of Health and Human Services finalized its rule regarding the cost of using the federal platform, HealthCare.gov. The fee will be 3 percent of premiums. HHS has requested a waiver from the Office of Management and Budget to reduce the fee to 1.5 percent for plan year 2017.

In December 2015, DCBS released a Request for Proposals (RFP) for technology solutions for both the Small Business Health Options Program (SHOP) and the individual market to help determine if paying for HealthCare.gov is the best use of public dollars. As of the writing of this report, DCBS is reviewing the information collected through the RFP process, and we expect to present our analysis and discuss options with the legislature during the May 2016 legislative days.

Thank you for your continued support and feedback about the Marketplace. We look forward to ensuring that the Marketplace is a trusted and valuable resource for Oregonians in need of health care coverage.

Sincerely,

Patrick M. Allen, DCBS Director

## II. Financial Condition

741.222(1)(a) “The financial condition of the health insurance exchange, including actual and projected revenues and expenses of the administrative operations of the exchange and commissions paid to insurance producers out of fees collected under ORS 741.105 (5)”

The financial condition of the Marketplace continues to be stable and self-sustaining for the 2015-2017 biennium. There have been many changes since the January 2016 report, including the setting of the 2017 per member per month (PMPM) assessment fee, passage of Senate Bill 5701 and House Bills 4017 and 4071, and finalizing the cost of the federal technology platform. Although not all of these actions affect the Health Insurance Exchange Fund, they are included here to provide you with a complete picture of the Marketplace.

### Budget Authority

For reference purposes throughout this section, the DCBS 2015-2017 Legislatively Adopted Budget as of the February 2016 session is shown in the table below.

<b>2015-2017 Legislatively Adopted Marketplace Budget</b>			
<b>Section</b>	<b>LAB</b>	<b>Positions</b>	<b>FTE</b>
Marketplace	29,687,162	17	20.50
Shared Services	2,188,303	11	8.17
<b>Total</b>	<b>31,875,465</b>	<b>28</b>	<b>28.67</b>

Several changes affected the Marketplace’s Legislatively Adopted Budget:

- SB 5701: Increase in personal services in the amount of \$327,039 to adjust the limitation to reflect agreements made in the collective bargaining negotiations and changes to other payroll expense. Decrease in services and supplies budget authority in the amount of <\$5,226,079>. This amount is comprised of a decrease in the amount of <\$558,617> that resulted from removing 13 limited-duration and adding six permanent positions within the call center; <\$6,400,000> of anticipated excess limitation; and \$1,732,538 increase to the Marketplace outreach budget.
- HB 4017: Increase in budget limitation in the amount of \$415,000 for the establishment of the Basic Health Plan (BHP), which provides health benefits coverage program for low-income residents who would otherwise be eligible to purchase coverage through the Health Insurance Marketplace. HB 4017 requires the Department of Consumer and Business Services (DCBS) and the Oregon Health Authority (OHA) to convene a stakeholder advisory workgroup. The bill directs the workgroup to develop a BHP blueprint and requires the workgroup to present a completed BHP blueprint to the appropriate legislative interim committees by Dec. 31, 2016.
- SB 4071: Increase in budget limitation in the amount of \$3,646,000. This limitation consists of an other-fund limitation increase of \$1.823 million, which is funded by a general fund appropriation of \$1.823 million. Although the net increase to the limitation is \$3.646 million, program costs are limited to \$1.823 million. SB 4071 provides for the establishment of the Compact of Free Association (COFA) Premium Assistance Program administered by DCBS to provide financial help with health care premiums and out-of-pocket costs for Pacific Islanders legally residing in Oregon

under COFA. This program is funded through a general fund award through the end of the biennia and does not affect the Health Insurance Exchange Fund.

### Revenue

Oregon's Marketplace is primarily funded through PMPM fee of \$9.66 for medical plans and 97 cents for dental plans purchased through the Marketplace. These rates are in effect through the end of the calendar year. Beginning January 2017, DCBS proposes to set a PMPM fee for medical plans of \$6.00 and 57 cents for dental plans. The revenue forecast for the Marketplace is detailed in the table below.

<b>Revenue Forecast as of March 2016</b>							
Status	Period Ending	Medical Assessment	Dental Assessment	Cover OR Transfer	OHA Transfer	Investment/Misc	Total Revenue
	FY 2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actual	09/30/15	2,405,508	63,370	1,055,908	-	5,715	3,530,501
Actual	12/31/15	3,012,249	17,326	895,032	4,711,007	6,663	8,642,277
Estimate	03/31/16	3,384,999	46,391	-	-	9,175	3,440,566
Estimate	06/30/16	3,476,663	45,288	-	6,571,883	7,126	10,100,961
	FY 2016	\$ 12,279,419	\$ 172,375	\$ 1,950,940	\$ 11,282,890	\$ 28,679	\$ 25,714,304
Estimate	09/30/16	3,343,838	43,367	-	827,623	8,668	4,223,495
Estimate	12/31/16	3,150,619	39,982	-	827,623	13,184	4,031,408
Estimate	03/31/17	2,207,608	28,079	-	827,623	19,058	3,082,368
Estimate	06/30/17	2,267,389	27,411	-	827,623	26,389	3,148,812
	FY 2017	\$ 10,969,454	\$ 138,839	\$ -	\$ 3,310,491	\$ 67,300	\$ 14,486,083
Estimate	09/30/17	2,180,764	26,248	-	288,483	36,020	2,531,516
Estimate	12/31/17	2,054,751	24,199	-	213,953	42,391	2,335,295
Estimate	03/31/18	2,273,836	28,921	-	213,953	46,087	2,562,798
Estimate	06/30/18	2,335,411	28,233	-	213,953	49,470	2,627,067
	FY 2018	\$ 8,844,762	\$ 107,602	\$ -	\$ 930,342	\$ 173,969	\$ 10,056,675
Estimate	09/30/18	2,246,187	27,036	-	213,953	52,013	2,539,189
Estimate	12/31/18	2,116,394	24,925	-	213,953	52,409	2,407,681
Estimate	03/31/19	2,342,052	29,789	-	213,953	48,880	2,634,673
Estimate	06/30/19	2,405,473	29,080	-	213,953	46,023	2,694,529
	FY 2019	\$ 9,110,105	\$ 110,830	\$ -	\$ 855,812	\$ 199,325	\$ 10,276,072

Each of the ongoing revenue categories is discussed in further detail below.

- Marketplace PMPM assessment:** As seen in the table above, the change in PMPM is reflected with an anticipated decrease in PMPM revenue beginning the first quarter of 2017, ending March 31, 2017. As of the March 2016 enrollment data, the amount of assessment revenue earned compared to the estimated PMPM revenue forecasted is greater by \$1,609,840. This increase in earned revenue is a result of medical and dental enrollments being higher than the Legislatively Adopted Budget estimate by 164,540 and 21,018 or an increase of 22.5 percent and 19.1 percent, respectively. Actual enrollment through March 31, 2016, is shown below:

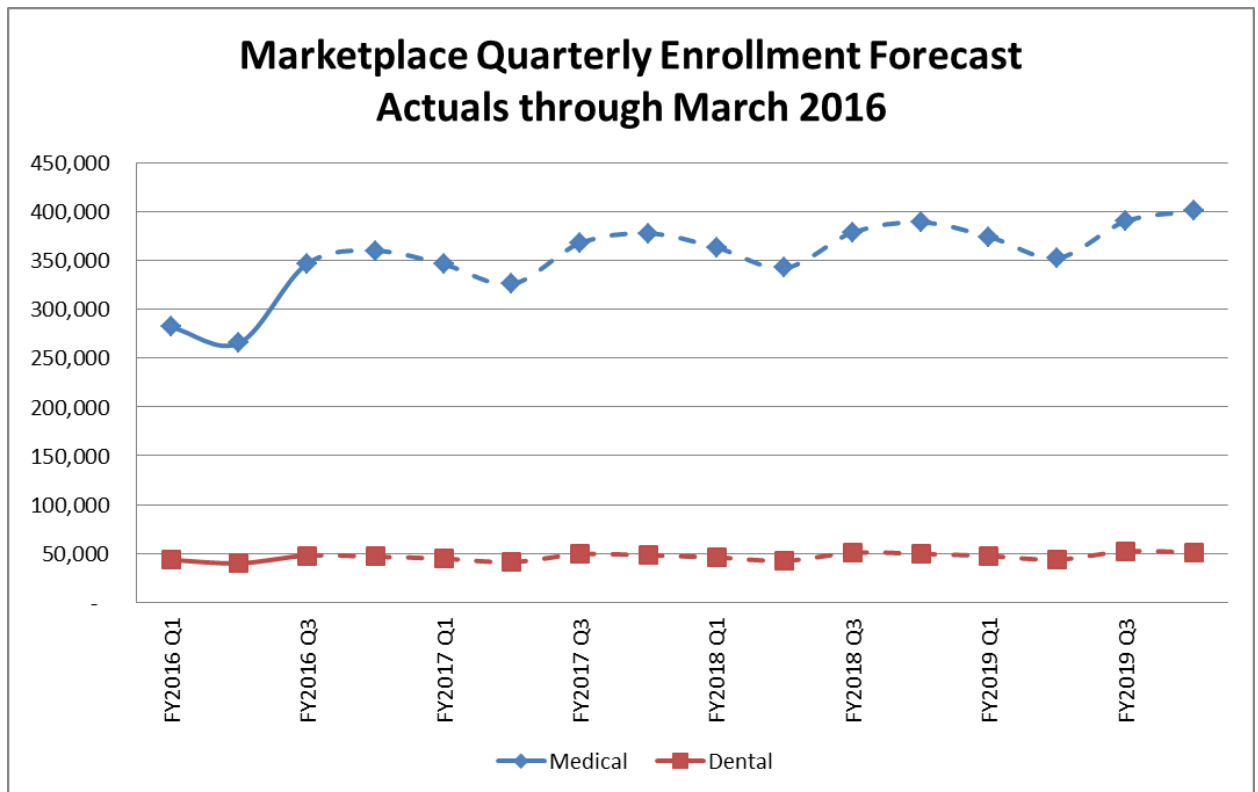
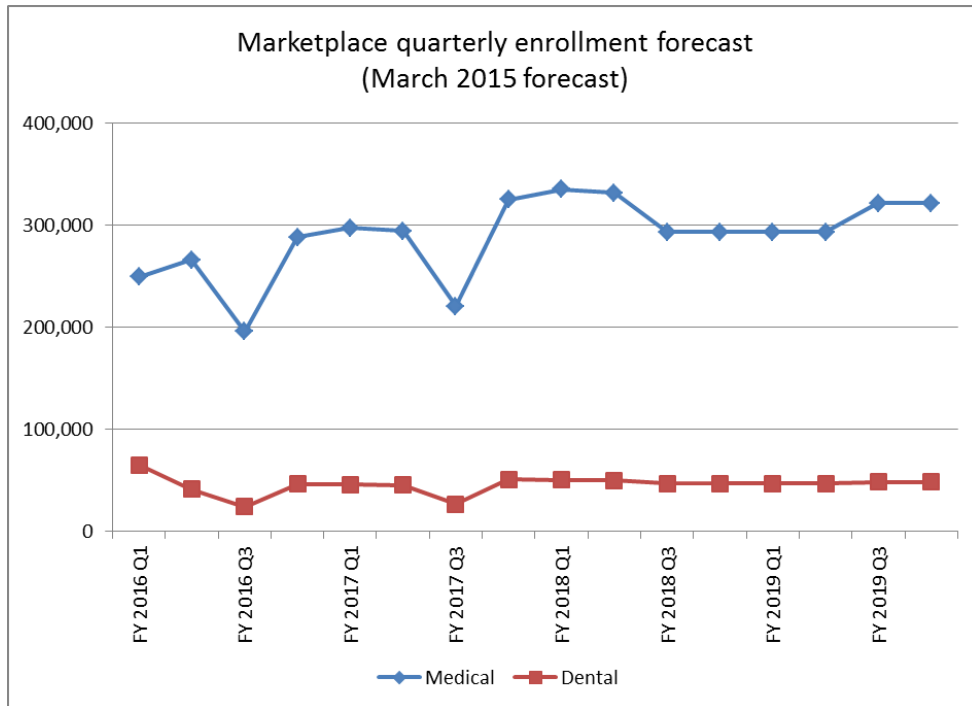
## 2015-2017 Marketplace Enrollments as of March 2016

Months	Forecasted Enrollments		Actual Enrollments		Total Variance =	
	Medical	Dental	Medical	Dental	Medical	Dental
July 2015	89,924	13,597	94,985	14,716	5,061	1,119
August 2015	89,564	13,542	94,005	14,407	4,441	865
September 2015	89,206	13,488	92,936	14,283	3,730	795
October 2015	88,849	13,434	91,301	13,981	2,452	547
November 2015	88,494	13,381	89,147	13,249	653	-132
December 2015	88,437	13,372	85,187	12,788	-3,250	-584
January 2016	48,893	7,355	112,391	15,398	63,498	8,043
February 2016	68,450	10,296	116,023	15,762	47,573	5,466
March 2016	78,228	11,767	118,611	16,666	40,383	4,899
<b>Average:</b>	<b>81,116</b>	<b>12,248</b>	<b>99,398</b>	<b>14,583</b>		

The actual enrollment numbers in the table above are reported by insurance carriers to DCBS. Discrepancies between these numbers and the numbers reported by the U.S. Department of Health and Human Services are attributable to the timing associated with each reporting process. About 147,000 Oregonians signed up for coverage during open enrollment; however, every year, a certain percentage of those who sign up fail to pay their first monthly premium and effectuate their coverage. Others fail to provide documentation required by HealthCare.gov and lose their coverage. The actual enrollments reported by carriers above represent net-effectuated enrollments.

Insurance carriers periodically update actual enrollments, and DCBS will adjust monthly enrollment data in future reports accordingly. These updates are usual and customary for the industry and are due to nonpayment by individuals purchasing plans or coverage events such as births and deaths. Any time updated enrollment data decreases the amount owed by insurance carriers in past periods, DCBS applies credit to future assessment billings instead of providing a refund.

The Legislatively Adopted Budget revenue forecast is based on the expected quarterly enrollment activity shown in the following table. The enrollment projection for each quarter is the sum of three months' worth of enrollment (e.g., 100,000 enrollees in July plus 100,000 enrollees in August plus 100,000 enrollees in September equals 300,000 enrollments for the quarter).



As the table above shows, medical enrollments are expected to continue to increase during this biennial period and the next, while dental enrollments are expected to remain stable. The increase in enrollments, with the decrease in expected expenditures, contributed to the DCBS ability to reduce the PMPM in 2017.

DCBS bills insurance carriers the month after the reporting month, and insurance carriers have approximately 30 days to submit payment, which creates a two-month lag in receipt of revenue earned.

- **Cover Oregon's Balance Transfer:** All funds have been transferred to DCBS. This category is not an ongoing revenue source for DCBS.
- **OHA Transfer:** The Legislatively Adopted Budget originally projected a total transfer from OHA of \$13.2 million. The DCBS current estimate is \$12.6 million, \$600,000 less than originally anticipated, as detailed in the chart below:

IT Cost Allocation - Updated April 2016

Software	Agency	Description	Duration	15-17 LAB Estimate			Current Estimate			Estimated Ongoing Quarterly Transfers
				(15-17 Cost)	Projected OHA Transfer	DCBS 15-17 Cost	(15-17 Cost)	Projected OHA Transfer	DCBS 15-17 Cost	
ININ Software	DCBS/OHA	Call Center Telephone System	Ongoing	1,500,000	1,350,000	150,000	1,500,000	1,350,000	150,000	168,750
Oracle Premiere	DCBS/OHA	Hardware/Architecture support	March 2016	1,200,000	1,140,000	60,000	1,200,000	1,140,000	60,000	-
Oracle software	DCBS/OHA	Software support	March 2016	678,900	644,955	33,945	678,900	644,955	33,945	-
Oracle On Demand	DCBS/OHA	Additional support services	March 2016	3,300,000	3,135,000	165,000	3,300,000	3,135,000	165,000	-
Oracle Cloud	DCBS/OHA	Stores enrollment data	March 2016	1,161,000	1,102,950	58,050	1,161,000	1,102,950	58,050	-
Speridian (original)	DCBS/OHA	Ongoing Maintenance	March 2016	6,216,000	5,542,600	673,400	2,520,000	2,212,000	308,000	-
Speridian (New)	DCBS/OHA	Archiving solution	Ongoing	-	-	-	3,290,058	2,644,558	645,500	6,803
Amazon Cloud	DCBS/OHA	Stores electronic enrollment applications	Ongoing	384,000	307,200	76,800	384,000	307,200	76,800	38,400
Tornai Consulting	OHA	MAGI Project	December 2015	-	-	-	120,000	120,000	-	-
<b>Total:</b>				<b>\$ 14,439,900</b>	<b>\$ 13,222,705</b>	<b>\$ 1,217,195</b>	<b>\$ 14,153,958</b>	<b>\$ 12,656,663</b>	<b>\$ 1,497,295</b>	<b>\$ 213,953</b>
							<b>Change from LAB: \$ (285,942)</b>	<b>\$ (566,042)</b>	<b>\$ 280,100</b>	

As previously shown in the Revenue Forecast as of March 2016, the OHA transfer revenue will reduce significantly during the second fiscal year and then again in the first year of the 2017-2019 biennium. The first decrease in the second year of this biennium is due to the expiration of the Oracle contracts. In 2017-2019, projections include only the ongoing cost to maintain the information that has been preserved in the 2015-2017 biennium. The difference between the Legislatively Adopted Budget estimate and the current estimate is a net result of the following changes:

- Original estimates included an ongoing projection of the original Speridian contract, which was completed in March 2016 when the Oracle contracts expired. The work included in this contract is no longer necessary after March 2016 and was reduced by \$3.7 million.
- The current estimate includes all new Speridian services to provide for an archiving solution of Oracle data; this cost is currently \$3.3 million. This work will be shared between OHA and DCBS. OHA will cover 80 percent of the costs; DCBS will cover 20 percent.
- The estimate also includes a contract for Tornai Consulting. This contract was not in the original projection because the statement of work is solely for OHA. However, the contract was transferred to DCBS because it fell under the body of work that was



transferred from Cover Oregon. Therefore, DCBS is obligated to pay for these services and seek reimbursement from OHA, increasing the total shared contract costs by \$120,000.

In addition to the revenue transfer for shared contracts, OHA has been billed approximately \$2 million for its portion of contract costs Cover Oregon paid for and had not been reimbursed for as of June 30, 2015. This amount is not included in the IT cost-allocation table above as the obligation to pay was made to Cover Oregon, not DCBS. This amount is included in the revenue received for the quarter ending December 2015 under the OHA Transfer category. Although not reflected in the “Oregon Health Insurance Marketplace Fund, Forecast Revenues, Expenses, and Fund Balance” table below, DCBS has received reimbursement for quarter ending December 2015. DCBS bills OHA in quarterly increments. However, there is often a delay in billing and, therefore, payment as a result of a delay in receiving invoices from vendors. For example, the invoice for the quarter ending Dec. 31, 2015, was presented to OHA in early March 2016 as we were awaiting the receipt of invoices from contractors. Contractors’ invoices are required documentation used to calculate the amount DCBS is to be reimbursed. This delay has not jeopardized the Marketplace’s cash flow to date.

- **Interest (Investment) Income:** The Marketplace fund earns interest income, which contributes to the ending fund balance and is expected to be received as anticipated.
- **Federal Funds:** No federal grant funds were transferred to DCBS when it took over management of the Marketplace on July 1, 2015. All federal grants are either closed or in the process of being closed.

### Expenditures

The following table details actual expenditures from July 2015 through Feb. 2, 2016, expenditure projections for the remaining biennial period, and the variance from the February 2016 Legislatively Adopted Budget.

#### **Current Expenditure Projections**

Section	2015-2017 LAB	Actual Expenditures as of 2/29/16	Projections 3/2016 - 6/2017	Projected Total	Variance Over/(Under)	% Variance (Projections/LAB)
Marketplace	29,687,152	9,274,178	20,971,590	30,245,768	558,616	102%
Shared Services	2,188,303	674,911	1,485,166	2,160,078	(28,225)	99%
<b>DCBS Total LAB</b>	<b>31,875,455</b>	<b>9,949,089</b>	<b>22,456,756</b>	<b>32,405,846</b>	<b>530,391</b>	<b>102%</b>

DCBS is currently projecting expenditures approximately 2 percent above the Legislatively Adopted Budget. During the February 2016 session, a portion of our limitation was removed during two different actions.

DCBS will be requesting adjustments to the 2015-2017 Marketplace Legislatively Adopted Budget in the May 2016 Emergency Board. SB 5701 provided for a general decrease of DCBS’s unallocated limitation that was reported in the January 2016 Marketplace Interim Report. At the same time, DCBS requested and was granted a reclassification of six limited-duration staff members to permanent, full-time status and the reduction of seven limited-duration staff. This

request yielded a reduction of \$558,617. When the overall unallocated limitation was calculated, these seven limited-duration positions were projected to remain vacant, contributing to the total overall unallocated limitation by the cost of these positions. When both of these actions were approved, the amount related to the seven limited-duration positions was effectively removed twice. Once a determination of the May 2016 request is made, the 2 percent overage will be corrected.

Of the actual expenses paid as of Feb. 29, 2016, \$1,400 has been paid to insurance agents on behalf of Cover Oregon's obligation to pay for commissions. The Marketplace is no longer responsible for paying commissions to insurance agents now that Oregon uses the federal platform, HealthCare.gov.

#### Ending Fund Balance

The chart below summarizes the aforementioned total revenue and expenses for the 2015-2017 biennium and forecast amounts for the fiscal years ending June 2018 and 2019, respectively. According to Oregon Revised Statute 741.105(3)(b), the maximum amount of excess monies that may be held by DCBS is the anticipated total for the administrative and operational expenses of administering the health insurance exchange anticipated by the department for a six-month period. DCBS anticipates that the Marketplace fund balance will reach the equivalent of this amount during the quarter ending June 30, 2016.

### **Oregon Health Insurance Marketplace Fund Forecast Revenues, Expenses, and Fund Balances (actual data through February 2016)**

Status	Period Ending	Total Revenue	Total Expenses	Excess (Deficit)	Ending Fund Balance	Months
	FY 2015	\$0	\$0	\$0	\$0	-
Actual	Quarter 09/30/15	3,530,501	2,148,728	1,381,773	1,381,773	1.4
Actual	Quarter 12/31/15	8,642,277	3,861,973	4,780,304	6,162,077	5.2
Actual	Month 1/31/2016	956,036	1,182,945	(226,909)	5,935,168	
Actual	Month 02/29/16	1,215,745	2,346,710	(1,130,965)	4,804,203	
Estimate	Month 03/31/16	1,268,785	1,609,393	(340,608)	4,463,595	3.8
Estimate	Quarter 06/30/16	10,100,961	3,496,302	6,604,659	11,068,253	9.4
	<b>FY End FY 2016</b>	<b>25,714,304</b>	<b>14,646,050</b>	<b>11,068,254</b>	<b>11,068,254</b>	<b>9.4</b>
Estimate	Quarter 09/30/16	4,223,495	4,272,111	(48,616)	11,019,638	9.4
Estimate	Quarter 12/31/16	4,031,408	3,863,139	168,269	11,187,907	9.5
Estimate	Quarter 03/31/17	3,082,368	2,841,912	240,456	11,428,363	9.7
Estimate	Quarter 06/30/17	3,148,812	3,324,956	514,954	11,252,219	10.1
	<b>FY End FY 2017</b>	<b>14,486,083</b>	<b>14,302,118</b>	<b>875,063</b>	<b>11,252,219</b>	<b>10.1</b>
<b>Estimate</b>	<b>FY End FY 2018</b>	<b>10,056,675</b>	<b>13,210,447</b>	<b>(3,153,772)</b>	<b>8,098,447</b>	<b>8.0</b>
<b>Estimate</b>	<b>FY End FY 2019</b>	<b>10,276,072</b>	<b>13,230,253</b>	<b>(2,954,181)</b>	<b>5,144,266</b>	<b>5.3</b>

These projections account only for DCBS current authority and known liabilities, and if these obligations remained the same, the Marketplace would be positioned to remain self-sustaining at the current levels of enrollments and assessments through the end of Fiscal Year 2017. The

potential impact of future technology costs is discussed in the “Technology Development” section below.

### III. Technology Development

#### *741.222(1)(b) “The development of the information technology system for the exchange”*

In November 2015, the U.S. Department of Health and Human Services (HHS) proposed to begin charging State-Based Exchanges on the Federal Platform (SBE-FPs) like 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.

Although this fee would be payable directly by insurers to the federal government and not affect the Health Insurance Exchange Fund, the state has a responsibility to explore all of the options available to make sure paying for HealthCare.gov is the best use of the policyholders’ dollars. If Oregon proceeded with an option other than the federal platform, there would be a revenue and expenditure impact on the Health Insurance Exchange Fund related to the implementation and operation of another system.

In December 2015, DCBS released an RFP to collect information about fully functional and cost-effective technology solutions for both SHOP and the individual market. Proposals were due March 4, 2016.

DCBS is using the information collected through the RFP process to compare the cost and functionality of HealthCare.gov with successful private vendor systems currently used in other states. As of the writing of this report, the results of the RFP are still under analysis. DCBS expects to have its analysis and recommendations ready for the Legislature by the May 2016 legislative days.

If the state decides to procure a system other than the federal platform, DCBS would need to seek approval from the legislature for any technology that costs more than \$1 million, and DCBS would also need to receive budget authority to pay for the system. In addition, the procurement of any technology system would be subject to the state’s stage gate process.

### IV. Coordination with the Oregon Health Authority

#### *741.222(1)(C) “Efforts made, in collaboration with the Oregon Health Authority, to coordinate eligibility determination and enrollment processes for qualified health plans and the state medical assistance program”*

DCBS continues to maintain a close working relationship with OHA, the agency that oversees the Oregon Health Plan (OHP), Oregon’s Medicaid program, to ensure cross-agency collaboration between marketplace and Medicaid operations. Some areas of collaboration include:

#### Operations and Technology:

DCBS and OHA continue to work together on the management of the state’s eligibility and enrollment systems, including coordination with HealthCare.gov and other federal systems. The coordination has ensured that there is no wrong door for applicants. Currently, Oregonians can apply for Medicaid either directly through an OHP PDF application or through HealthCare.gov. Those found ineligible for OHP can apply for a special enrollment period to sign up for a qualified health plan through HealthCare.gov.

DCBS is also coordinating with OHA on the implementation of OHA’s new Medicaid eligibility and enrollment system, OregONEligibility (ONE), which began operating Dec. 15, 2015.

#### Outreach and Education:

DCBS and OHA are currently coordinating their outreach and education efforts. This includes but is not limited to:

- Partnering to provide a network of community partner organizations with more than 800 enrollment assisters capable of helping and enrolling both qualified health plan and OHP eligible people.
- Coordinating call center operations and information.
- Using OregonHealthCare.gov as the state’s website for information about both the Marketplace and OHP so people seeking information about either have a central resource available.
- Coordinating OHP and Marketplace messaging and materials.
- Working together on stakeholder engagement.
- Developing a blueprint for a Basic Health Program as required by House Bill 4017 of 2016.
- Exploring the possibilities associated with 1332 waivers. Section 1332 of the Affordable Care Act allows states to waive specific provisions of the act in order to implement innovative state solutions to health care issues, such as establishing the Basic Health Plan.

## **V. Program Integration**

*741.222(1)(d) “The progress of integrating the duties and functions transferred to the Department of Consumer and Business Services”*

#### Cover Oregon Transition

The transition of duties and functions from Cover Oregon to DCBS has been completed and went smoothly. In accordance with Senate Bill 1, Cover Oregon closed June 30, 2015, and the Marketplace has been operating at DCBS since July 1, 2015.

#### Advisory Committee

Senate Bill 1 also established a health insurance marketplace committee. The committee provides guidance and feedback on issues affecting the marketplace, such as outreach, customer feedback, and insurance plan affordability. The Oregon Senate confirmed the members of the committee in February 2016, and the committee held its first meeting April 7, 2016.

### Integration with the Senior Health Insurance Benefits Assistance Program

In December 2015, DCBS began a project to integrate the Marketplace unit and the Senior Health Insurance Benefits Assistance Program (SHIBA), which is also a part of DCBS. SHIBA provides Medicare education, training, counseling, and advocacy to Oregonians with Medicare with the support of a community-based counseling workforce that includes certified volunteers. The goal of the integration is to find ways to make best use of staff resources, outreach, and education efforts, and provide better service to Oregonians seeking health insurance, whether through the Marketplace or Medicare. DCBS expects to complete integration of the programs by June 30, 2016.

## **VI. Small Business Health Options Program (SHOP)**

*741.222(1)(e) "The progress in planning for, developing and implementing a Small Business Health Options Program, including the key decision points, timelines and a description of how the department is engaging stakeholders in the design and decision-making process for the SHOP"*

Currently, Oregon uses a direct enrollment, manual SHOP process. Any small business in Oregon with one to 50 employees can purchase a certified SHOP plan directly from one of the participating insurers. Upon request, the Marketplace will determine whether the small employer meets the requirements to participate in the SHOP program and potentially be eligible for the IRS small business tax credit. DCBS will continue to use this direct enrollment, manual process until the state adopts an automated process.

For the past few months, DCBS has been collecting information about options for an automated SHOP process. DCBS has consulted with stakeholders, including small businesses, associations, insurers, and agents, to better understand their needs and interest.

DCBS has also discussed the capabilities and cost of the federal SHOP platform with the federal government; however, Oregon will not be able to use that platform. The federal platform does not support composite rating, the rating methodology the Oregon Division of Financial Regulation requires for Oregon's small group market. Composite rating is the practice of grouping all eligible employees together and assigning a single rating, regardless of individual factors (such as age, gender, or tobacco use) that may make somebody a higher or lower insurance risk. The Oregon Division of Financial Regulation considered changing methodologies to one the federal platform supports. However, it decided to continue to use composite rating going forward, so DCBS will need to pursue other options for an automated SHOP system.

In April 2015, DCBS released a request for information (RFI) to learn about private vendor platforms. While the RFI proved helpful, it was limiting because vendors did not provide detailed cost information in their responses. DCBS has requested cost information as part of the RFP released in December, as detailed in the technology development section of this report. After responses to the RFP have been reviewed, DCBS will initiate a decision-making process that includes stakeholder consultation and a cost-benefit analysis.

DCBS intends to present its analysis of automated SHOP options to the interim committees during the May 2016 legislative days. In other states, SHOP has been successfully implemented in about three to six months. DCBS expects it could be implemented in Oregon in a similar timeframe after a decision is made about which option to pursue. Until an automated SHOP system is in place, Oregon will continue to use the direct enrollment, manual process for SHOP.

## VII. Liabilities

741.222(1)(f) *“The outstanding liabilities, if any, carried over from the Oregon Health Insurance Exchange Corporation”*

As a function of Senate Bill 1, DCBS took responsibility for the liabilities of Cover Oregon. Cover Oregon’s liabilities were factored into the DCBS budget approved by the legislature for the 2015-2017 biennium. As of the date of this report, DCBS has:

- Assumed or assigned all Cover Oregon leases

During the time of the transition of Cover Oregon functions to DCBS from March through June 2015, Cover Oregon had lease agreements for three different properties:

- a. **Cherry Avenue:** The Original Cover Oregon offices, located at 3414 Cherry Ave. NE in Salem, had a 60-month lease ending Nov. 1, 2016, at \$14,129 per month. This property had already been sublet to a third party (Northwest Senior and Disability Services) before enactment of SB 1, and an agreement was reached with the property owner for the third party to assume the lease permanently, releasing Cover Oregon and DCBS from further liability, effective June 30, 2015.
- b. **Spinnaker Place:** The Cover Oregon call center location, at 2250 McGilchrist St. SE in Salem, had an 84-month lease ending Aug. 8, 2020, at \$32,144 per month, not including unamortized tenant improvements (TI). Cover Oregon had already made arrangements to exit this lease due to a workforce reduction. The lease was terminated effective March 31, 2015, with \$294,000 paid at termination for unamortized TI allowance (which would have been due regardless of when or how the lease was terminated), and \$31,000 rent for waiver of 180-day notice for a total of \$325,000 in exit costs.
- c. **Durham Plaza:** The Cover Oregon corporate headquarters, located at 16760 SW Upper Boones Ferry Road, #200 in Tigard, was composed of a primary lease agreement with two amendments. The primary lease was for most of the office space in suite 200, with a 90-month lease ending April 1, 2020, for \$47,259 per month, not including unamortized TI. Two more suites were added later, each on a separate amendment: Suite 105, on a 75-month term ending April 1, 2020, for \$4,356 per month; and suite 106, on a 70-month term ending April 1, 2020, for \$5,128 per month. DCBS retained this lease, and it currently houses a field office for Oregon OSHA, a division of DCBS, and the Workers’ Compensation Board, both of which were already looking for a larger space to accommodate growth. The lease was assumed in its entirety by DCBS as of July 1, 2015.

- Taken over the process of assigning, renegotiating, or terminating all contracts as appropriate and set up a process for handling Cover Oregon accounts payable

The table below lists all current Marketplace contracts, including contracts from Cover Oregon. All of these contracts have been factored into the DCBS budget for the Marketplace.

Status	Contract #	Contractor	Service	Contract amount	Effective date	Expiration
Inactive	DCBS-1514-15	Aaron Burns	Agent Storefront Program	\$11,000	Oct. 13, 2015	Mar. 1, 2016
Inactive	None - Credit card purchase	Amazon Web Services, Inc.	IT support (online agreement)	No Limit	N/A	Mar. 1, 2016
Inactive	CO 11-0001	Artemis Consulting	Provide professional facilitation	200,000	Sept. 27, 2011	Feb. 28, 2015
Inactive	DCBS-1515-15	Barlow Insurance	Agent Storefront Program	\$10,000	Oct. 13, 2015	Mar. 1, 2016
Inactive	DM #5334331-v1B	Berke Farah	Provide legal services	\$100,000	Jul. 31, 2014	Dec. 31, 2014
Active	DCBS-1444-14 / DASPS-2397-15	Business Quality Assurance	Two separate RFPs	\$0	N/A	N/A
Inactive	CO 13-0033	Carriers	To authorize CO to receive commissions	\$0	Varied	Dec. 31, 2015
Active	DCBS-1541-15	Cascade AIDS Project	Community Partner grant	\$33,334	Nov. 3, 2015	April 30, 2016
Active	CO 13-0028**	Center for Medicaid Services	Computer Matching agreement	\$0	N/A	Ongoing
Active	CO 13-0029	Center for Medicaid Services	Information exchange agreement	\$0	N/A	Ongoing
Active	CO 13-0030	Center for Medicaid Services	Master Interconnection Security agreement	\$0	N/A	Ongoing
Active	DCBS-5373-15	Chernoff, Vilhauer, McClung & Stenzel	Special Assistant Attorney General	\$40,000	March 10, 2015	Dec. 31, 2016
Inactive	CO 13-0021.3	Galt Foundation	Provide Service Center Temps	1,305,720	Jul. 24, 2013	30-May-15
Active	DCBS-7150-16	Garvey Schubert Barer	Special Assistant Attorney General	\$240,000	Feb. 8, 2016	Dec. 31, 2016
Inactive	DCBS-5234-14	Garvey Schubert Barer	Special Assistant Attorney General	\$175,000	May 15, 2014	Dec. 31, 2015
Active	DCBS-2914-15	Grady Britton	Media Advertising	\$3,214,695	July 17, 2015	July 17, 2017
Inactive	DCBS-1516-15	Harry Abel Insurance	Agent Storefront Program	\$11,000	Oct. 13, 2015	Mar. 1, 2016
Inactive	DCBS-1517-15	HE Cross Company	Agent Storefront Program	\$11,000	Oct. 13, 2015	Mar. 1, 2016
Inactive	DCBS-1526-15	Health Plans in Oregon	Agent Storefront Program	\$11,000	Oct. 13, 2015	Mar. 1, 2016
Inactive	DCBS-1525-15	High Desert Insurance	Agent Storefront Program	\$11,000	Oct. 13, 2015	Mar. 1, 2016
Inactive	DCBS-1537-15	Insurance Lounge Inc.	Agent Storefront Program	\$11,000	Oct. 8, 2015	Mar. 1, 2016
Inactive	DCBS-1536-15	Insured by Gallegos	Agent Storefront Program	\$11,000	Oct. 8, 2015	Mar. 1, 2016
Active	CO # 12-0011 / DCBS-1156-15	Interactive Intelligence	Supports call center outbound call queue.	\$1,900,000	Nov. 8, 2012	Oct. 31, 2017
Active	DCBS-1156-15 Amd #7*	Interactive Intelligence	Supports call center outbound call queue.	\$3,775,000	Nov. 8, 2015	Oct. 31, 2017
Active	TBD	JD Power & Associates	Data Use Agreement	\$0	12/10/2015	Dec. 10, 2018
Inactive	DCBS-1533-15	Jefferson State Financial Group	Agent Storefront Program	\$11,000	Oct. 8, 2015	Mar. 1, 2016
Inactive	DCBS-1522-15	JR Price & Associate / Valley Insurance	Agent Storefront Program	\$11,000	Oct. 8, 2015	Mar. 1, 2016

Oregon Health Insurance Marketplace Report

inactive	DCBS-5233-14	Litigation Information Management	Document assistance in litigation	\$125,000	April 10, 2014	Dec. 31, 2015
Inactive	DCBS-1529-15	Littlejohn Insurance	Agent Storefront Program	\$11,000	Oct. 8, 2015	Mar. 1, 2016
Inactive	DCBS-1495-15	Market Decisions	Consumer Polling	\$99,618	May 28, 2015	Aug. 31, 2015
Inactive	DCBS-5095-13	Markowitz Herbold Glade & Mehlhaf	Special Assistant Attorney General	\$550,000	Dec. 17, 2013	Dec. 31, 2015
Active	DCBS-5173-14	Markowitz Herbold Glade & Mehlhaf	Special Assistant Attorney General	\$2,000,000	May 15, 2014	Dec. 31, 2016
Active	DASPS-1347-15/DCBS-1347-15	Maximus	IT Quality Assurance	\$45,000	Aug. 4, 2015	Aug. 31, 2016
Active	DCBS-1347-15 Amd #1	Maximus	IT Quality Assurance	\$12,000	Nov. 3, 2015	Aug. 31, 2016
Inactive	DCBS-1523-5	Modern Insurance Marketing	Agent Storefront Program	\$11,000	Oct. 21, 2015	Mar. 1, 2016
Active	CO 13-0031	NAIC/SERFF	Plan web services license agreement	No Limit	Aug. 7, 2013	
Active	DAS WOC #147067	NIC USA	OregonHealthCare.gov web hosting	\$65,000 per year	Oct. 3, 2014	Dec. 31, 2021
Active	DAS WOC #147067 Amd #2*	NIC USA	OregonHealthCare.gov web hosting	reduced to \$32,400/year	Oct. 30, 2015	Dec. 31, 2021
Inactive	CO #13-007	North, Inc.	Media advertising for Enrollment Campaign. This contract will be replaced after 12/31/15 with Grady Britton contract DCBS-2419-15	\$21,376,471	March 15, 2013	Dec. 31, 2015
Inactive	DCBS-1534-15	NW Securities Advisors	Agent Storefront Program	\$11,000	Oct. 8, 2015	Mar. 1, 2016
Inactive	DCBS-1518-15	O'Leary Health	Agent Storefront Program	\$10,000	Oct. 13, 2015	Mar. 1, 2016
Inactive	DCBS-1157-15	Oracle	Software licensing and technical support	No Limit	March 14, 2013	Mar. 1, 2016
Inactive	DCBS-1519-15	Oregon Insurance Exchange	Agent Storefront Program	\$11,000	Oct. 8, 2015	Mar. 1, 2016
Inactive	DCBS-1539-15	Oregon Latino Health Coalition	Community Partner grant	\$67,000	Nov. 2, 2015	Feb. 29, 2016
Inactive	DCBS-1527-15	Pacific Benefit Planners	Agent Storefront Program	\$11,000	Oct. 14, 2015	Mar. 1, 2016
Active	None - Credit card purchase	Paylocity	Web Pay Access- payroll records archiving	\$500/year-paid in full	Jul. 31, 2015	July 30, 2018
Inactive	CO 13-0021.1	Personnel Source	Provide Service Center Temps	\$2,608,752	Jul. 24, 2013	30-May-15
Inactive	DCBS-1538-15	Project Access NOW	Community Partner grant	\$100,000	Nov. 3, 2015	Feb. 29, 2016
Inactive	DCBS-1444-14	Quality assurance during CO transition	Cover Oregon transition to DCBS	N/A	N/A	N/A
Inactive	DCBS-1448-15	Quality assurance during CO transition	Cover Oregon transition to DCBS	N/A	N/A	N/A
Inactive	DCBS-1530-15	Revell Coy Insurance	Agent Storefront Program	\$10,000	Oct. 14, 2015	Mar. 1, 2016
Inactive	DCBS-1528-15	RJS & Associate Insurance	Agent Storefront Program	\$11,000	Oct. 22, 2015	Mar. 1, 2016
Inactive	CO 13-0021.4	Robert Half/Office Team	Provide Service Center Temps	\$4,901,558	Jul. 24, 2013	30-May-15
Inactive	CO 12-0012	Sabas Strategies	Provide consultation on legislative matters	\$255,000	Oct. 23, 2012	Aug. 31, 2015
Inactive	DCBS-1531-15	Simmons Agency	Agent Storefront Program	\$10,000	Oct. 8, 2015	Mar. 1, 2016
Active	DASPS-1397-15 / CO #14-0013 / DCBS-1155-15	Speridian Technology Inc.	Programming and support for CO Siebel system.	\$3,897,600	June 9, 2014	Dec. 31, 2015
Active	DASPS-1397-15 Amd#2*	Speridian Technology Inc.	Adds \$2,614,700 to develop system to replace Oracle system	\$6,512,300	Oct. 15, 2015	Dec. 31, 2018
	Amd #3	Speridian Technology Inc.	Add \$2,156,558	\$8,668,858	TBD	TBD



Oregon Health Insurance Marketplace Report

	Amd #	Speridian Technology Inc.	Adds \$57,500	\$8,726,358	TBD	TBD
Inactive	DCBS-1535-15	Susan Carney	Agent Storefront Program	\$11,000	Oct. 13, 2015	Mar. 1, 2016
Inactive	DCBS-1524-15	TNT Insurance Services	Agent Storefront Program	\$11,000	Oct. 13, 2015	Mar. 1, 2016
Inactive	DCBS-1532-15	Tom Eiden	Agent Storefront Program	\$11,000	Oct. 19, 2015	Mar. 1, 2016
Inactive	DCBS-1521-15	Tomlin Benefit Planning	Agent Storefront Program	\$11,000	Oct. 8, 2015	Mar. 1, 2016
Inactive	DCBS-1502-15	Tornai Consulting Inc.	Functional CO lead to HHS technology framework	\$950,000	Jan. 6, 2014	Dec. 31, 2015
Inactive	CO 13-0021.2	Ultimate Staffing Services	Provide Service Center Temps	\$1,394,248	Jul. 24, 2013	30-May-15
Inactive	DCBS-1522-15	Valley Insurance	Agent Storefront Program	\$11,000	Oct. 8, 2015	Mar. 1, 2016
Inactive	DCBS-1520-15	Valley Insurance Professionals	Agent Storefront Program	\$11,000	Oct. 19, 2015	Mar. 1, 2016
Inactive	None - Credit card purchase	WebEx	Video conferencing	\$2700/month	Nov. 16, 2012	Nov. 2015, possible extension
Inactive	None - Credit card purchase	Citrix	Go to Meeting	No Limit	N/A	N/A
Active	DCBS-2101-15	Enroll America	Online enrollment assistance For 2015 enrollment period	10,000/year	Dec. 3, 2015	Sept. 30, 2016

Status	IGA #	Other Division	Service	Contract Amount	Effective Date	Expiration
Inactive	56829	DAS	Technical Director services provided by Julie Bozzi	\$70,537	Aug. 25, 2014	Mar. 31, 2015
Inactive	57166	DAS	Helpdesk Technician services provided by Yaro Turek	\$65,524	Aug. 26, 2014	Mar. 31, 2015
Inactive	CO 15-0003	DCBS	Provide technology staff	\$0	Mar. 11, 2015	June 30, 2015
Active	45A000007	DHS - SNAP	Confidential records	\$0	Oct. 15, 2015	June 30, 2016
Active	CO 13-0026	DHS/OHA	Provide access/exchange protected information	\$0	Sep. 19, 2013	Open
Active	CO 14-0022/45A000003	DOJ	SAAG	No Limit	Feb. 17, 2015	Open
Active	CO 13-0028**/45A000005	OAH	Appeals hearing process for disputes regarding eligibility determinations	No Limit	March 7, 2014	Open
Inactive	CO 13-0034	Oregon Commission for the Blind	Provide vending machines for staff and visitors	\$0	Sept. 30, 2013	June 30, 2015
Inactive	CO 13-0022	OED	Provide access to confidential information	\$42,700	May 2, 2013	June 30, 2015
Inactive	CO 13-0023	OED	Administrative/Legislative needs	Unknown	Aug. 26, 2013	June 30, 2015
Active	CO 13-200/45A000006	OED	Limited access to confidential information	\$0	May 2, 2013	May 1, 2016
	45A000006 Amd #1	OED				
Active	CO 13-0018/45A000009	OHA	Provide technology staff for MAGI transition project	\$0	Aug. 23, 2013	Dec. 31, 2015
Active	CO 14-0019	OHA	Enrollment for in-person assistance services	\$0	Nov. 15, 2014	Dec. 31, 2015
Active	CO 14-0020/45A000008	OHA	Data Use Agreement	\$0	Oct. 23, 2014	None
Active	00A000073	OHA	Community Partnerships	\$0	June 4, 2015	Jun. 30, 2016
Active	45A000009	OHA	Coordination of eligibility assessment, determination and enrollment	\$0	Sept. 13, 2013	None
Active	45A000011	OHA	Personally Identifiable	\$0	Sept. 19, 2013	None

## Oregon Health Insurance Marketplace Report

			Information			
Inactive	CO 13-0005	Oregon Insurance Division	Establish responsibilities of parties regarding operation of Health Insurance Exchange	\$0	Apr. 8, 2013	Apr. 7, 2015
Active	45A000010	PEBB	PEBB benefits	\$0	Jan. 1, 2015	Dec. 31, 2015
Active	45A000012	SOS	Managing and payment for audit	\$0	Nov. 4, 2015	Open

Status	Purchase order #	Vendor	Service	Contract Amount	Effective Date	Expiration
Active	15-001	Accurate Corporate Service	Storage of former Cover Oregon furniture	\$10,584	July 1, 2015	Dec. 31, 2015
Active	15-003	BAE Systems/Silver Sky	Email security and archiving. This service will continue to archive emails prior to July 1, 2015.	\$15,000	Sept. 1, 2015	Aug. 23, 2016
Active	15-002	SHI International Inc.	Engine service desk annual subscription fee	\$2,925	Aug. 24, 2015	Aug. 23, 2016
Active	15-006	Citrix	Go to Meeting	\$12,952	Feb. 4, 2016	Feb. 3, 2017

- Archived and decommissioned Cover Oregon’s supporting systems in coordination with the Oregon Health Authority (OHA)

The contract with Oracle and use of the Oracle system ended as planned in March 2016. DCBS implemented an archive solution to store the data from the Oracle system as required by CMS and the IRS. The archive solution was moved into production April 1, 2016. The archive solution is designed to process 1095A corrections for plan year 2014 for DCBS and perform 1095B processing for OHA. The 1095B processing functionality was implemented in February, and the 1095A correction process will be implemented upon approval to connect to the CMS hub from CMS, which DCBS expects to receive soon.

- Developed an agreement with OHA to govern cost allocation for IT services and systems  
See the chart under “OHA Transfer” in the Financial Condition section of this report for a list of each IT contract shared by DCBS and OHA and cost allocated to each agency for the 2015-2017 biennium.

- Continued to cover legal services costs and factor in the associated legal liabilities into its budget planning

The State of Oregon is currently involved in multi-faceted litigation in both state and federal court. See the litigation summary attached to this report (Attachment A). The work involved in the litigation is primarily handled through professional services contracts with legal services firms, as well as through part-time DOJ staff and full-time internal DOJ staff spread over a number of employees. Generally, legal work in Oregon is funded through a mix of General Fund dollars and Other Fund dollars, as appropriated by the legislature. Work on the false claims aspects of this case are primarily funded through Other Fund dollars. Attached is a current ledger showing costs paid-to-date to legal services firms relating to the Oracle litigation and related investigations (Attachment B).

## VIII. Federal Agreements

741.222(1)(g) *“Any agreements entered into or modification of existing agreements with federal agencies necessitated by the department’s assumption of the responsibility for administering the exchange”*

DCBS has not entered into any new agreements with federal agencies. As a function of Senate Bill 1, DCBS assumed responsibility for the information exchange agreement (IEA) with the federal government and the management of the federal grants awarded to Cover Oregon. DCBS is currently closing out the federal grants and completing all required reporting.

## IX. Additional Information

741.222(1)(h) *“Any other information requested by the leadership of the Legislative Assembly”*

### i. COFA Islander Premium Assistance Program (House Bill 4071, 2016 session)

*House Bill 4071 establishes “the COFA Premium Assistance Program to be administered by the Department of Consumer and Business Services.”*

Gov. Kate Brown signed House Bill 4071 on April 4, 2016. The bill establishes a program to provide financial help to low-income citizens of the island nations in the Compact of Free Association (COFA) who are residing in Oregon to purchase health insurance through the Marketplace and to pay out-of-pocket costs associated with the coverage.

On April 12, 2016, DCBS convened an advisory committee to advise the department in the development, implementation, and operation of the program. The committee will be asked to make recommendations in the following program areas:

- Program administration
- Outreach and education campaigns
- Application and enrollment assistance
- Rulemaking related to the passage of HB 4071
- Reporting to the Oregon legislature as described in section 6 of HB 4071

More information about the advisory committee and the department’s progress developing the program will be posted at <http://www.oregonhealthcare.gov/cofa-pap-committee.html> as it becomes available. Under HB 4071, DCBS intends to implement the outreach and education campaign no later than Sept. 1, 2016 and to establish the program by Nov. 1, 2016.

### ii. Basic Health Program (House Bill 4017, 2016 session)

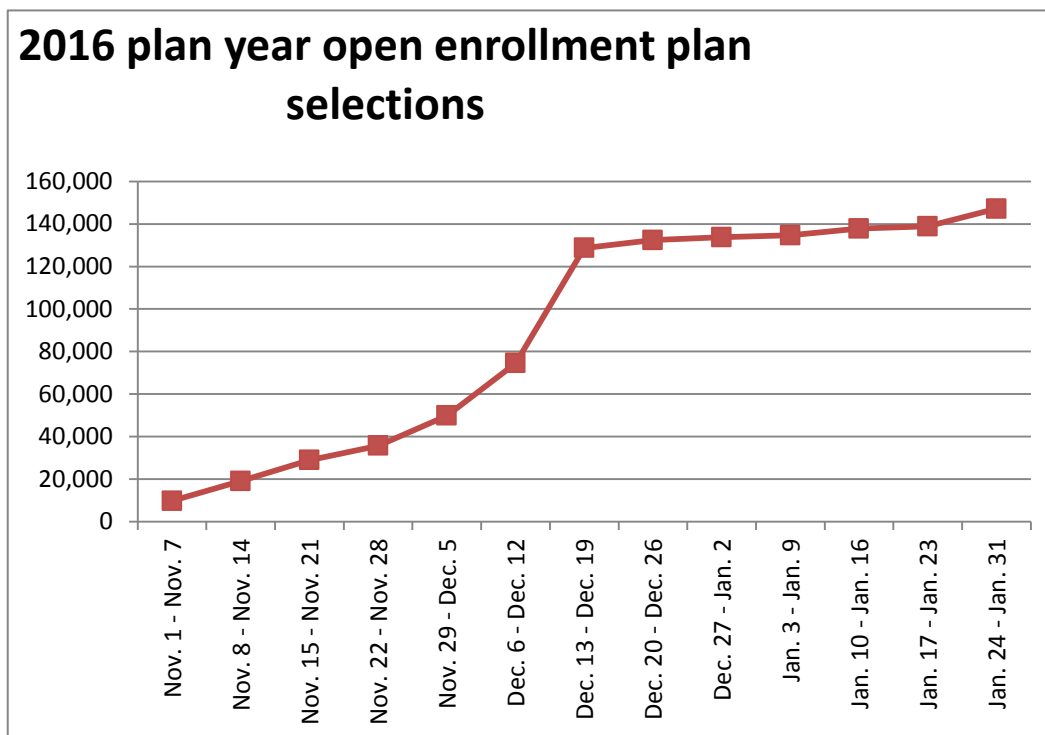
*House Bill 4017 requires DCBS to “create and present to the interim committees of the Legislative Assembly related to health a report containing a blueprint for a Basic Health Program.”*

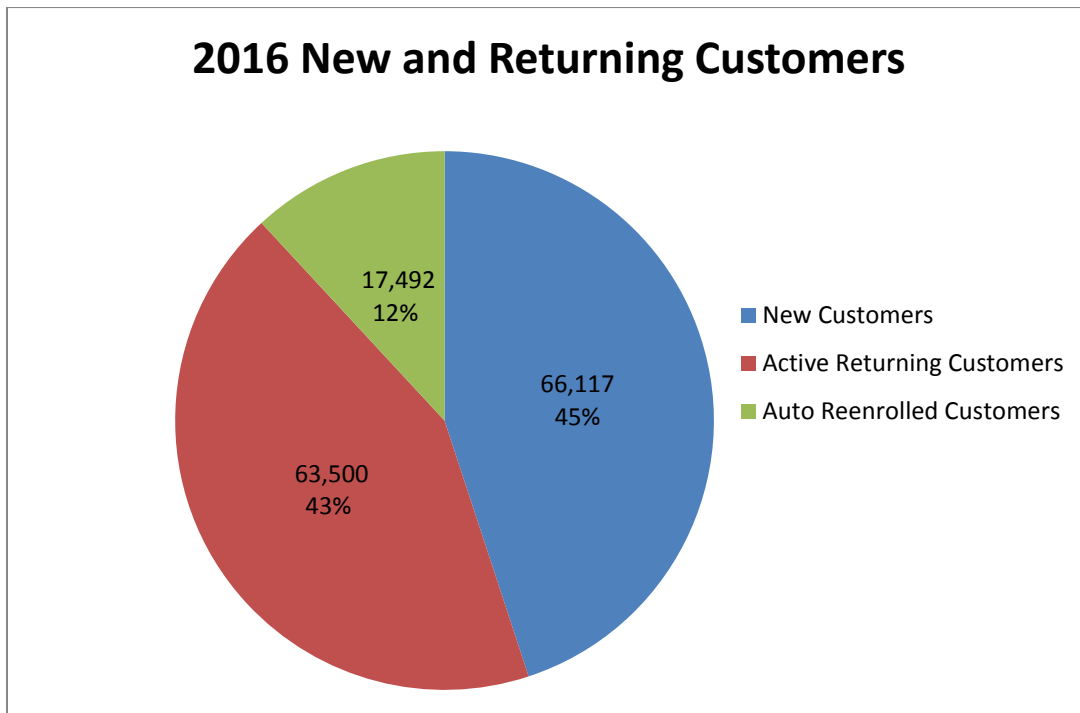
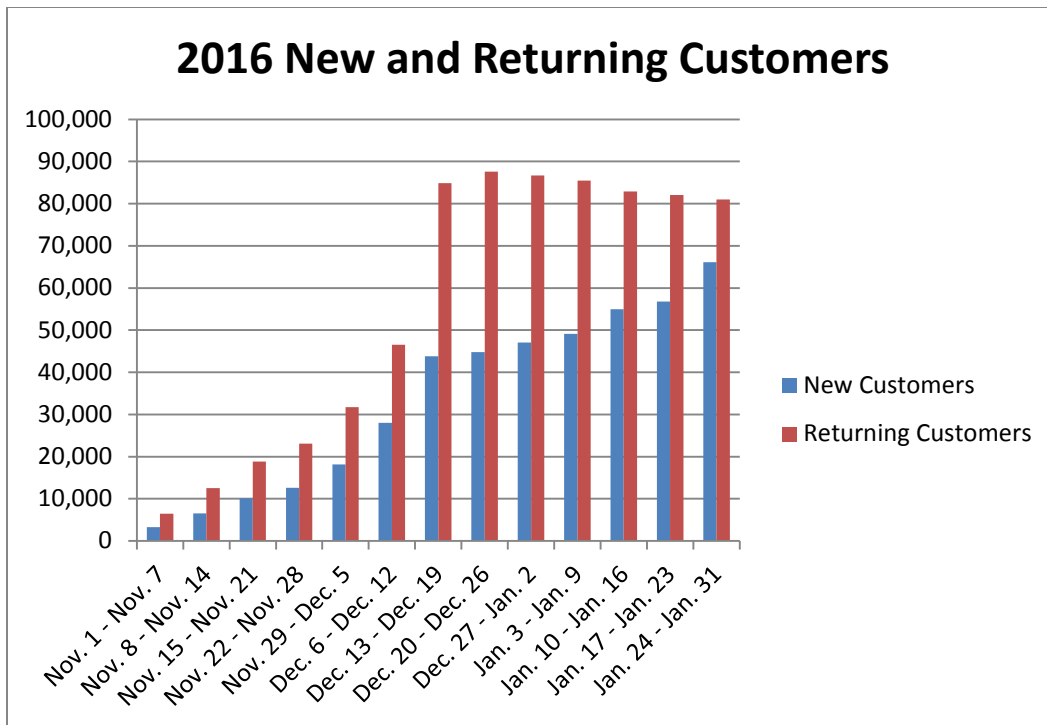
Gov. Brown signed House Bill 4017 on March 15, 2016. The bill requires DCBS in collaboration with OHA and a stakeholder advisory group to create a blueprint for a Basic Health Program and gives DCBS sole authority for waivers for state innovation, including alternative approaches for achieving the objectives of the Basic Health Program.

DCBS is working with the Health Insurance Marketplace Advisory Committee to determine the next steps for creating a blueprint for the Basic Health Program. DCBS will provide an update on the department's progress in the next report to the interim committees.

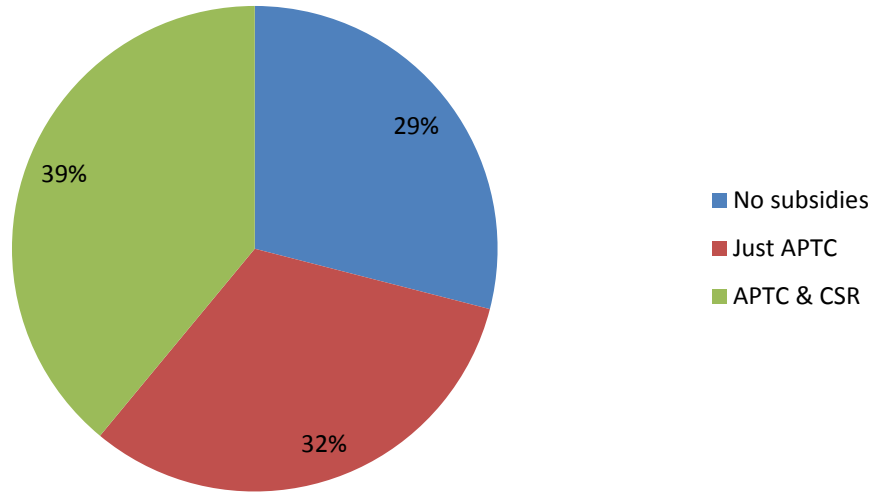
### iii. Eligibility and Enrollment Data

The following charts breakdown the 2016 plan year enrollment data reported by HHS as of Jan.31, 2016.

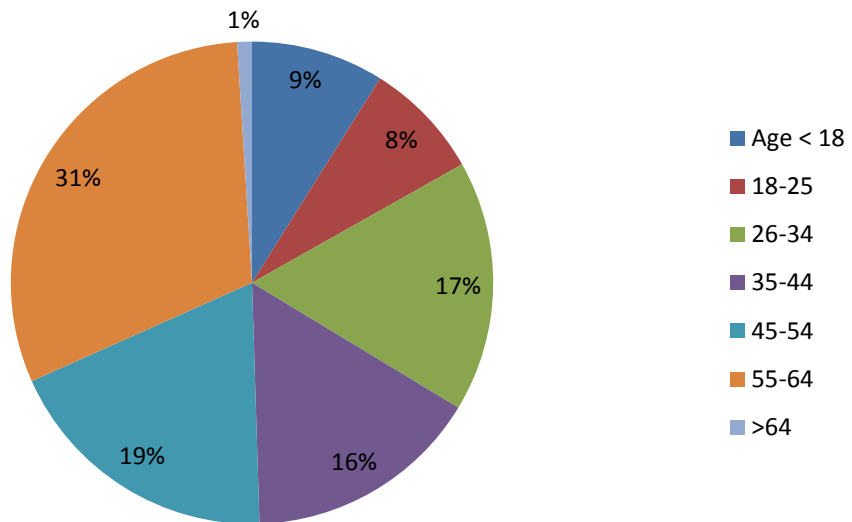




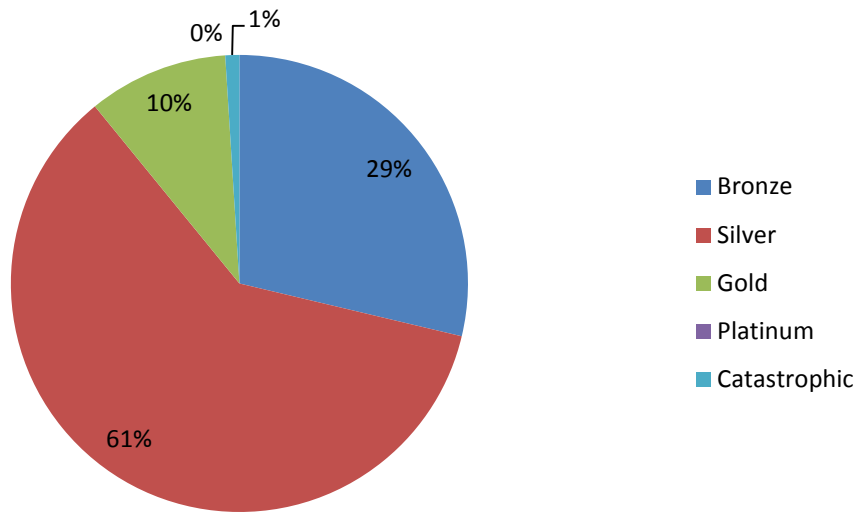
### 2016 percent receiving subsidies



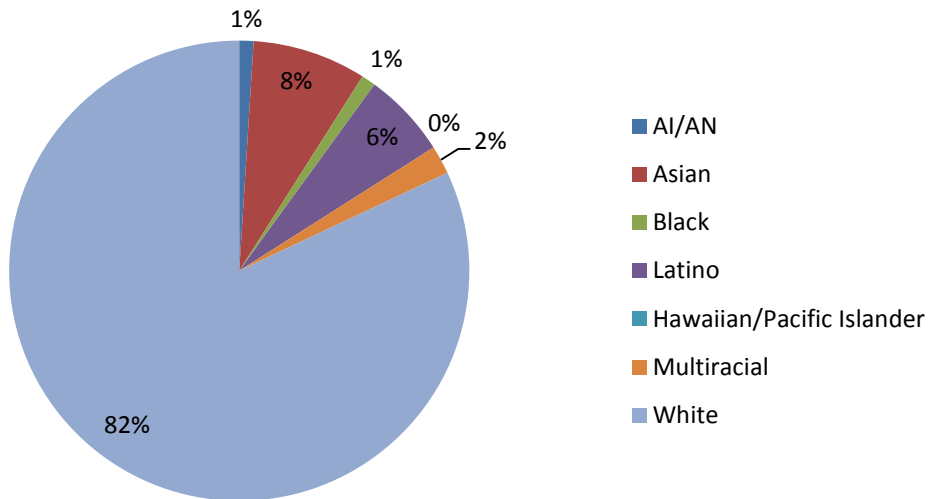
### 2016 enrollment by age

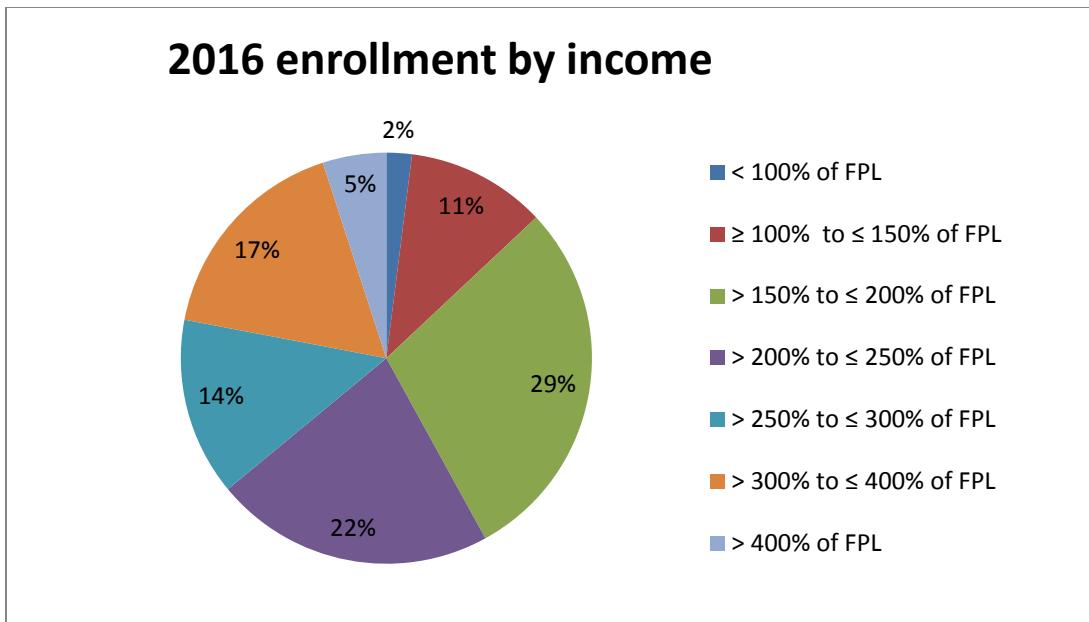


### 2016 enrollment by metal tier



### 2016 enrollment by race





#### iv. Outreach Campaigns

*2015-2017 DCBS Budget Note “The budget for the Department of Consumer and Business services includes funding for marketing and outreach efforts. DCBS is instructed to complete a plan and report on each of the publicity and publication campaigns either upcoming or implemented for the Health Insurance Marketplace Program. The plan and report must be completed and submitted to the Joint Committee on Ways and Means prior to the beginning of the 2016 legislative session. This plan and report must include at a minimum:*

*A narrative description of each campaign;*

- *The total amount of biennial expenditures of each campaign;*
- *The goals and objectives of each campaign;*
- *The expected results of each campaign activity; and*
- *Identification of the quantitative measures that directly demonstrate the effectiveness of the campaign with respect to the goals of the campaign.*

*It is the intent of the legislature that the information provided by the plan and report is to be used to formulate potential Key Performance Measures related to the expenditure of funds for the publication, promotion, and outreach efforts undertaken by the agency.”*

In February 2016, the Department of Consumer and Business Services provided a plan and report to the Joint Committee on Ways and Means of the Oregon Legislature about the agency’s outreach campaigns for the Marketplace.

At the time of submission, DCBS had not completed its review of the 2016 plan year open enrollment campaign. The agency has since completed that review and developed an addendum to the February 2016 plan and report with information about the 2017 plan year



open enrollment campaign. A copy of the addendum has been included with this report (Attachment C).

## **X. Closing Summary**

Since its inception, the health insurance marketplace in Oregon has helped thousands of Oregonians get health insurance and take advantage of financial help to help pay for it. DCBS will ensure that the Marketplace continues to provide tools, resources, and education to help customers make informed decisions about both buying and using health care coverage. DCBS will continually improve the services that the Marketplace provides, using data and metrics to track progress, measure the effectiveness of tactics and strategies, and make decisions, all in an effort to better serve the needs of our customers, the people of Oregon. We look forward to reporting more information about the Marketplace in future reports to the legislature.

## Attachment A: Litigation Summary

In 2011, the State of Oregon hired a private contractor, Oracle America, Inc., both to modernize its social services systems and develop a health insurance exchange website through which Oregonians would shop for and obtain the insurance coverage required by the federal Affordable Care Act. In early 2013, the State of Oregon transitioned the development of the health insurance exchange website to Cover Oregon. On Oct. 1, 2013, when the website was to be fully operational for the public, it did not work and was never launched to the public. On April 25, 2014, the Cover Oregon Board voted to move to the federal website for certain services. In November 2014, Cover Oregon completed its transition to the federal exchange. In addition, the State of Oregon's project to modernize its social services systems was also placed on hold in 2013 after Oracle failed to meet a series of testing deadlines. In 2014, the State of Oregon elected to transition off of Oracle's products for its social services systems.

In June 2014, the Oregon Attorney General launched a false claims investigation into Oracle's charges for both the modernization project and the Cover Oregon website. While the investigation was pending, on Aug. 8, 2014, Oracle sued Cover Oregon in federal court for the District of Oregon for breach of contract and quantum meruit, claiming it was owed an additional \$23 million for its work. On Sept. 8, 2014, Oracle amended its complaint to add the State of Oregon as a defendant and added claims for copyright infringement and breach of the implied covenant of good faith and fair dealing against Cover Oregon. Since then, Oracle has dismissed all its claims in federal court, except for copyright violations. Oracle re-filed its other claims against Cover Oregon as counterclaims in the first state court proceeding. In November 2015, the federal district court addressed the constitutionality of Oracle's copyright claims against the State of Oregon, dismissing one portion of the claim and permitting another to go forward. The State of Oregon and Oracle appealed the district court's ruling and the appeals are pending before the United States Court of Appeals for the Ninth Circuit.

After concluding the false claims investigation, on Aug. 22, 2014, the Attorney General, the State of Oregon, and Cover Oregon filed suit for damages against Oracle, Oracle's co-CEO, other current and former Oracle employees, and Mythics, Inc., an Oracle distributor, for fraud, breach of contract, and violations of the Oregon False Claims Act and the Oregon Racketeer Influenced and Corrupt Organizations Act. The suit was filed in Oregon State Circuit Court for Marion County (Judge Geyer). Since the lawsuit was filed, Oracle twice removed the case to the Oregon federal district court and the federal court twice remanded the case back to Marion County Circuit Court. As of April 2016, the case is pending in state court and discovery is proceeding. The court ordered discovery to complete in early September 2016, and ordered that a 10-week trial would begin Jan. 11, 2017. The State of Oregon seeks approximately \$420 million in damages, plus penalties, punitive damages, investigative fees, attorney's fees, and costs. Oracle filed five counterclaims for approximately \$23 million for alleged unpaid services allegedly provided to Cover Oregon between October 2013 and February 2014. The court dismissed three of the five counterclaims with prejudice on Feb. 22, 2016. In March 2016, Oracle filed motions for judgment on the pleadings to dismiss the entire case based on a contention that federal and state law pre-empted the State of Oregon's litigation against Oracle. The court will hear that motion June 17, 2016. The court also indicated it may enter an order compelling the parties into mediation.

In February 2015, Oracle threatened to shut off the hosting services the State of Oregon uses to run its Medicaid enrollment system. On Feb. 13, 2015, the State of Oregon filed an additional lawsuit in Marion County Circuit Court (Judge Geyer) to enjoin Oracle from turning off service. On Feb., 27, 2015, the Marion County court issued a preliminary injunction prohibiting Oracle from ceasing to provide hosting services for one year. During that time, the State of Oregon transitioned to a Medicaid eligibility determination and enrollment system that Kentucky developed and that does not use Oracle products. The non-Oracle system was operational in January 2016, and Oregon no longer uses the Oracle system for Medicaid eligibility determinations and enrollments.

On Feb.26, 2015, Oracle filed a lawsuit in Multnomah County Circuit Court (Judge Kantor) against five consultants of former Gov. John Kitzhaber. Oracle alleged that they interfered by Oracle's contracts with Cover Oregon. That court dismissed Oracle's claim with prejudice in July 2015. That dismissal is on appeal.

On Nov. 13, 2015, Oracle filed an action in Marion County Circuit Court (Judge James) under Oregon's public records law against Gov. Kate Brown. Oracle alleges that the Office of the Governor violated the public records law by not reviewing and releasing to Oracle all the emails in former Gov. Kitzhaber's personal email accounts that were inadvertently archived on the Department of Administrative Services servers. The Office of the Governor has filed a motion to dismiss and a motion for summary judgment.

On Jan. 20, 2016, Oracle filed an action in Marion County Circuit Court (Judge Armstrong) against the State of Oregon for specific enforcement of a purported settlement of all litigation involving Oracle and the State of Oregon. Oracle alleges that in October 2015, Gov. Brown's then Chief of Staff, Brian Shipley, agreed to settle all of the State of Oregon's and all of the Attorney General's claims against Oracle for a credit of approximately \$25 million for Oracle goods and services. The court heard the State of Oregon's motion to dismiss on April 14, 2016.

On March 8, 2016, Oracle filed a petition for a writ of mandamus in the federal district court for the District of Columbia against the Secretary of the U.S. Department of Health and Human Services Sylvia Burwell. Oracle petitions for a writ to compel Burwell to order Oregon to dismiss or stay all litigation against Oracle because, Oracle alleges, Oregon's lawsuit is pre-empted by federal law. HHS has not yet responded to the petition.

There are several ongoing federal investigations, including by the Government Accountability Office, the United States Grand Jury for the District of Oregon, and committees in both the United States House of Representative and Senate. The State of Oregon is cooperating fully in those investigations.

## Attachment B: Costs Paid-to-Date to Legal Services Firms Relating to the Oracle Litigation and Related Investigations

### Oracle Invoices

Department of Justice  
Oracle, ES501 Cost-to-Date  
As of April 7, 2016

Contractor	Invoice #	Invoice Date	Invoice Amount	Amounts billed			
				C.O./DCBS	OHA	DHS	DOJ
<b><i>I. Special Assistant Attorney General (SAAG)</i></b>							
Markowitz			\$ 6,065,508.51	\$ 1,516,377.11	\$ 1,516,377.12	\$ 1,516,377.13	\$ 1,516,377.15
Garvey			\$ 144,206.99	\$ 36,051.74	\$ 36,051.74	\$ 36,051.75	\$ 36,051.76
<b>Total SAAG Contracts</b>			<b>\$ 6,209,715.50</b>	<b>\$ 1,552,428.85</b>	<b>\$ 1,552,428.86</b>	<b>\$ 1,552,428.88</b>	<b>\$ 1,552,428.91</b>
<b><i>II. Document Reviewers</i></b>							
Sub-Total Contract Reviewers				\$ 44,820.00	\$ 44,820.00	\$ 44,820.00	\$ 44,820.00
Sub-Total DOJ Reviewers				\$ 407,234.68	\$ 407,234.68	\$ 407,234.68	\$ 407,234.68
<b>Total Document Reviewers</b>				<b>\$ 452,054.68</b>	<b>\$ 452,054.68</b>	<b>\$ 452,054.68</b>	<b>\$ 452,054.68</b>
<b><i>III. DOJ Attorneys</i></b>							
Total Attorneys and Non-Reviewer Staff				\$ 732,054.10	\$ 732,054.10	\$ 732,054.10	\$ 732,054.10
Total Fees and Costs				\$ 146.79	\$ 146.79	\$ 146.79	\$ 146.79
<b><i>IV. Miscellaneous</i></b>							
<b>Total Miscellaneous</b>			<b>\$ 9,275.00</b>	<b>\$ 2,318.75</b>	<b>\$ 2,318.75</b>	<b>\$ 2,318.75</b>	<b>\$ 2,318.75</b>
<b>Agency Total</b>				<b>\$ 2,739,003.17</b>	<b>\$ 2,739,003.18</b>	<b>\$ 2,739,003.20</b>	<b>\$ 2,739,003.23</b>
				C.O./DCBS	OHA	DHS	DOJ
Grand Total Oracle Costs:			<b>\$ 10,956,012.78</b>				

**Attachment C: Publicity and Publication Plan and Report for the Joint Committee on Ways and Means Addendum**