

Oregon Health Insurance Marketplace

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

September 2016



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Marketplace Report

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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, January 2016, and May 2016, as well as the April 15, 2016, annual report for the Marketplace, can be found at <http://healthcare.oregon.gov/Pages/reports-audits.aspx>.

Since the DCBS report in May 2016, DCBS has remained focused on preparing for the next open enrollment period, Nov. 1, 2016 – Jan. 31, 2017, as well as providing ongoing support for Marketplace customers and small businesses, especially those affected by the closing of Oregon's Health CO-OP. DCBS oversaw the wind down of the CO-OP, helped CO-OP members find other coverage, and ensured that members did not lose the money they already have paid into their CO-OP plan for yearly out-of-pocket maximums.

Also, since the previous report, the Division of Financial Regulation has approved final rates for the 2017 plan year. Final rates in the individual market range from an average rate increase of 9.8 percent to an average rate increase of 32 percent, depending on the insurer.

Oregon's health insurance market will see significant changes to the number of carriers participating statewide in 2017. The number of statewide carriers participating on Oregon's Health Insurance Marketplace will decrease from six to two. LifeWise is leaving the market. Oregon's Health CO-OP has closed. Zoom will no longer offer plans on the exchange. Moda and PacificSource are reducing the counties they are participating in.

Changes from 2016 to 2017 include:

- LifeWise: No longer offering plans in Oregon
- Moda: No longer offering plans in Benton, Crook, Deschutes, Douglas, Jefferson, Klamath, Lane, Lincoln, Linn, and Tillamook counties
- Oregon's Health CO-OP: Closed in 2016
- PacificSource: No longer offering plans in Baker, Benton, Clatsop, Columbia, Coos, Curry, Douglas, Gilliam, Grant, Harney, Hood River, Jackson, Josephine, Klamath, Lake, Lane, Lincoln, Linn, Malheur, Marion, Morrow, Polk, Sherman, Tillamook, Umatilla, Union, Wasco, Wallowa, Wheeler, and Yamhill counties
- Zoom: No longer offering plans on the exchange.

With these changes, Oregonians in all counties will have access to at least two carriers on the Oregon Health Insurance Marketplace, as well as two options offered exclusively off the marketplace. During open enrollment for 2017, DCBS will work with its partners, including agents and community organizations, to help people understand their options, find the best coverage for them, and take advantage of financial help. Looking beyond 2017, DCBS will work

with stakeholders, legislators, and the Governor's office to develop long-term solutions to ensure Oregonians continue to have health plan choices.

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)”

This section contains a description of the Marketplace’s financial status. It describes any major financial activity since the previous report submitted to the May 2016 Emergency Board. The financial condition of the Marketplace continues to be stable and self-sustaining for the 2015-2017 biennium. Since the previous report, the Marketplace has decided to continue to use the federal technology platform. Insurers will be working directly with the federal government and DCBS will not be collecting any fees on behalf of the federal government for the platform. Therefore, expenses related to the federal platform are not included in this section.

Budget Authority

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

2015-2017 Legislatively Adopted Marketplace Budget			
Section	LAB	Positions	FTE
Marketplace	26,599,779	17	20.50
COFA	3,646,000	-	-
Shared Services	2,188,303	11	8.17
Total	32,434,082	28	28.67

The May 2016 Emergency Board increased the Other Funds limitation for the Marketplace by \$558,617 to correct a previous action. Limitation awarded for the establishment of the Compact of Free Association (COFA) Premium Assistance Program (HB 4071, February 2016) administered by DCBS is included as a reference to reflect the entire limitation awarded to this program area. However, since this limitation is to provide financial help with health care premiums and out-of-pocket costs for Pacific Islanders legally residing in Oregon under COFA and funded through a general fund award and not for the operations of the Marketplace, this program is excluded from discussions below.

Revenue

Oregon’s Marketplace is primarily funded through a per member per month (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.

Revenue Forecast as of June 30, 2016

Status	Period Ending	Medical Assessment	Dental Assessment	Cover OR Transfer	OHA Transfer	Investment/Misc.	Total Revenue
	FY 2015	\$0		\$0	\$0	\$0	\$0
Actual	09/30/15	2,405,508	63,370	1,055,908	0	5,715	3,530,501
Actual	12/31/15	3,012,249	17,326	895,032	4,711,007	6,663	8,642,277
Actual	03/31/16	3,425,156	28,173	0	2,289,786	12,669	5,755,784
Actual	06/30/16	3,638,339	33,524	0	1,229,978	17,958	4,919,799
	FY 2016	\$12,481,252	\$142,393	\$1,950,940	\$8,230,771	\$43,005	\$22,848,361
Estimate	09/30/16	3,343,838	43,367	0	3,879,741	3,844	7,270,790
Estimate	12/31/16	3,150,619	39,982	0	827,623	8,044	4,026,267
Estimate	03/31/17	2,207,608	28,079	0	827,623	12,728	3,076,038
Estimate	06/30/17	2,267,389	27,411	0	827,623	17,918	3,140,341
	FY 2017	\$10,969,454	\$138,839	\$0	\$6,362,610	\$42,534	\$17,513,436
Estimate	09/30/17	2,180,764	26,248	0	288,483	24,454	2,519,949
Estimate	12/31/17	2,054,751	24,199	0	213,953	29,663	2,322,566
Estimate	03/31/18	2,273,836	28,921	0	213,953	33,454	2,550,164
Estimate	06/30/18	2,335,411	28,233	0	213,953	37,457	2,615,054
	FY 2018	\$8,844,762	\$107,602	\$0	\$930,342	\$125,028	\$10,007,734
Estimate	09/30/18	2,246,187	27,036	0	213,953	40,836	2,528,012
Estimate	12/31/18	2,116,394	24,925	0	213,953	42,554	2,397,826
Estimate	03/31/19	2,342,052	29,789	0	213,953	41,607	2,627,400
Estimate	06/30/19	2,405,473	29,080	0	213,953	39,296	2,687,802
	FY 2019	\$9,110,105	\$110,830	\$0	\$855,812	\$164,293	\$10,241,040

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 June 2016 enrollment data, the amount of assessment revenue earned compared to the estimated PMPM revenue forecasted is greater by \$2,683,610. This increase in revenue is a result of medical and dental enrollments being higher than the Legislatively Adopted Budget estimate by 274,106 and 36,848, an increase of 26.9 percent and 24.0 percent, respectively. Actual enrollment through June 30, 2016, is shown here:

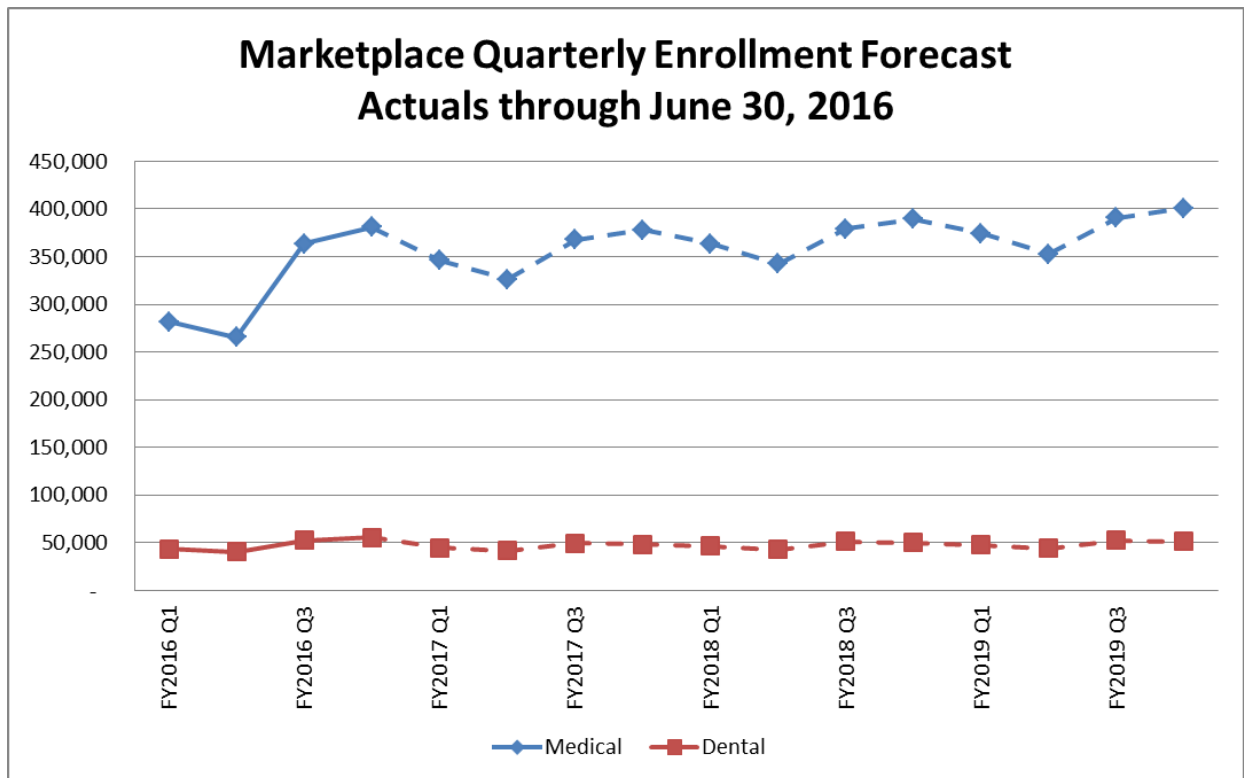
2015-2017 Marketplace Enrollments as of June 30, 2016

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	112,820	16,034	63,927	8,679
February 2016	68,450	10,296	121,709	17,223	53,259	6,927
March 2016	78,228	11,767	129,096	18,739	50,868	6,972
April 2016	88,007	13,238	128,022	18,342	40,015	5,104
May 2016	100,230	15,077	127,625	18,444	27,395	3,367
June 2016	99,829	15,016	125,386	18,205	25,557	3,189
Average:	84,843	12,797	107,685	15,868		

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 (HHS) are attributable to the timing associated with each reporting process. As of March 31, 2016, HHS reported that 131,167 Oregonians had effectuated their enrollment, a decrease from the 147,000 who initially signed up for coverage during open enrollment. This decrease in enrollment was expected and was similar to the decrease in enrollment experienced in prior years following open enrollment (see the Eligibility and Enrollment section of this report below for a comparison of year-to-year enrollment). 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 accordingly in future reports. 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 graph. The enrollment projection for each quarter is the sum of three months' 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 graph 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, along with the decrease in expected expenditures, contributed to DCBS's ability to reduce the PMPM assessment 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, approximately \$600,000 less than originally anticipated, as detailed in the chart below:

IT Cost Allocation - Updated August 2016 - September EBoard

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	-	-	-	3,373,058	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	-	-
Total:				\$ 14,439,900	\$ 13,222,705	\$ 1,217,195	\$ 14,153,958	\$ 12,656,663	\$ 1,497,295	\$ 213,953
							Change from LAB: \$ (285,942)	\$ (566,042)	\$ 280,100	

As previously shown in the Revenue Forecast as of June 30, 2016, the OHA transfer revenue will decline significantly during FY 2016 and FY 2017. The decrease in FY 2017 is due to the expiration of the Oracle contracts. The 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 the 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 was 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.
- The Speridian contract has been amended to allow for financial data extraction and upload. This is an \$83,000 amendment to prior contractual work. DCBS bears the complete cost of this amendment.

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.

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 June 30, 2016, expenditure projections for the remaining biennial period, and the variance from the May 2016 Legislatively Adopted Budget.

Current Expenditure Projections (actual expenditures through June 30, 2016)							
Section	15-17 LAB	Actual Expenditures	Projections	COFA GF-OF Transfer	Actual and Projection	Variance (Over) / Under	% Variance
Marketplace	26,599,779	13,904,053	12,601,019		26,505,071	94,708	99.6%
COFA	3,646,000	-	1,822,926	1,823,000	1,822,926	74	100.0%
Shared Services	2,188,303	941,139	977,760		1,918,899	269,404	87.7%
Total	28,788,082	14,845,191	13,578,779		28,423,970	364,112	98.7%

DCBS is currently projecting expenditures approximately 1 percent below the Legislatively Adopted Budget.

Ending Fund Balance

The chart below summarizes the total revenue and expenses for the 2015-2017 biennium and forecast amounts for fiscal years 2018 and 2019. 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.” Also, “Any moneys received that exceed the maximum shall be applied by the department to reduce the charges imposed by this section.” The Marketplace fund is currently above this limit and the table below does not show the effect of the rebate that is produced to lower the balance below the six-month limit. At the end of the biennium, if the fund balance exceeds six months of expenditures, then a rebate will be applied to insurers’ medical assessments the following biennium. Oregon Administrative Rule 945-030-0020(9) controls how the assessment is calculated and distributed. The rule states that if there is more than six months of expenditures, then a credit will be applied to medical assessments by the end of March based on the prior December’s enrollment.

Oregon Health Insurance Marketplace Fund
Forecast Revenues, Expenses, and Fund Balances
(actual data through June 30, 2016)

Status	Period Ending	Total Revenue	Total Expenses	Excess (Deficit)	Ending Fund Balance	Months
Actual	09/30/15	3,530,501	2,148,728	1,381,773	1,381,773	1.2
Actual	12/31/15	8,642,277	3,861,973	4,780,304	6,162,077	5.3
Actual	03/31/16	5,755,784	3,970,731	1,785,053	7,947,130	6.8
Actual	06/30/16	4,919,799	4,421,251	498,548	8,445,678	7.3
	FY 2016	22,848,361	14,402,683	8,445,678	8,445,678	7.3
Estimate	09/30/16	7,270,790	3,767,053	3,503,737	11,949,416	10.3
Estimate	12/31/16	4,026,267	3,396,914	629,353	12,578,769	10.8
Estimate	03/31/17	3,076,038	3,227,536	(151,499)	12,427,270	10.7
Estimate	06/30/17	3,140,341	3,149,166	(8,825)	12,418,445	10.7
	FY 2017	17,513,436	13,540,669	3,972,767	12,418,445	10.7
Estimate	09/30/17	2,519,949	3,386,899	(866,950)	11,551,496	10.2
Estimate	12/31/17	2,322,566	3,386,899	(1,064,332)	10,487,163	9.3
Estimate	03/31/18	2,550,164	3,386,899	(836,734)	9,650,429	8.5
Estimate	06/30/18	2,615,054	3,386,899	(771,844)	8,878,585	7.9
	FY 2018	10,007,734	13,547,594	(3,539,860)	8,878,585	7.9
Estimate	09/30/18	2,528,012	3,391,850	(863,838)	8,014,747	7.1
Estimate	12/31/18	2,397,826	3,391,850	(994,023)	7,020,724	6.2
Estimate	03/31/19	2,627,400	3,391,850	(764,450)	6,256,274	5.5
Estimate	06/30/19	2,687,802	3,391,850	(704,048)	5,552,226	4.9
	FY 2019	10,241,040	13,567,400	(3,326,360)	5,552,226	4.9

These projections account only for DCBS current authority and known liabilities. If these obligations remain the same, the Marketplace will be positioned to remain self-sustaining at the current levels of enrollments and assessments through the end of FY 2017.

III. Technology Development

741.222(1)(b) "The development of the information technology system for the exchange"

In May 2016, DCBS completed an [analysis](#) that compared the functionality and cost of the federal technology platform, HealthCare.gov, with successful private vendor systems currently used in other states. The purpose of the analysis was to determine if paying for HealthCare.gov was the best use of policyholders' dollars. The agency discussed the results of the analysis with the Oregon Health Insurance Marketplace Advisory Committee and presented findings to the interim committees of the Oregon Legislature related to health in May.

Based on the analysis and subsequent discussions with stakeholders, the agency decided to continue to use HealthCare.gov and to revisit the idea of pursuing other technology systems for the exchange in three to five years. In the interim, the agency will continue to monitor developments in technology systems. DCBS will also monitor the costs to develop work around

solutions for initiatives not supported by the HealthCare.gov platform so those costs can be factored into future analyses of the state's options.

DCBS is currently considering options for Oregon's Small Business Health Options Program. Please see Section VI of this report for more information on those efforts.

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 was 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 began 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 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 was 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 completed integration of the programs on 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”*

On April 18, 2016, the Centers for Medicare and Medicaid (CMS) released guidance that allows states currently using a direct enrollment process for SHOP, like Oregon, to continue doing so for two more years, through 2018. The guidance states that by 2019, a SHOP online enrollment system must be available, and states can comply in one of three ways. The change in the deadline for SHOP has given Oregon more time to consider the three possibilities:

- 1) **SHOP Federal Platform (FF-SHOP).** Currently, this is not an option for Oregon. The federal platform does not support Oregon’s small group rating methodology. Oregon uses composite rating, which 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. Oregon would have to make a policy decision to change to list-bill rating, or CMS would have to upgrade its technology before Oregon could use this option.

- 2) **A State-Based Platform, Regional Platform, or Third-Party Administrator of SHOP.** Oregon could acquire a technology platform. However, based on the proposals received from vendors in response to the Request for Proposals (RFP) the agency released in December 2015, there are considerable costs associated with implementing and maintaining a state-based SHOP platform. That is a major concern considering the low enrollment projections for SHOP in Oregon and SHOP's modest enrollment in other states. Current trends and factors in the small group market would need to change significantly for a private vendor system to be cost-beneficial. However, if Oregon pursued its own platform, DCBS expects it could be implemented in about six months. In other states, SHOP has been successfully implemented in about three to six months.
- 3) **1332 State Innovation Waiver Option.** The guidance specifically provides the states with the process for waiving the online functionality requirement of SHOP to pursue an alternative way of providing assistance to small employers. House Bill 4017 (2016) gave DCBS the authority to explore the possibilities associated with 1332 waivers, and DCBS will begin discussing those possibilities with the Oregon Health Insurance Marketplace Advisory Committee in fall 2016.

The agency's overall goal is to figure out how to best serve the health care coverage needs of small businesses. An automated SHOP is one tool to do that. At the most-recent meeting of the Oregon Health Insurance Marketplace Advisory Committee, the agency and committee began formally discussing the options. The agency intends to take a closer look at what other states are doing and to do more outreach to Oregon's small businesses to get their input before deciding which option to pursue.

In the meantime, Oregon will continue to use 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.

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 the 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 Marketplace contracts, including contracts from Cover Oregon, which are still active and have not been terminated. All of these contracts have been factored into the DCBS budget.

Status	Contract #	Contractor	Service	Contract amount	Effective date	Expiration
Active	DCBS-1591-16	BCI Group Inc	Agent Storefront Program	\$10,000	July 12, 2016	June 30, 2017
Active	DCBS-1588-16	Bancorp Insurance	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-1590-16S	Barlow Insurance	Agent Storefront Program	\$10,000	July 7, 2016	June 30, 2017
Active	DCBS-1597-16	Boone Insurance Associates	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-1592-16	Bredimus Insurance Agency	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017

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Active	DCBS-1589-16	Aaron Michael Burns	Agent Storefront Program	\$10,000	July 12, 2016	June 30, 2017
Active	DCBS-1593-16	Carney Insurance	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	CO 13-0028	Center for Medicaid Services	Computer Matching agreement	\$0		
Active	CO 13-0029	Center for Medicaid Services	Information exchange agreement	\$0		
Active	CO 13-0030	Center for Medicaid Services	Master Interconnection Security agreement	\$0		
Active	DCBS-1595-16	Central Financial Services of Oregon	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-1583-16	Chehalem Insurance Associates	Agent Storefront Program	\$10,000	July 12, 2016	June 30, 2017
Active	DCBS-5373-15	Chernoff, Vilhauer, McClung & Stenzel	Special Assistant Attorney General	\$40,000	March 10, 2015	Dec. 31, 2016
Active	DCBS-1600-16	Country Financial	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-1580-16	Linda Dugan	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-1559-16	Dolly England	Faith Based Outreach	7,000	March 22, 2016	March 21, 2017
Active	DCBS-2101-15	Enroll America	Online enrollment assistance for 2015 enrollment period	10,000 yr	Dec. 3, 2015	Sept. 30, 2016
Active	DCBS-1570-16	Exchange Insurance Services	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-1571-16	FG Insurance, Inc.	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-7150-16	Garvey Schubert Barer	Special Assistant Attorney General	240,000	Feb. 8, 2016	Dec. 31, 2016
Active	DCBS-1572-16	Gordon Wood dba The Health Insurance Store	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-2914-15	Grady Britton	Media Advertising	\$3,284,695	July 17, 2015	July 17, 2017
Active	DCBS-1576-16	HE Cross Company	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-1574-16	Harry Abel Insurance	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-1573-16	Healthwise Insurance Planning	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-1596-16	Healthy, Wealthy and Wise	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-1598-16	High Desert Insurance	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-1578-16	iCover Oregon	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-1594-16	Insurance Lounge, Inc.	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017

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Active	DCBS-1577-16	Insurance Marketplace	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-1568-16	Insured by Gallegos	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
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	DCBS-2001-15	JD Power & Associates	Data Use Agreement	\$0	Dec. 10, 2015	Dec. 10, 2018
Active	DCBS-1579-16	Jefferson State Financial Group	Agent Storefront Program	\$0	July 12, 2016	June 30, 2017
Active	DCBS-1599-16	KGM International	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-5173-14	Markowitz Herbold Glade & Mehlhaf	Special Assistant Attorney General	\$2,000,000	May 15, 2014	Dec. 31, 2016
Active	DCBS-7197-16	Moss Adams	Financial analyses concerning state and federal monies expended on certain technology projects	\$200,000	March 10, 2016	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
	DASPS-2618-16	McGuireWoods Consulting	Federal Health Consulting	4,000/mo.	May 2, 2016	May 1, 2018
Active	CO 13-0031	NAIC/SERFF	Plan web services license agreement		Aug. 7, 2013	UNK
Active	DCBS-1582-16	NW Securities Advisors	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-1601-16	Oregon Insurance Exchange	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	None - Credit card purchase	Paylocity	Web Pay Access - payroll records archiving	\$500/yr-paid in full	Jul. 31, 2015	July 30, 2018
Active	DCBS-7193-16	Perkins Coie	Special Assistant Attorney General	\$400,000	March 28, 2016	Dec. 31, 2017
Active	DCBS-1569-16	Pfaff Karen Insurance	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-1585-16	RJS & Associates Insurance Services	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-1586-16	Reinholdt & O'Harra Insurance	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-1584-16	Revell Coy Insurance	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-1575-16	Sammis Ins DBA Health Insurance Place	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
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, 2018

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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		
	Amd #4	Speridian Technology Inc.	Adds \$57,500	\$8,726,358		
	Amd #5	Speridian Technology Inc.	Adds \$88,000	\$8,809,358		
Active	DCBS-1603-16	TNT Insurance Services	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-1564-16	Ted von Glahn	Quality Improvement Strategy	\$86,093.75	May 6, 2016	April 31, 2018
Active	DCBS-1602-16	The Insurance Coach	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-1587-16	Tomlin Benefit Planning	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Active	DCBS-1526-16	Wakely Consulting	Basic Health Program study	\$115,000	May 9, 2016	June 30, 2017
Active	DCBS-1581-16	Matthew Woodbridge	Agent Storefront Program	\$10,000	July 1, 2016	June 30, 2017
Pending	DCBS-1614-16	211info.org	Community Partner Outreach and Enrollment	\$50,000	pending	Aug. 31, 2017
Pending	DCBS-1607-16	Asian Health & Service Center	Community Partner Outreach and Enrollment	\$66,070	pending	Aug. 31, 2017
Pending	DCBS-1608-16	Cascade AIDS Project	Community Partner Outreach and Enrollment	\$30,000	pending	Aug. 31, 2017
Pending	DCBS-1609-16	Immigrant and Refugee Community Organization	Community Partner Outreach and Enrollment	\$50,000	pending	Aug. 31, 2017
Pending	DCBS-1610-16	Native American Rehabilitation Association of the Northwest Inc.	Community Partner Outreach and Enrollment	\$60,000	pending	Aug. 31, 2017
Pending	DCBS-1611-16	Performance Health Technology	Community Partner Outreach and Enrollment	\$60,000	pending	Aug. 31, 2017
Active	DCBS-1468-16	COFA National Alliance Networks	COFA Outreach	\$57,741	Aug. 12, 2016	Aug. 15, 2017
Active	DCBS-1002-16	Project Access NOW	Emergency Enrollment Assistance	\$68,000	Aug. 2, 2016	Aug. 31, 2016
				Contract Amount	Effective Date	Expiration
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	Sept. 19, 2013	Open
Active	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
Active	CO 14- 0020/45A000008	OHA	Data Use Agreement	0	Oct. 23, 2014	none
Active	00A000073	OHA	Community Partnerships	0	June 4, 2015	June 30, 2016
Active	45A000009	OHA	Coordination of eligibility assessment, determination and enrollment	0	Sept. 13, 2013	none

Active	45A000011	OHA	Personally Identifiable Information	0	Sept. 19, 2013	none
Active	45A000012	SOS	Managing and payment for audit	0	Nov. 4, 2015	open
Active	45A000013	Oregon Educators Benefit Board	Monthly transfer of data	0	March 1, 2016	Dec. 31, 2020
Status	Purchase order #	Vendor	Service	Contract Amount	Effective Date	Expiration
Active	15-001	Accurate Corporate Service	Storage of former Cover Oregon furniture	\$22,584	July 1, 2015	Dec. 31, 2016
Active	15-002	SHI International Inc.	Engine service desk annual subscription fee	\$2,925	Aug. 24, 2015	Aug. 23, 2016
Active	15-003	BAE Systems/Silver Sky	Email security and archiving. This service will continue to archive emails prior to July 1, 2015.	15,000.00	Sept. 1, 2015	Aug. 31, 2017
Active	15-006	Citrix	Go to Meeting	12,952.00	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, which was implemented in February 2016.

- 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. DOJ has been providing updated cost information to the Legislative Fiscal Office on a regular basis.

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.

Since April, DCBS and the COFA advisory committee have made significant progress toward developing the program. DCBS has:

- Finalized the premium payment workflow between DCBS and the carriers.
- Finalized the in-network, out-of-pocket payment model between DCBS and the program enrollees.
- Drafted administrative rules for the program.
- Finalized reporting requirements, including key performance indicators for program.
- Approved the high-level plan for the outreach and education campaign.
- Begun developing outreach and education materials.
- Awarded a COFA Community Partner grant to help participants enroll.

Next steps the agency will complete by October 2016 include:

- Finalizing program network infrastructure and IT needs.
- Finalizing the administrative rules.
- Launching the outreach and education campaign.
- Holding program-specific trainings with agents and community partners.
- Begin accepting applications on Oct. 1.

Open enrollment, when participants will be able to sign up for coverage, will begin Nov. 1, 2016, and last until Jan. 31, 2017. As required by House Bill 4071 (2016), DCBS will submit a comprehensive report to the Legislative Assembly about the program by Dec. 31, 2017.

More information about the department's progress developing the program will be posted at <http://healthcare.oregon.gov/Pages/cofa-pap-committee.aspx> as it becomes available.

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, OHA, and the stakeholder advisory group met for the first time on Aug. 3, 2016, and reviewed an updated Basic Health Program study provided by Wakely Consulting Group, which DCBS hired to help with the advisory group's work. In subsequent meetings, DCBS and the advisory group will begin work on developing a blueprint for a Basic Health Program.

More information about the department's progress will be posted at <http://healthcare.oregon.gov/Pages/bhp-committee.aspx> as it becomes available.

iii. Eligibility and Enrollment Data

On June 30, 2016, CMS released effectuated enrollment data for Oregon as of March 31, 2016. The table below compares the March 31 data with enrollment as of the end of open enrollment for 2016, Jan. 31.

Data as of	Jan. 31, 2016	March 31, 2016
Enrollment	147,109	131,167
Enrollees receiving advance premium tax credits (APTC)	104,447 (71%)	95,507 (73%)
Enrollees receiving cost-sharing reductions (CSR)	57,373 (39%)	52,960 (40%)
Average monthly APTC	\$248	\$253
Catastrophic plans	1%	1%
Bronze plans	28%	28%
Silver plans	61%	61%
Gold plans	10%	10%
Platinum plans	0%	0%

Between the end of open enrollment and March 31, Oregon had a retention rate of 89 percent overall, 91 percent for those receiving APTC, and 92 percent for those receiving CSR. These retention rates are similar to the retention rates Oregon experienced last year, as shown in the table below.

Date	2016 Enrollment	2016 Retention Rate	2015 Enrollment	2015 Retention Rate
End of Open Enrollment	147,109	100%	112,024	100%
Quarter 1 (March 31)	131,167	89%	102,253	91%
Quarter 2 (June 30)	TBD	TBD	102,912	92%
Quarter 3 (Sept. 30)	TBD	TBD	99,654	89%
Quarter 4 (Dec. 31)	TBD	TBD	91,289	81%

Date	2016 Receiving APTC	2016 Retention Rate	2015 Receiving APTC	2015 Retention Rate
End of Open Enrollment	104,447	100%	86,258	100%
Quarter 1 (March 31)	95,507	91%	79,946	93%
Quarter 2 (June 30)	TBD	TBD	77,153	89%
Quarter 3 (Sept. 30)	TBD	TBD	74,261	86%
Quarter 4 (Dec. 31)	TBD	TBD	66,026	77%

Date	2016 Receiving CSR	2016 Retention Rate	2015 Receiving CSR	2015 Retention Rate
End of Open Enrollment	57,373	100%	52,651	100%
Quarter 1 (March 31)	52,960	92%	48,235	92%
Quarter 2 (June 30)	TBD	TBD	45,318	86%
Quarter 3 (Sept. 30)	TBD	TBD	43,492	83%
Quarter 4 (Dec. 31)	TBD	TBD	38,371	73%

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 Publicity and Publication Plan and Report to the Joint Committee on Ways and Means of the Oregon Legislature about the agency’s outreach campaigns for the Marketplace. A copy of that report is at <http://healthcare.oregon.gov/Documents/1-16-publicity-pub-report.pdf>.

At the time of submission, DCBS had not completed its review of the 2016 plan year open enrollment campaign. The agency completed that review and developed an addendum to the Publicity and Publication Plan and Report in April 2016. The addendum included information about the results of the 2016 plan year open enrollment campaign, as well as the plan for the 2017 plan year open enrollment campaign. A copy of the addendum was included with the May 2016 report to the Interim Senate and House Committees on Health Care. It has also been attached to this report for September 2016 as Attachment B.

Electronic copies of the addendum can be found online as follows:

- Publicity and Publication Plan and Report Addendum (April 2016):
<http://healthcare.oregon.gov/Documents/publicity-pub-plan-report-addendum.pdf>
- Attachment to the Publicity and Publication Plan and Report Addendum (April 2016):
<http://healthcare.oregon.gov/Documents/outreach-ed-campaign-overview.pdf>

As of the writing of this report, the Marketplace 2015-2017 biennial spending authority for marketing, publicity, and promotion is \$4 million. Approximately \$2 million was spent on the 2016 plan year campaign, and the budget for the 2017 plan year campaign is \$2 million.

Since the submission of the addendum to the Publicity and Publication Plan and Report Addendum in April 2016, DCBS has continued preparing for the 2017 plan year open enrollment period. DCBS is currently in the process of finalizing all plans, finalizing contracts with insurance agents and community partner organizations, setting up media buys, developing creative, and preparing trainings and materials for our partners. The 2017 plan year open enrollment campaign will launch on Nov. 1, 2016.

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 assistance 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, a public corporation. 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 Affordable Care Act 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 health insurance exchange. 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 Oracle added claims for copyright infringement against both defendants 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, described below. 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. The claims against Oracle are 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 on Sept. 2, 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, and to dismiss the two ORICO claims. On May 16, the State of Oregon filed a motion for leave to amend the complaint to add allegations for punitive damages. On Aug. 3, 2016, the court denied Oracle's motion to dismiss the State of Oregon's claim based on pre-emption, the court dismissed one of the two alternative counts of the ORICO claims, and the court granted the State of Oregon's motion for leave to amend to add punitive damages to the fraud and ORICO claims.

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. Following the completion of the one-year injunction, the State of Oregon dismissed that lawsuit.

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 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, which are both under advisement.

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 \$15 million for Oracle goods and services and a \$10 million investment in an educational program. On Aug. 1, 2016, the court denied in part the State of Oregon's motion to dismiss Oracle and Mythics' amended complaint, ordered plaintiffs to prepare a second amended complaint, and, on Aug. 24, 2016, will review that proposed amended complaint before ruling on the other part of the State of Oregon's motion to dismiss.

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 and has until Sept. 29, 2016, to file a motion to dismiss.

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: April 2016 Addendum to the Publicity and Publication Plan and Report