

HB 3458
Relating to insurance

HB 3458 establishes the Oregon Supplemental Reinsurance program in the Oregon Health Authority, in order to stabilize rates and premiums for the market. It also phases out the Oregon Medical Insurance Pool (OMIP) program, Oregon's high risk pool for individuals who are unable to obtain medical insurance because of health conditions. The new reinsurance program is funded by insurer assessments similar to the current OMIP program.

The bill results in a fiscal impact of an increase in Other Funds Non-Limited expenditures of \$3.3 million, as the OMIP program is phased out and the new Oregon Reinsurance Program is phased in. The agency's budget will be adjusted to reflect this change.

The Human Services Subcommittee recommends HB 3458 be reported out do pass.

Joint Committee on Ways and Means

Carrier – House: Rep. Gallegos
Carrier – Senate: Sen. Bates

Revenue: Revenue statement issued

Fiscal: Fiscal statement issued

Action: Do Pass the A-Engrossed Measure

Vote:

House

Yeas:

Nays:

Exc:

Senate

Yeas:

Nays:

Exc:

Prepared By: Linda Ames, Legislative Fiscal Office

Meeting Date: May 17, 2013

WHAT THE MEASURE DOES: Establishes Oregon Reinsurance Program to be administered by Oregon Medical Insurance Pool Board. Defines qualifications for reinsurance eligible health benefit plans and reinsurance payments. Defines attachment point, reinsurance cap and coinsurance rates for 2014, and requires board to adopt by rule rates for 2015 and 2016. Ends program December 31, 2016 and abolishes OMIP January 1, 2017. Declares an emergency, effective on passage. Clarifies Board's authority to make adjustments to payment parameters. Removes references to federal program. Requires assessment be sufficient for administrative costs and projected reinsurance payments. Clarifies what insurers are subject to assessment base. Clarifies that excess funding will be returned to companies on pro-rata basis. Require insurer to identify impact of reinsurance payments in rate filing.

ISSUES DISCUSSED:

- Fiscal impact
- Relationship to current insurer assessments

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: In 2010, the federal government enacted the Affordable Care Act (ACA). The ACA aims to decrease the number of uninsured Americans and reduce the overall costs of health care. The ACA creates mandates, subsidies and tax credits to employers and individuals to in order to increase the coverage rate.

Four key pieces of legislation bring Oregon into compliance with the provisions of the ACA and update related programs:

- House Bill 2240-A implements federal requirements in the Oregon insurance code and abolishes programs which become obsolete with the provisions of the ACA.
- House Bill 3458-A establishes the Oregon Reinsurance Program in the Oregon Health Authority. The program will help to stabilize rates and premiums for the market by providing supplemental reinsurance payments to insurers.
- House Bill 2859-A updates Oregon's medical assistance programs to reflect federal Medicaid and Children's Health Insurance Program changes.
- House Bill 2091-A updates the Health Care for All Oregon Children Program to reflect federal requirements.

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 3458 - A

Seventy-Seventh Oregon Legislative Assembly – 2013 Regular Session
 Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

Prepared by: Kim To
 Reviewed by: Linda Ames, Susie Jordan
 Date: 4/16/2013

Measure Description:

Establishes Oregon Supplemental Reinsurance Program to be administered by Oregon Medical Insurance Pool Board.

Government Unit(s) Affected:

Department of Consumer and Business Services (DCBS), Oregon Health Authority (OHA)

Local Government Mandate:

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Summary of Net Expenditure Impact - Oregon Health Authority		
	2013-15 Biennium	2015-17 Biennium
General Fund	0	0
Other Funds	(133,067)	90,920
Federal Funds	0	(54,262,291)
Non-Limited Other Funds	3,332,435	(61,417,565)
Total Funds	\$3,199,368	(\$115,588,936)
Positions	4	(3)
FTE	(3.02)	(0.02)

Summary of Net Revenue Impact - Oregon Health Authority		
	2013-15 Biennium	2015-17 Biennium
General Fund	0	0
Other Funds	(133,067)	90,920
Federal Funds	0	(54,262,291)
Non-Limited Other Funds	3,332,435	(61,417,565)
Total Funds	\$3,199,368	(\$115,588,936)

Analysis:

House Bill 3458 A-Engrossed closes the Oregon Medical Insurance Pool (OMIP) program at the end of December 2013, and establishes the new Oregon Reinsurance Program for years 2014 through 2016 to be administered by the Oregon Medical Insurance Pool (OMIP) Board.

Passage of this bill is anticipated to achieve savings for the state. Under current law, the OMIP program provides health insurance to people who have been denied individual health coverage because of their pre-existing medical conditions. The OMIP program is funded by a combination of monthly premiums and an assessment on all insurance companies who provide health insurance to Oregonians. Starting January 1, 2014, due to the passage of the federal Affordable Care Act (ACA), Oregonians will gain access to health insurance in the individual insurance market. This market will serve anyone not covered through an employer-sponsored health plan. Under ACA, insurers can no longer deny

coverage based on pre-existing health conditions, making the state programs and policies providing for people with pre-existing conditions no longer necessary. HB 3458 aligns state policies and programs with these changes, by closing the Oregon Medical Insurance Pool (OMIP) program at the end of December 2013, and implementing the new Oregon Reinsurance Program for years 2014 through 2016.

The Oregon Reinsurance Program (ORP) is a temporary program (scheduled to end December 31, 2016) to stabilize individual market premiums during this transition by covering a portion of exceptional claims costs for roughly 2,100 high-risk Oregonians. The program will be funded by an annual assessment on all insurers for calendar years 2014, 2015, and 2016. The cost to individuals and employer groups that buy insurance would be less than existing assessments that fund the OMIP program subsidizing the same population.

Oregon Health Authority (OHA)

The closure of the OMIP program is anticipated in the 2013-15 Governor’s Budget. Due to uncertainties in federal regulations at the time of the development of the Governor’s Budget, the OMIP program was scheduled to close in June 2014. Calculations in this fiscal have been adjusted to reflect a December 2013 closing date. With the closing of the OMIP program, clients will be transferred by the end of 2013 over to the Oregon Health Plan (OHP) or directed to CoverOregon. Currently, OMIP supports approximately 11,120 total lives, and roughly 7% receive premium support from the Family Health Insurance Assistance Program (FHIAP), and will be eligible for direct transfer from FHIAP into the OHP, and the remaining 93% will need to seek ongoing coverage through CoverOregon.

Expenditure Impact of Closing OMIP		
	2013-15 Biennium	2015-17 Biennium
General Fund	0	0
Other Funds	(878,683)	(566,088)
Federal Funds	0	(54,262,291)
Non-Limited Other Funds	(100,167,565)	(132,917,565)
Total Funds	(\$101,046,248)	(\$187,745,944)
Positions	0	(7)
FTE	(4.75)	(1.75)
Revenue Impact of Closing OMIP		
	2013-15 Biennium	2015-17 Biennium
General Fund	0	0
Other Funds	(878,683)	(566,088)
Federal Funds	0	(54,262,291)
Non-Limited Other Funds	(100,167,565)	(132,917,565)
Total Funds	(\$101,046,248)	(\$187,745,944)

Furthermore, HB 3458 tasks the Oregon Health Authority’s OMIP Board with the administration of the Oregon Reinsurance Program in collaboration with the Department of Consumer and Business Services (DCBS). In addition to the technical assistance provided by DCBS, OHA anticipates needing four limited duration positions starting in January 2014 and continuing through program close in December 2016 to take on both program development and operational tasks. OHA estimates the total cost of the program to be \$104,245,616 Total Funds and 1.73 FTEs for the 2013-15 biennium; and \$72,157,008 Total Funds and 1.73 FTEs for the 2015-17 biennium.

Expenditure Impact of Administering the Oregon Reinsurance Program		
	2013-15 Biennium	2015-17 Biennium
General Fund	0	0
Other Funds	745,616	657,008
Federal Funds	0	0
Non-Limited Other Funds	103,500,000	71,500,000
Total Funds	\$104,245,616	\$72,157,008
Positions	4	4
FTE	1.73	1.73
Revenue Impact of Administering the Oregon Reinsurance Program		
	2013-15 Biennium	2015-17 Biennium
General Fund	0	0
Other Funds	745,616	657,008
Federal Funds	0	0
Non-Limited Other Funds	103,500,000	71,500,000
Total Funds	\$104,245,616	\$72,157,008

These adjustments will be included in House Bill 5030, the Oregon Health Authority budget appropriation bill.

Department of Consumer and Business Services (DCBS)

This bill is anticipated to have minimal fiscal impact on the Department of Consumer and Business Services. DCBS anticipates using existing staff and resources to provide OHA with the assistance necessary to carry out the provisions of this bill. DCBS estimates dedicating approximately 80 hours of an Operations and Policy Analyst 4 position; 20 hours of an Operations and Policy Analyst 1 position to assist with drafting administrative rules in 2014 to define the administration of the Oregon Reinsurance Program; roughly 80 hours of a Health Actuary's position to assist with setting the 2014 assessment; and approximately 20 hours of the Chief Actuary's time to assist OHA with the implementation and administration of the Program. DCBS is also committed to providing some ongoing actuarial consultation to OHA to assist with the setting of the annual assessment rate for calendar years 2015 and 2016. The department estimates approximately 30 hours each year of a Health Actuary position to carry out this work.

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
**Seventy-Seventh Oregon Legislative
Assembly**
2013 Regular Session
Legislative Revenue Office

Bill Number: HB 3458 - A
Revenue Area: Insurance
Economist: Dae Baek
Date: 4/22/2013

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Measure Description: Establishes the Oregon Reinsurance Program to be administered by the Oregon Medical Insurance Pool Board. Ends the program on December 31, 2016. Closes the Oregon Medical Insurance Pool on December 31, 2013. Takes effect on passage.

Revenue Impact (in \$Millions):

	Biennium	
	2013-15	2015-17
Oregon Reinsurance Program	\$ 104.2	\$ 72.2
Oregon Medical Insurance Pool	-\$ 101.0	\$ 0

Data source: Oregon Health Authority, Oregon Department of Consumer and Business Services

Impact Explanation: When the federal Affordable Care Act starts on January 1, 2014, more Oregonians will have access to health insurance plans in the individual insurance market. With the law in effect, health plans are expected to cost more for certain Oregonians. The Oregon Reinsurance Program is a temporary reinsurance program that pays a portion of high claims costs and helps to stabilize individual market premiums. The program spreads a portion of exceptional claims costs for about 2,100 high-risk Oregonians to large and small employer groups as well as individuals. The program will be funded by an annual assessment on all insurers defined in the bill for calendar years 2014, 2015, and 2016. The assessment will be at a rate that is expected to produce revenues meeting the needs of reinsurance payments. However, the maximum amount of total assessment for any given calendar year is specified in the bill.

The predecessor to the Oregon Reinsurance Program is the Oregon Medical Insurance Pool (OMIP). It was scheduled to close in June, 2014. The revenue impact captures the expected revenue loss due to an early closing of the program.

Creates, Extends, or Expands Tax Expenditure: Yes No