

**FISCAL IMPACT OF PROPOSED LEGISLATION**

**Measure: SB 1 - A**

Seventy-Eighth Oregon Legislative Assembly – 2015 Regular Session  
Legislative Fiscal Office

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

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**Measure Description:**

Abolishes Oregon Health Insurance Exchange Corporation and board of directors of corporation and transfers functions and duties to Department of Consumer and Business Services.

**Government Unit(s) Affected:**

Department of Consumer and Business Services (DCBS), Oregon Health Insurance Exchange Corporation (Cover Oregon), Oregon Health Authority (OHA)

**Summary of Expenditure Impact:**

The bill is anticipated to have a fiscal impact in both the 2013-15 biennium and subsequent biennia. The measure contemplates the transfer of the Oregon Health Insurance Exchange (Cover Oregon) from a public-purpose corporation to the state. The operation of the exchange will result in a fiscal impact to the Department of Consumer and Business Services; however the revenues and expenditures included in the fiscal impact substantively mirror the revenues and expenditures of Cover Oregon. The following analysis contains expenditure information that is preliminary and is expected to be refined prior to the implementation of the measure. Expenditure limitation required by DCBS for the current and upcoming biennium related to the transfer is anticipated to be contained in the agency’s budget bill.

**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.

**Analysis: Senate Bill 1:**

1. Abolishes the Oregon Health Insurance Exchange Corporation (Cover Oregon) and its board of directors, and transfers the functions of the corporation to the Department of Consumer and Business Services (DCBS) effective on passage of the bill.
2. Establishes the Health Insurance Exchange Fund, and specifies that unexpended balances will be transferred from Cover Oregon to the newly established Health Insurance Exchange Fund. Once transferred these monies are available for expenditure by DCBS for expenses beginning July 1, 2013.
3. Authorizes the director of DCBS, the Oregon Health Authority, and Cover Oregon to take action before the June 30, 2015 operative date.
4. Establishes a 15-member Health Insurance Exchange Advisory Committee to advise DCBS in the development and implementation of the state health insurance exchange, including the implementation of a Small Business Health Options Program (SHOP).
5. Requires DCBS to notify and explain to the Legislative Assembly or appropriate interim committee whenever it intends to increase an administrative fee charged to health insurance carriers.
6. Directs DCBS to get approval from the Legislative Assembly if it wants to embark on an IT project for SHOP costing more than \$1 million.
7. Declares an emergency and is effective on passage.

Oregon Health Insurance Exchange Corporation (Cover Oregon)

The Patient Protection and Affordable Care Act of 2010 required the establishment of state health insurance exchanges. To meet this federal requirement, in 2011 Cover Oregon was established as a

public corporation. Initial planning, implementation and administrative costs for Cover Oregon were funded by federal grants. After this initial phase, federal law requires state exchanges to be self-sustaining through the imposition and collection of assessments on insurance carriers that offer health benefit plans through the exchange. If this bill passes, the unexpended federal funds carryover (if any) and assessment balances will be transferred from Cover Oregon to the newly established Health Insurance Exchange Fund. Cover Oregon estimates the fund balance as of June 30, 2015 to be approximately \$8,692,497 Total Funds. Note that balance transfer amounts are based on February 2015 projections. This amount will vary depending on actual revenues and expenditures.

#### Oregon Health Authority (OHA)

Existing Cover Oregon information technology projects are currently contracted through Cover Oregon, and the Oregon Health Authority pays Cover Oregon for costs related to administering the state medical assistance program (Oregon Health Plan). Assuming that current IT contracts continue through the 2017-19 biennium, OHA would transfer about \$23,260,880 million to DCBS. Both costs and revenue transfer amounts could vary depending on results of the current litigation with Oracle, as well as the length of time needed to replace the Oracle software with a new eligibility system for Medicaid. Centers for Medicaid and Medicare Services (CMS) has approved a cost sharing plan through October 2015 at 75% federal funding and 25% state funding. With passage of this bill, OHA funding currently going to Cover Oregon will be redirected to DCBS.

#### Department of Consumer and Business Services (DCBS)

In administering the state health insurance exchange, the bill requires DCBS to:

1. Facilitate community-based assistance with enrollment by awarding grants to entities certified as navigators/in-person assisters, and application counselors;
2. Operate a call center to facilitate enrollment; and
3. Plan, develop and implement a Small Business Health Options Program (SHOP).

#### Expenditure Projections:

The bill stipulates that the funds transferred from Cover Oregon are available to DCBS for expenses beginning July 1, 2013. DCBS estimates the 2013-15 preparatory expenses for the transition of the state health insurance exchange to be approximately \$451,872 Other Funds. This amount includes Personal Services for 15 permanent positions (0.94 FTE) to staff the exchange and 4 limited duration positions (0.25 FTE) to support the technical components of the transition from mid-May to June 30, 2015.

DCBS estimates the continuing costs for administering the state health insurance exchange to be \$45,931,241 Other Funds for the 2015-17 biennium. This amount includes the initial planning of the Small Business Health Options Program (SHOP), but not the development and implementation of the program. Personal Services expenses include 15 permanent positions (15.00 FTEs) to staff the exchange, 6 limited duration positions (3.00 FTEs) to support the technical components of the transition, and 13 (13.00 FTEs) limited duration positions to staff the call center.

#### Revenue Projections:

The state health exchange's ongoing funding is a monthly assessment on insurance carriers participating in the exchange based on the number of individuals enrolled in the exchange-based health plans. For CY 2015, the assessment rates are \$9.66 per member per month (PMPM) for members of individual qualified health plans, and \$0.97 PMPM for members of stand-alone dental plans. Although CY 2016 and CY 2017 rates have not been set and enrollment numbers are not certain, based on current assumptions about rates and enrollment numbers, revenues are expected to cover the projected expenditures presented in the table below.

The Other Funds budgetary impacts of the provisions of this measure will be reflected in HB 5012 (the 2015-17 budget appropriation bill for the Department of Consumer and Business Services) or the budget reconciliation bill for the 2015-17 biennium.

Additional work will be done during the 2015 session to refine these estimates.

**Summary of Expenditure and Revenue Impact: DCBS \***

<b>EXPENDITURE PROJECTIONS</b>			
	<b>2013-15 Biennium</b>	<b>2015-17 Biennium</b>	<b>2017-19 Biennium</b>
<b>EXCHANGE</b>			
Personal Services	\$307,030	\$5,336,287	\$3,906,552
Services and Supplies			
Publications & Publicity	\$1,846	\$4,040,200	\$4,036,168
Professional Services	\$33,624	\$1,567,986	\$504,152
IT Professional Services <sup>1</sup>		\$24,413,816	\$23,513,780
Attorney General	\$50,000	\$2,093,776	\$1,436,472
Facilities Rent & Taxes	\$13,050	\$1,101,642	\$250,512
Other S&S	\$32,420	\$640,952	\$700,003
Special Payments		\$1,000,000	\$1,000,000
<b>Exchange Expenditures</b>	<b>\$437,970</b>	<b>\$40,194,659</b>	<b>\$35,347,639</b>
Positions	19	21	15
FTE	1.19	18.00	15.00
<b>CALL CENTER<sup>2</sup></b>			
Personal Services		\$2,469,487	\$2,469,504
Services and Supplies			
Telecom/Technology Services	\$1,148	\$1,513,780	\$1,513,780
Professional Services		\$276,614	\$276,614
Facilities Rent & Taxes	\$9,425	\$113,100	\$113,100
Other S&S	\$3,329	\$225,406	\$298,028
<b>Call Center Expenditures</b>	<b>\$13,902</b>	<b>\$4,598,387</b>	<b>\$4,671,026</b>
Positions	0	13	13
FTE	0	13.00	13.00
Shared Services		\$1,138,195	\$1,189,926
<b>TOTAL EXPENDITURES</b>	<b>\$451,872</b>	<b>\$45,931,241</b>	<b>\$41,208,591</b>
Positions	19	34	28
FTE	1.19	31.00	28.00
<b>REVENUE PROJECTIONS</b>			
	<b>2013-15 Biennium</b>	<b>2015-17 Biennium</b>	<b>2017-19 Biennium</b>
Cover Oregon Transfer	\$8,692,497	\$0	
OHA Transfer <sup>1</sup>	\$0	\$23,260,880	\$23,260,880
Assessment	\$0	\$21,174,023	\$24,388,085
<b>Total Funds</b>	<b>\$8,692,497</b>	<b>\$44,434,903</b>	<b>\$47,648,965</b>

<sup>1</sup> These amounts anticipate the full value of existing IT contracts through the entire 2017-19 biennium. Both costs and revenue transfer amounts could vary depending on results of the current litigation with Oracle, as well as the length of time needed to replace the Oracle software with a new eligibility system for Medicaid.

<sup>2</sup> This fiscal assumes that Cover Oregon would staff the existing call center until June 30, 2015.

\* Additional work will be done during the 2015 session to refine the estimates in the table above.