

## Analysis

### Department of Consumer and Business Services

#### Oregon Health Insurance Marketplace Budget Rebalance

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**Analyst:** Matt Stayner

**Recommendation:** The Legislative Fiscal Office recommends including an expenditure limitation reduction of \$6.4 million Other Funds in a budget reconciliation bill during the 2016 session to reconcile the budget of the Health Insurance Marketplace with actual and anticipated expenditures of the program.

**Analysis:** SB 1 transferred the operation of the Health Insurance Marketplace to the Department of Consumer and Business Services. The budget created for the Marketplace made a significant number of assumptions based on the best information available at the time.

As of the most recent report on the operation and financial condition of the Oregon Health Insurance Marketplace presented to the Interim Joint Committee on Ways and Means in January 2016, the actual and anticipated expenditures of the Marketplace have significantly departed from the legislatively adopted budget (LAB). The LAB assumed a balance transfer from Cover Oregon to DCBS in the amount of roughly \$8.2 million. Prior to the transfer, Cover Oregon prepaid \$6.4 million to Oracle for contract costs that were anticipated to be paid by DCBS during the 2015-17 biennium thus reducing budgeted expenditures by DCBS in the 2015-17 biennium by that amount. This action and other adjustments resulted in a net fund balance transfer of \$2.5 million to DCBS; \$581,000 of which was used to reimburse DCBS for expenditures made in the 2013-2015 biennium for work done in anticipation of the Marketplace operation transfer from Cover Oregon. These actions resulted in a net beginning balance for the Marketplace fund of about \$1.92 million; \$6.28 million less than anticipated in LAB. The reduction in the fund balance has not produced operational issues for the agency and DCBS anticipates recovering the funds from the Oregon Health Authority (OHA) for their portion of the contracts that were prepaid from the fund balance over the course of the current biennium as anticipated in LAB. An additional \$2.0 million has been billed to OHA by DCBS for contract costs that were paid by Cover Oregon, but not accounted for the LAB. This additional amount is included in the revenue projections reported by DCBS, but has no impact on budgeted expenditures. Additional IT contract adjustments reduced both the revenue estimates and expenditure estimates from LAB by a net of \$2.5 million. DCBS has reduced expenditure estimates for personal services by \$1.4 million and the amounts needed for claims resulting from errors made when estimating Advance Premium Tax Credits (APTC) for the 2014 plan year by \$500,000. The total amount of these expenditure reductions and the reduction due to the pre-payment of the Oracle contract is roughly \$10.8 million, but this amount is offset by an estimated \$2.0 million increase in legal costs, thus producing a net decrease in expenditures from the LAB of \$8.8 million.

Since the issuance of the report mentioned above, which was based on financial information through November 2015, DCBS has initiated additional contracted services for the processing of 1095 tax forms on behalf of the Oregon Health Authority (OHA). DCBS estimates the cost of the contract to be \$2.1 million for this biennium. OHA will reimburse DCBS for these costs, but DCBS Requires the expenditure limitation to expend the funds. DCBS has also received updated legal cost estimates for the biennium that have increased by a total of \$300,000 since the January report. These two items

reduce the excess limitation in the Marketplace budget to \$6.4 million.

The Legislative Fiscal Office recommends including an expenditure limitation reduction of \$6.4 million Other Funds in a budget reconciliation bill during the 2016 session to reconcile the budget of the Health Insurance Marketplace with actual and anticipated expenditures of the program.