June 2nd, 2022

Senate Interim Committee on Healthcare

RE: Oregon Options for a State-Based Marketplace

Chair Patterson and Members of the Committee:

Thank you for this opportunity to provide informational testimony on State-Based Health Insurance Marketplaces and Oregon's options for moving to a SBM. I am Liz Hagan, Director of Policy Solutions with United States of Care. We are a national non-partisan, non-profit organization working to ensure everyone has access to quality, affordable health care, regardless of health status, social need, or income. We work in states across the country to develop pragmatic policy solutions that meet the needs of people. Our areas of expertise are in efforts to expand access to coverage and improve affordability, which we have done through advancing and implementing public health insurance options. For the other states we work in, Oregon provides many lessons learned as they blaze a path forward to providing high-quality health care, addressing health disparities, and increasing access. Oregon is a pioneer in health care innovation and has seen many successes, such as lowering the rate of uninsured Oregonians to just 4.6% in 2021, the lowest uninsured rate in Oregon's history.

Conversations like the one we are having today are essential to preserving these gains and expanding dependable and affordable health care options to all Oregonians. We appreciate the time today to speak with you about how state-based marketplaces (SBMs) can be a helpful tool for states. This will be increasingly important as the Public Health Emergency (PHE) eventually ends and enhanced federal subsidies through the American Rescue Plan Act expire at the end of the year.

Oregon and the National Landscape

Before diving into the benefits of a SBM, it's important to have an understanding of where Oregon is and how that compares to other states. As of the 2022 plan year, 30 states use the federally facilitated marketplace (FFM), and 3 states, including Oregon, operate a state-based exchange on the federal platform (SBM-FP). While there are important nuances between an FFM and SBM-FP, the user experience through healthcare.gov largely feels the same on both. By contrast, 17 states and the District of Columbia operate their own state-based marketplace (SBM).

In the last three years, six states have transitioned to a SBM. In 2022, Kentucky, New Mexico, and Maine all successfully launched their SBMs and anticipate major savings, new insurers entering the market, and increased enrollments. Much has been learned since Oregon's initial attempt at creating a SBM in 2011, and Oregon is well-suited to leverage the experiences of other states to transition to a SBM successfully.

Challenges with the Federally Facilitated Marketplace

With the FFM come a number of challenges for states like Oregon because the platform cannot easily be tailored to each of the unique needs of the 33 states that utilize it. SBMs, on the other hand, can utilize local experts and knowledge and coordinate eligibility and enrollment between the Children's Health Insurance Program (CHIP), Medicaid, and the marketplace. Without the flexibility to develop tailored eligibility and enrollment systems and processes, experiment with new and ambitious health care policies, and tailor customer assistance and enrollment for the residents who need it most, the FFM is a one-size model that does not fit all.

The FFM is also more likely to be influenced by political uncertainty and the always-changing political landscape. For example, in 2017, the Trump Administration cut the open enrollment period in half, slashed the ACA's outreach campaign funding by 90%, and reduced navigator funding to $10 million. These actions contributed to 40% of uninsured working-age adults being unaware of Healthcare.gov at the time. When we talk to people around the country about their health care, we learn that they often have trouble understanding their care and navigating the health care system. Having more control over the future of the marketplace and the ability to support ongoing outreach and enrollment assistance can ensure that Oregonians have and keep coverage.

Responding to Oregon's Needs: How a State-Based Marketplace Can Help

I want to now shift to how a SBM can address these challenges, as a SBM brings tools and flexibilities that healthcare.gov does not provide. Perhaps most important is the ability to communicate more directly and effectively between the marketplace and OHA. Healthcare.gov has to interact with 32 other state Medicaid agencies in addition to Oregon's, creating data transfer issues that lead to enrollment barriers. A SBM allows the marketplace to share eligibility and enrollment information with OHA in a more streamlined way because the marketplace can be built with Oregon and OHA's unique infrastructure in mind. When someone applies who is eligible for Medicaid enrolls through healthcare.gov--as they would today in Oregon--their eligibility information has to be transferred from healthcare.gov to OHA to then be processed. That processing comes with challenges, such as challenges with inconsistent data sharing between healthcare.gov and OHA. Additionally, there is a lag time in the dissemination of messaging shared by healthcare.gov, which creates barriers to timely outreach and enrollment. For people who are churning between Medicaid and marketplace coverage, a SBM can create an easier pathway to enrollment.

State-based marketplaces can also allow states to be nimble and to establish more tailored approaches to how and when people enroll in coverage. States with SBMs can create their own open enrollment periods and special enrollment periods, which can help the state better respond to unique needs and circumstances, such as natural disasters that displace people.

Additionally, SBMs provide states with more options for creating a more streamlined enrollment process, including through auto-enrollment and so-called "easy enrollment." States with

auto-enrollment and "easy enrollment" policies are able to take proactive steps to ensure people have coverage in a way that healthcare.gov doesn't allow. For example, SBMs can automatically enroll people in plans using processes the state outlines rather than rely on the plan hierarchy that the FFM utilizes. "Easy enrollment" policies, such as Maryland's and New Mexico's, allow people to check a box on their income tax if they are uninsured and want to be connected to coverage. At least two states with SBMs are also exploring their ability to implement policies that automatically enroll people in the marketplace when they are no longer eligible for Medicaid when the PHE ends, which is also not feasible on the FFM.

Lastly, SBMs have more ability to create systems and programs that enable applicants to easily pick and enroll in plans. This includes creating more tailored choice tools, providing adequate funding for outreach and enrollment assistance, and operating a consumer-focused call center. Currently, healthcare.gov's marketing and outreach is dependent on federal funding, which, as mentioned, is subject to the federal government's discretion and can fluctuate year-to-year, creating uncertainty around outreach and enrollment assistance capacity for states on the FFM. Further, SBMs can more easily respond to community needs and target resources locally in a way that state-based stakeholders have deeper expertise in. SBMs are uniquely positioned to work with their communities to spread important information to support enrollment and many leveraged local and community partnerships on this.

These tools work to increase enrollment. For example, Maine saw a 10% increase in enrollment from 2021 to 2022 following its transition from a SBM-FP to a SBM for the 2022 plan year. New Jersey and Pennsylvania both saw close to a 10% increase in enrollment following their transitions as well, which is important for the legislature to consider given that the state's uninsured rate has reached record lows. Related to the political uncertainty referenced earlier, the FFM saw decreases in enrollment during the Trump Administration that SBMs did not experience in the same way. As one example, between 2016-2018, the FFM experienced a 40% reduction in enrollment, whereas Washington saw a 5% *increase* in enrollment.

While SBMs clearly have benefits of their own, they also provide a platform for states that pursue more innovative solutions to provide affordable coverage. Early analysis showed that premiums grew slower in SBM states than in the FFM. A more recent analysis showed that, between 2014 and 2019, premiums in the FFM increased at nearly twice the rate as premiums in California, Massachusetts, and Washington, which all operate SBMs.

States using healthcare.gov are also much more limited in their ability to enact or oversee policies SBMs can, including state subsidy wraps to layer on top of federal subsidies, standardized plans, and public health insurance options. State subsidies can be used to lower premiums or for reducing out-of-pocket costs, which we know are both barriers to coverage and care. Providing coverage through standardized plans and public options are more tools SBMs have the opportunity to use to lower people's costs that the FFM doesn't have the same capacity for. For example, Colorado recently enacted standardized "Colorado Option" plans, which, among other things, are required to meet premium reduction targets. While the FFM will offer standardized plans beginning in 2023, the additional requirements that Colorado incorporated--namely, the premium reductions--will not be part of them. Separately, Colorado

provides financial assistance for people without documentation to buy coverage through a public benefit corporation that coordinates on the back-end with the SBM, which isn't possible in FFM states. These tools provide people with more affordable options, which will be increasingly important if enhanced subsidies with the American Rescue Plan Act (ARPA) go away at the end of the 2022 plan year.

In addition to bringing savings to the state, SBMs don't cost the state money to operate. Because SBMs are funded through "user-fees" that plans pay to offer coverage on the marketplace, general funding from the state is not required for ongoing SBM operations. For example, Kentucky is estimated to save at least $15 million a year.

These savings can be repurposed to reduce people's health care costs in a way the FFM doesn't allow. Pennsylvania's new exchange, for example, is expected to bring savings to the state that will then go towards a reinsurance program that will reduce people's premiums.

States that have transitioned to SBMs in recent years have seen success in facilitating a smooth transition due to the wide array of software options available from vendors that have been developed over the past decade. These "off-the-shelf" SBMs are available for states to tailor to their needs rather than build from scratch. As more states have recently implemented SBMs, they have identified lessons learned and key considerations that other states, including Oregon, can take into account to successfully implement a SBM as well.

As the legislature continues having these important conversations about transitioning to a SBM, there are several essential things to keep in mind. This includes ensuring there is adequate support for outreach, marketing, and enrollment assistance so people know where to enroll and what to expect. Additionally, continuing to prioritize learning from other states and stakeholders--as you are doing today--will ensure the transition is well-planned and smooth.

Path Forward

In conclusion, establishing a state-based marketplace will help improve people's experience with the health care system and will create a more reliable and seamless process for enrolling in coverage. We welcome any questions you may have and appreciate your dedication to this issue and for the time to speak with you all today.

Sincerely,

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