Outline of Draft Exchange Work Group Recommendations Report 5/7/2008

I. Introduction

a. Exchange Work Group's task – develop recommendations regarding:
   i. Changes to the individual (non-group) market within a comprehensive reform plan
   ii. The role a health insurance exchange would play in such an environment

b. Work Group's process

II. Market Reforms

a. Background
   i. Individual market in Oregon
   ii. Problem identification
   iii. Assumptions
   iv. Goals of a reformed individual market

b. Recommendations
   i. Make the Individual Insurance Market a Single Risk Pool
   ii. Establish a Risk Adjustment Mechanism
   iii. Limit Market Disruption from Integration of High Risk Population
   iv. Maintain Current Treatment of Self-employed Sole Employees
   v. Rating Rules Should Support Consumer Information and Access
   vi. Use Essential Services Benefit Definition to Establish Product Baseline and Tiers
   vii. Use a Plan Enrollment Period to Facilitate Universal Coverage and Avoid System Gaming
   viii. Limit Transition Period Disruption for Current Individual Market Enrollees

III. Health Insurance Exchange Options

a. Background
   i. Goals of an Exchange
   ii. Possible functions and roles of an Exchange
      1. Tier 1: Information, Enrollment and Administration
      2. Tier 2: Benchmarking and Standards

3. Tier 3: Rate Negotiation and Selective Contracting
4. Extent to which the tiers meet the goals identified

iii. Participation in the Exchange

1. Impact of including populations in the exchange
2. "Core Populations" – individuals receiving state financial participation
3. Others populations – those without state premium participation
4. Employer groups
5. Pros and Cons of including all populations in the exchange

b. Recommendations

i. Establish Exchange as Strong Tier 2, with Possible Tier 3 Later

ii. Core Populations Required to Use Exchange – Those Accessing State Financial Assistance

iii. Voluntary Participation for Other Individual Insurance Purchasers

iv. Do Not Initially Enroll Groups in Exchange, Revisit Once Individual Exchange is Well Established

IV. Building an Exchange: Administration and Financing

a. Structure of an Exchange

i. Key characteristics

1. Strong accountability and transparency
2. Responsiveness to stakeholders and the public
3. Contracting that happens quickly
4. With a limited appeals process?
5. Process that is open or not?
6. Procurement process that is responsive to the Exchange's timeline
7. Financial accounting and reporting that is rigorous and transparent
8. Personnel policies that facilitate hiring/support for strong employee candidates
9. Salary/wage policies that allow flexibility in compensation to offer industry competitive salaries
10. Independence and statutory decision making authority

ii. Models addressed and examples

1. Public

2. Private
3. Hybrid (several options discussed)

iii. Group discussion (recommendation or general thinking?)

b. Financing the Exchange

i. Goals/Principles

1. Stable, sustainable, and adequate funding source
2. Broad-based, minimizes impact on any single payer
3. No carrier, consumer, employer disincentive for Exchange participation
4. Payer benefits from the Exchange's services

ii. Options and Implications

1. Add to administrative portion of premium for coverage through the Exchange
2. Institute a carrier fee
3. Direct state funding (General Fund)
4. Include in overall cost of reform (add to cost of payroll tax or health services transaction tax)
5. Combination of state General Fund and (1) or (2)

iii. Group discussion (no firm recommendation made)

V. **Enforcement of an Individual Insurance Requirement**

a. Principles for enforcement

i. Make it easy to administer mandate, comply with it, verify coverage

ii. Stress fairness – people who can afford coverage should buy it, while lower-income people may need assistance to make coverage affordable

iii. 100% compliance will be difficult and expensive; 99% may be enough to reduce the cost shift and minimize adverse selection

iv. A benchmark benefit is defined as meeting coverage requirement

b. Techniques identified for implementing mandate enforcement

i. Significant financial penalty (50% - 100% of average premium cost)

ii. When entering coverage from period of non-coverage, can only purchase minimum benefit for a year

iii. Other enforcement strategies?

c. Issues identified for discussion and further development

(The Work Group did not make recommendations on these issues but identified the need for additional work in the following areas)

i. How limited to comprehensive is the benchmark benefit defined as minimally meeting the coverage requirement?

ii. How does benchmark affect people with access to ESI?

iii. Incentives and penalties are needed – how to balance?

iv. Is compliance monitored via the tax system and/or another mechanism?

v. What entity administers penalties?

vi. How is compliance determined?

vii. How often is compliance determined?

viii. What is the period for having insurance (start or end of year, 12 months)?

ix. What exceptions should be allowed?

x. What would an appeals process look like?