

**OREGON HEALTH FUND BOARD – Finance Committee**

March 19, 2008  
1:00 am to 5:00 pm  
(Digitally Recorded)

Port of Portland Commission Room  
121 NW Everett St.  
Portland, OR

- MEMBERS PRESENT:** Kerry Barnett, Chair  
John Wocester, Vice Chair  
Peter Bernardo, MD  
Fred Bremner, DMD  
Aelea Christofferson  
Terry Coplin  
Jim Diegel (by phone)  
Steve Doty  
Cherry Harris  
Denise Honzel  
John Lee  
Judy Mushcamp  
Scott Sadler  
Steve Sharp  
David Hooff  
Andy Anderson
- MEMBERS EXCUSED:** Laura Etherton  
Lynn-Marie Crider
- OTHERS ATTENDING:** Ree Sailors, Health Care Policy Advisor to the Governor  
Eileen Brady, OHFB  
Sean Kolmer, Data and Research Manager, OHPR  
Bill Kramer, Consultant
- STAFF PRESENT:** Gretchen Morley, Director, Oregon Health Policy Commission  
Nora Leibowitz, Senior Policy Analyst  
Jeanene Smith, MD, Administrator, OHPR  
Barney Speight, Director, OHFB  
Tina Edlund, Deputy Administrator, OHPR  
Alyssa Holmgren, Policy Analyst  
Zarie Haverkate, Communications Specialist
- ISSUES HEARD:**
- Call to Order
  - Approval of Agenda and March 12 minutes
  - Updated: Finance Committee Work Plan and To Do List
  - Discussion: Section 125 plans
  - Health Insurance Exchange and Market Reform Workgroup
  - Public Testimony

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(Digitally Recorded)

Chair Barnett

**I. Call to Order**

Chair Barnett called the meeting to order at 1:15 p.m.

Chair Barnett

**II. Approval of Agenda (See Exhibit Materials 1)**

- Overviewed meeting agenda and materials.

Chair Barnett/  
Gretchen Morley

**III. Updated: Finance Committee Work Plan and To Do List (See Exhibit Materials 3 and 4)**

- Work Plan for upcoming meetings is reviewed by staff.
- Email will be sent to schedule a May meeting as the results of the model will not be available until the meeting on April 16.
- Staff will invite the Board to meeting on April 16 Finance Committee for input on market reform change.

Chair Barnett/  
Gretchen Morley

**IV. Discussion: Section 125 plans (See Exhibit Materials 5)**

- Staff provided background information on Section 125 plans including information from the Massachusetts Connector.
  - Related information on small businesses, premium-only-plans (POP), and Massachusetts experiences with requirement.
  - Results from a survey of Massachusetts employers regarding Section 125 plans will be published in April.
  - Question asked if there is a custodial body set up to collect and discharge the money and how it works for the Connector. Discussion on employers and POPs, payments, utilizing the exchange, and mandating 125 plans.
- Discussion on mandating employers.
- Suggestion to structure recommendation to the board by coupling parameters with principles.
- Proposal developed:
  - Goal is to extend the benefits of Section 125 Plans to as many Oregonians subject to the individual mandate as possible.
  - All employers will establish Section 125 Plans for their employees.
  - The only exemption is for employers with employees enrolled in Taft-Hartley plans with fully employer-paid premiums.
  - No employee exemptions, as employee participation in a 125 Plan is voluntary.
  - The state must do a good job informing employers about the benefits of Section 125 Plans for employees and employers.
  - Complaint-based compliance system.

Denise Honzel/  
Nora Leibowitz

**V. Health Insurance Exchange and Market Reform Workgroup**

Denise Honzel presented "Regulatory Changes Necessary in a Reformed Health Insurance Market" (**See Exhibit Materials 6/Power Point Presentation**).

- Provided information on Oregon's insurance market including:
  - Individual market
  - Oregon Medical Insurance Pool (OMIP). It was noted premiums are capped at 125% of the individual market average.
  - Portability.
  - Oregon's small group market, rating factors and bands.

- Goals for market reform, two options for achieving these goals and Exchange Workgroup recommendations were presented.
- Modeling needs to be completed to test impacts.
- Discussed eliminating OMIP, dealing with costs in the individual market and the Work Group recommendation to *"Make the Individual Insurance Market a Single Risk Pool"* that would include existing, new, portability and OMIP.
- Question regarding if the small group pool could be combined with individual market pool.
- Recommendations for OMIP enrollees to transition into main individual market.
- Administration, collection and disbursement of premiums discussed.
- Discussed need to minimize adverse selection.
- Continued discussion on high risk pool.
- Additional issues discussed: treatment of self-employed, rating rules, essential services benefit and tiers, and application of guaranteed issue.
- Would there be a federal match for some individuals in the exchange? State will seek to maximize federal match. If state gets approval for match above 150% FPL, it would likely seek match for premiums paid on behalf of some people getting insurance through the exchange.
- What is the advantage of benefit tiers over carriers creating products? Risk management discussed. Concern expressed and discussion over specific tier requirements above the essential services benefit over product design.
- Transition period, individual mandate, penalties for non-compliance, possible avenues for enforcement (e.g., DOR, DMV, etc.) and enforcement costs.
- Employer involvement will minimize cost of enforcing individual mandate. Staff related that data is available in this area.
- How many of the uninsured are employed?
- Without enforcement of individual mandate then guaranteed issue will not work.
- Enforcement is needed to prevent uninsured becoming covered only when help is needed.
- ERISA and laws prohibiting mandate on employers.
- Discussion on if there is a current mechanism for enforcing or if additional bureaucracy would be needed.
- Penalties for non-compliance and Work Group recommendation of penalty of 50% of the annual benchmark premium, use of incentives were discussed.
- 100% of annual premium as a penalty is suggested and mechanisms for collection were discussed.
- Tracking addressed by using various automated and integrated databases to identify those not insured. Will be incremental process with strong incentive at front end.
- Transition of moving to the new system, including gradual OMIP integration.
- Overview of Exchange Workgroup recommendations on necessary regulatory changes.
- Reduction in cost shift should offset the increased medical loss ratio.
- Essential benefit package will include dental.

Denise Honzel presented a further update on the exchange. **(See Power Point Presentation)**

- Definition of the exchange.
- Categories of participants.
- Required and voluntary use of the exchange.
- Pros and Cons of small group, medium and large group (ERISA and employer cannot be mandated) employees as part of the exchange.
- Discussion on community based rates.
- Tiered functions of exchange.

**Chair Barnett IX. Public Testimony**

- No public testimony provided.

**Chair X. Adjournment**

The chair adjourned the meeting at 4:47 p.m.

**Next meeting is April 3, 2008.**

Submitted By:  
Paula Hird

Reviewed By:  
Gretchen Morley, OHPC Director  
Nora Leibowitz, Senior Policy Analyst

**EXHIBIT MATERIALS**

1. Draft Agenda
2. Mar 13 Draft Minutes - Finance Committee
3. Workplan Overview
4. Finance Committee Master To Do List
5. Section 125 Plans
6. Exchange Workgroup Market Reform presentation