

Legislature makes bold move toward free-market health care

In the closing hours of the 2012 Oregon legislative session, the Oregon Legislature paved the way for the Oregon Health Insurance Exchange.

The exchange will create a marketplace for health insurance policies for individuals, families and small employers.

It will also allow employers to allocate defined contributions to employee coverage and let employees shop for coverage that best meets their needs.

Oregonians will be able to compare plans, find out if they are eligible for tax credits and other financial assistance, and enroll for coverage through the exchange website. They will also be able to shop and enroll by working directly with insurance agents.

What is the genesis of the exchange? The Patient Protection and Affordable Care Act, signed into law by President Obama in March 2010, requires that all states operate a health insurance exchange by Jan. 1, 2014. If states do not operate their own exchanges, the federal government will implement an exchange for them.

Oregon has been on a path toward a health exchange for many years. By implementing our own exchange, the Legislature ensured our solution would meet the unique needs of Oregon's individuals, employers and health insurance market.

How will the exchange differ from other online marketplaces, such as eHealthInsurance? The Legislature established the exchange as a public corporation that will operate in the public interest for the benefit of the people and businesses that use it to obtain health insurance.

The exchange corporation is governed by a nine-member board of directors who are appointed by the governor and confirmed by the Senate. The board appoints the corporation's executive director.

The corporation currently has some 24 employees working in areas such as plan management, risk adjustment, billing and enrollment, information technology, administration, and outreach and communications. Also, the Oregon Health Authority has



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approximately 33 employees working on the information technology project supporting the exchange.

Besides providing health coverage options, the exchange can be a trusted source of information and assistance. The exchange administrators seek to foster quality and value in the health care system through the health plans the exchange offers.

For small employers in Oregon, the exchange will offer a new model of insurance that is not available in the small group market today. Known as a defined contribution model, employers will be able to contribute a set dollar amount to their employees' premiums and let their employees choose from all plans and carriers in the exchange.

The exchange then will collect one check from the employer and remit the premiums to the carriers. This will help employers achieve significant administrative efficiencies and provide employees with an unprecedented amount of choice.

The exchange will also help small employers find out if they qualify for tax credits that will help pay for covering their employees.

For individuals, the exchange will be the single source for federal tax credits to help pay for premiums and the source for cost-sharing subsidies that will help pay for co-pays and deductibles. They will be able to shop for plans that have been independently and objectively judged by the exchange based on quality and value.

How is the exchange funded? Through the end of 2014, the exchange is funded by federal grant dollars. Beginning Jan. 1, 2015, the exchange must be self-sustaining.

To cover its costs, the exchange will collect an administrative fee from insurance carriers that sell health plans in the exchange. As the exchange is a public corporation independent of state government and has not received any state funding, the state of Oregon will bear no

financial risk if the exchange loses its federal funding.

If the Affordable Care Act is overturned by the U.S. Supreme Court and the federal start-up funding is reduced or eliminated, the state is under no obligation to move forward with the exchange. If this occurs, the exchange corporation will consult with legislators and the governor on the next steps.

Ultimately this exchange will offer valuable services to Oregonians and small employers, such as:

- Serving as a central place to shop for insurance plans and compare quality and price.
- Providing information and assistance on how to use benefits to improve health.
- Setting plan standards that support Oregon's efforts to improve health and reduce costs.
- Creating a seamless eligibility and enrollment process for Oregon families enrolling in commercial or public health plans.
- Presenting innovative plan options and offering simplified plan administration for small employers, including a defined contribution model that is not available anywhere else.
- Providing community-based assistance, with a network of specially trained customer service staff, navigators and insurance agents.
- Making health coverage more accessible through an easy-to-use website and community outreach.

If the exchange is not beneficial to businesses and individuals, they can continue doing what they do now. In the end, as the government will not be allowed to pick winners and losers within the exchange, the Oregon Legislature hopes this free-market system will ultimately benefit the consumer.

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