

**Health Insurance Rate Review Grant Program
 Cycle II, Quarter 1 Report
 (Includes Cycle I No-cost Extension Report)**

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| Report Date | January 31, 2012 |
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| Organization Information | |
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| State | Oregon |
| Project Title | Grant # 1PRPPR120021-01-00 Grants to Support States in Health Insurance Rate Review Grant Cycle II & Grant # 1 IPRPR100057-01-00 2010 Grants to States for Health Insurance Premium Review – Cycle I |
| Grant Project Director (Name and Title) | Berri Leslie Deputy Administrator, Oregon Insurance Division |
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| Grant Authorizing Representative | Louis D. Savage Acting Administrator, Oregon Insurance Division |
| Phone/Email | 503-947-7867 |

| Cycle II Grant Information | |
|------------------------------------|----------------------|
| Date Grant Awarded | 9/20/2011 |
| Amount Granted | \$4,040,777 |
| Project Year | 10/1/2011-09/30/2012 |
| Phase (Phase I or Phase II) | Phase II |
| Project Reporting Period | 10/1/2011-12/31/2011 |

| Cycle I Grant Information | |
|------------------------------------|--------------------------------------|
| Date Grant Awarded | 8/3/2010 |
| Amount Granted | \$1,000,000 |
| Project Year | 9/9/2010-9/30/2011; NCE to 9/30/2012 |
| Phase (Phase I or Phase II) | Phase I |
| Project Reporting Period | 10/1/2011-12/31/2011 |

Introduction

The Cycle I (CI) grant supported Oregon's efforts to implement major state health rate reform in concert with the federal Affordable Care Act (ACA). State reforms, effective in April 2010, significantly strengthened the rate review statute and established an enhanced rate review process.¹

The Department of Consumer and Business Services (DCBS), Insurance Division, used the CI grant to meet the dual challenges and opportunities of state and federal reforms to:

- Double our actuarial capacity and add other staff to ensure complete, accurate rate filings and thorough analyses of rate filings.
- Improve our information systems to support enhanced rate review and expand informing the public about the process.
- Make major website improvements to provide consumers with information and an effective avenue to make comments and engage in the rate review process.
- Engage consumers in the rate review process by contracting with a consumer advocacy organization.
- Contract for an actuarial study to determine how the rate review process might affect medical claims cost increases—the underlying basis for much of any rate change.

DCBS was granted a no-cost extension for the CI grant to conclude elements of this work through September 2012.

The Cycle II (CII) grant supports Oregon's efforts to continue and expand CI activities and to step-up to the next stage of federal health care challenges. Major CII activities and goals include:

- Contracting with a consumer advocacy organization to represent and engage consumers in the rate review process.
- Continued increased rate filing scrutiny and communications with the public with expanded actuarial and other technical staff.
- Follow-up on recommendations from the actuarial study to use rate review process to potentially impact medical claims costs.
- Implement Insurance Division responsibilities in developing the Oregon Health Exchange, including contracting for a risk adjustment and reinsurance study for future rate review work and hiring a person to coordinate DCBS and Health Exchange work.
- Establish regular public hearings of most health benefit rate filings. Add a video web streaming capacity to make hearings available over the Internet.
- Improving and expanding communications with the public, including hiring a health insurance rate liaison to answer consumer questions and improve rate review information.

¹ Oregon's 2009 health insurance rate review reforms: added a public comment period; required more detail about insurer administrative expenses; allowed DCBS to consider insurance company's cost containment and quality improvements; gave DCBS the ability to consider an insurer's overall profitability, investment earnings and surplus in determining whether to approve a rate request. For more discussion, see Cycle I, Quarter 2 (CI,Q2) report to HHS.

In this combined report CI and CII progress toward goal highlights are noted separately in the *Program Implementation* section, as are expenditures for CI and CII in the updated budget. In the rest of the narrative we often describe how CII activities build on the CI foundation.

Program Implementation Status
As of December 31, 2011

Table 1

| Objectives | Milestones & Progress | Challenges, Responses & Variations |
|---|---|--|
| <p>1. <u>Increase Rate Scrutiny</u></p> <p><u>CII</u> Contract with Consumer Advocacy Organization (CAO) to represent consumers in rate review process, participate in hearings, develop long-term strategy to boost consumer input.</p> <p>Follow-up on potential of rate review process to affect medical trend (CI Lewis & Ellis study).</p> <p>Contract for risk adjustment & reinsurance study for future rate review work related to the Oregon Health Exchange.</p> <p><u>CI (Oct, Nov) & CII (Dec)</u> Expand rate filing scrutiny with two additional actuaries.</p> <p>Increase accuracy of filing data with one market analyst.</p> | <p>Competitive RFP process to select CAO completed in Q1. Contract expected to be signed with CAO in January 2012.</p> <p>Began to develop responses to study recommendations. A legislative concept developed for 2012 legislature to prohibit payments to health care providers for adverse events.</p> <p>RFP issued. Three actuarial firms responded. Will review and award contracts in Q2.</p> <p>One grant-funded actuary continued to focus on second tier reviews, taking primary actuary responsibility for one filing and the other actuary maintained the primary actuary role.</p> <p>Market analyst continued to review contents of each filing, validate data consistency, and</p> | <p>Oregon State Public Interest Research Group (OSPIRG) only organization to respond to RFP. However, their proposal met and exceeded expectations. OSPIRG has secured two other major multi-year foundation grants from Community Catalyst; major boost for long-term sustainability of consumer participation post-HHS grant.</p> <p>Have identified likely need of benchmark and balanced scorecard consultation to implement first phase of recommendations.</p> <p>Drop-off in new health benefit plan filings. We temporarily reduced the grant-funded support for second actuary and assigned .15 FTE of his (Sink) time to other actuarial work. His limited duration appointment through June 2012; to be renewed in following FY.</p> <p>Determined that a few filers significantly over-estimated per person per month assessments in</p> |

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| <p>Improve rate filing intake with one intake coordinator.</p> <p>Improve communications and grant coordination with one project coordinator.</p> | <p>identify problem areas. Market analyst completed study of high risk pool (OMIP) assessments in major insurers' rate filings.</p> <p>Intake coordinator continued to review each filing, identify problem areas, maintain state filing history, and provide technical support to filers.</p> <p>Project coordinator continued to write plain language decision documents, HHS reports and other reports. Coordinate grant implementation activities.</p> | <p>their administrative costs. In January 2012 required one insurer to reduce proposed small group rates to reflect OMIP assessments based on reasonable estimates. Filers have required significant technical support in: correctly completing R2D2 screen and make post-submission corrections; complying with 10% federal threshold; and meeting new product standards.</p> <p>Limited duration appointment through June 2012; to be renewed in following FY.</p> |
| <p>2. <u>Process Improvements</u></p> <p><u>CII</u> Establish regular public hearings to allow public to participate and learn about rate review and cost drivers.</p> <p>Automatically publish correspondence between DCBS and insurer actuaries to increase transparency and consumers' understanding – promoting more meaningful participation and comments.</p> | <p>Two hearings were held in November. (So far, in Q2 three hearings have been held).</p> <p>When filings are deemed complete the intake coordinator schedules the hearings and posts to our website, which prominently displays upcoming hearings.</p> <p>Currently the intake coordinator manually posts correspondence on our website daily. When the Administrative Assistant is hired that person will work with the Information Management Division (IMD) to automate.</p> | <p>Because the contract for the CAO was not awarded in Q1, OSPIRG provided written and oral testimony. However, OSPIRG did not directly ask questions about these filings.</p> <p>The hiring freeze (described in Section 4 below) has resulted in delaying this objective.</p> |
| <p>3. <u>Consumer Education & Outreach</u></p> <p><u>CII</u> Publish new rate review guide to aid consumer understanding and involvement in process.</p> <p>Establish outreach program to</p> | <p>The guide is in the final phase of editing. Printing will occur in Q2. Guide will also be available at the website.</p> <p>Newly hired consumer liaison is</p> | <p>Former consumer liaison, Rachel</p> |

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| <p>consumers to inform and engage them.</p> | <p>in the process of contacting legislators and other statewide partners to develop an outreach plan partnering with officials in local communities.</p> | <p>Oh, left DCBS. In Q1 DCBS hired a replacement consumer liaison (Note: This is a permanent, not a grant-funded position.)</p> |
| <p>4. <u>Resources necessary for increased workload</u></p> <p><u>CII</u> Hire a health insurance rate liaison to answer consumer questions and improve rate review information.</p> <p>Hire a second health actuary.</p> <p>Hire a health reform/Exchange coordinator to coordinate DCBS work with the Exchange and stakeholders.</p> <p>(Note: In order to meet our commitment to support the Exchange’s Plan Management development, the Operation Manager and other Insurance Division staff are providing support that we intend to be performed by the Exchange coordinator.)</p> <p>Hire an administrative assistant to support more efficient expanded review process.</p> | <p>Posted position, received applications.</p> <p>This actuary was hired in CI and continues in this limited duration position as described in section 1 above.</p> <p>Posted position, received applications, interviewed candidates.</p> <p>The Insurance Division Administrator serves on the Exchange Board & Executive Steering Group. The Division’s Operation Manager and two policy analysts serve on major Health Exchange committees.</p> <p>Posted position, received applications.</p> | <p>Hiring process currently delayed by a state hiring freeze expected to end in Q2, no later than the conclusion of the 35-day legislative session in early March.</p> <p>Hiring process currently delayed by a state hiring freeze expected to end in Q2, no later than the conclusion of the 35-day legislative session in early March.</p> <p>DCBS staff will continue to collaborate and participate in Exchange development as necessary.</p> <p>Hiring process currently delayed by a state hiring freeze expected to end in Q2, no later than the conclusion of the 35-day legislative session in early March.</p> |
| <p>5. <u>Equipment & IT advances</u></p> <p><u>CII</u> Acquire, install and use web video equipment to make public hearings accessible online.</p> | <p>In Q2 we expect to issue an invitation to bid on providing the specified equipment.</p> | <p>DCBS worked with the Oregon State University’s (OSU) video technology team to determine our equipment and wiring/engineering needs. We intended to have OSU</p> |

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| <p>Develop interactive comparison tools that will allow consumers and other site visitors to manipulate data to compare companies.</p> <p>Create online displays for rate disclosure forms to give consumers a better understanding of major components of rates.</p> <p>General IT enhancements to improve and automate system processes as necessary.</p> <p><u>CI</u> Expand our rate filing requirements to detail health care claims costs.</p> <p>Create system enhancements to display rate filing data.</p> | <p>This objective, repeated in C II proposal, was one of the objectives developed in CI under the goal to improve rate review systems capacity and is being continued under the approved NCE. See below.</p> <p>This objective, repeated in C II proposal, was described as two objectives in CI – expanding our rate filing requirements and system enhancements to display rate filing data – is being continued under the approved NCE. See below.</p> <p>None to report beyond those described in specific activities.</p> <p>We made changes to product standards for filings to improve medical trend information. In Q2 we are making changes to clarify the year-over-year increases for each quarter vs. the composite weighted average for an entire 12-month period, to help consumers determine the impact of a proposed rate change on their own coverage.</p> <p>The Information Management Division (IMD) will complete programming that will allow Oregon to use a version of the HHS Consumer Disclosure format for all health benefit filings.</p> | <p>procure the equipment via an intergovernmental agreement, but found we must open our own bid process. This has taken longer than anticipated. As an interim solution DCBS is arranging to rent a video streaming facility on a space available basis.</p> <p>We had delayed this step until we knew what the resolution would be with using the HHS Consumer Disclosure on the federal website.</p> |
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| <p>Improve rate review systems capacity, focusing on efficiency and transparency.</p> | <p>New interactive components of the website developed in Q1 went live in Q2. The additions include information on growth in premiums, enrollment in different market segments, financial and market data, and profiles of Oregon's major insurers.</p> | |
| <p>6. <u>Grant Evaluation</u></p> <p><u>CII</u> Contract for program evaluation of the activities and impact of Oregon's grant funded work in CI & CII</p> | <p>We developed a more detailed scope of work and products, including an interim and final report. Intend to issue an RFP and award contract in Q2.</p> | |

Significant Activities: Undertaken and Planned

Increase Rate Scrutiny

Consumer Organization

We conducted a competitive RFP process and are in the process of awarding this contract to the Oregon State Public Interest Research Group (OSPIRG) to represent the public by making comments on filings and participating in public hearings. This is the same consumer organization with this responsibility in the Cycle I grant. DCBS intends to renew the contract at the end of our state biennium (June 2013) to continue through federal fiscal year 2014.

OSPIRG was the only proposer to respond to our RFP; however, the proposal met and exceeded our expectations. OSPIRG has secured two substantial multi-year grants from Community Catalyst, a national non-profit advocacy organization whose intent is to promote consumer and community leadership in health care reform. The grants are: the Robert Wood Johnson Foundation Consumer Voices for Coverage and the ACA Implementation Fund Grants to Consumer Groups. For the RWJF Consumer Voices grant OSPIRG will be the lead organization, subcontracting with seven Oregon non-profit consumer organizations. For the ACA Implementation grant OSPIRG will subcontract with three non-profit consumer groups.

These Community Catalyst grants will support substantial expansion of OSPIRG’s work, including subcontracting with other non-profit consumer organizations in Oregon. These grants will help position OSPIRG and the other non-profit consumer groups to continue to represent and engage the public in rate review in the years beyond the HHS grant.

As a result of the Community Catalyst grant awards, OSPIRG requested much less Cycle II grant support than we had anticipated as necessary to support a consumer group contract, which freed Cycle II grant funds to be re-budgeted to other essential work² as described in the updated workplan and other sections of this report.

Follow-up to the Cycle I study, Potential Avenues for Impacting Medical Trend through the Rate Review Process

DCBS developed a legislative concept for the February 2012 session that makes several amendments to current statute, including a requirement that DCBS disapprove any rate filing if the insurer reimburses claims for serious adverse events, as defined by the Oregon Patient Safety Commission.³ Further the insurer may not allow the provider to bill an insured person for a serious adverse event. As we reported in the CI, Q4 report we are aware that the practice to not reimburse for identified adverse events is already common – from Medicare to public employee plans to major Oregon insurers. This legislation would support the work of the Oregon Health Authority by making this a requirement of all insurers.

At the time of our Cycle II proposal submission we had not had time to thoroughly consider the recommendations in this study by Lewis & Ellis, an actuarial consulting firm. Three grant-funded staff members (actuary, market analyst, and project coordinator) are currently developing a plan to consider and implement the recommendations. It appears that we may need to call on external expertise in specific areas such as developing balanced scorecards and benchmarking tools and provider-insurer contracting.

Impact of ACA and Risk Adjustment Methodologies Study In the course of working on the development of Oregon’s Health Exchange we are identifying many crucial questions about our future rate review work in the individual and small group markets for plans participating in Oregon’s Exchange, as well as those operating in the Oregon marketplace outside the exchange. Risk adjustment and reinsurance are critical issues.

This study will be a two-part process. During the preparatory phase we intend to contract with an actuarial expert on risk adjustment and reinsurance to lead discussion and planning with insurer actuaries and senior executives. The second phase of this examination of risk adjustment and reinsurance will be two major studies conducted by an actuarial firm under contract with the department.

² Follow-up to CI study on impacting medical trend, risk adjustment and reinsurance study, and expanded grant evaluation.

³ An adverse event is harm caused to a patient as the result of medical care, such as preventable infections. Some adverse events are described as “never events” such as wrong-site surgery. The Oregon Patient Safety Commission has developed a list of adverse events and established a voluntary reporting program, in which all of Oregon’s hospitals now participate.

The first study will consider how the changes brought about by ACA affect the Oregon market. In the RFP's scope of work we ask that the study examine numerous specific questions.

Examples:

- What will be the effect on premium rates by merging Oregon's high risk pool and portability plans into the individual market?
- What is the likelihood that small employers will drop coverage? What is the likelihood that small employers will participate in the Exchange to obtain tax credits?
- Should Oregon wait until 2016 to expand the small group market to groups of 51-100?
- What is the impact of new rate bands on the 51-100 market?

We expect this study will address ways to mitigate adverse selection and will make other recommendations.

The second study is to develop models for risk adjustment and reinsurance with Oregon specific data to determine the potential impact on 1) revenue sharing and 2) potential premium loads due to the uncertainty of reforms on risk selection. The study will report on specifics such as expected range of financial results under various scenarios for premium levels, national premium assessments, migration assumptions, reinsurance parameters, and health status. We expect the study will make recommendations, such as whether Oregon should create a state-specific assessment rate and will analyze variables such as the effect of carriers not participating in the exchange.

The department will use a competitive Request for Proposal (RFP) process. We issued an RFP in December 2011 and plan to award a contract in Q2.

Establish Regular Public Hearings

The well-publicized and well-attended hearing in June 2011 for a Regence BlueCross BlueShield filing was our first rate filing hearing in two decades (see CI, Q3 report). Based on that experience, DCBS learned the potential value for consumers, news media and others to gain a better understanding of the rate filing process.

Grant support helped to launch a program to routinely hold public hearings on rate filings. Although we learned a lot from the Regence hearing, we expected that future hearings could be more technical, allowing more discussion between insurers and the department. We held a hearing in September 2011 with the cooperation of one of our domestic health insurers that volunteered to go through the process before it became mandatory for most filings (see CI, Q4 report). The September hearing became the model for the five hearings held since (two in Q1 and three so far in Q2).

Our current policy is to hold public hearings on nearly all small group and individual rate filings. In Q1 the only exception to this policy was a rate filing from an insurer introducing new plans, currently with 0 members enrolled.

We had hoped that our public hearings would be available in Q1 via web streaming, so that people who are unable to attend in person could watch on their computers at their convenience and submit comments to our website. However, determining the equipment needs and the procurement process took longer than expected. We now expect to have this capacity in Q2.

Until the equipment is installed in the DCBS hearing room, we have arranged to rent another video web streaming equipped facility from the Department of Education. This arrangement is on a space available basis, so may not be able to accommodate all hearings.

We also plan to hold hearings in other locations in the state when that appears to be in the best interest of promoting consumer participation. For example, one of our domestic insurers draws most of their enrollment from two counties – outside of the state capital or the Portland-metro area. We anticipate holding their hearing in one of those two counties.

All hearings are scheduled as soon as the filing is deemed complete and posted to our website. Click here [OID Rate Filings Public Hearings](#) or go to our website www.oregonhealthrates.org and click on “Public Hearings” button.

Website Enhancements

Our website’s rate review pages have a new interactive capacity. These site enhancements, developed in Q1, became available on-line in Q2. Visitors to the site can access tables and graphs of interest to them to learn about the Oregon market and compare the major health plans on factors such as their member enrollment, growth in premiums, financial status, how much they spend on care and administration and keep in profit. The site also offers access to other information such as the annual Health Insurance in Oregon report.

Click here [Oregon Insurance Rate Review](#) or go to our website www.oregonhealthrates.org and click on “Financial Data” tab.

Operational/Policy Developments/Issues

Children’s Reinsurance Program

In response to ACA required guaranteed coverage of children, most Oregon insurers limited coverage for children to enrollment in February and August and some companies had altogether dropped child-only plans for children not covered by a family policy. As described in the CI, Q4 report, the Children’s Reinsurance Program began August 1, 2011, administered by the state’s high risk pool. Since this program went into effect, insurers that sell individual health plans began offering coverage to children throughout the year and more insurers are offering child – only policies. Insurer actuaries and CEOs have communicated to DCBS how well they believe this program is working.

Clarifying Average Annual Rate Change

DCBS changed the filing requirements for insurers to more clearly communicate when new rates would go into effect, how much the average rates would change, and who rate changes would affect. These new product standards will go into effect in Q2, though our actuaries began to use this in filings in Q1. The table that follows is an example from a recent filing that shows the requested and approved rate increases. The table provides the year-over-year rate increases effective for the groups renewing each quarter.

| Rate Effective Date Quarter Beginning | Requested Annual Increase from 1 Year Earlier | Approved Annual Increase from 1 Year Earlier | Number of Members Affected |
|--|---|--|---|
| April 1, 2012 | 4.5% | 3.9% | 13,016 |
| July 1, 2012 | 9.7% | 9.1% | 12,229 |
| October 1, 2012 | 9.3% | 8.6% | 9,607 |
| January 1, 2013 | 8.9% | 8.2% | 12,954 |
| | Requested Composite Weighted Average Rate Increase | Approved Composite Weighted Average Rate Increase | Number of People Affected on an Annual Basis |
| | 8.0% | 7.3% | 47,806 |

Public Access Activities

This has been largely discussed elsewhere in this report. To summarize Oregon’s activities and practices in Q1 to increase public access:

- Contract with the consumer advocacy organization, OSPIRG, to represent the public by making comments on filings and participating in public hearings. OSPIRG will also engage the public and other consumer organizations to promote participation by consumers.
- Hold public hearings for nearly all health benefit rate filings.
- Enhance the website to promote the public’s ability to understand the Oregon insurance market and rate filings and to participate in the rate review process.
- Continue to post all rate filing documents to our website, including communication between DCBS and insurer actuaries. This gives consumers and other visitors to the website immediate, real-time access to information while filings are being considered. Visitors are also invited to leave comments and to sign up to be notified of filings or to follow DCBS actions on social media.

Collaborative Efforts

In Q1, the division continued to collaborate with a number of organizations to advance the goals outlined in the Cycle II grant and to meet other ACA-related and state health reform requirements. Two examples follow.

Oregon Health Exchange Development

The division partnered with the Exchange to host two events in Q1 and early Q2 that brought Oregon's major health insurance carriers together to discuss risk adjustment and reinsurance and the work necessary to meet the November 2012 deadline to present Oregon's plan to HHS. Carriers had the opportunity to learn about how the insurance division is approaching the work of risk adjustment and reinsurance as well as how the Exchange will be using that information for their own work and we were able to hear the insurer's questions, concerns and ideas.

The Insurance Division's Administrator serves, as required by Oregon statute, on the Exchange's Board of Directors and on the Executive Steering Group. The division established a routine work schedule with the executive team of the Oregon Health Insurance Exchange to coordinate the work of the Affordable Care Act. Division staff is engaged in a number of collaborative activities with Exchange staff, including:

- Planning for coordinated plan management.
- Developing a task force to study and collaborate on essential health benefits, as required by ACA. The task force will include members of the insurance industry, academic communities and consumer groups.
- Developing a task force of health insurance carriers and state regulators to study market reform.

Developing Video Streaming Capacity

As described elsewhere in this report, in order to increase transparency in the rate review process we are using grant funding to install video streaming technology in our facility. We expect this will give Oregonians from across the state access to rate review hearings to increase their understanding of and their opportunity to participate in the process.

Partnering with Oregon State University has made this a more affordable project, as we have simply reimbursed their costs for providing their time and expertise in determining the appropriate equipment, engineering requirements for installation, and training to implement using this equipment.

Lessons Learned

Challenge of Engaging the Public in Routine Public Hearings

Unlike the large response from consumers that we had to our first hearing for Regence BlueCross BlueShield's rate increase request, attendees to recent hearings have mostly been insurer representatives and the news media. This is likely because most of the hearings since have been for filings requesting rate decreases in already approved rates or for slight increases or the filings have affected relatively few people. It is too soon to draw conclusions about when to forgo hearings. In addition, even a sparsely attended hearing may ultimately have a broader audience. When hearings are available by web video streaming, we expect that interested

consumers who cannot come to Salem during the day for a hearing may view the hearing at their own convenience and leave comments on our website.

Value of Carefully Reviewing All Submitted Data

Filers are required to submit a detailed breakdown of the historical, current and projected components of administrative costs. Our market analyst used this data to determine that the budget of a few filers for the per member per month assessment paid to the Oregon high risk pool (OMIP)⁴ significantly exceeded the most recent actual assessment. In January 2012, DCBS required one insurer to reduce proposed small group rates to more closely correspond to the lower known OMIP costs and a reasonable estimate for future increase in the OMIP assessment.

This seemingly small change in allowed administrative costs attributed to rate development translated into a premium reduction of about \$100 per year for a family of four, illustrating the value of digging deeper.

⁴ The Oregon Medical Insurance Pool (OMIP) provides coverage for adults or children in Oregon who are unable to obtain medical insurance because of their health conditions. OMIP members pay premiums for their insurance, however those in the OMIP pool have higher costs. About 45 percent of the cost of providing OMIP coverage is financed by payments from all Oregon health insurance companies. Twice per year the insurers receive an assessment from OMIP that results in the insurers making payments based on the number of members.

Budget & Expenditures To-Date

| HIPR Budget & Expenditure Report Section B--All Grant Activity Report Cycle 1, No Cost Extension Quarter 5 Report | | | REGION: X STATE: OREGON NUMBER: 1 IPRPR100057-01-00 BEGINNING DATE: 10/1/11 ENDING DATE: 12/31/11 |
|--|------------------|-----------------------|---|
| OBJECT CLASS CATEGORIES | BUDGETED | EXPENSES YEAR TO DATE | |
| a. Personnel | 208,647 | 262,218 | |
| b. Fringe Benefits | 74,042 | 93,544 | |
| c. Travel | 4,000 | 0 | |
| d. Equipment | 20,479 | 8,106 | |
| e. Supplies | 84,844 | 648 | |
| f. Contractual | 250,000 | 191,664 | |
| g. Construction | 0 | 0 | |
| h. Other | 298,049 | 239,000 | |
| i. Total Direct Charges | 940,061 | 795,180 | |
| j. Indirect Charges | 59,939 | 60,305 | |
| k. Totals (sum of i-j) | 1,000,000 | 855,485 | |
| Note: Expenses Year to Date column does not include all expenses incurred in the month of December. For example, charges for services from the Information Management Division will be processed in the month of January 2012. | | | |

HIPR Budget & Expenditure Report

Section B--All Grant Activity Report

Cycle II, Year 1, Quarter 1 Report

REGION: X

STATE: OREGON

NUMBER: 1 PRPPR120021-01-00

BEGINNING DATE: 10/1/11

ENDING DATE: 12/31/11

| OBJECT CLASS CATEGORIES | BUDGETED | EXPENSES YEAR TO DATE |
|--------------------------------|-----------------|------------------------------|
| a. Personnel | 467,358 | 28,661 |
| b. Fringe Benefits | 241,998 | 11,242 |
| c. Travel | 10,380 | |
| d. Equipment | 124,811 | 3,486 |
| e. Supplies | 19,395 | |
| f. Contractual | 335,000 | 1,068 |
| g. Construction | | |
| h. Other | 117,270 | 20,928 |
| i. Total Direct Charges | 1,316,212 | 65,385 |
| j. Indirect Charges | 82,070 | 5,101 |
| k. Totals (sum of i-j) | 1,398,282 | 70,486 |

Updated Work Plan & Timeline

DCBS, Oregon Insurance Division
Health Insurance Premium Review – Cycle II

1. **Continued efforts to increase rate scrutiny:** Oregon plans to continue funding four employees hired with Cycle I grant funds, contract with a consumer advocacy organization to represent consumers in the comment process and at public hearings, follow-up on our Cycle I study on potential to use the rate review process to affect underlying health care costs, and conduct two studies related to risk adjustment and reinsurance.

| Activity/ Improvement | Objectives/Goals | Milestones/Outcomes | Timeframe | Person(s) Responsible |
|---|---|--|------------------------------|----------------------------------|
| Expand actuarial scrutiny through the continued funding of the two Cycle I health actuaries . | <ol style="list-style-type: none"> 1. To increase DCBS's capacity to perform rate reviews. 2. Provide concurrent second-tier reviews on all individual and small group filings. | <ol style="list-style-type: none"> 1. Work with a team of health actuaries to manage department workloads within an expanded review process. 2. Provide complete a actuarial review in a timely manner. 3. Participate in public hearings. | December 2011-September 2014 | Jim Swenson & Michael Sink |
| Promote accurate filing data and added rate scrutiny through the continued funding of a market analyst . | <ol style="list-style-type: none"> 1. To verify that the date insurers include with each rate filing is accurate and complete. 2. To provide DCBS actuaries with administrative expense analyses to assist in their actuarial review. | <ol style="list-style-type: none"> 1. Ensuring data submitted with each rate request is validated and complete. 2. Write administrative expense memos highlighting areas of concern and providing information about whether the amount of requested increase falls within our index. | December 2011-September 2014 | Itayi Chipanera |
| Coordinate project communications through continued funding of a project coordinator . | <ol style="list-style-type: none"> 1. Coordinate and write all reports required by HHS. 2. Draft plain language decision documents and other documents to communicate rate review and grant related activities. | <ol style="list-style-type: none"> 1. DCBS will seek legislative authority to extend this position through September 2014. 2. Quarterly reports are written & submitted on time. 3. Plain language decision documents are written and submitted in a timely manner. | December 2011-September 2014 | D'Anne Gilmore |
| Provide administrative and tracking efficiencies through the continued funding of an intake | <ol style="list-style-type: none"> 1. To accept rate filings and publish complete filings on our website. 2. To assist rate review staff in data collection and tracking. | <ol style="list-style-type: none"> 1. Post information to the web in a timely manner. 2. Organize data in an understandable manner for DCBS staff. | December 2011-September 2014 | Jennifer Bertels |

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| coordinator. | | | | |
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| Activity/ Improvement | Objectives/Goals | Milestones/Outcomes | Timeframe | Person(s) Responsible |
|--|--|--|--|----------------------------------|
| Continue and expand funding to a consumer advocacy organization (CAO) to represent consumers by providing rate comments on select filings and during public hearings. | <ol style="list-style-type: none"> 1. To ensure Oregon consumers have active representation in the rate review process. 2. By participating in public hearings, the CAO will achieve a greater understanding of the rate filing and perhaps offer better comments to the department. 3. Create a long-term strategy to boost consumer input in the rate review process. | <ol style="list-style-type: none"> 1. Work with the Department of Administrative Services (DAS) and the Department of Justice (DOJ) to write and release a competitive request for proposal (RFP). 2. Bring together cross-agency staff to award the contract. 3. Contract with the chosen organization. 4. Ongoing milestone will be the CAO participation in the public comment process and public hearings. | October-November 2011: Release RFP and award contract. Expect contract to be signed in January 2012 and project to be funded through September 2014. | Berri Leslie |
| Address Cycle I study recommendations through potential legislative or administrative changes. | <ol style="list-style-type: none"> 1. To use the rate review process to lower the underlying costs of health care. | <ol style="list-style-type: none"> 1. Analyze study recommendations. 2. Develop potential legislative proposals for 2012 and/or 2013 legislative sessions. 3. Develop administrative responses, including plan benchmarks and scorecards. | Bring one legislative concept forward in February 2012. Potential follow-up legislation in February 2013. Ongoing implementation 2012-2014. | Lou Savage Berri Leslie |
| Conduct impact of ACA & risk adjustment and reinsurance studies. | <ol style="list-style-type: none"> 1. Study #1 to consider the changes resulting from ACA and the effect on Oregon market. 2. Study #2 to develop models for risk adjustment and reinsurance | <ol style="list-style-type: none"> 1. Work with the Department of Administrative Services (DAS) and the Department of Justice (DOJ) to write and release a competitive request for proposal (RFP). 2. Bring together cross-agency staff to award the contract. 3. Contract with the chosen organization. 4. Completed studies delivered on time. | Issue RFP in Dec 2011. Award contract in Feb 2011. Reports due August 2012 | Berri Leslie |

- 2. Process Improvements:** Prioritizing an accessible regulatory process, we believe consumers should have access to all rate filing information, as well as the opportunity to watch and/or participate in our process and see firsthand the scrutiny we apply to rate filings.

| Activity/ Improvement | Objectives/Goals | Milestones/Outcomes | Timeframe | Person(s) Responsible |
|---|---|--|--|---|
| Establish regular public hearings as part of Oregon's rate review process. | <ol style="list-style-type: none"> 1. To allow the public to actively participate in the review process and gain a better understanding of the actuarial process and the cost drivers of health insurance rates. 2. To allow the contracted CAO to direct questions and comments through DCBS regarding filings. | <ol style="list-style-type: none"> 1. Establish public hearings for individual and small group rate filings, filed after October 1, 2011. 2. Create a public hearing calendar and publish/announce dates for the public to participate. 3. After the initial six months of public hearings, DCBS will review this process and make necessary improvements. | October 2011-September 2012 A hearing calendar will be posted on our website, beginning in October 2011. | Gayle Woods |
| Publish correspondence between DCBS and insurers. | <ol style="list-style-type: none"> 1. To provide Oregon consumers and the contracted CAO a complete and transparent view of conversations between DCBS actuaries and insurance company actuaries. 2. For consumers and the contracted CAO to provide more meaningful comments because of the rate filing clarifications made in these correspondence. | <ol style="list-style-type: none"> 1. Continue work from Cycle I with the DCBS Information Management Division (IMD) to make posted correspondence easy to track with each specific filing. 2. Post information in a timely manner so that web data is accurate and up to date with current actuarial review. Will continue to post manually from October 2011 until automatic capacity developed. | Note: Under no-cost extension of Cycle I work from October 2011-September 2012 we will work with IMD to develop on-line formatting. Ongoing through September 2014 | Managed by Gayle Woods day-to-day activities: Administrative Assistant to be hired. |

3. Consumer education and outreach: By providing understandable information about our rate review process and meeting with consumers, small businesses, legislators, and various other stakeholders, DCBS hopes to give Oregonians a better understanding of our process.

| Activity/Improvement | Objectives/Goals | Milestones/Outcomes | Timeframe | Person(s) Responsible |
|---|---|---|--|------------------------------|
| Publish a new rate review guide for consumers. | <ol style="list-style-type: none"> 1. To provide rate review related information to consumers through a plain-language guide. 2. To explain to consumers how the rate review process works, why rates continually increase, and explain how consumers can get involved providing comments or attending public hearings. | <ol style="list-style-type: none"> 1. Design, write and edit the potential guide. 2. Receive feedback from various stakeholders including consumer organizations, individual consumers and industry. 3. Publish and distribute guides across the state. 4. Update as necessary. | October 2011-January 2012 Write & edit Guide. March 2012: print initial 500 Guides in English and Spanish. March 2012-September 2014 Update, reprint, and provide guides at outreach events and to consumers and small businesses. | Berri Leslie |
| Establish outreach projects across the state and through various mediums.. | <ol style="list-style-type: none"> 1. To educate Oregon consumers on the department's regulatory authority and the cost drivers of health insurance rates. 2. To connect with Oregon consumers and consumer advocacy organizations as we look to receive input on rate filings and related issues. | <ol style="list-style-type: none"> 1. Develop an outreach campaign with designated interest groups (e.g., small businesses and health advocacy organizations) to target providing information to consumers. 2. Participate in town-halls, webinars, and various other outlets to deliver accurate and pertinent information to consumers. | February 2012: Create an outreach calendar of events. March 2012-September 2014 Take part in various public outreach events. | Berri Leslie |

4. Resources necessary for increased workload: To implement Cycle II enhancements and achieve optimal workload capacity, Oregon proposes hiring three additional employees. (These positions are in addition to continuing the five positions added during Cycle I.)

| Activity/ Improvement | Objectives/Goals | Milestones/Outcomes | Timeframe | Person(s) Responsible |
|--|---|---|---|----------------------------------|
| Employ a health insurance rate liaison | <ol style="list-style-type: none"> 1. To establish a central contact to answer consumer questions about rate filings and our regulatory process. 2. To evaluate consumer comments received on the web for DCBS actuaries. 3. To provide better rate review information on the website by highlighting issues the rate liason receives the most inquiries on. | <ol style="list-style-type: none"> 1. Seek legislative authority to hire a limited duration rate liaison. Hire employee. 2. Rate review information offered to consumers in an understandable manner. 3. DCBS analysis of consumer comments will be more efficient and meaningful. | April 2012 Hire the rate liaison. Employ April 2012-September 2014. | Berri Leslie Gayle Woods |
| Employ a health reform/exchange coordinator | <ol style="list-style-type: none"> 1. To efficiently coordinate with the Exchange. 2. To work with stakeholders as DCBS designs recommendations to the Exchange about excluding insurers from selling within the Exchange. | <ol style="list-style-type: none"> 1. Seek legislative authority to hire a health reform/exchange coordinator. Hire employee. 2. Provide timely information to the Exchange. 3. Manage and staff stakeholder meetings about DCBS recommendations for excluding insurers from selling within the exchange. | March 2012 Hire the health reform/exchange coordinator. Employ March 2012-September 2014. | Berri Leslie Gayle Woods |
| Employ an administrative assistant | <ol style="list-style-type: none"> 1. To streamline administrative processes within an expanded and more transparent review process. | <ol style="list-style-type: none"> 1. Seek legislative authority to hire an administrative assistant. Hire employee. 2. Posted daily correspondence between DCBS actuaries and insurance compancy actuaries. 3. Schedule and maintain public hearing calendars, take hearing notes and post hearing related information. | April 2012 Hire administrative assistant. Employ April 2012-September 2014. | Berri Leslie Gayle Woods |

5. Equipment and IT advances: Cycle II enhancements focus on providing Oregonians a window into our rate review process, including access to the public scrutiny of rates through the public hearing process. Equipment and IT enhancements will make it easier for consumers to get involved remotely, while internal system enhancements will streamline processes, alleviating work burdens.

| Activity/ Improvement | Objectives/Goals | Milestones/Outcomes | Timeframe | Person(s) Responsible |
|---|--|---|--|----------------------------------|
| Purchase and use web video delivery technology | 1. To make Oregon's public hearing process accessible to all Oregonians by providing online viewing for those not able to attend public hearings in person. | 1. Develop equipment needs, working with Oregon State University. 2. Issue Invitation to Bid (ITB) 3. Work with IMD and Oregon State University to install equipment and train staff. 3 Produce and archive video feeds of each public hearing | Develop scope of work and equipment needs October 2011 - January 2012. Issue ITB in February 2012. Install and train staff March-April 2012 May 2012. Live stream public hearings and archive video. | Gayle Woods |
| Use and modify comparison tools for our website. | 1. To continue to provide accessible and understandable rate information to consumers. 2. To continue to provide interactive web features that allow consumers to access information for their own needs, for example, comparing insurance companies' administrative costs. | 1. Work with IMD to update the infrastructure as necessary to display comparison tools online. 2. Continue to analyze consumer usage of online data and other information. | Note: Development of this capacity is underway October 2011-September 2012 under the Cycle I no cost extension. Implementation and continued refinement under Cycle II grant from October 2012-September 2014. | Gayle Woods |

| | | | | |
|--|--|--|--|--------------|
| Use and modify online displays for rate disclosure on our website. | 1. To continue to provide consumers with a rate breakdown of medical claims, administrative costs, and profit for all rate filings. 2. To continue to provide information in plain language | 1. Work with IMD to update the infrastructure as necessary to display rate breakdown and other consumer information for each rate filing. 2. Continue to analyze consumer usage of online data and other information. | Note: Development of this capacity is underway October 2011-September 2012 under the Cycle I no cost extension. Implementation and continued refinement under Cycle II grant from October 2012-September 2014. | Gayle Woods |
| General IT enhancements as necessary | 1. To continue to automate and refine processes for DCBS to provide for a sustainable rate review program beyond the CII grant. | 1. Identify areas to automate system processes. 2. Develop IT functions to enhance DCBS, consumer, and industry use. | As necessary, through 2014. | Berri Leslie |

6. Grant evaluation: An external program and impact evaluation of Oregon’s work under the Cycle I and Cycle II grants is planned both to meet the HHS grant requirements and to provide elected officials and state administrators with an assessment of progress, barriers, work to be done, and recommendations for continuing initiatives post-HHS grant.

| Activity/Improvement | Objectives/Goals | Milestones/Outcomes | Timeframe | Person(s) Responsible |
|---|--|--|--|------------------------------|
| Contract for external grant evaluation | 1. An interim evaluation of the activities and impact of Oregon's grant funded work. 2. Final evaluation of the activities and impact of Oregon's grant funded work and recommendations for 2015 and beyond | 1. Work with the Department of Administrative Services (DAS) and the Department of Justice (DOJ) to write and release a competitive request for proposal (RFP). 2. Bring together cross-agency staff to award the contract. 3. Contract with the chosen organization. 4. Completed studies delivered on time. | Issue RFP in March 2012. Award contract in April 2012. Reports due June 2013 and December 1, 2014. | Berri Leslie |

Data Collection & Analysis

Trends in the quarterly reported data

With few exceptions, we have continued to witness smaller rate increase requests in the year-over-year rate increases, as described in CI reports. This change has consistently reflected slowing in medical trend as actual claims costs came in below projections. In some instances requests have also described significant decreases in administrative costs because of changes such as reductions in commissions and changes in claims processing.

The number of filings decreased, when compared to the same quarter one year earlier. From October – December 2010, DCBS received 20 filings that were reviewed and either approved or disapproved. There were 11 additional filings in that quarter that were rejected or withdrawn. From October to December 2011, DCBS received only 13 filings that were reviewed⁵ and an additional 3 filings that were rejected.

From January – March 2011 DCBS received 25 filings and from April – June 2011 received 21 filings. From July – September 2011 new filings dropped to 14. The decrease is attributed to a drop-off in quarterly filings. This follows a period of time when large Oregon health plans had begun to file more frequently than annually.

We are uncertain what is causing this unexpected drop in quarterly filings and we will watch how the pattern of quarterly rate filings persists or changes in 2012. We may seek industry feedback as to the reasons for changes in filing patterns.

Additional context for any denied rate filings

DCBS disapproved one rate filing during Q1. As we explained in our decision document, posted on our website:

Health Net requested rates for new individual Community Care plans they were introducing that were significantly lower than rates for the company's existing non-grandfathered plans. The company proposed rates that were 17.3 percent less than the rates established for other non-grandfathered plans. The company intended to sustain an estimated loss of 8 percent on the Community Care plans over the next year.

ORS 743.767(2) only allows variance of rates for individual plans based on benefit design, geography, family composition, and age. In this case, in addition to adjusting rates for the reasons allowed by statute, the company was inconsistent in applying actuarial assumptions to both the existing and proposed new non-grandfathered plans.

The provisions of ORS 743.018 specifically grant DCBS the authority to consider the impact the proposed rate will have on market stability and whether the proposed rate could result in excessive rate increases in the future. DCBS was concerned about future rate increases for consumers that would be covered by these proposed plans. A large rate increase might be required to correct premium deficiencies and this could result in

⁵One filing received in the October-December 2011 quarter remains pending at the time of this report.

consumer harm if policyholders were unable to withstand such a significant rate change. Additionally, introduction of rates set at such a low level at plan inception have the potential to disrupt Oregon’s individual market should other carriers drop their rates in order to remain competitive and later require large rate hikes to stem their losses. In this regard, approval of such a large rate decrease could prove harmful not only to Health Net policyholders, but to all Oregonians who are insured in the individual market.

Discrepancies between the SERFF reported data and state data

Insurers are still not all consistently completing the entire R2D2 screen in the SERFF filing; as a result some of the data that HHS looks to be generated in the snapshot is missing. At the state level we have not relied on the R2D2 information for actuarial rate review and have, until recently, not fully understood the importance of completing that screen for HHS reporting so that the data would populate the snapshot. Although the information was missing from the R2D2 screens, it is found elsewhere in the filings and was part of our standard actuarial review. We are now working with all filers to ensure that R2D2 data fields are completed. The filings in the table below have some missing or incorrect information in the snapshot as a result of incomplete or incorrect R2D2 fields. The affected insurers have been given technical assistance on how to correct this and given a deadline of February 10, 2012 to do post-submission corrections.

| SERFF Filing Number | Problem in Snapshot |
|----------------------------|---|
| UHLC-127278078 | trend, new rate & prior rate |
| UHLC-127211175 | trend, new rate & prior rate |
| PROV-127621436 | trend, new rate & prior rate and % change requested |
| ODSV-127286262 | trend, new rate & prior rate |
| KFNW-127385403 | trend, new rate & prior rate |
| KFNW-127311766 | trend, new rate & prior rate |
| KFNW-127311738 | trend, new rate & prior rate |
| HNOR-127723573 | trend, new rate & prior rate |
| HNOR-127357816 | trend, new rate & prior rate and % change requested |

We do not anticipate that this will be a problem in the future. We expect to have a fully corrected annual snapshot for Cycle I by the HHS deadline and to generate a corrected snapshot for CII, Q1 no later than February 13, 2012. In addition, all filings now have their R2D2 screen reviewed as part of the filing intake process.

Updated Evaluation Plan

After developing a more detailed scope of work for our evaluation RFP, we have determined that it would be helpful to have an interim evaluation in mid-2013, in addition to a final program evaluation of the activities and impact of Oregon’s grant-funded work in December 2014. The interim evaluation report will be a public document. However, this report will be intended to

principally provide DCBS with an external analysis that could help us consider how work under the grant might evolve and to make any necessary mid-course corrections.

The evaluation will provide an external look at components of the CI and CII grant objectives. The RFP scope of work will also ask proposers to consider a broader and more thorough evaluation of the rate review process and outcomes than we had initially anticipated when we prepared the CII proposal. We expect that the evaluation will examine questions such as: the effect of transparency on industry, the content of rate filings and the review process; whether the marketplace is more or less competitive, healthy and stable in September 2014 than it was in 2010; and the effectiveness of consumer outreach and participation. The evaluator will be expected to account for the effects of larger world economic, political or other factors that may impact the success of meeting grant-funded goals. The final report will also include recommendations for sustaining or changing the rate review process in 2015 and beyond.

The minimum proposer qualifications anticipate that a proposing organization or firm has expertise in public policy and program evaluation, knowledge of ACA and demonstrates understanding of Oregon's health care reforms.

The department will use a competitive Request for Proposal (RFP) process. We plan to issue an RFP in February 2012 and hope to have a contractor in place by the end of Q2.

Quarterly Report Summary Statistics

- Total Funds Expended to date: CII \$ 70,486 CI \$855,485
- Total Staff Hired (new this quarter and hired to date with grant funds): New 0 To-date 5
- Total Contracts in Place (new this quarter and established to date): 0/0 Expect 3 contracts to be signed in Q2 (Consumer Advocacy, Risk Adjustment & Reinsurance, Web Video equipment & installation)
- Introduced Legislation: No, but a Legislative Concept, expected to be bill in Feb 2012 session.
- Enhanced IT for Rate Review: Yes
- Submitted Rate Filing Data to HHS: Yes
- Enhanced Consumer Protections: Yes
 - Consumer-Friendly Website: Yes
 - Rate Filings on Website: Yes

Enclosures/Attachments

Cycle II Period Q1 10/1/2011-12/31/2011 HHS Snapshot of Rate Reviews, Tables A, B, and C

RFP for *Impact of ACA and Risk Adjustment Methodologies Study*

Cycle 2 Period Q1 10/01/2011-12/31/2011

State: Oregon

Generated: 01/31/2012 15:33:46

HIPR Table A - Summary

| | |
|-------------------------------------|----|
| Rate Filings For This Period (A1) | 13 |
| Rate Increases For This Period (A2) | 10 |
| Reviewed (A3) | 16 |
| Approved (A4) | 12 |
| Denied (A5) | 1 |
| Deferred (A6) | 3 |

HIPR Table B (Individual) - Summary

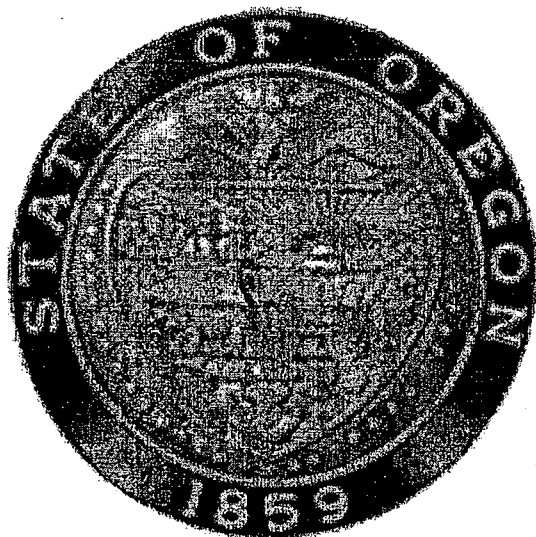
| Product Type | Policy Holders | Covered Lives |
|--------------|----------------|---------------|
| EPO | 0 | 0 |
| FFS | 0 | 0 |
| HDHP | 111 | 194 |
| HMO | 10254 | 14158 |
| HSA | 1931 | 3398 |
| OTH | 0 | 0 |
| POS | 1243 | 1585 |
| PPO | 22767 | 35723 |

HIPR Table C (Small Group) - Summary

| Product Type | Policy Holders | Covered Lives |
|--------------|----------------|---------------|
| EPO | 0 | 0 |
| FFS | 0 | 0 |
| HDHP | 2954 | 4722 |
| HMO | 199 | 293 |
| HSA | 1219 | 2287 |
| OTH | 8 | 14 |
| POS | 16122 | 26685 |
| PPO | 22339 | 35401 |

COPY

State of Oregon



**Department of Consumer and Business Services
Insurance Division**

**Issues the Following
REQUEST FOR PROPOSALS (RFP)**

RFP Number DCBS-1411-11

Risk Adjustment Actuarial Services

**Date of Issuance: Dec. 9, 2011
Proposals Due Date: Jan. 19, 2012**

**Issuing Office:
Single Point of Contact (SPC):
Address:**

**Phone (voice):
E-mail:**

**Department of Consumer and Business Services
Shawn Waite
350 Winter Street NE, Room 11
Salem, OR 97301
(503) 947-7952 (fax): (503) 378 - 3134
shawn.n.waite@state.or.us**

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Section 1 PURPOSE AND GENERAL INFORMATION

1.1 OVERVIEW, OBJECTIVES, AND BACKGROUND

The Oregon Department of Consumer and Business Services (Agency) is Oregon's largest regulatory agency. The Department administers state laws and rules and protects consumers and workers in the areas of workers' compensation, occupational safety and health, financial services, insurance, building codes, and targeted contracting opportunities for small business.

The Agency's Insurance Division (OID) is charged with protecting Oregon's insurance-buying public by ensuring the financial soundness of insurers, the availability and affordability of insurance, and the fair treatment of insured and claimants.

Agency is seeking proposers to provide actuarial services, exclusively related to health insurance. The main purpose for this Solicitation is to provide for consulting services in conjunction with health rate filings. The contract resulting from this Request for Proposals (RFP) will be 100% funded with federal funds. Agency is seeking proposals from "Qualified Actuarial" consulting firms. The phrase "Qualified Actuary" as used in this RFP means a person trained in actuarial science who is either a Fellow of the Society of Actuaries or whose work is reviewed by a Fellow of the Society of Actuaries.

1.2 PROCUREMENT AUTHORITY

Agency is conducting this Request for Proposal pursuant to its authority under ORS 731.216.

1.3 PROCUREMENT METHOD

Agency intends to use the competitive sealed Proposal method, pursuant to ORS 279B.060 and OAR 137-047-0255. Agency intends to conduct a single step Competitive Sealed Proposal.

1.4 CONTRACT TERM

The Contract is anticipated to start in February, 2012. The initial Contract term shall be all work completed by August, 2012.

1.5 METHOD OF COMPENSATION

The Contractor will be paid by Agency through federal funds not-to-exceed (NTE) \$300,000 total. Funds will be reimbursed based on hourly rates proposed by the Contractor which will reflect the work performed to complete deliverables. Contractor is not relieved of any of its obligations under the Contract when this NTE is exhausted. Requests for reimbursement must be submitted within 30 days after the completion of deliverable(s). Payments will only be disbursed upon acceptance and

approval by Agency. Agency will pay Contractor via Automatic Clearing House (ACH) or electronic transfer.

1.6 MINIMUM PROPOSER QUALIFICATIONS -THE PROPOSER MUST:

- 1.6.1 Have working knowledge and understanding of Oregon statutory accounting principles and procedures and of promulgations recommended by the NAIC and adopted in Oregon.
- 1.6.2 Be a Fellow(s) or an Associate(s) of the Society of Actuaries. In the case of Associate(s), work must be reviewed by a Fellow.
- 1.6.3 Be a member in good standing in at least one of the following:
 - 1.6.3.1 The American Academy of Actuaries and who has been approved as qualified for signing health loss reserves opinions by the Health Practice Council of the American Academy of Actuaries.

NOTE: With Proposers who are legal entities, the minimum proposer qualifications refer to professionals employed by or under contract with the entity.

1.7 APPROXIMATE VALUE

The anticipated value of the Services described in the RFP is estimated to be in the range of \$300,000.00. The NTE is \$300,000.00.

1.8 SCHEDULE

| Event | Due Date |
|---|--------------------------|
| RFP Release – Date of Issuance | December 9, 2011 |
| Written Questions | Dec. 23, 2011 by 3:00 PM |
| Answers to Proposal Questions (approx.) | Jan. 6, 2012 |
| RFP Closing | Jan. 19, 2012 by 3:00 PM |
| Opening of Proposals | Jan. 20, 2012 at 9:00 AM |
| Completion of Evaluation (approx.) | Jan. 31, 2012 |
| Award Notification (approx.) | Jan. 31, 2012 |
| Contract Begin Date (approx.) | February 22, 2012 |

1.9 DEFINITIONS

For general definitions, see OAR 137-047-0110, which are incorporated by reference herein.

- 1.9.1 “Agency” means Department of Consumer and Business Services, Insurance Division.
- 1.9.2 “RFP” means this Request for Proposals.
- 1.9.3 “Scope of Work” means the general character of the Services, the work’s purpose and objectives, and Agency’s expectations. Examples of expectations include, if applicable, tasks (obligations),

deliverables, delivery or performance schedule, and acceptance requirements. The Scope of Work helps the prospective Proposers develop the Proposals.

1.9.4 "Statement of Work" means the specific provision in the final Contract which sets forth and defines in detail the agreed-upon objectives, expectations, performance standards, and other obligations.

1.10 SCOPE OF WORK

1.10.1 STUDY OF ACA IMPACT ON OREGON'S HEALTH INSURANCE MARKET:

The Contractor will study the impact of the Affordable Care Act (ACA) on Oregon's health insurance market. The specific issues within the scope of the study are:

What will the impact of ACA implementation be on health insurance premiums in the individual market beginning in 2014. Specifically, what will be the effect on premium rates by merging the Oregon Medical Insurance Pool (OMIP), Oregon's high risk pool, into the individual market and those enrolled in portability plans moving into the individual market? This is in addition to outlining the impact of guaranteed issue, no pre-ex, etc. Additionally, what potential load factor will be necessary to account for increased churning between Medicaid and the commercial market?

Identify the impact of ACA implementation on Oregon's small group market beginning in 2014. To what extent will the implementation cause small employers (including groups of 51-100) to drop coverage? What is the likelihood that small employers will drop out of association plans or move to association plans after 2014 (including how groups of 51-100 may respond)? What is the likelihood that small employers will participate in the Exchange to obtain tax credits in 2014? With portability likely going away as these individuals move to the individual market, what will be the impact on the small group market?

What are the risks and potential benefits of merging individual and small group markets into the same risk pool?

What are the general impacts of the ACA requirement that the small group market expand to include groups of one and to include groups from 51-100 respectively? What impact will these expansions have on the Oregon health insurance market? It is anticipated that the ACA will have a positive and/or negative impact on different plans. Groups in the range of 51-100 in association with plans or self insured will attempt to get better prices once reforms are implemented. What will be the impact on the market result in a pull back or will it grow? Additionally, who is realizing gains and who is realizing losses? Should Oregon wait until 2016 to expand the small group market to groups of 51-100? The study

should address ways to mitigate adverse selection that may result from each expansion. This should include an analysis of the impact of new rate bands on the 51-100 market in 2016.

1.10.2 ANALYSIS AND SIMULATION:

Use developed models for risk adjustment and reinsurance and apply Oregon specific data to determine potential impact on 1) revenue sharing and 2) potential premium loads due to the uncertainty of the reforms on risk selection.

Risk adjustment deliverables:

- Report to OID the results of applying a risk assessment model on collected data from carriers. The results should include an average risk score for carriers that will allow OID to simulate risk adjustment payment calculations. Detailed results will include prevalence statistics and data diagnostics that will provide further insight into drivers of risk and data quality.
- Report on the expected payable/receivable adjustment by carrier. This involves applying the risk score factor output mentioned above and normalizing for ratable factors (e.g., age). This also involves incorporation of baseline premium with possible adjustment for items such as geography and actuarial value of plan designs.
- Provide a recommendation on whether the state should utilize a state model versus the federal model and whether to administer the program locally.

FROM THE REINSURANCE SIDE, DELIVERABLES ASSOCIATED WITH THE SIMULATION WOULD INCLUDE THE FOLLOWING:

- Report to OID on expected range of financial results under various scenarios for premium levels, national premium assessments, migration assumptions, reinsurance parameters, and health status.
- Recommendation on whether Oregon should create a state-specific assessment rate based on factors identified above based on range of likely results.
- Analysis of how a higher assessment on carriers that are not participating in the Exchange will impact the reinsurance program. Recommendation of an appropriate second-tier assessment for non-participating carriers, and any impact of imposing an exclusionary period on those carriers that do not participate in the first year.

- Explicit identification of expected deficit/surplus to be factored into the following year's assessment should be included in the report as well
- Estimate of IBNR for the program.

ADDITIONAL WORK REQUESTED BY THE EXCHANGE:

- Report on a basic health plan for Oregon mirroring work done in Delaware reporting on concerns related to the actuarial risks for Oregon related to a basic health plan.
- An analysis of potential state savings, risks and potential reduction of exchange enrolled lives if a basic health plan option was adopted in Oregon. This would also include an analysis of potential consumer benefits and savings, both in premiums and potential cost sharing.

Agency and the successful Proposer may negotiate a Statement of Work for the Contract.

The parties may agree to amend or modify the awarded Contract in accordance with OAR137-047-0800.

1.11 SINGLE POINT OF CONTACT (SPC)

All questions, whether about the technical requirements of the RFP, contractual requirements, the procurement process, or any other aspect of the project or needed services, shall be directed only to the person listed on the first page of the RFP. The RFP document may be reviewed upon request at the address listed on the first page of the RFP.

Section 2 PROPOSAL REQUIREMENTS

2.1 MINIMUM PROPOSAL REQUIREMENTS (PASS/FAIL)

2.1.1 Proposal Cover Sheet

The Proposer shall sign and submit a Proposal Cover Sheet. Proposals shall address the proposal and submission requirements set forth in the RFP and shall describe how the Supplies and Services shall be provided. Proposals that merely offer to provide Supplies and Services as stated in the RFP shall be considered non-responsive and shall not be further considered.

2.1.2 Formatting

All Proposals shall follow the format described in this Section. Proposals shall respond to all elements of information requested, without exception. Proposal sections and pages shall be appropriately numbered per the outline below.

Proposals may use various headings, but shall include at least the following headings in the following order and numbered as indicated below, followed by Proposer's responses:

Part 1: Minimum Proposal Requirement (Pass/Fail)

Part 2: Technical Proposal Requirements (Evaluated)

2.1.1 Copies

Submissions in response to the RFP shall contain one (1) original, three (3) paper copies and one (1) electronic copy on CD of the proposal and all required supporting information and documents. The original and all copies of the Proposal shall be submitted in a sealed envelope or box, labeled "Proposal to RFP #DCBS-1411-11" and delivered to the SPC.

2.2 TECHNICAL PROPOSAL REQUIREMENTS (EVALUATED)

The Proposal shall describe how the Proposer shall meet each of the technical requirements described in the Scope of Work in Section 1.10, including identification of key persons who shall perform the work and their background and expertise. This Proposal shall be evaluated as described in Section 4.

2.2.1 References

Proposers shall provide the names, addresses, telephone numbers, and contact information for three (3) customers for whom Proposer has provided services within the last three (3) years similar to those described in the RFP. Agency may use references provided as part of the proposal evaluation process as described in Section 4.

2.3 BUDGET PROPOSAL REQUIREMENTS

Budget Proposals shall contain the total cost, including expenses and travel costs to provide Services described in the RFP. Budget proposals must identify all funding needs to accomplish the Proposer's goals, including all funds administered directly to Proposer and funds that could potentially be allocated to other partners or contractors. The Proposer must include a proposed hourly rate schedule of providing comments to DCBS. In total the budget may not exceed \$300,000.00.

Proposer shall submit its Budget Proposal in a separate sealed envelope from the remained of the Proposal.

Budget Proposals shall be addressed to the SPC and clearly referenced as "Budget Proposal to Request for Proposals #DCBS-1411-11." Proposer shall submit one (1) paper original and one (1) electronic copy on CD for the Budget Proposal.

Budget Proposals shall be firm for a period of 120 days from the deadline for proposal submission.

Section 3 SOLICITATION PROCESS

3.1 ORPIN

The RFP, including all Addenda and Attachments, shall be posted on the Oregon Procurement Information Network System (ORPIN). Agency is not required to mail the RFP, its Addenda or Attachments. Notification of any substantive clarifications provided in response to any question will be provided and published at the ORPIN web site below. For complete RFP documentation please go to the ORPIN web site: <http://orpin.oregon.gov/open.dll/welcome> and view Agency Opportunity number DCBS-1411-11.

3.1.1 Addenda on ORPIN

Addenda are incorporated within the RFP and may be viewed and downloaded on ORPIN by registered suppliers. Proposers should consult ORPIN regularly until closing to ensure that they have not missed any Addenda announcements.

Any oral communications shall be considered unofficial and non-binding. Proposers shall rely only on written statements issued by the SPC.

3.1.2 ORPIN Usage

Proposers unfamiliar with ORPIN may contact the State Procurement Office (SPO) at the Department of Administrative Services, 1225 Ferry St. SE - U140, Salem, OR 97301-4285; telephone (503) 378-4642. Proposers may also look for updates about ORPIN on the SPO website: <http://procurement.oregon.gov/>.

3.1.2 ORPIN Registration

Proposers are responsible for ensuring that their registration information is current and correct. SPO accepts no responsibility for missing or incorrect information contained in the supplier's registration information in ORPIN.

3.2 QUESTIONS, MODIFICATIONS RELATING TO THE RFP, CONTRACT PROVISIONS OR SPECIFICATIONS

3.2.1 Submittal of Questions and Requests

Questions, including requests for explanations of the meaning or interpretation of provisions of the RFP, shall be submitted in writing, arrive by the date and time specified in Section 1.8, and be addressed to the attention of the SPC. Emails are acceptable; send them to shawn.n.waite@state.or.us

3.2.2 Methods of Seeking Modifications to RFP, Contractual Provisions or Specifications

3.2.2.1 Procedure

The appropriate means of seeking modifications to provisions of the RFP are through a written (a) request for clarification; (b) formal submittal of requests for changes to the RFP, contractual

terms or specifications; or (c) formal submittal of protests of the RFP, Contract terms or specifications. No request for modification of the federal terms and conditions in the sample contract will be entertained.

3.2.2.2 Request for Clarification

Any Proposer requiring clarification of any provision of the RFP, contractual terms or specifications may submit to the SPC a written request for clarification. To be considered, the request for clarification shall be received by the SPC by the deadline specified in Section 1.8 or any extension made by subsequent Addenda.

3.2.2.3 Request for Changes to RFP, Terms or Specifications

Any Proposer may submit to the SPC a written request for changes to the RFP, contractual terms or specifications. To be considered, the request for changes shall be received by the SPC by the deadline specified in Section 1.8 or any extension made by subsequent Addenda. The request shall include the reason for requested changes, supported by factual documentation, any proposed changes and shall contain all other information required by ORS 279B.405 and OAR 137-047-0730.

3.2.2.4 Protest of RFP, Terms or Specifications

Proposers may submit to the SPC a written protest of RFP, contractual terms or specifications. To be considered, Protests shall:

- 3.2.2.4.1** Identify the Proposer's name and reference the RFP number;
- 3.2.2.4.2** Contain evidence that supports the grounds on which the protest is based and specify the relief sought, including a statement of the proposed changes to the process or RFP provisions, requirements or terms and conditions that the Proposer believes shall remedy the conditions upon which the protest is based;
- 3.2.2.4.3** Be signed by the Proposer's authorized representative;
- 3.2.2.4.4** Be submitted to the SPC by the Solicitation Protest due date specified in Section 1.8; and
- 3.2.2.4.5** Be delivered or faxed to the SPC at the address specified on the first page of the RFP.

Agency shall not consider solicitation protests that do not meet the requirements of this Section. Agency shall resolve all solicitation protests in accordance with OAR 137-047-0730(4) and ORS 279B.405(4). Agency is not responsible for the successful transmission of faxed protests. Unless this specific due date is extended by Addenda to the RFP, Agency shall not consider solicitation protests to the originally-issued RFP submitted after the Solicitation Protest due date specified in Section 1.8. Please note: Late or electronically transmitted (emailed) protests will not be accepted.

3.2.2.5 Method of Submitting Requests for Modification of RFP Provisions.

Envelopes containing requests for clarification, requests for change, and protests shall be marked as follows:

Request for Clarification /Change /Protest
RFP Number
Closing

Envelopes shall be received by the SPC by the date and time specified in Section 1.8. This deadline may be extended by Addendum. No requests for clarification, requests for change or protests regarding the RFP, contractual terms or specifications shall be considered if received after the date specified in this Section or the date specified in a subsequent Addendum.

3.2.2.6 Response to Requests for Clarification or Change and Protests

Agency shall respond to each properly-submitted written request for clarification, request for change, and protest in accordance with ORS 279B.405. Where appropriate, Agency shall issue revisions and clarify RFP provisions via Addenda posted on ORPIN. Agency may also informally respond to Proposer questions. Informal responses, however, do not affect the provisions of the RFP. The RFP, contractual terms and specifications can only be changed via formal addenda issued by Agency.

3.3 SUBMISSION OF PROPOSALS

Proposals shall be received by the SPC no later than the closing date and time specified in ORPIN at the address listed on the front page of the RFP. Proposals may be delivered via U.S. Mail or courier, or hand-delivered. Proposals shall be sent to the attention of the SPC. Late, faxed or electronically transmitted Proposals shall not be accepted.

3.4 WITHDRAWAL OF PROPOSALS

If a Proposer wishes to withdraw a submitted Proposal, it shall do so prior to the Closing date and time. The Proposer shall submit a written request to withdraw,

signed by the Proposer, on the Proposer's letterhead, to the SPC at the address listed on the front page of the RFP, as required by OAR 137-047-0440.

3.5 EVALUATION AND AWARD

The evaluation and award process is described in Section 4.

3.6 PUBLIC INFORMATION, CONFIDENTIALITY, AND TRADE SECRETS

All Proposals are public information after the Proposals have been opened, and all protests are public information after the protest period ends. Proposals shall be opened by the SPC at the date and time listed in the Schedule, Section 1.6. Copies of Proposals, however, shall not be provided until the evaluation process has been completely closed and an award letter has been issued/a Notice of Intent to Award has been issued pursuant to OAR137-047-0440(1). Copies of public information may be requested by any person. Proposers shall label any information that it wishes to protect from disclosure to third parties as a trade secret under ORS 192.501(2) with the following: **"This material constitutes a trade secret under ORS 192.501(2) and is not to be disclosed except as required by law."** Agency shall take reasonable measures to hold in confidence all correctly labeled information, but the State shall not be liable for release of any information when required by law or court order to do so, whether pursuant to the Oregon Public Records Law or otherwise and shall also be immune from liability for disclosure or release of information under the circumstances set out in ORS 646.473(3).

3.7 COST OF PREPARING PROPOSALS

All costs incurred in preparing and submitting a Proposal in response to the RFP, are the responsibilities of the Proposer and shall not be reimbursed by Agency.

3.8 RESERVATION OF AGENCY RIGHTS

Agency reserves all rights regarding the RFP, including, without limitation, the right to:

- i. Amend, delay or cancel the RFP without liability if Agency finds it is in the best interest of the Agency to do so;
- ii. Reject any or all Proposals received upon finding that it is in the best interest of the Agency to do so;
- iii. Waive any minor informality or non-conformance with the provisions or procedures of the RFP, and seek clarification of any Proposal, if required;
- iv. Reject any Proposal that fails substantially to comply with all prescribed RFP procedures and requirements;
- v. Negotiate a Statement of Work based on the Scope of Work described in Section 1.12 and to negotiate separately in any manner necessary to serve the best interest of the public;
- vi. Amend any Contracts that are a result of the RFP;
- vii. Engage consultants by selection or procurement independent of the RFP process or any Contracts or agreements under it to perform the same or similar services; and

- viii. To extend any Contracts that result from the RFP without an additional RFP process pursuant to OAR 137-047-0800.

Although budget is a consideration in determining the apparent successful Proposer, the intent of the RFP is to identify a Proposal from a Proposer that has a level of specialized skill, knowledge and resources to perform the work described in the RFP. Qualifications, performance history, expertise, knowledge and the ability to exercise sound professional judgment are primary considerations in the selection process. Due to the highly technical nature of some of these tasks, the Proposer with the lowest Price Proposal may not necessarily be awarded a Contract. Agency reserves the sole right to determine the best Proposal.

3.9 CONTRACT FORM

The apparent successful Proposer shall be asked to sign a Contract substantially in the contract form that is attached as Attachment A.

3.10 NO CONTRACT OBLIGATION

Agency is not obligated as a result of the submission of a Proposal to enter into an Contract with any Proposer, and has no financial obligation to any Proposer arising from the RFP.

Section 4 EVALUATION AND AWARD

4.1 EVALUATION PROCESS

4.1.1 Evaluation Overview

Agency shall conduct an evaluation of the Proposals received in response to the RFP.

Agency shall evaluate and score all Proposals on the completeness, quality, and applicability of their content in accordance with the following Sections:

- 4.2: Evaluation of Minimum Requirements (Pass/Fail)
- 4.3: Evaluation of Technical Proposal (Scored)
- 4.4: Evaluation, Scoring, and Ranking of Price Proposal
- 4.5: Reference Checks for the Proposer's Company
- 4.6: Ranking of Proposals

Each Section is explained in more detail below.

4.1.2 Evaluation Committee

Agency shall establish an evaluation committee which may consist of Agency staff, government partners and community partners to review, evaluate, and score each Proposal.

4.1.3 Disqualification

Any attempt by a Proposer to improperly influence a member of the evaluation committee during the proposal review and evaluation process shall result in proposal rejection.

4.2 EVALUATION OF MINIMUM REQUIREMENTS (PASS/FAIL)

The Designated Procurement Officer shall review all Proposals on a pass/fail basis and determine if each Proposal meets the minimum proposal requirements described in Section 2.1 of the RFP. Proposer's failure to comply with the instructions or to submit a complete Proposal may result in the Proposal being deemed non-responsive. Only those Proposals determined to responsive to the Minimum Requirements shall be considered for further evaluation in Section 4.3. See the Reservation of Agency Rights in Section 3.8.

4.3 EVALUATION OF TECHNICAL PROPOSAL (SCORED)

The evaluation committee shall score all Proposals as described in this Section. Points assigned by each evaluation committee member shall be added together and divided by the total number of evaluation committee members to compute an average score for the evaluation questions. Budget proposal information shall not be available to the evaluation committee during this evaluation of technical proposals.

The evaluation committee may request additional clarification from Proposers for any portion of the Proposals. If a Proposal is unclear, Proposer may be asked to provide clarification. No new information or documentation may be submitted, however, and clarifications may not be used to rehabilitate a non-responsive Proposal. Proposers shall remain available during the evaluation period to respond to requests for additional clarification. Proposers shall submit written signed clarification(s) within 72 hours of request (Monday-Friday) following receipt of the request. Failure to provide clarification may result in a lower score. The evaluation committee shall assign points to its evaluation of each Proposal as follows:

4.3.1 STUDY OF ACA IMPACT ON OREGON'S HEALTH INSURANCE MARKET

| Rating Scale (75 POINT Maximum) | |
|---------------------------------|----------------------|
| Point Range | Explanation |
| 0 | Response of no value |

| | |
|-------|---|
| 1-25 | Fair. The Proposer has demonstrated an adequate plan to conduct the study of the Affordable Care Act's impact on Oregon's health insurance market and produce the deliverables attendant to that study in the Scope of Work. Proposal details are vague and do not adequately describe required resources and staff needs. The Proposer has provided some indication of how the Proposers will collect and synthesize data. |
| 26-50 | Good. The Proposer has demonstrated a satisfactory plan to conduct the study of the Affordable Care Act's impact on Oregon's health insurance market and produce the deliverables attendant to that study in the Scope of Work. Proposer has identified how information will be collected, synthesized and presented. Proposal fully describes required resources and staff needs. The Proposer has provided a set of guidelines for how deliverables will be produced. |
| 51-75 | Very Good. Response meets all the requirements and has demonstrated in a clear and concise manner a thorough plan to conduct the study of the Affordable Care Act's impact on Oregon's health insurance market and provide the deliverables required in the Scope of Work. Proposal details for resources and staff needs are fully described in a clear and concise manner. The Proposer has provided a clear and concise set of guidelines for how deliverables will be produced. |

4.3.2 RISK MODELING SIMULATION

| Rating Scale (75 POINT Maximum) | |
|---------------------------------|---|
| Point Range | Explanation |
| 0 | Response of no value |
| 1-25 | Fair. The Proposer has demonstrated an adequate plan to simulate market conditions under different risk adjustment strategies and to analyze and report on the results of these simulations. The Proposer has further demonstrated an adequate strategy for collecting data from industry, and has provided some indication of how this information will be used in the risk assessment model. Proposal details are vague and do not adequately describe required resources and staff needs. The Proposer has provided some indication of how the Proposers intend to draw policy conclusions from simulation results. Simulation design may not be easily adapted or manipulated in response to changing study parameters. |

| | |
|-------|---|
| 26-50 | Good. The Proposer has demonstrated a satisfactory plan to simulate market conditions under different risk adjustment strategies and to analyze and report on the resultant data in a manner useful for policymaking. The Proposer has further demonstrated a satisfactory strategy for collecting data from industry, and has provided a clear methodology for how this information will be used in the risk assessment model. Proposal fully describes required resources and staff needs. The Proposer has provided a set of guidelines for how deliverables will be met. Simulation design is flexible, and may be adapted to changes in study parameters without substantial redesign. |
| 51-75 | Very Good. Response meets all the requirements and has demonstrated in a clear and concise manner a thorough plan to simulate market responses to a variety of risk adjustment strategies. The Proposer has further provided a clear and concise outline for the process of collecting data from industry, and applying this data to the risk assessment model. Proposal clearly describes how information will be analyzed and reported in a manner useful for policymaking. Proposal details for resources and staff needs are fully described in a clear and concise manner. |

4.4 EVALUATION, SCORING, AND RANKING OF BUDGET PROPOSAL

The lowest Budget proposal price or rate shall be awarded the maximum number of Budget Points (50) available under the RFP. Budget Proposals with higher prices or rates shall be awarded a percentage of the maximum Budget Points awarded based on the following formula:

$$\frac{\text{Lowest proposed budget}}{\text{Budget proposal being scored}} \times \text{Total possible points}$$

If Agency requests clarification of any pricing information included in Proposer's Price Proposal, Proposer shall provide the clarification within one (1) business days (Monday through Friday, state-observed holidays excluded) or the Proposal may be rejected as non-responsive at the sole discretion of Agency.

4.5 REFERENCE CHECKS FOR THE PROPOSER'S COMPANY

Agency reserves the right to conduct reference checks and consider such references when scoring the Proposal. 25 points are possible and will be scored as described below.

Proposer shall provide three (3) References that can rate Proposer's performance in these categories:

1. Proposer's ability to use and develop models for risk adjustment and reinsurance and apply Oregon specific data.
2. Knowledge and understanding of Oregon's small group market and trends.
3. Understanding of ACA implementation on health insurance premiums.
4. Proposer's clarity and quality of work product, including overall communication.
5. Timeliness and accuracy of similar work performed.

Each reference that is contacted will be asked to rate the Proposer on the above five (5) questions on a scale of one (1) to five (5), with five (5) being the highest. The points awarded will be the average of the three reference scores.

Agency reserves the right to request references in addition to those provided by the Proposer (References), to investigate any references whether or not furnished by the Proposer, and to investigate the past performance of any Proposer. Agency may investigate the qualifications of a Proposer, including but not limited to: successful performance of similar services; compliance with specifications and contractual obligations; its completion or delivery of services on schedule; and its lawful payment of suppliers, subcontractors, and workers. Agency may postpone the award or execution of the Contract after the announcement of the apparent successful Proposer in order to complete its investigation. See other Reservation of Agency's Rights in Section 3.10.

4.6 RANKING OF PROPOSALS

The evaluation committee shall add together the points awarded to determine the total score and ranking of each Proposal.

4.6.1 Responsive and Responsible Determinations

4.6.1.1 Responsive

To be considered responsive, the Offer shall substantially comply with all requirements of the RFP and all prescribed public solicitation procedures. In making such evaluation, Agency may waive minor informalities and irregularities. Prior to award of a Contract, Agency intends to evaluate whether the apparent successful Proposer meets the applicable standards of responsibility identified in OAR137-047-0640(1)(c)(F). In doing so, Agency may investigate Proposer and request information in addition to that already required in the RFP, when Agency, in its sole discretion, considers it necessary or advisable.

4.6.1.2 Responsible

Agency reserves the right, pursuant to OAR 137-047-0640(1)(c)(F), to investigate and evaluate, at any time prior to award and execution of the Contract, the apparent successful Proposer's responsibility to perform the Contract. Submission of a signed Proposal shall constitute approval for Agency to obtain any information Agency deems necessary to conduct the evaluation. Agency shall notify the apparent successful Proposer in writing of any other documentation required, which may include but is not limited to: recent profit-and-loss history; current balance statements; assets-to-liabilities ratio, including number and amount of secured versus unsecured creditor claims; availability of short and long-term financing; bonding capacity; credit information; material; equipment; facility and personnel information; performance record of Contract performance; etc. Failure to promptly provide this information shall result in proposal rejection.

Agency may postpone the award of the Contract after announcement of the apparent successful Proposer in order to complete its investigation and evaluation. Failure of the apparent successful Proposer to demonstrate Responsibility, as required under ORS 279B.110 and OAR 137-047-0640(1)(c)(F), shall render the Proposer non-responsible and constitute grounds for Proposal rejection, as required under ORS 297B.100.

4.7 AWARD NOTIFICATION AND PROCESS

4.7.1 Award Consideration

Award of the Contract will be determined by the Agency in its sole and absolute discretion to be in the best interest of the State of Oregon. Agency reserves the right to withdraw and and/or all items from award consideration.

4.7.2 Intent-to-Award Notice Agency reserves the right to announce its intent to award prior to Contract award by posting the tabulation sheet of Proposal results and Intent to Award Letter on ORPIN or by letter or email ("Intent-to-Award Notice"). The Intent-to-Award Notice shall serve as notice to all Proposers that Agency intends to negotiate and to make an award.

4.7.3 Award

Agency reserves the right to award a Contract to the responsible Proposer that has met the minimum proposal requirements (Section 1.6) and has received the highest total score for the technical proposal requirements and Budget Proposal.

Section 5 ATTACHMENTS

Attachment A Sample Contract

All Attachments are incorporated by reference herein.