



April 13, 2011

JOHN A. KITZHABER, MD  
Governor

Health Care, Human Services and Rural Health Policy Committee  
Oregon State Senate  
900 Court St NE Room 347  
Salem, OR 97301

Members of the Health Care, Human Services and Rural Health Policy Committee:

I am writing to express my strong support for SB 99-5, which would establish the Oregon Health Insurance Exchange and benefit thousands of individuals and businesses throughout Oregon. The proposed Exchange meets the recommendations that came from the Oregon Health Policy Board after extensive public input.

As we work to lower the costs and improve quality of health care, we must also ensure access to affordable, quality health insurance in the private market for individuals and small businesses. Under the proposal before us, we have an opportunity to design, implement and operate a state-based central Exchange for insurance.

An Exchange is a competitive insurance marketplace where people and businesses can shop for coverage that will meet their needs, find out if they qualify for federal tax credits, and enroll in affordable plans.

Local control is the best way to ensure the standards set for the Exchange will provide true transparency, true value and quality, and true empowerment for the consumer. Oregon's Exchange would be run by a public corporation with consumer and citizen oversight that sets standards for quality, transparency and accountability for insurance plans. The Exchange would be a self-sustaining service funded through private health care companies and would not use state general funds to operate.

If we do not take action, the federal government will operate an Exchange to the minimum national standards.

Below are some of the key benefits for the proposed Oregon Exchange:

**Access** – The Exchange will promote access to affordable health care coverage for more than 350,000 Oregonians. This includes an estimated 150,000 previously uninsured Oregonians who will gain coverage through the Exchange either as individuals or as part of their employer's group.

Through the Exchange, small businesses will be able to provide health coverage options to their employees through defined contributions. Additionally, the Exchange will make health care more affordable for employers by lowering administrative costs – employees will be able to sign up for

coverage on their own. The flexibility of the Exchange will also provide employees with more health insurance options, giving small businesses a tool to help hire and retain the best workforce.

**Choice, competition, value and transparency** - To have access to Exchange customers, plans offered by insurance companies in the Exchange will have to meet quality, performance, customer service and other standards set by the Exchange Board and compete on a level playing field where consumers have full information. Insurance companies will also provide uniform information about cost and coverage. Consumers will then have the ability to compare "apples to apples" among the plans and choose the plan that best meets their needs and provides them with the best value. There will also be options for plans that emphasize prevention and wellness.

**Accountability** – The Exchange will hold participating health insurance companies accountable to standards for service and quality. Additionally, the legislative accountability and oversight in SB 99 will be critically important to the success of Oregon's Exchange.

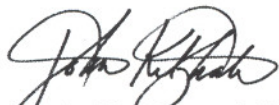
**Stable Exchange** – Risk adjustment mechanisms will be in place to mitigate risk, provide better market stability and protect consumers and small businesses that purchase health insurance through the Exchange. Federal law creates three risk management strategies, including reinsurance, risk adjustment and risk corridor programs. Federal law also requires the pooling of risk across the entire market, inside and outside of the Exchange. Senate Bill 99 gives the Exchange the authority to implement additional risk management strategies above those in federal law for those insurers participating in the Exchange.

**Conflict of interest protections** – In order for Oregon to have a strong Insurance Exchange, everyone has to be involved – consumers, insurers, providers. The current proposal limits governing board membership by the insurance industry or health care providers to two out of nine total seats. It also requires anyone on the board who has a conflict of interest on a particular issue to abstain from voting. Board members will be appointed by the Governor and confirmed by the Senate, providing the public an opportunity to evaluate the character and qualifications of prospective board members.

Oregon is well-positioned to take bold, innovative action to improve access, increase quality, and lower the cost of health care in the public and private markets. I am confident the proposed Oregon Insurance Exchange will empower consumers, mitigate disparities, and ensure access to affordable, high-quality health care for individuals and small businesses.

I hope you will join me in supporting this important health reform legislation.

Sincerely,



John A. Kitzhaber, M.D.  
Governor