Cover Oregon was the State of Oregon’s program to implement the federally mandated healthcare exchange. Oregon elected to build and operate its own exchange and decided to go wall-to-wall with the use of software and used Oracle resources to support the implementation.

The website was a disaster. After so much money have been spent website was unable to process main task – enrollments, but state found a “solution” – get back to paper enrollment. State hired around 500 new workers to process those paper applications. Oregon citizens had to mail their enrollment forms to a company, so they can be enrolled manually. With around $300 million waisted and not a single application could be enroll, Oregon and Oracle have met in a court in 2014.

Development of the website that would process online enrollments was done by [Oracle Corporation](https://en.wikipedia.org/wiki/Oracle_Corporation) and managed by the state of Oregon rather than an independent systems integrator.[[11]](https://en.wikipedia.org/wiki/Cover_Oregon#cite_note-manning-11) The project was plagued by numerous management and technological issues, and though the website was supposed to begin processing enrollments on October 1, by mid-October, it was unable to process any enrollments.[[12]](https://en.wikipedia.org/wiki/Cover_Oregon#cite_note-12) As of mid-December 2013, the deadline for enrollment for coverage beginning January 1, the state had spent nearly $160 million and the site still could not process online enrollments.[[11]](https://en.wikipedia.org/wiki/Cover_Oregon#cite_note-manning-11) Governor [John Kitzhaber](https://en.wikipedia.org/wiki/John_Kitzhaber) informed Oregon residents that they should obtain a paper application and mail it in to obtain coverage. The state hired or reassigned nearly 500 people to process paper applications.[[13]](https://en.wikipedia.org/wiki/Cover_Oregon#cite_note-13)

As of April 2014, the website was still not accepting online enrollments. 200,000 people had enrolled in Cover Oregon via paper applications, the majority through the [Oregon Health Plan](https://en.wikipedia.org/wiki/Oregon_Health_Plan) (Oregon's implementation of [Medicaid](https://en.wikipedia.org/wiki/Medicaid)).[[1]](https://en.wikipedia.org/wiki/Cover_Oregon#cite_note-katu-1) Cover Oregon Executive Director Rocky King and [Oregon Health Authority](https://en.wikipedia.org/wiki/Oregon_Health_Authority) chief information officer Carolyn Lawson both resigned in the wake of the failure of the website.[[2]](https://en.wikipedia.org/wiki/Cover_Oregon#cite_note-kgw-2) Interim executive director Bruce Goldberg stepped down in April 2014 and was replaced by Clyde Hamstreet, a consultant who specializes in corporate turnarounds.[[14]](https://en.wikipedia.org/wiki/Cover_Oregon#cite_note-hamstreet-14)

Faced with millions to make Cover Oregon functional, the board of directors voted in April 2014 to scrap the website in favor of adopting the Federal [HealthCare.gov](https://en.wikipedia.org/wiki/HealthCare.gov) website for 2015 enrollments.[[4]](https://en.wikipedia.org/wiki/Cover_Oregon#cite_note-jettison-4) Existing subscribers will have to re-enroll with the Federal exchange.wiki

**Cover Oregon** was the [health insurance marketplace](https://en.wikipedia.org/wiki/Health_insurance_marketplace) for the U.S. state of Oregon, established as Oregon's implementation of the [Patient Protection and Affordable Care Act](https://en.wikipedia.org/wiki/Patient_Protection_and_Affordable_Care_Act). Cover Oregon was intended to enable Oregonians and small businesses to purchase health insurance at federally subsidized rates.

While the intent was to allow registration and selection of coverage via a website, the site was plagued with problems, and it was possible to purchase insurance only by paper registration.[[1]](https://en.wikipedia.org/wiki/Cover_Oregon#cite_note-katu-1)[[2]](https://en.wikipedia.org/wiki/Cover_Oregon#cite_note-kgw-2) As of January 2014, almost $200 million of the $300 million allocated to develop and operate the Cover Oregon website had been spent.[[3]](https://en.wikipedia.org/wiki/Cover_Oregon#cite_note-3)



**Cost**

In August 2014, Oracle Corporation sued Cover Oregon for breach of contract,[[15]](https://en.wikipedia.org/wiki/Cover_Oregon#cite_note-15) for allegedly using their software without paying[[16]](https://en.wikipedia.org/wiki/Cover_Oregon#cite_note-IPclaim2014-16) and then later that month the state of Oregon sued Oracle Corporation, in a civil complaint for breach of contract and "racketeering".[[17]](https://en.wikipedia.org/wiki/Cover_Oregon#cite_note-17) By September 8, 2014, Oracle America had filed an amended complaint in federal court accusing Oregon of copyright infringement as Oregon was alleged to be using and distributing unpaid-for works derived from Oracle America's software.[[16]](https://en.wikipedia.org/wiki/Cover_Oregon#cite_note-IPclaim2014-16)

In March 2015, Oregon Governor Kate Brown signed legislation dissolving Cover Oregon.

The parties came to a settlement in September 2016, in which Oregon accepted a package that included $35 million in cash payments from Oracle, and technical support and software licensing agreements with an estimated value of $60 million. Although only a portion of the $240 million spent by the state to develop the system was recouped, a significant part of that expenditure was provided by the federal government, which would likely have claimed additional cash settlement would likely have been claimed.[[18]](https://en.wikipedia.org/wiki/Cover_Oregon#cite_note-register-18)

The *Portland Tribune* criticized the settlement: "But when the details are examined, it's clear Oracle came out the clear winner in these negotiations, while Oregon receives very little beyond its legal costs."[[19]](https://en.wikipedia.org/wiki/Cover_Oregon#cite_note-19)

**Federal investigation**[[edit](https://en.wikipedia.org/w/index.php?title=Cover_Oregon&action=edit&section=4)]

In March 2014, the FBI announced it was launching an investigation into possible criminal wrongdoing related to the failed development of the site.[[5]](https://en.wikipedia.org/wiki/Cover_Oregon#cite_note-fbi-5) Subpoenas were issued in May 2014 by a grand jury.[[20]](https://en.wikipedia.org/wiki/Cover_Oregon#cite_note-20) As of May 2016 the FBI investigation into Cover Oregon was on-going.[[21]](https://en.wikipedia.org/wiki/Cover_Oregon#cite_note-21)

<https://en.wikipedia.org/wiki/Cover_Oregon>

Cover Oregon is the State of Oregon’s version of the Federal Government’s Healthcare.gov.  In 2010, Oregon chose to build its own healthcare exchange program rather than adopt the Federal exchange.  The state leveraged federally granted money of over $300 million dollars to build Cover Oregon’s website.  This was paired with another program to replace the IT systems supporting the state’s Health and Human Services departments.

Oracle software was selected to support the implementation of both of Oregon’s programs.  Oracle also provided the overwhelming majority of the consulting and programming services required to configure the exchange and build the integrations to the federal systems, local health care providers, insurance brokers, and the remaining state systems.

Most prominently, Oracle has sued Cover Oregon for $24 million dollars in payments it believed it is owed for services rendered.  Oregon has sued Oracle on the basis or racketeering charges that could potentially amount to over $5 billion dollars in damages.  Recent revelations regarding the apparent delegation of Cover Oregon’s fate to the Governor’s campaign staff has all but sealed the deal for Oracle to win its suit against the state and ultimately contributed to the Governor’s resignation in February.

The irony is that Oregon has had to work through the courts to keep Oracle working on the portions of the systems that do work.   Oracle’s contract expired at the end of February 2015.  The company had expressed no interest keeping the internals of Oregon’s healthcare system operational.  Oregon has petitioned through the courts to force Oracle to stay on the job until the exchange can be transitioned.  These petitions were granted at the end of February.

From our research, the single most important critical success factor of any transformation program is the ability to make quality decisions.  Now, nobody is in the business of making bad decisions and it is easy to Monday morning quarterback, so let’s explore the eight most pivotal decisions that set the course for this epic failure.

#### 1. Expand the scope of the exchange project to include replacing all of the Department of Human Services systems

Clearly driven by Oregon’s desire to keep taxpayer costs low, it is fundamentally a bad decision to expand scope when you are dealing with a project that has a deadline mandated by federal law.  While other states building their own exchanges were shedding scope to keep the project manageable, Oregon took its first step toward failure by expanding.

#### 2. Creation of the Oregon Health Authority

The Oregon legislature split the Department of Human Services (DHS) into two independently operating bodies by creating Oregon Health Authority (OHA).Responsibility for the health exchange was assigned to OHA while the support for the remaining systems was left with DHS.  The split was intended to create focus for the OHA project team to deliver the exchange.

However, when combined with Decision 1, this decision created a complex program governance structure which had a destabilizing effect on the team.  Later, a third governing body was created in the form of Cover Oregon.  Cover Oregon was the private company that was formed to operate the exchange after it was put in place.

#### 3. Wall-to-wall Oracle Software

The decision to select Oracle’s recommended application software suite to build the exchange and the replacement of the systems for DHS appears to be a last man standing scenario.  All other vendors dropped out of the bidding when faced with the broad scope of requirements and the tight deadlines for delivery.  The state’s software project team also selected almost every other Oracle product in support of the exchange databases and operating infrastructure.

The idea of selecting all software from one vendor conceptually supports reducing risk.  However, in this case, the vast expanse of software implemented increased the risk given that the Oregon IT teams had no prior experience with the Oracle product lines.  Further, it was later revealed that the combination of Oracle products selected had never been put in place in a production environment.

#### 4. Not to engage a system integrator other than Oracle

In an attempt to save money, the appointed CIO determined that the state did not require the services of a systems integrator independent from Oracle.  Instead, they decided to train their own team on Oracle products to drive a self-sufficient organization.  The logic behind this decision is clear, if you train your own people, you can create independence from your service provider and ultimately create the potential to deliver greater value to the organization.

However, the State of Oregon did not have the staff available to train and were losing as many people as they hired.  A staff of Oracle programmers coupled with a program lead that lacks experience is typically a recipe for disaster.

#### 5. The sole use of time and materials contracts

There were over 40 separate time and material purchase orders cut for Oracle services.  The background investigations have shown that these contracts lacked specific deliverables and did not hold Oracle accountable to specific delivery targets or objectives.  I suspect that the lack of a clear project scope, the tight time table as well as the uncertainty regarding the overall capabilities of the Oregon team was logic behind this decision.  Clearly defined contracts with the proper incentives put project teams in the best position to succeed.

#### 6. Choosing not to heed the advice of independent risk assessors

The program clearly had sufficient structural oversight.  In fact, there were at least six different departments, firms, or governing bodies that conducted reviews of the program.  Nearly all of them reported the exchange program was in trouble and major and dramatic actions were required to put it back on track.  Why were these reports not heeded?  Evidence suggests in many cases the reports were scrubbed and toned down or even suppressed before reaching the highest levels of governance.

In one documented situation, the independent review firm’s payment was withheld due primarily to the findings of the risk associated with the report.  Another possibility is that everybody understood the program was high risk; the reports were simply an acknowledgment of this.  My take is that the decision not to heed the advice of the independent risk advisors ties back to the complexity of the governance structure.  The program lacked a single point of accountability from which to make specific decisions regarding the risk mitigation actions to take.

#### 7. Choosing not to put a contingency plan in place

Given all of the problems that were in plain sight, it is unclear why Cover Oregon had no contingency plan in place in the event of failure.  Documentation shows that even as short as 3 weeks before the expected go-live, it was apparent that the team was not ready.  Following the failed go-live, Cover Oregon was faced with hiring data entry and customer services teams to take hard-copy applications and load them into the state’s systems.  One can only speculate it was pure hubris and summit fever that pushed the team to go-live without a net.

<https://upperedge.com/erp-program-management/7-decisions-that-doomed-cover-oregon/>

A congressional panel recently released [a report](https://oversight.house.gov/wp-content/uploads/2016/05/OGR-Cover-Oregon-Report-UPDATE.pdf) on Oregon’s failed $305 million health insurance exchange, Cover Oregon. The Washington Post [reported](https://www.washingtonpost.com/national/congressional-panel-releases-critical-cover-oregon-report/2016/05/25/6fbf2d06-227a-11e6-b944-52f7b1793dae_story.html?postshare=5081464345210282&tid=ss_tw), “Republicans on the [U.S. House] committee said they are asking the Justice Department and state attorney general to conduct criminal investigations into the actions involving Cover Oregon.”

The Washington Post also noted, “Democrats on the panel blamed the state’s contractor, California-based Oracle Corp., for the website’s problems.” Blaming Oracle [was also the strategy](http://www.wweek.com/news/2015/02/24/kitzhabers-secret-weapon/) of a “secretive campaign consultant” for former Democratic Gov. John Kitzhaber, who “by her own admission” “knew virtually nothing about health care reform or the reasons Cover Oregon had crashed.”

But who’s really to blame here?

Regardless of [Oracle’s issues in delivering the Cover Oregon website](http://portlandtribune.com/pt/9-news/294405-171739-documents-oracle-doesnt-want-you-to-read-), the problem for Democrats in blaming Oracle is that it’s just an attempt to shift blame from Kitzhaber’s administration.

Who selected Oracle? Who created and signed the contract with Oracle? Who managed and audited Oracle during the development of Cover Oregon?

As I noted back in June 2014, Kitzhaber was “the head of the executive branch that was charged with implementing Cover Oregon. The people in charge of the agencies who were building Cover Oregon were appointed by the governor, including [Rocky] [King](https://www.thelundreport.org/content/rocky-king-named-permanent-director-oregons-health-insurnace-exchange) and [Bruce] [Goldberg](http://www.ohsu.edu/xd/health/services/dermatology/for-healthcare-professionals/annual-lectures/storrs-lectureship/storrs-lecture-2013-goldberg.cfm). The chairwoman of the Cover Oregon Board [is still Liz Baxter](https://www.coveroregon.com/discover/board). Kitzhaber [nominated](file:///\\localhost\about\o%2509https\:www.wecandobetter.org:2011:08:liz-baxter-appointed-to-oregon-health-insurance-exchange-board:) Baxter to the Cover Oregon Board back in August 2011. Baxter [came up through the organization](http://www.wecandobetter.org/2011/08/liz-baxter-appointed-to-oregon-health-insurance-exchange-board/) Kitzhaber founded in 2006, [the Archimedes Movement/We Can Do Better](https://www.wecandobetter.org/who-we-are/history/) — a progressive organization advocating for health care reform.”

On the question of “who selected Oracle,” the answer is the Kitzhaber administration. And they did so knowing there was at least one less expensive vendor, Exeter, who [had already developed](http://media.katu.com/documents/Sheehan+Health+Exchange+Emails.pdf) a system they were able to demonstrate using Oregon data.

Instead, the Oregon Health Authority’s chief information officer, Carolyn Lawson, chose to go with Oracle and have them build a system from scratch. Lawson reported to Kitzhaber appointee Bruce Goldberg.

In June 2011, the Oregon Legislature [approved](http://www.oregonlive.com/health/index.ssf/2011/06/massachusetts_health_insurance.html) the “creation of an Oregon Health Insurance Exchange, a marketplace where residents can buy government-subsidized health insurance.” Lawson [started as OHA CIO](http://www.govtech.com/health/Oregon-Health-Authority-Names-Carolyn-Lawson-CIO.html) on July 1, 2011, having been hired as someone who was “able to deliver IT projects on time and on budget.” Cover Oregon was supposed to launch on Oct. 1, 2013.

According to [a December 2012 legislative hearing](https://www.youtube.com/watch?v=3CU2Xub1Z7Q), Lawson was in contact with Exeter sometime late in 2011, but favored Oracle. After many months of frustration, then-state Rep. Patrick Sheehan, R-Clackamas, [wrote to](http://media.katu.com/documents/Sheehan+Health+Exchange+Emails.pdf) Democratic Gov. John Kitzhaber in December 2012 on the lack of progress on Cover Oregon.

Sheehan wrote, “For the past nine months in my Legislative Audits committee I have been frustrated with the lack of progress from the Health Insurance Exchange — asking repeatedly why they insist on trying to build a system from the ground-up rather than leverage existing software that other states are adopting.”

He also noted, “It is my understanding that we are spending $6 million a month on consulting services with Oracle to build the system from the ground-up,” and that in September 2012 he “was contacted by Exeter — a software vendor who designed the [health insurance exchange] in Massachusetts.” Sheehan further noted Exeter had “demonstrated a live health insurance exchange — using Oregon data — that was almost fully functional (the only element not functional was the communication with a Federal system that is not yet available).”

Sheehan called on Kitzhaber to “take swift and dramatic action to change the course of [the Cover Oregon] project” and to fire Lawson for supposedly “lying to a Legislative Committee and wasting millions of taxpayer dollars.”

Sheehan told Kitzhaber he thought Lawson was choosing Oracle over other vendors like Exeter because she was ultimately “in pursuit of a consulting job with Oracle.”

Sheehan’s warning to Kitzhaber was 10 months before Cover Oregon was supposed to launch. Kitzhaber did nothing. When KATU later asked Kitzhaber about Sheehan’s warning, Kitzhaber walked out of the interview – which [made national news](http://www.huffingtonpost.com/2014/01/10/governor-kitzhaber-obamacare_n_4576788.html).

On the question of “who managed Oracle during development of Cover Oregon,” the Portland Business Journal [reported in December 2013](http://www.bizjournals.com/portland/blog/health-care-inc/2013/12/oregon-health-authority-information.html) “[Carolyn] Lawson nixed plans to hire a technology-savvy contractor to oversee the work of Oracle,” and “Lawson argued that the state could handle oversight of Oracle on its own. Critics have since noted that Lawson may have been overly close to Oracle, having served as a featured speaker at the company’s annual trade show in 2012 and 2013.”

The blame for the Cover Oregon failure rests squarely on the shoulders of [Gov. John Kitzhaber and his administration](https://www.statesmanjournal.com/story/news/politics/2016/05/25/congressional-panel-releases-critical-cover-oregon-report/84901000/). For Democrats to try to blame Oracle is both disingenuous and inaccurate.

https://www.statesmanjournal.com/story/opinion/columnists/dan-lucas/2016/05/31/blame-cover-oregon-failure/85174300/