

In 2011, the State hired a private contractor, Oracle America, Inc., both to modernize its social services systems and develop a health insurance exchange website through which Oregonians would shop for and obtain the insurance coverage required in the federal Affordable Care Act. In early 2013, the State transitioned the development of the health insurance exchange website to Cover Oregon. On October 1, 2013, when the website was to be fully operational for the public, it did not work and was never launched to the public. On April 25, 2014, the Cover Oregon Board voted to move to the federal website for certain services. In November 2014, Cover Oregon completed its transition to the federal exchange. In addition, the State's project to modernize its social services systems was also placed on hold in 2013.

In June 2014, the Oregon Attorney General launched a false claims investigation into Oracle's charges for both the State's modernization project and the Cover Oregon website. While the investigation was pending, on August 8, 2014, Oracle sued Cover Oregon in federal court for breach of contract and quantum meruit, claiming it was owed an additional \$23 million for its work. On September 8, 2014, Oracle amended its complaint to add the State as a defendant and added claims for copyright infringement and breach of the implied covenant of good faith and fair dealing against Cover Oregon. Since then, Oracle has dismissed its claims in federal court except for copyright violations. Oracle refiled its other claims against Cover Oregon, as counterclaims, in the State Court proceeding. The State currently has motions pending against Oracle's copyright claims in federal court based on 11<sup>th</sup> Amendment immunity.

After concluding the false claims investigation, on August 22, 2014, the Attorney General, the State, and Cover Oregon filed suit for damages against Oracle, Oracle's co-CEO, other current and former Oracle employees, and Mythics, Inc., an Oracle distributor, in Oregon State Circuit Court for Marion County for fraud, breach of contract, violations of the Oregon False Claims Act and the Oregon Racketeer Influenced and Corrupt Organizations Act. Since the lawsuit was filed, Oracle twice removed the case to the Oregon federal district court and the federal court twice remanded the case back to Marion County Circuit Court. As of April, 2014, the case is pending in state court and discovery is proceeding. The State seeks approximately \$240 million in damages, plus penalties, punitive damages, investigative fees, attorney's fees and costs. Oracle counterclaims for approximately \$23 million for alleged unpaid services provided to Cover Oregon between October 2013 and February 2014.

In February 2015, Oracle threatened to shut off the hosting services the State uses to run its Medicaid enrollment system. On February 13, 2015, the State filed an additional lawsuit in Marion County Circuit Court to enjoin Oracle from turning off service. On February, 27, 2015, the Marion County court issued a preliminary injunction prohibiting Oracle from ceasing to provide hosting services for a period of one year. During this time, the State plans to transition to a Medicaid eligibility determination and enrollment system developed by the State of Kentucky which does not use Oracle products. The State expects the non-Oracle system to be operational in January 2016.

There are several ongoing federal investigations, including by the Government Accountability Office, the United States Grand Jury for the District of Oregon, and committees in both the United States House of Representative and Senate. The State is cooperating fully in those investigations.