
Oregon's Sustainable Health Care Cost Growth Target Program (SB 889, 2019)

California Assembly Health Committee

February 25, 2020

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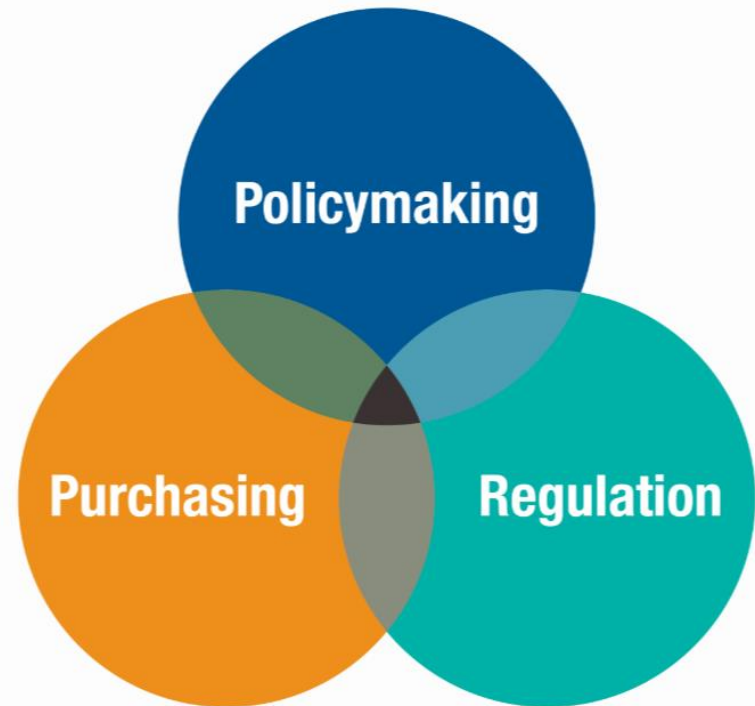


Oregon Health Authority, est. 2009

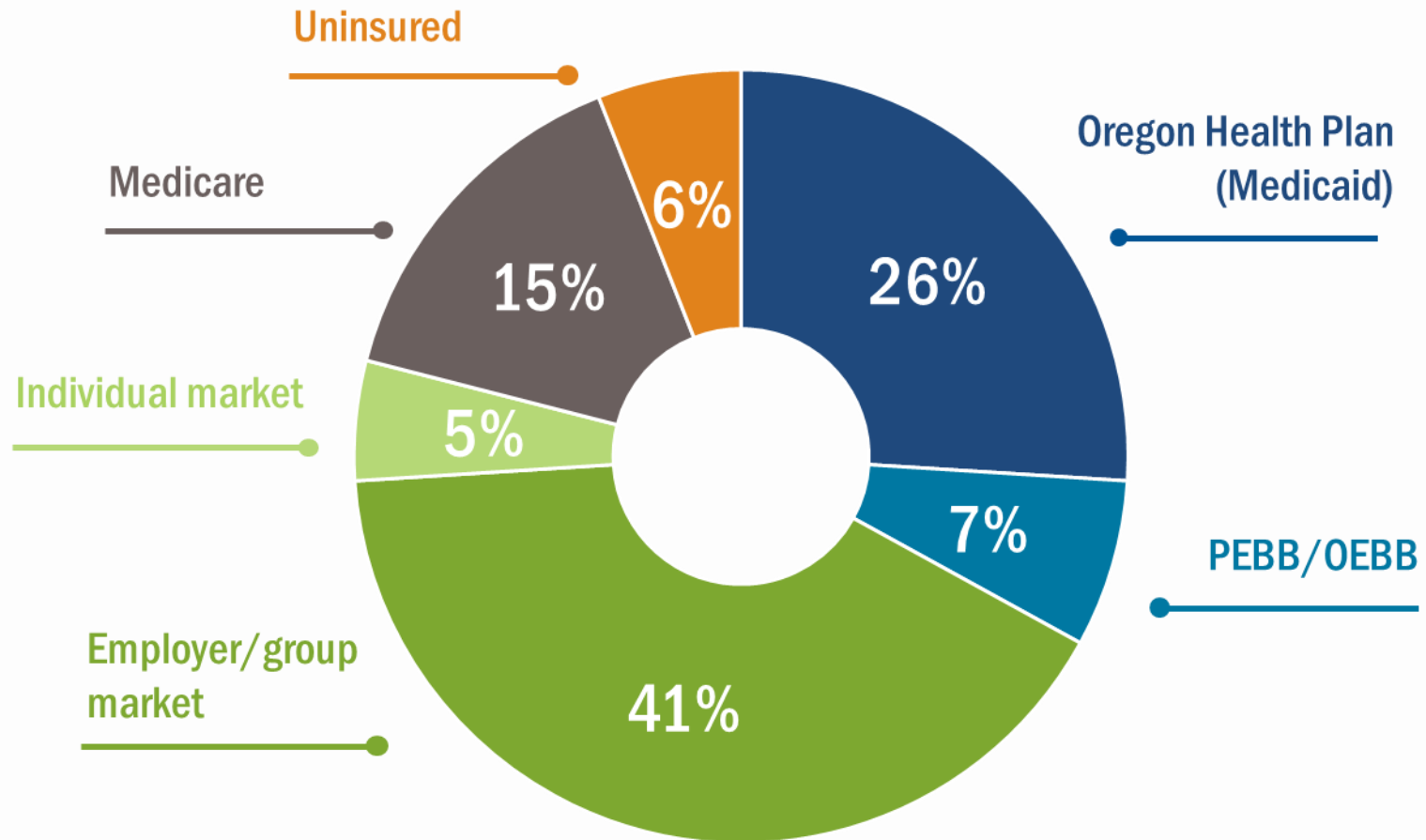
Responsible for most health-related programs, including:

- Medicaid
- Behavioral Health
- Public Health
- Oregon State Hospital
- Public Employee Benefits

Overseen by nine member Oregon Health Policy Board



OHA is the largest health care purchaser in the state, covering 1 in 3 Oregonians.

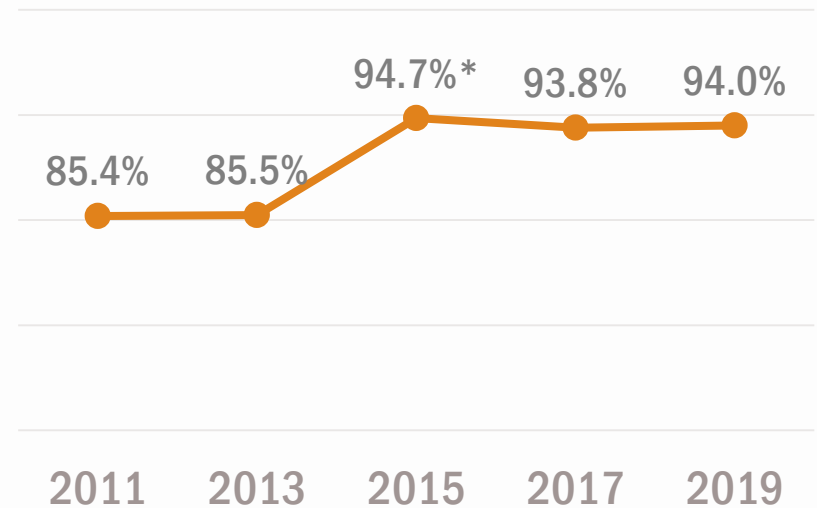


What's the
problem?

Oregon has made large gains on expanding coverage...

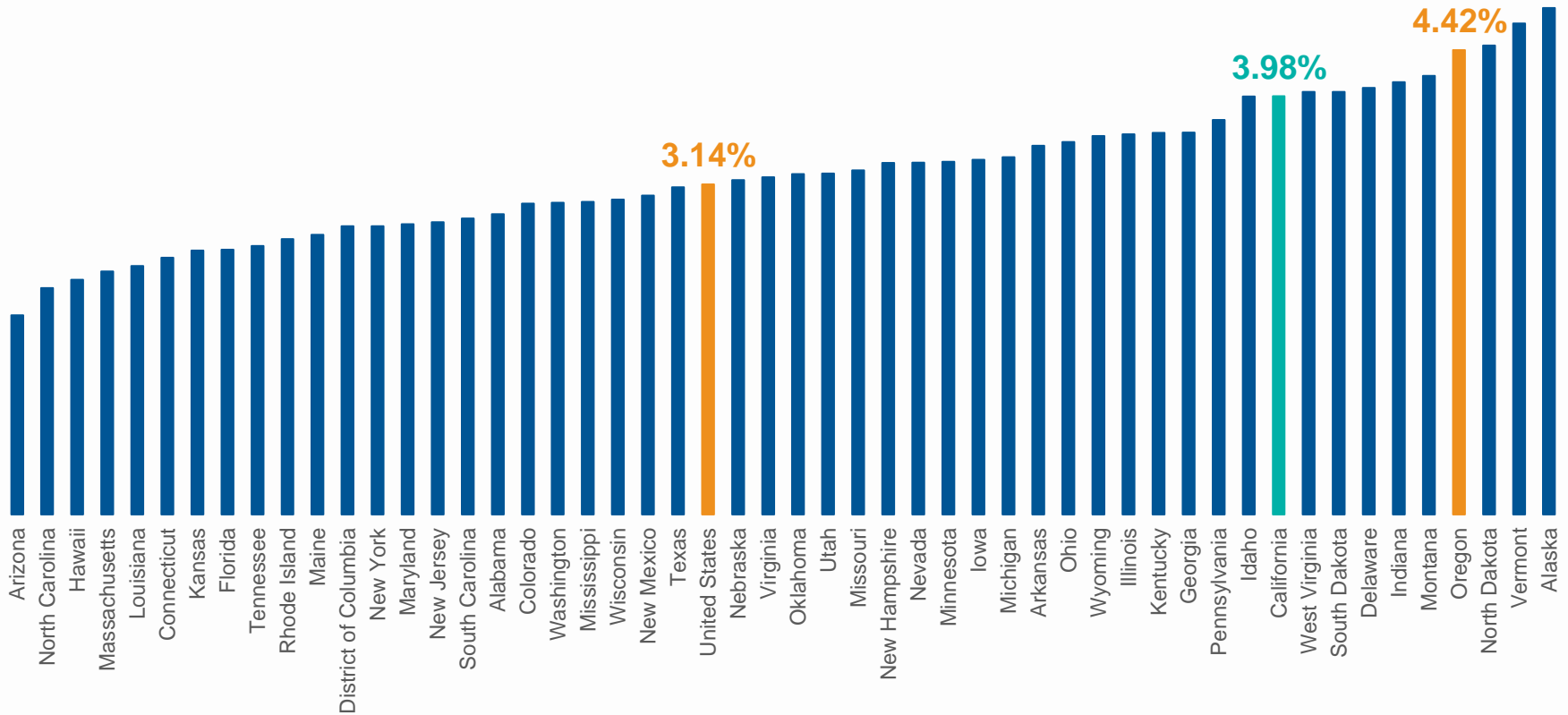
...but costs are high and growing.

94% of Oregonians are insured



*Statistically significant difference from the previous year at 90% confidence level.
Source: Oregon Health Insurance Survey

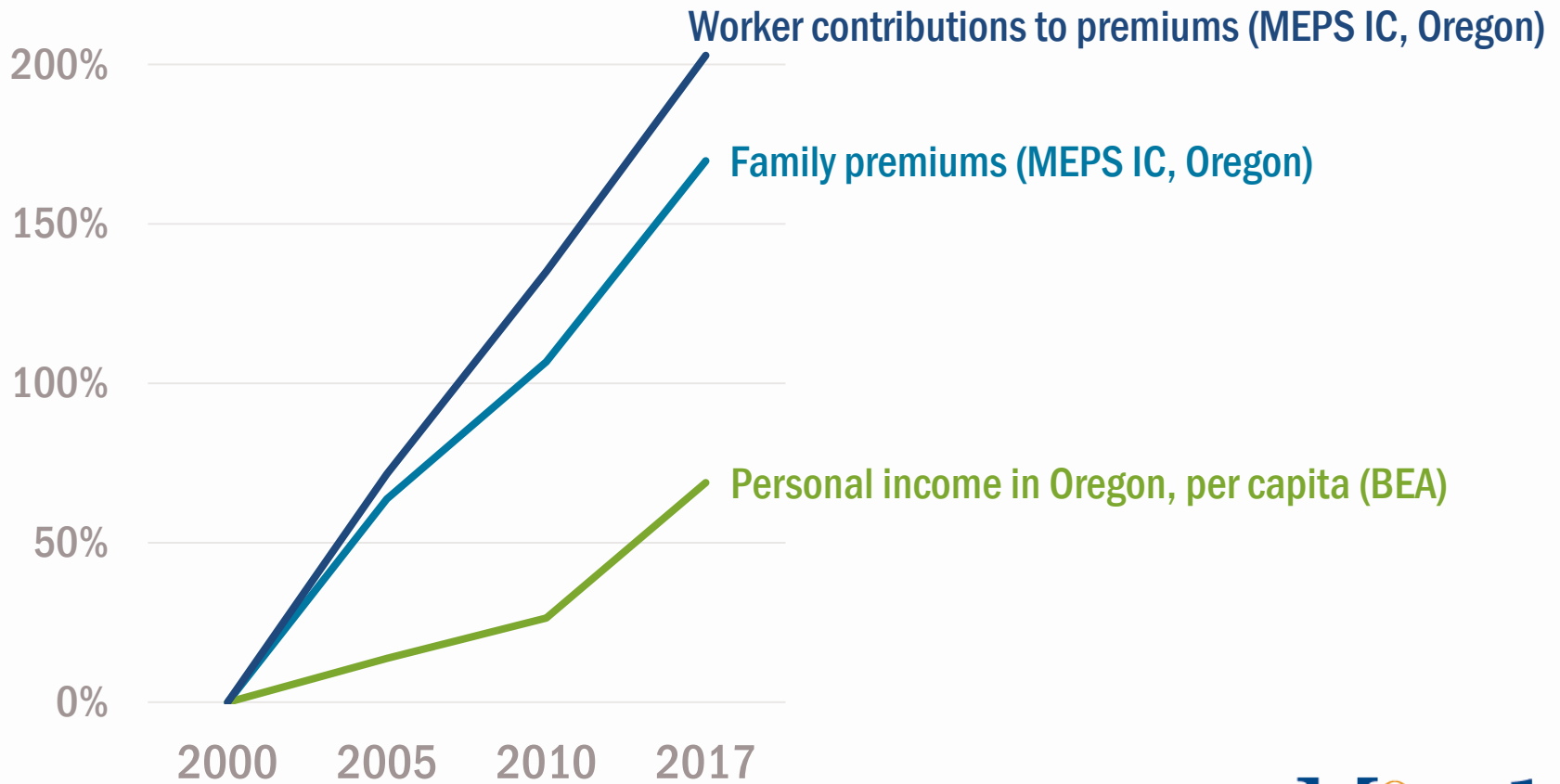
Oregon health care spending grew at the 4th highest rate between 2009-2014.



Source: US Census Bureau and Center for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group

Health care costs, and the share paid by consumers, is growing faster than income and wages.

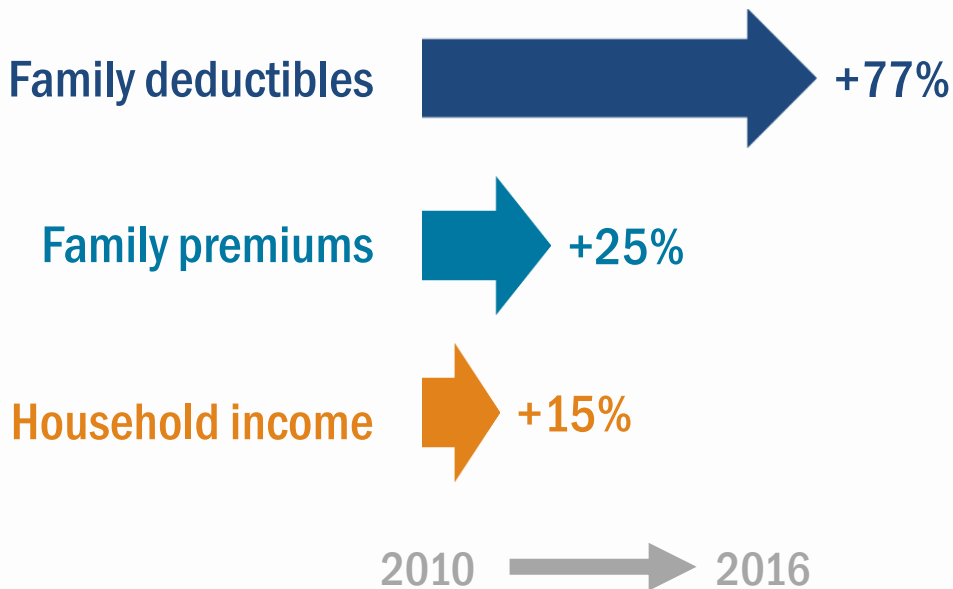
Since 2000, Oregon employer-sponsored insurance premiums have grown three times faster than **personal income**.



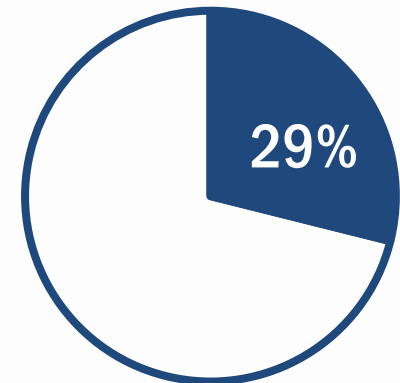
Sources: Worker contributions and family premiums: MEPS IC, Oregon; Personal income: BEA

The burden of health care costs is high for Oregon families.

Oregon **premiums** and **deductibles** are growing faster than **household income**.
(Percent change 2010-2016)



In 2016, Oregon premiums equated almost a third of a family's total income.



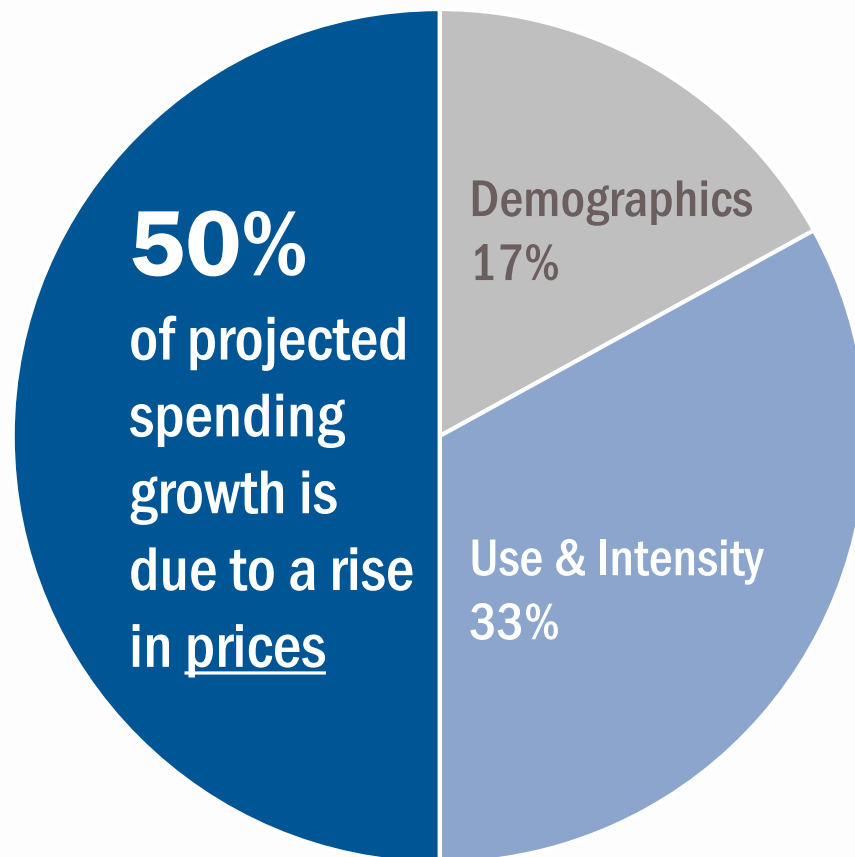
Source: "The Burden of Health Care Costs for Working Families" Penn LDI, April 2019

Health care is expected to grow to 19.4% of GDP by 2027.

CMS projects costs to grow 4.7% per person, per year.

There are many factors that impact cost growth.

But increases in the price of services is the largest contributor.

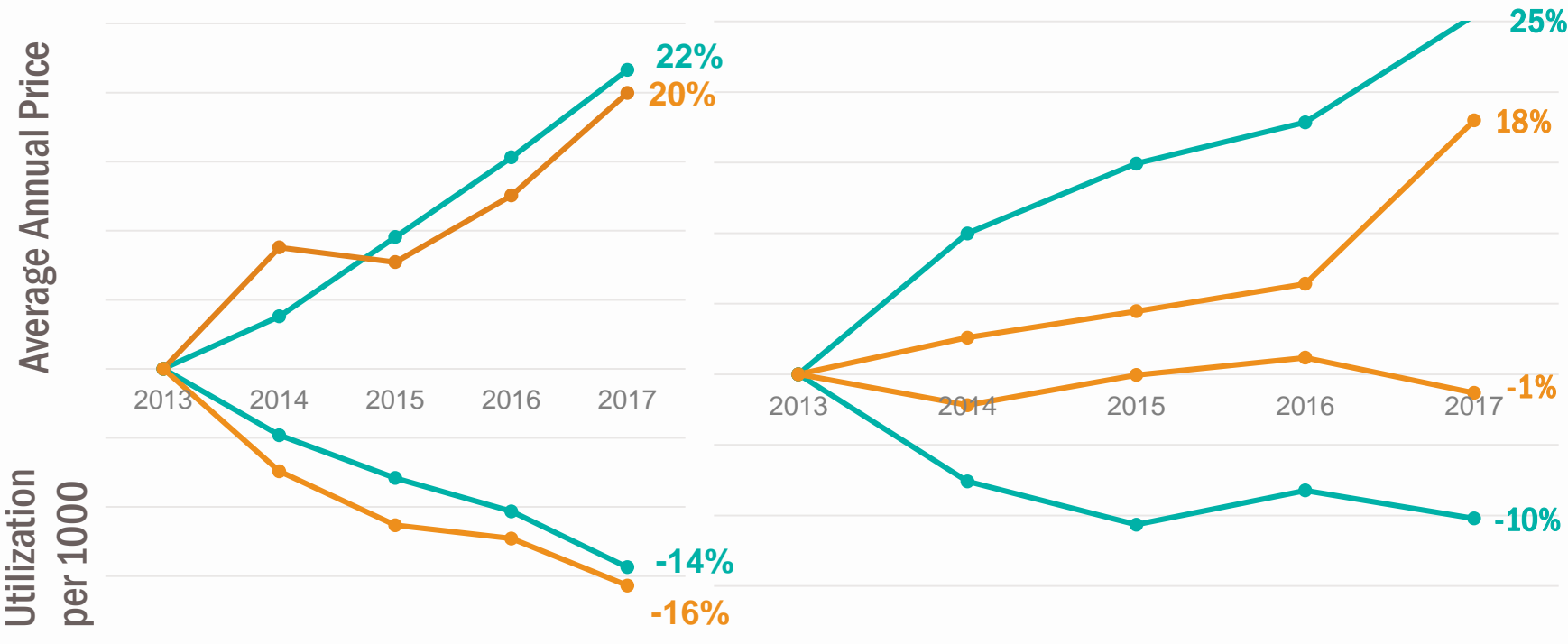


Source: Sisko et al, "National Health Expenditure Projections, 2018-2027: Economic and Demographic Trends Drive Spending and Enrollment Growth." *Health Affairs*, 2019.

Cumulative changes in price and utilization, Oregon and California

Inpatient

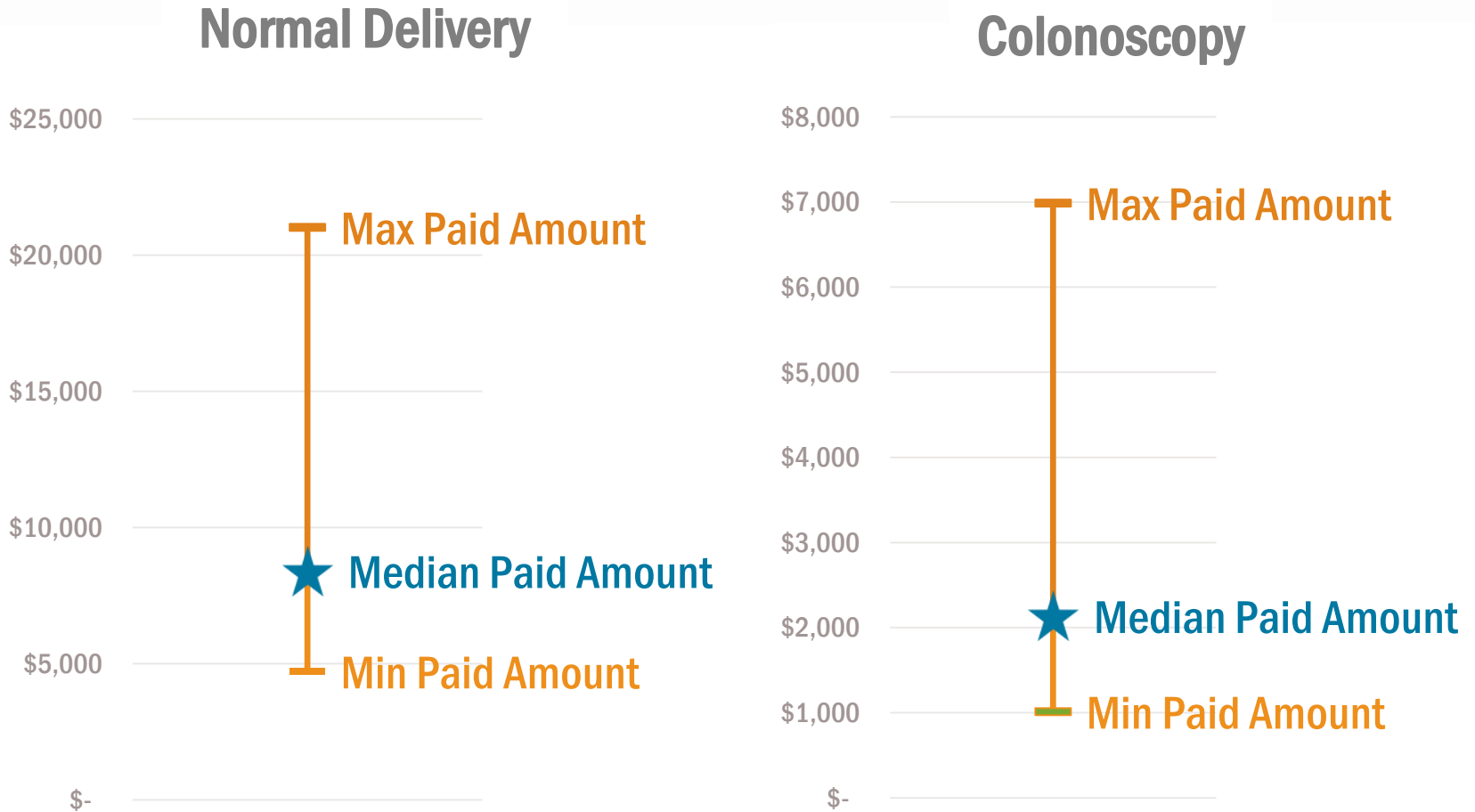
Outpatient



Source: Health Care Cost Institute, 2017 Health Care Cost and Utilization Report Appendix Tables



Prices also vary dramatically in the Oregon commercial market.



Source: Oregon Health Authority 2016 Hospital Payment Report

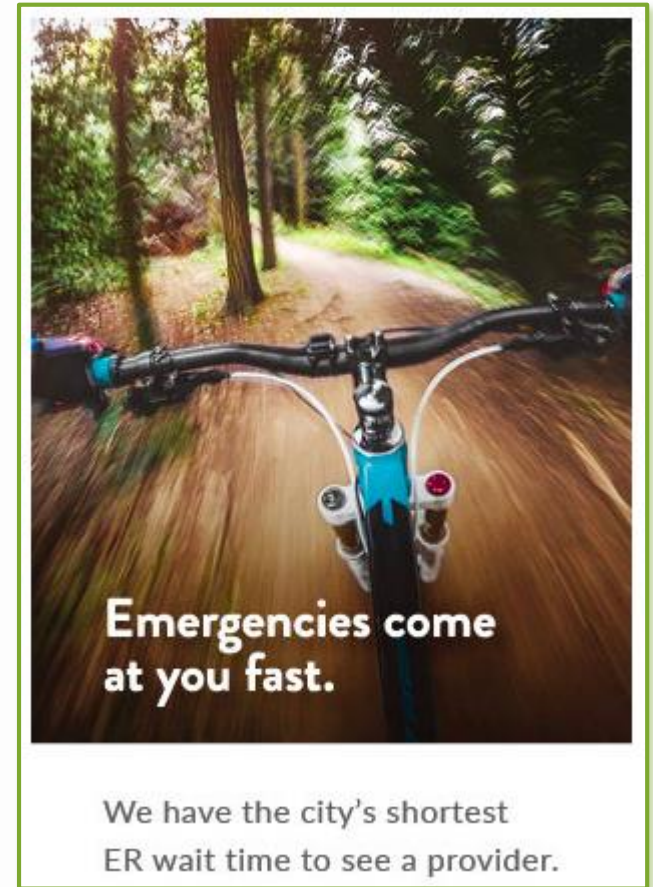
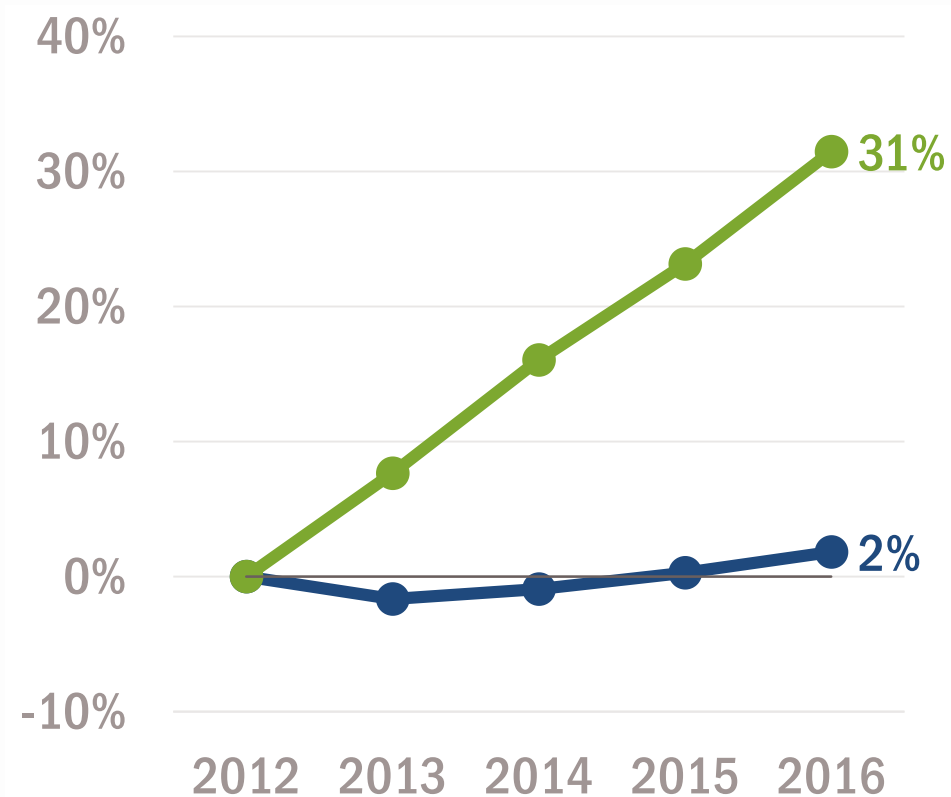
What's the proposed
solution in Oregon?

Establish a statewide health care cost growth target

- 2017 Legislative Task Force looked at hospital rate-setting process in Oregon (modeled on Maryland).
- Recommended setting a target for **total per capita spending increases** that applies to **all payers and providers**.
- While price is currently largest cost driver, utilization also impacts costs.
- Goal: **realign incentives** to focus the system on value and living within a sustainable budget, rather than revenue.

The struggle to contain costs...

Cumulative change in emergency department **utilization** and **price**.



Source: Health Care Cost Institute, 2016 Health Care Cost and Utilization Report

Why a statewide cost growth target?



Common goal

Payers and providers are publicly responsible for reducing health care cost growth.



Sustainable target

Selecting a target that ensures health care costs do not outpace other economic growth, such as general inflation or wages.



Transparency

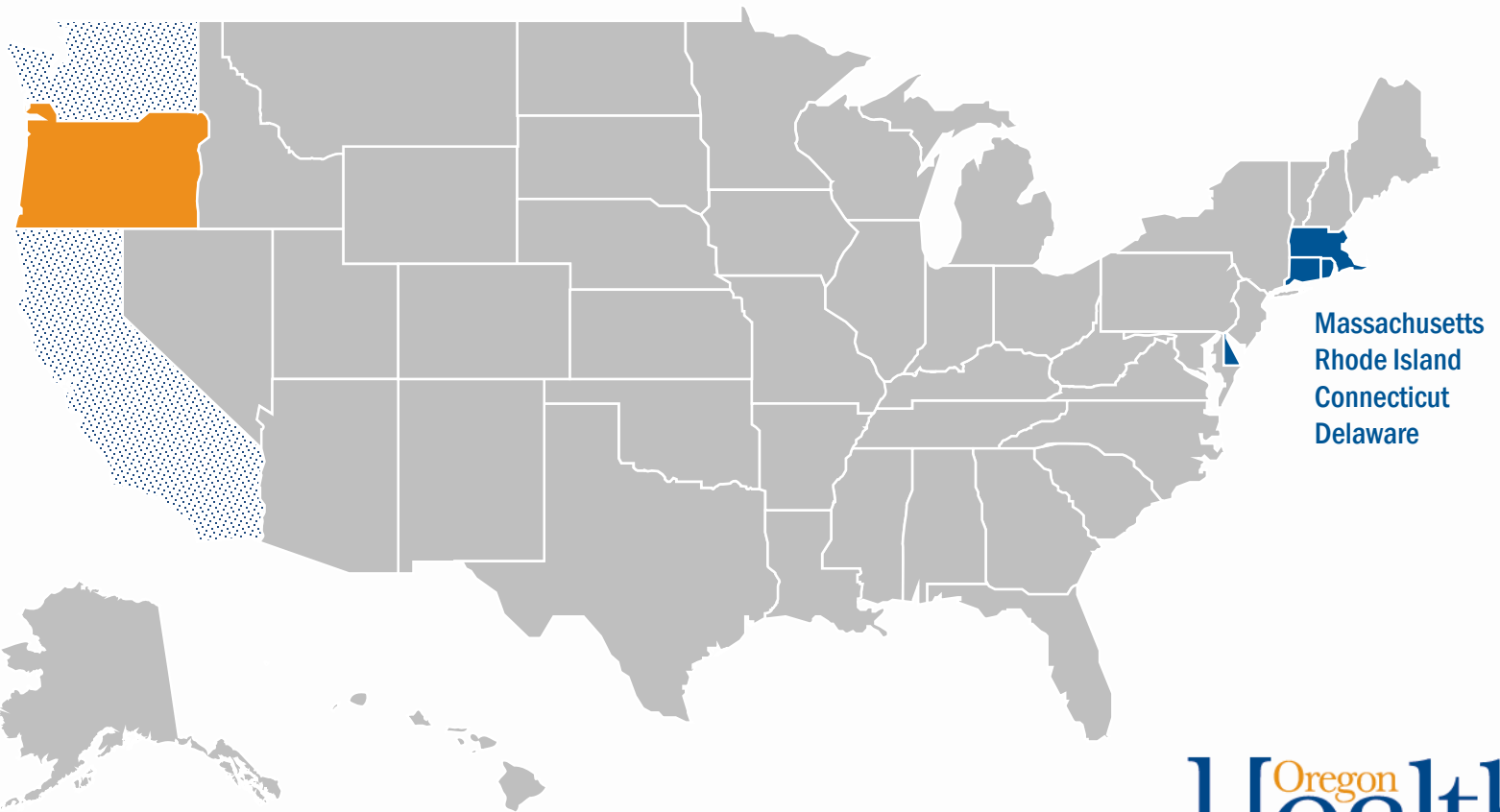
Reasons for cost growth are studied and publicized, informing policy recommendations.



Total cost of care approach

Taking a total cost approach allows payers and providers to shift from volume to value-based approaches.

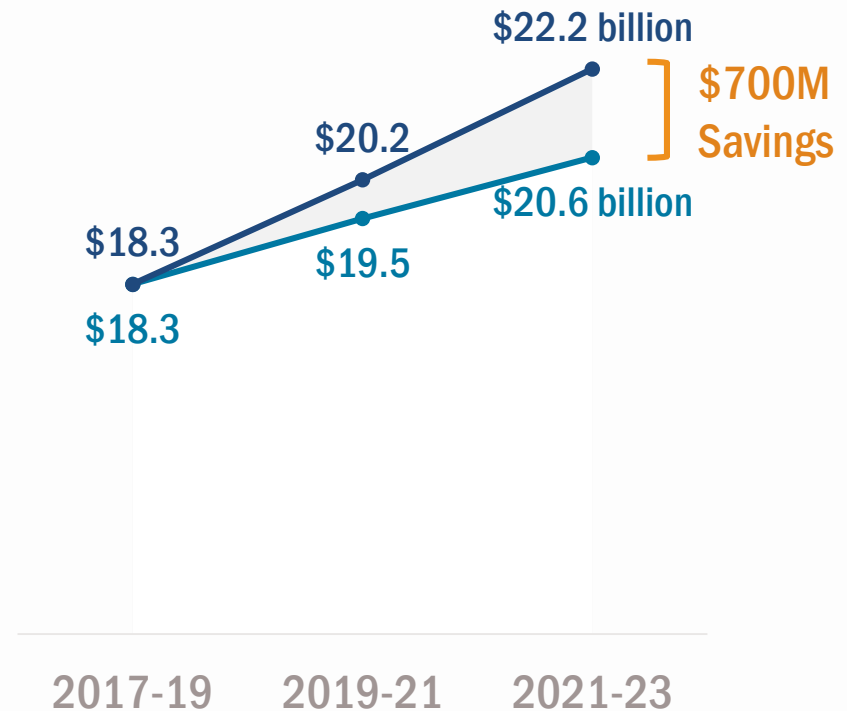
Oregon is the 4th state to establish a statewide health care cost growth target program



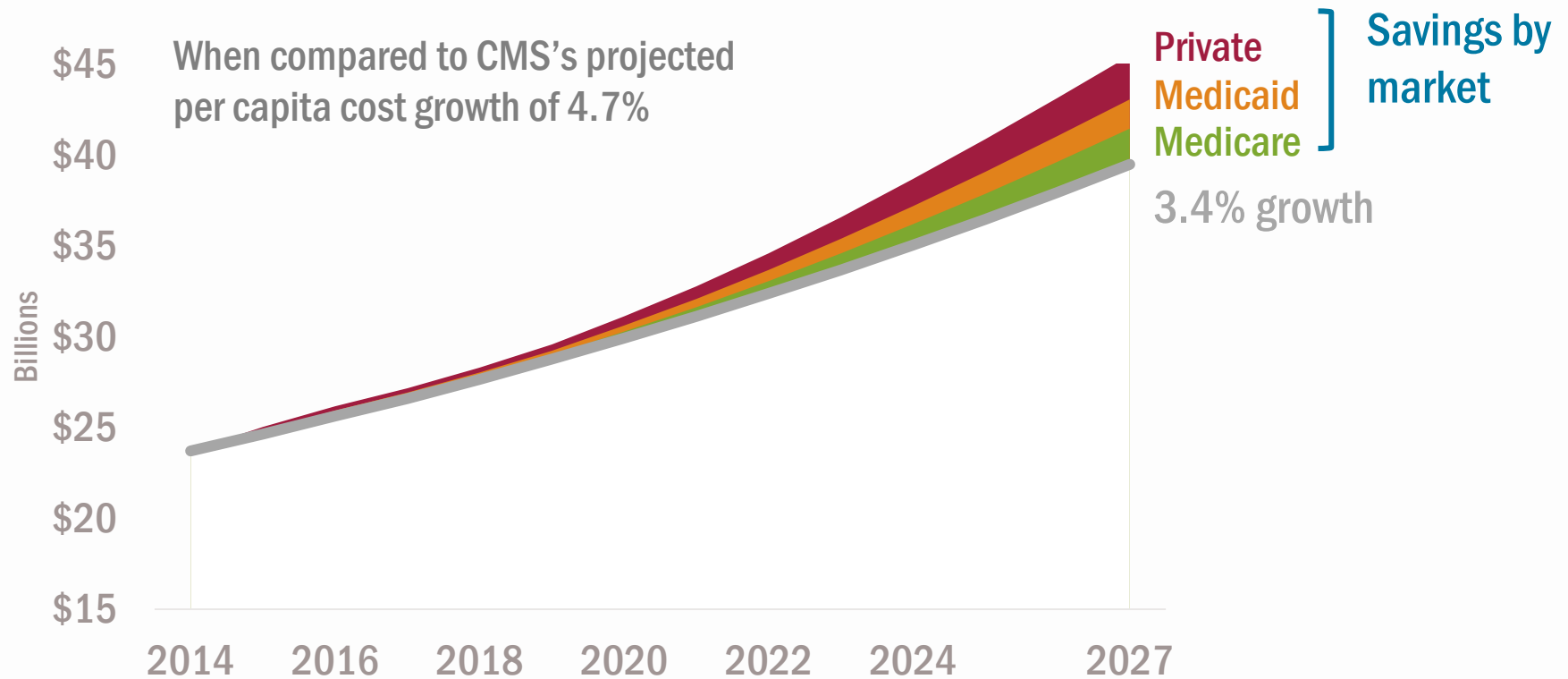
Oregon state programs are already subject to a cost growth target.

The Oregon Health Plan (Medicaid) has been required to limit the per capita annual growth rate to 3.4% since 2012 (part of 1115 waiver)

Public employee benefit programs have also been capped at 3.4% growth (legislative budget and statute)



Holding cost growth to 3.4% statewide would save Oregonians \$29 billion between 2018-2027.



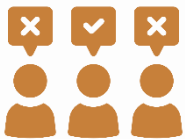
Notes: Medicare enrollment growth projected to be 2% annually.

Sources: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

SB 889 (2019) establishes the Sustainable Health Care Cost Growth Target program.



Creates a **framework** and key functions of the cost growth target program.



Establishes an **Implementation Committee** under the Oregon Health Policy Board to develop program details.



Requires an **Implementation Plan** to the Legislature in September 2020.



The Implementation Committee is charged with...

Setting the cost growth target

Developing a data use strategy

Identifying enforcement and accountability strategies

Identifying a governance plan

Addressing quality and equity

OHA has authority to launch the program...



Including data collection and public reporting

...but enforcement requires additional legislative action.



The Implementation Committee will recommend enforcement mechanisms to the legislature for consideration in the 2021 session

What **program details**
have been decided to date?

What is the health care cost growth target?

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
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Cost growth target = **3.4%**

First five years

Informed by historical GDP and historical median wage

Cost growth target = **3.0%**

Next five years

An advisory group will reconvene before 2026 to determine if the cost growth target of 3.0% is appropriate

The cost growth target applies at 4 levels

Statewide

Statewide

Market Level

Medicare

Medicaid

Commercial

Insurer Level

Fee-for-
service

MA
Insurers

Fee-for-
service

CCOs

Insurers*

Provider Level

Large Providers with
Attributed Members

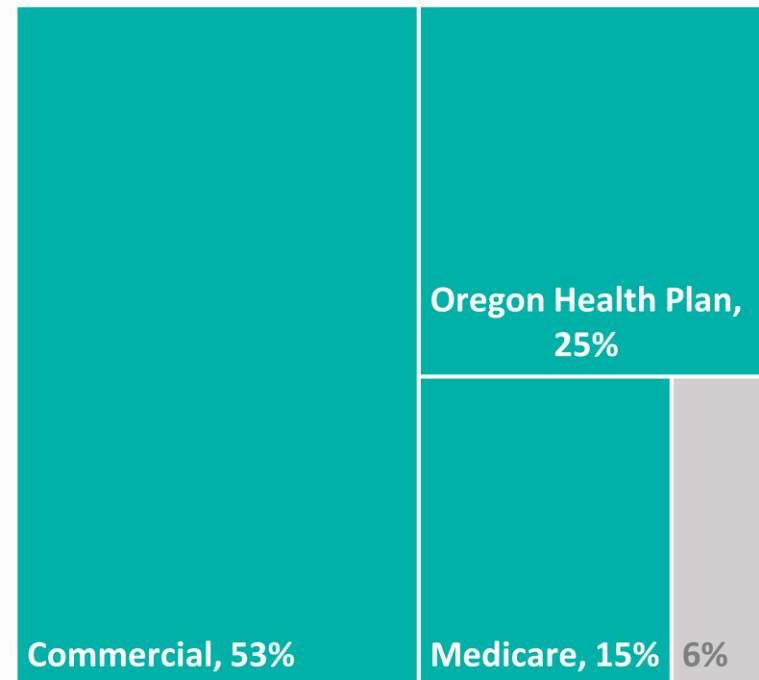
Small Providers with
Attributed Members
(providers not
separately identified)

Spending for
Unattributed Members

*for insured and self-insured business

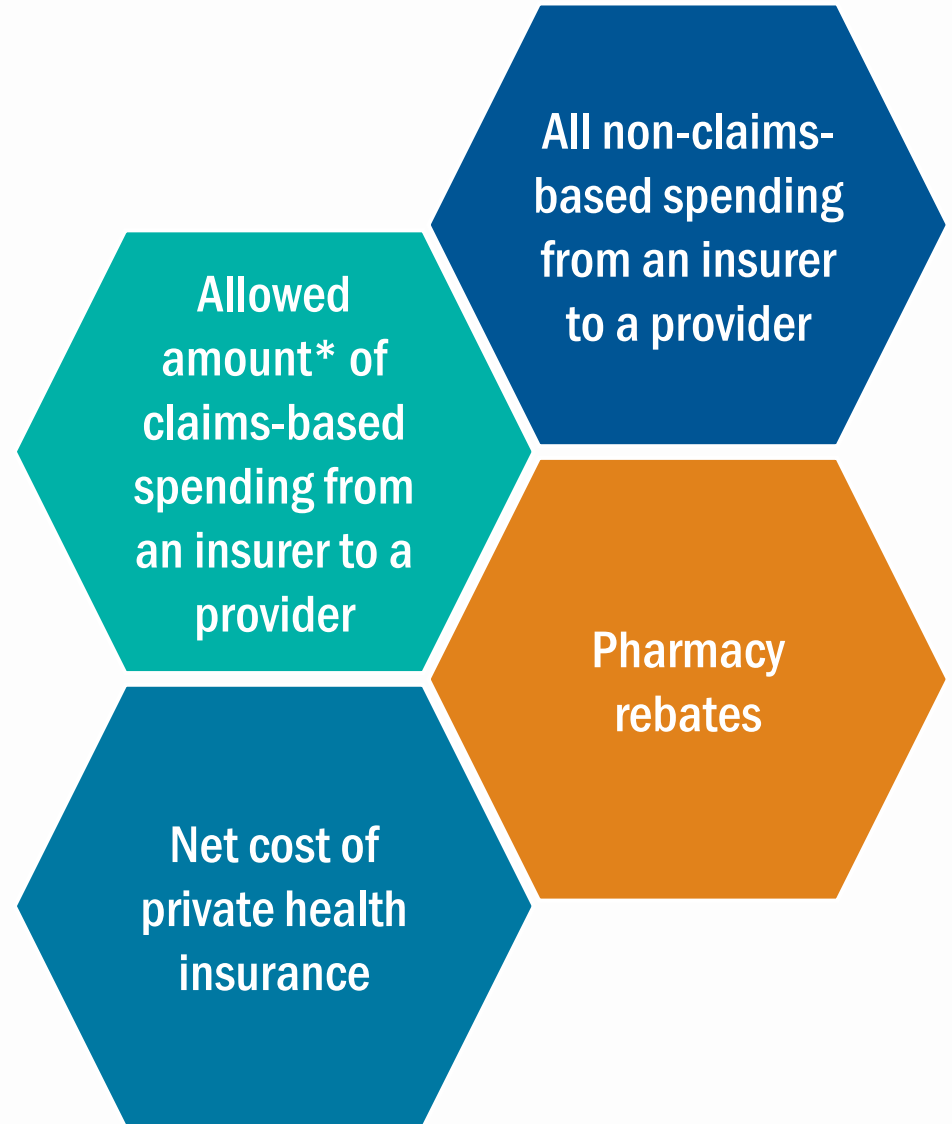
Whose spending is included?

Spending on behalf of >90% of Oregon residents who are insured by Medicare, Medicaid or commercial insurance, or are self-insured for commercial coverage, and receive care from any provider in or outside Oregon.



Spending by the Indian Health Services for Oregon residents and for Oregonians incarcerated in a state correctional facility will be included to the extent that their data are accessible and comparable, and data collection can be replicated over time. Out of state residents who receive care from Oregon providers may be included should the data be reportable, consistent across insurers, and replicable over time.

What constitutes total health care expenditures?



*"Allowed amounts" refer to the price paid by the insurer to the provider and the patient liability owed directly to the provider, regardless of whether the patient actually paid the owed amount.

Committee Timeline

- Implementation Committee launched in November 2019.
- Committee meets monthly to discuss and decide operational details of the program.
- Committee submits recommendations to the Oregon Health Policy Board and Legislature by September 2020
- *Preliminary report and cost hearing (Q4 2020)*

Implementation Timeline

Sept 2020	Implementation Committee recommendations submitted to Legislature
Q4 2020	OHA publishes preview cost analyses report; hold “dry run” cost hearing
2020-2021	OHA works with stakeholders to develop specifications and data submission requirements, and validate test data submissions
Q2 2021	Legislature considers second bill for accountability
Q1 2022	OHA publishes specifications and data submission requirements
Q2 2022	Payers and providers submit CY 2021 data to OHA
Q2-3 2022	OHA reviews data with payers and providers
Q4 2022	First official cost trend hearing, compare CY 2021 performance to the cost growth target

Questions

Contact

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Learn more:

www.oregon.gov/oha/HPA/HP/Pages/Sustainable-Health-Care-Cost-Growth-Target.aspx