

2009 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 2009

STATUS: C-Engrossed

SUBJECT: Establishes Oregon Health Policy Board, Oregon Health Authority, Oregon Health Insurance Exchange and the Oregon Health Authority Fund

GOVERNMENT UNIT AFFECTED: Department of Human Services, Department of Consumer and Business Services, Office of Private Health Partnerships, Department of Administrative Services

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DATE: June 2, 2009

	<u>2009-2011</u>	<u>2011-2013</u>
EXPENDITURES – Department of Human Services:		
General Fund		
Personal Services	\$ 993,610	\$ 1,034,372
Services and Supplies	\$ 2,006,215	\$ 1,127,956
Total General Fund	\$ 2,999,825	\$ 2,162,328
Other Funds		
Personal Services	\$ (103,264)	\$ 0
Services and Supplies	\$ 1,004,855	\$ 0
Total Other Funds	\$ 901,591	\$ 0
Federal Funds		
Personal Services	\$ 673,038	\$ 706,891
Services and Supplies	\$ 1,587,651	\$ 737,754
Total Federal Funds	\$ 2,260,689	\$ 1,444,645
Total Funds		
Personal Services	\$ 1,563,384	\$ 1,741,263
Services and Supplies	\$ 4,598,721	\$ 1,865,710
Total Funds	\$ 6,162,105	\$ 3,606,973

EXPENDITURES – Department of Consumer and Business Services:

Other Funds		
Personal Services	\$ 252,360	\$ 148,227
Services and Supplies	\$ 91,710	\$ 11,353
Total Other Funds	\$ 344,070	\$ 159,580

EXPENDITURES – Other Agencies (See Analysis)

	<u>2009-2011</u>	<u>2011-2013</u>
POSITIONS / FTE:		
Department of Human Services*	14/11.75	13/11.25
<i>* This count reflects the net of new positions and abolished positions with the abolishment of the Oregon Health Policy Commission.</i>		
Department of Consumer and Business Services	3//3.00	1/1.00

EFFECTIVE DATE: The bill includes an emergency clause and is effective on passage. The bill also includes an operative date of January 1, 2010 for sections 1174 and 1175 relating to the Healthcare Workforce Database. Healthcare workforce regulatory boards, and the Office for Oregon Health Policy and Research may take any action prior to this operative date.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

ANALYSIS: House Bill 2009 establishes the Oregon Health Authority (OHA), the Oregon Health Policy Board (OHPB), the Health Care Workforce Strategic Fund and the Oregon Health Authority Fund. The measure transfers to the Oregon Health Authority all of the duties, functions and powers of:

1. the Department of Human Services with respect to health and health care;
2. the Department of Administrative Services (DAS) with respect to the Public Employees' Benefit Board (PEBB) and the Oregon Educators Benefit Board (OEBB);
3. the Department of Consumer and Business Services (DCBS) with respect to the Oregon Medical Insurance Pool Board and the operation of the Oregon Medical Insurance Pool; and
4. the Office of Private Health Partnerships (OPHP) including the administration of the Family Health Insurance Assistance Program.

In addition, the bill abolishes the Oregon Health Policy Commission.

The bill instructs the directors of DHS, DAS, DCBS and the administrator of OPHP to work together to establish a timeline and to implement the transfer. All changes necessary to accomplish this transfer shall be completed by June 30, 2011. When Developing the 2011-13 biennial budget, the Governor's budget shall reflect the implementation of this transfer. The Oregon Health Authority Fund is established and moneys in the fund are continuously appropriated to the Health Authority.

DEPARTMENT OF HUMAN SERVICES (DHS) / OREGON HEALTH POLICY BOARD / (OHPB) OREGON HEALTH AUTHORITY (OHA)

Policy Board and the Health Authority (in consultation with DCBS, DAS and OPHP) are required to develop a plan for the staffing, funding and administration of the following cooperatives, councils, advisory/technical committees, programs and initiatives:

- Public Health Benefit Purchasers Committee [Section 7]
- Health Care Workforce Committee [Section 7]
- Health Insurance Exchange Business Plan [Sections 9, 10, 17b]
- Patient-Centered Primary Care Home Program and Payment Reform [Sections 9, 10, 1163 -1165] (established in the Office for Oregon Health Policy and Research)
- Public Employers Health Cooperative [Sections 7, 10, 1179]
- Statewide Health Improvement Program to Support Community Initiatives [Section 1166]
- Health Information Technology Oversight Council [Sections 1167 – 1173]
- Health Care Workforce Council and Database [Sections 1174 – 1178] (established by the Office for Oregon Health Policy and Research)
- Comparative Effectiveness and Statewide Drug Formulary [Sections 10, 1179 – 1180]
- Physician Orders for Life-Sustaining Treatment (POLST) Registry [Sections 1181 – 1190]
- Uniform Standards for Health Insurers and Data Reporting by Insurance Carriers (Hospital and Health Plan Transparency and All-Payer/All Claims Database) [Sections 10 and 1191 – 1193, 1195-1199, 1200-1203]

To comply with the provisions of this bill, DHS anticipates establishing 14 permanent positions (11.75 FTE) to carryout the reorganization, as well as to support the ongoing work of the Health Authority and the Policy Board. DHS estimates the fiscal impact of this measure at \$6.2 million Total Funds for the 2009-11 biennium (\$3.0 million General Fund, \$0.9 million Other Funds and \$2.3 million Federal Funds). The costs by program are as follows:

HOUSE BILL 2009 DEPARTMENT OF HUMAN SERVICES 2009-11 FISCAL IMPACT BY PROGRAM AREA

	General Fund	Other Funds	Federal Funds	Total Funds	Pos.	FTE
Transition to Policy Board/Health Authority	\$470,503	-	\$266,381	\$736,884	-	-
Health Policy Board Operations	\$169,984	-	\$112,816	\$282,800	1	1.00
Public Employees Cooperative	\$248,388	(\$45,985)	\$111,813	\$314,216	2	2.00
Workforce Council and Data Collection ¹	\$0	\$576,018	\$64,997	\$641,015	2	0.75
Health Information Technology Coordination	\$284,010	-	\$181,121	\$465,131	1	1.00
Develop Insurance Exchang Business Plan	\$498,114	-	\$318,007	\$816,121	1	1.00
Patient Centered Primary Care Health Home & Payment Reform	\$311,596	-	\$202,029	\$513,625	2	1.38
Hospital and Health Plan Transparency/All Claims & All Payer	\$776,062	(\$128,442)	\$530,063	\$1,177,683	4	3.75
Physicians Orders for Life-Sustaining Treatments	\$451,400	-	\$288,600	\$740,000	-	-
Comparative Effectiveness/Drug Formulary	\$289,768	-	\$184,862	\$474,630	1	0.88
PEBB Partnership Resources ²	(\$500,000)	\$500,000	-	-	-	-
TOTAL	\$2,999,825	\$901,591	\$2,260,689	\$6,162,105	14	11.75

¹ Funding for the Health Care Workforce Database is anticipated to come from licensing fees for licenses and applicants of healthcare workforce regulatory boards.

² These funds are outside state funding from Providence funds set aside to partner with PEBB to advance the PEBB Board vision over the next two years. The PEBB Board approved a motion on June 1, 2009 to request up to \$500,000 from this pool of funds to be set aside for specific projects to support HB 2009 efforts that will benefit PEBB. PEBB staff is developing a memorandum of understanding with the legislature and will call out in the 2010 Providence contract the \$500,000 to be paid on behalf of PEBB to the Health Authority for specific, not yet defined, activities related to the PEBB vision.

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES (DCBS)

Section 19 of the measure transfers to the Oregon Health Authority all of the duties, functions and powers of the Department of Consumer and Business Services (DCBS) with respect to the Oregon Medical Insurance Pool Board (OMIPB) and the operation of the Oregon Medical Insurance Pool (OMIP). DCBS budget for OMIP for the 2009-2011 biennium includes 9 staff positions and is projected to be \$2.1 million Other Funds (Limited operating funds) and \$407 million Other Funds (Non-Limited – OMIP Third-Party Claims).

Sections 1194 and 1195 of this measure require DCBS to collect and aggregate data regarding the number of covered lives of carriers and third party administrators and publish reports using the information collected. This will require rulemaking to establish the form and manner of collection. DCBS assumes that the reporting by carriers and third-party administrators will be accomplished through a web-based reporting tool created by the DCBS Information Management Division. The Department anticipates reprioritizing existing projects in order to absorb the work of rulemaking, aggregating, analyzing and reporting as required by these sections of the measure.

The bill requires DCBS to consult with OHA in developing one or more products designed to provide more affordable options for the small group market [Section 10]; and a plan for the staffing, funding and administration of the Oregon Health Insurance Exchange within the Oregon Health Authority [Section 17b].

Sections 1191-1193 of this measure require the Office for Oregon Health Policy and Research (OHPR) to convene a stakeholder workgroup to develop uniform standards for health insurers licensed in Oregon. Section 1192 of the bill authorizes the Director of DCBS to establish by rule uniform standards applicable to health insurers licensed by DCBS that incorporate the standards developed by OHPR.

The bill requires insurers to offer one or more health benefit plans. The carriers are required to offer these within 12 months after the OHPB approves the plan or plans. DCBS will need to review these plans.

In addition, the bill requires DCBS to:

1. Investigate and report (in consultation with OHPB) to the legislature on changes to the health insurance market, including a requirement that every resident must have health insurance coverage (“individual mandate”) and how to advance reforms in the health insurance market.
2. License third-party administrators of employee benefit plans.
3. Open a 30-day public comment period on all individual, small employer and portability rate filings and post all comments on the DCBS website [Section 28].
4. Adopt rules to specify information a carrier must submit as part of a rate filing and to identify those documents that are part of a rate filing that will remain confidential [Section 30].

To carry out the provisions of this bill, DCBS anticipates establishing 1 permanent position and 2 limited duration positions (3 FTE for the 2009-11 biennium) to support the reorganization and ongoing work of the Health Authority and the Policy Board. DCBS estimates the fiscal impact of this measure to be \$344,070 Other Funds for the 2009-11 biennium.

DEPARTMENT OF ADMINISTRATIVE SERVICES (DAS)

Section 19 of this measure transfers all duties, functions, and powers of the Department of Administrative Services with respect to the Public Employees’ Benefit Board (PEBB) and the Oregon Educators Benefit Board (OEBB) to the Oregon Health Authority and specifies that all changes necessary to accomplish this transfer shall be completed by June 30, 2011. Section 21 of the bill states that no later than June 30,

2011, the Department of Administrative Services shall deliver all records and property related to the transfer of duties, functions, and powers described in Section 19, and transfer all employees primarily engaged in exercising these duties, functions, and powers to the Oregon Health Authority. It is expected that there will be program and fiscal impact associated with making this transition over the next two years, however the degree of the impact is undetermined.

The Department of Administrative Services program and administration budget for PEBB for the 2009-2011 biennium is projected to be \$142.2 million Other Funds and includes 20 staff positions.

The Department of Administrative Services program and administration budget for OEBB for the 2009-2011 biennium is projected to be \$1.3 billion Other Funds and includes 22 staff positions.

Under this bill, the rules of the Department of Administrative Services that relate to duties, functions, and powers transferred by Section 19 of this measure continue in effect until superseded or repealed by the rules of the Oregon Health Authority. Rule changes adopted by the Health Authority and the Policy Board will affect PEBB and OEBB health plan design and contractual requirements which in turn may impact premium rates. At this time, the fiscal impact of reorganization, new health plan design, contractual requirements and premium rates is indeterminate, contingent on the specific reorganization plans, recommendations, guidelines and new rules to be developed by the Policy Board and the Health Authority.

House Bill 2009 requires PEBB and OEBB to participate in collaborative initiatives. Specifically, Section 7 states that PEBB and OEBB shall participate in the Public Health Benefits Purchasers Committee. Section 1165 identifies PEBB and OEBB as collaborators in Health Authority efforts to pilot and evaluate patient centered primary care homes and establish uniform health benefit plan contract standards to promote patient centered primary care homes. Section 1179 states that PEBB and OEBB shall vigorously pursue health care purchasing strategies that adopt research findings of the Health Resources Commission and evidence-based health care guidelines developed or identified by the Health Services Commission. At this time, the fiscal impact of participating in these collaborative initiatives is indeterminate, contingent on the specific recommendations, guidelines and rules to be developed by the Board and the Authority.

OFFICE OF PRIVATE HEALTH PARTNERSHIPS (OPHP)

With passage of this measure, the Office of Private Health Partnerships staff and budget would transfer from OPHP to the Health Authority any time between the effective date of the bill and June 30, 2011. Staff expects that the transfer may require a revision of interagency agreements. This revision should have a minimal fiscal impact on OPHP.

The OPHP program and administration budget for the 2009-2011 biennium is projected to be \$61.5 million Total Funds, which is composed of \$21.5 million General Fund and \$40 million in Federal Funds as Other Funds. This projection does not include the Healthcare for All Oregon Children program, proposed in HB 2116. The OPHP budget includes 43 staff positions. OPHP shares some key staff positions through interagency agreement with the Oregon Medical Insurance Pool.

At this time, the fiscal impact of the reorganization, new health plan design and contractual requirements on OPHP is indeterminate, contingent on the specific reorganization plans, recommendations, guidelines and new rules to be developed by the Board and the Authority.