

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

MEASURE NUMBER: SB 856 **STATUS:** A-Engrossed
SUBJECT: Establishing the Oregon Health Authority and the Oregon Health Authority Board
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: May 6, 2009

	<u>2009-2011</u>	<u>2011-2013</u>
EXPENDITURES – Department of Human Services – See Analysis:		
General Fund		
Personal Services	\$ 2,690,909	\$ 1,797,633
Services and Supplies	\$ 4,336,844	\$ 1,415,174
Total General Fund	\$ 7,027,753	\$ 3,212,807
Federal Funds		
Personal Services	\$ 1,708,405	\$ 1,141,304
Services and Supplies	\$ 2,586,911	\$ 601,743
Total Federal Funds	\$ 4,295,316	\$ 1,743,047
Total Funds		
Personal Services	\$ 4,399,314	\$ 2,938,937
Services and Supplies	\$ 6,923,755	\$ 2,016,917
Total Funds	\$ 11,323,069	\$ 4,955,854
POSITIONS / FTE:		
Department of Human Services	33/29.50	23/21.00

EXPENDITURES -- Other Agencies – See Analysis

EFFECTIVE DATE: The bill includes an emergency clause and is effective on passage. The bill also includes an operative date of July 1, 2011 for certain sections.

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: At this time, the Legislative Fiscal Office (LFO) believes that the full fiscal and budgetary ramifications of this measure are not fully understood. The purpose of this fiscal impact is to outline the broad fiscal implications of this measure and to note that a more detailed analysis is required to understand the measure's budgetary implications. This fiscal impact statement is for the purpose of transmitting the measure from the Senate Committee on Health Care and Veterans' Affairs to the Joint Committee on Ways and Means. A more thorough and complete fiscal analysis on the bill will be prepared as the measure is considered in the Joint Committee on Ways and Means.

This measure (1) creates the Oregon Health Authority Fund; (2) establishes the Oregon Health Authority (OHA) in the Department of Human Services (DHS); and (3) creates the Oregon Health Authority Board (OHAB) to be the planning, policy-making and oversight body for the Oregon Health Authority. Members of the OHAB are entitled to compensation and expenses incurred in the performance of their official duties. Subject to the approval of the Governor, the OHAB is authorized to organize and reorganize the OHA as the Board considers necessary to properly conduct the work of the Authority.

Operative July 1, 2011, all the duties, functions and powers of the Department of Human Services, the Office of Private Health Partnerships, the Oregon Educators Benefit Board and the Public Employees' Benefit Board, the Oregon Health Policy Commission and the Oregon Health Fund Board enumerated in this Act are transferred to and vested in the Oregon Health Authority.

The Oregon Health Authority is charged with:

1. administering the Quality Care Institute;
2. administering the Oregon Prescription Drug Program;
3. administering the Family Health Insurance Assistance Program;
4. serving as the state Medicaid agency for the administration of funds from Titles XIX and XXI of the Social Security Act and administering medical assistance;
5. establishing and maintaining the statewide registry of physician orders for life-sustaining treatment; and
6. establishing and maintaining a program that requires reporting entities to report health care information;

This bill directs the Oregon Health Authority Board to establish the following cooperatives, councils, advisory/technical committees and programs:

1. The Public Employers Health Cooperative
2. The Health Care Workforce Cooperative
3. The Health Information Technology Oversight Council
4. Patient-Centered Primary Care Home Advisory Committee
5. Patient-Centered Primary Care Program
6. Statewide Health Improvement Program
7. Health Insurance Exchange
8. Quality Care Institute Council

The bill requires the Oregon Health Authority Board deliver the following studies and reports to the Legislative Assembly:

1. Recommendations for providing health insurance coverage to Oregonians who have health conditions that create a significant risk of high cost insurance claims, including recommendations for Oregon Medical Insurance pool.
2. Recommendations regarding a publicly owned health benefit plan option that would be subject to the requirements of the Insurance Code that are applicable to health insurance transacted in Oregon.
3. The feasibility and advisability of a requirement that every Oregon resident obtain and maintain health insurance coverage.
4. Opportunities to expand health insurance coverage by developing and establishing pilot projects implementing three-share coverage programs that allow employers, employees and state or local government entities to contribute jointly to the cost of employee coverage.
5. Opportunities to utilize the payment system and payment reform as a toll to create incentives in the health care system to provide high quality care (to be submitted no later than December 21, 2010).
6. Opportunities to reform the malpractice liability system.

7. Opportunities to develop a statewide drug formulary to be used by publicly funded health benefit plans.
8. Additional issues that will need to be addressed by comprehensive health care reform in Oregon.
9. Legislative changes necessary to establish the Oregon Health Authority as an agency separate from and independent of the Department of Human Services (to be submitted no later than June 1, 2010).
10. An implementation plan and a request for legislative changes necessary for the OHAB to assume responsibility for the health care purchasing functions for additional state agencies (to be submitted no later than December 21, 2012).

In addition, the Health Authority Board is instructed to create and maintain a health care workforce database to collect quantitative data on supply, demand, distribution, education and effective incentives for attracting qualified individuals to healthcare education. The bill also requires the Health Authority Board to convene a stakeholder workgroup to develop and approve uniform standards for health insurers licensed in Oregon.

To carry out the provisions of this bill, DHS anticipates establishing a transition team for the 2009-11 biennium and 23 permanent positions to support Oregon Health Authority, and its cooperatives, councils, advisory/technical committees and programs (29.5 FTE / \$4.3 million Personal Services and \$6.9 Services & Supplies in the 2009-11 biennium).

The bill directs the Public Employees' Benefit Board and the Oregon Educators Benefit Board to collaborate with the Oregon Health Authority Board to establish uniform standards for contracts with health benefit plans providing coverage to public employees to promote the provisions of patient-centered primary care homes that are consistent with uniform quality measures established by the Board.

The bill also requires that the Department of Consumer and Business Services and the Insurance Division Advisory Committee to develop one or more insurance products designed to provide more affordable options for the small group market. The measure also specifies the role of the Department of Consumer and Business Services in premium rate filing.

The fiscal impact to the Office of Private Health Partnerships, the Department of Administrative Services, and Department of Consumer and Business Services is indeterminate at this time. Reorganization plans, recommendations and guidelines from the Authority and the Board will affect these agencies' operational structure, and/or health plan design and contractual requirements which in turn may impact premium rates. At this time, the fiscal impact of potential reorganization, new health plan design, contractual requirements and premium rates on these agencies is indeterminate, contingent on the specific reorganization plans, recommendations and guidelines to be developed by the Board and the Authority.