

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: SB 880 - A

Seventy-Sixth Oregon Legislative Assembly – 2011 Regular Session
Legislative Fiscal Office

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Measure Description:

Requires independent audit of actuarial soundness of per capita rates determined by Oregon Health Authority for payment to prepaid managed care health services organizations if rates determined by Oregon Health Authority are not consistent with benchmark per capita rates determined by actuary retained by Health Services Commission.

Government Unit(s) Affected:

Oregon Health Authority (OHA)

Summary of Fiscal Impact:

See Analysis

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:

Senate Bill 880 modifies statutes relating to the per capita rates paid to prepaid managed care health services organizations.

Section 1 (5) of the bill requires OHA to retain an actuary agreed upon by a majority of the prepaid managed care health services organizations (MCOs) and OHA for the development of the per capita rates that are used to develop the capitation rates paid to the MCOs. OHA calculates the cost of an actuary for 2011-13 is estimated at \$909,720 General Fund per biennium. Under current practice, an actuary in OHA's Actuarial Services Unit performs this work. Current rates are certified by a qualified actuary, reviewed and deemed sound by an external qualified actuary, and approved by CMS. Because MCOs must agree to the actuary selected to develop the rates, an independent actuary may be selected. If an independent actuary is selected, this would create a loss of 1.00 FTE for OHA. The savings reflected from the loss of this position is (\$189,616) General Fund per biennium.

Section 1 (6) requires OHA to retain an independent auditor agreed upon by a majority of the prepaid managed care health services organizations (MCOs) and OHA to verify the actuarial soundness of the per capita rates if the rates determined by OHA are not consistent with the benchmark per capita rates determined by the actuary retained by HSC. OHA estimates the cost of retaining this auditor to be \$421,800 General Fund per biennium.

In summary, the fiscal impact of this bill is estimated to have a \$1,141,904 General Fund Impact on the Oregon Health Authority. In addition, passage of this bill could have a fiscal impact on OHA's Medical Assistance Programs (MAP). At this time, this impact is indeterminate depending on how the bill affects capitation rates currently paid to MCO's.

Note that ORS 414.741 included in Section 1 (1) of the bill requires the Health Services Commission (HSC) to retain an actuary to determine the benchmark for setting per capita rates necessary to reimburse prepaid managed care health services organizations and fee-for-service providers for the cost of providing health services under ORS 414.705 to 414.750. Due to budget constraints, the funding for this actuary (approximately \$300,000 General Fund) was cut from the Office for Oregon Health Policy and Research (OHPR) 2009-11 biennium budget.