

Senate Bill 880

Sponsored by Senator WINTERS; Senators BATES, DEVLIN, KRUSE, THOMSEN, Representatives BUCKLEY, FREEMAN, KENNEMER, SCHAUFLER, G SMITH (at the request of Coalition For A Healthy Oregon)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

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. Specifies that audit is public record. Per capita rates determined by authority must be submitted to Legislative Assembly for approval.

Requires authority to maintain number of contracts with prepaid managed care health services organizations as were in effect on January 1, 2011.

A BILL FOR AN ACT

1
2 Relating to per capita rates paid to prepaid managed care health services organizations; creating
3 new provisions; and amending ORS 192.493 and 414.741.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1. In executing prepaid managed care health services contracts under ORS**
6 **414.725, the Oregon Health Authority, without approval by the Legislative Assembly, must**
7 **contract with the same number of prepaid managed care health services organizations as the**
8 **number of prepaid managed care health services organizations contracting with the author-**
9 **ity on January 1, 2011.**

10 **SECTION 2.** ORS 414.741 is amended to read:

11 414.741. (1) The Health Services Commission shall retain an actuary to determine the benchmark
12 for setting per capita rates necessary to reimburse prepaid managed care health services organiza-
13 tions and fee-for-service providers for the cost of providing health services under ORS 414.705 to
14 414.750.

15 (2) The actuary retained by the commission shall use the following information to determine the
16 benchmark for setting per capita rates:

17 (a) For hospital services, the most recently available Medicare cost reports for Oregon hospitals;

18 (b) For services of physicians licensed under ORS chapter 677 and other health professionals
19 using procedure codes, the Medicare Resource Based Relative Value system conversion rates for
20 Oregon;

21 (c) For prescription drugs, the most recent payment methodologies in the fee-for-service payment
22 system for the medical assistance program;

23 (d) For durable medical equipment and supplies, 80 percent of the Medicare allowable charge for
24 purchases and rentals;

25 (e) For dental services, the most recent payment rates obtained from dental care organization
26 encounter data; and

27 (f) For all other services not listed in paragraphs (a) to (e) of this subsection:

28 (A) The Medicare maximum allowable charge, if available; or

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 (B) The most recent payment rates obtained from the data available under subsection (3) of this
2 section.

3 (3) The actuary shall use the most current encounter data and the most current fee-for-service
4 data that is available, reasonable trends for utilization and cost changes to the midpoint of the next
5 biennium, appropriate differences in utilization and cost based on geography, state and federal
6 mandates and other factors that, in the professional judgment of the actuary, are relevant to the fair
7 and reasonable estimation of costs. The *[Department of Human Services]* **Oregon Health Authority**
8 shall provide the actuary with the data and information in the possession of the *[department]* **au-**
9 **thority** or contractors of the *[department]* **authority** reasonably necessary to develop a benchmark
10 for setting per capita rates.

11 (4) The commission shall report the benchmark per capita rates developed under **subsections**
12 **(1) to (3) of** this section to the Director of the Oregon Department of Administrative Services, the
13 Director of the Oregon Health Authority and the Legislative Fiscal Officer no later than August 1
14 of every even-numbered year.

15 (5) The Oregon Health Authority shall retain an actuary, **who is satisfactory to both a ma-**
16 **ajority of the prepaid managed care health services organizations and the authority**, to deter-
17 mine:

18 (a) Per capita rates for health services that the authority shall use to develop the authority's
19 proposed biennial budget; and

20 (b) *[Capitation]* **Per capita** rates to reimburse physician care organizations for the cost of pro-
21 viding health services under ORS 414.705 to 414.750 using the same methodologies used to develop
22 *[capitation]* **per capita** rates for fully capitated health plans. The rates may not advantage or dis-
23 advantage fully capitated health plans for similar services.

24 **(6) If the per capita rates determined by the Oregon Health Authority under subsection**
25 **(5) of this section are not consistent with the benchmark per capita rates determined by the**
26 **Health Services Commission under subsections (1) to (4) of this section, the authority shall**
27 **retain an independent auditor who is satisfactory to both a majority of the prepaid managed**
28 **care health services organizations and the authority, to verify the actuarial soundness of the**
29 **per capita rates used by the authority.**

30 ~~[(6)]~~ (7) The Oregon Health Authority shall submit to the Legislative Assembly no later than
31 February 1 of every odd-numbered year **for approval the per capita rates established under**
32 **subsection (5) of this section. The per capita rates submitted to the Legislative Assembly**
33 **must be accompanied by the report of any audit conducted under subsection (6) of this sec-**
34 **tion and by** a report comparing the per capita rates for health services on which the proposed
35 budget of the authority is based with the rates developed by the actuary retained by the Health
36 Services Commission. If the rates differ, the authority shall disclose, by provider categories de-
37 scribed in subsection (2) of this section, the amount of and reason for each variance.

38 **SECTION 3.** ORS 192.493 is amended to read:

39 192.493. A record of an agency of the executive department as defined in ORS 174.112 that
40 contains the following information is a public record subject to inspection under ORS 192.420 and
41 is not exempt from disclosure under ORS 192.501 or 192.502 except to the extent that the record
42 discloses information about an individual's health or is proprietary to a person:

43 (1) The amounts determined by an independent actuary retained by the agency to cover the
44 costs of providing each of the following health services under ORS 414.705 to 414.750 for the six
45 months preceding the report:

- 1 (a) Inpatient hospital services;
2 (b) Outpatient hospital services;
3 (c) Laboratory and X-ray services;
4 (d) Physician and other licensed practitioner services;
5 (e) Prescription drugs;
6 (f) Dental services;
7 (g) Vision services;
8 (h) Mental health services;
9 (i) Chemical dependency services;
10 (j) Durable medical equipment and supplies; and
11 (k) Other health services provided under a prepaid managed care health services contract under
12 ORS 414.725;
- 13 (2) The amounts the agency and each contractor have paid under each prepaid managed care
14 health services contract under ORS 414.725 for administrative costs and the provision of each of the
15 health services described in subsection (1) of this section for the six months preceding the report;
- 16 (3) Any adjustments made to the amounts reported under this section to account for geographic
17 or other differences in providing the health services; and
- 18 (4) The numbers of individuals served under each prepaid managed care health services con-
19 tract, listed by category of individual.
- 20 **(5) The report of any audit conducted pursuant to ORS 414.741 (6).**
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