



Office of the Director

John A. Kitzhaber, MD, Governor



January 31, 2012

The Honorable Senator Peter Courtney, Senate President  
The Honorable Representative Bruce Hanna, Co-Speaker  
The Honorable Representative Arnie Roblan, Co-Speaker  
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**Re: HB 3650 CCO Implementation Proposal**

Dear Legislators:

Section 13 of HB 3650 (2011) requires Oregon Health Authority to develop an implementation proposal for Coordinated Care Organizations that includes criteria for becoming a CCO, the global budgeting process, financial reporting requirements, a dispute resolution process for providers who refuse to contact with CCOs, and a financial analysis of savings through CCOs.

**Executive Summary**

In 2011, the Oregon Legislature created the Oregon Integrated and Coordinated Health Care System through HB 3650, which passed with broad bipartisan support. The change was in response to escalating costs due in large part to an inefficient health care system. For example, research shows that about 80 percent of health care costs come from 20 percent of patients, many of whom have chronic illnesses. Without coordinated care, many of these patients end up in hospitals or acute care that could have been prevented.

Under the new system, Coordinated Care Organizations will replace today's system of Managed Care Organizations, Mental Health Organizations, and Dental Care Organizations for Medicaid/OHP patients. Through CCOs we can improve how care is delivered, with a focus on improved wellness and prevention and integration of behavioral and physical health care. We will move today's fragmented and inefficient health care delivery system to one that is more coordinated, more patient-centered, and more affordable for the state.

CCOs are local health entities that will deliver health care and coverage for people eligible for Oregon Health Plan, the state Medicaid program, including people covered by both Medicare and Medicaid. CCOs will be accountable for health outcomes of the population they serve. They will have one budget that grows at a fixed rate for mental, physical and ultimately dental care. CCOs will bring forward new models of care that are patient-centered and team-focused. They will have flexibility within the budget to deliver defined outcomes. And they will be governed by a partnership between health care providers, community members, and stakeholders in the health systems that have financial responsibility and risk.

HB 3650 directed OHA to use a meaningful public process to develop a proposal for CCOs. OHA utilized the Oregon Health Policy Board to head that public process. To help create the proposal over the past six months, more than 1,200 Oregonians have provided their input through eight community meetings that were held around the state. In addition, 133 people met in four targeted work groups to provide advice, input and recommendations on a framework that allows local communities to create and implement CCOs.

The following reports are attached:

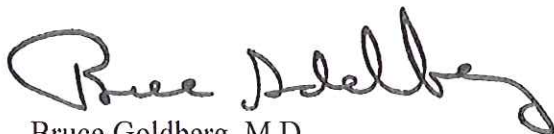
1. CCO Implementation Proposal
2. Plan for Other Public Purchasers (including PEBB and OEBC)
3. Health Management Associates Report (Financial Analysis Report)

Please note that the report on the cost of defensive medicine and medical liability as required by HB 3650, Section 16 is contained in a supplemental report. Below is an outline of proposals required by HB 3650, references to the requirement in the bill, and the location in the attached reports of each proposal.

1. **Qualification criteria for CCOs** ..... CCO Proposal, Section 5 and Appendix D  
*HB 3650, Section 13 (2)(a)*
2. **Global budgeting process**..... CCO Proposal, Section 6 and Appendix F  
*HB 3650, Section 13 (2)(b)*
3. **Dispute resolution process** ..... CCO Proposal, Appendix C  
*HB 3650, Section 13 (2)(c)*
4. **Financial reporting requirements**..... CCO Proposal, Section 8  
*HB 3650, Section 13 (2)(d) and (3)*
5. **Plans for other public health benefit purchasers**..... Plan for Other Public Purchasers  
*HB 3650, Section 13 (2)(e)*
6. **Financial models and analysis**..... Health Management Associates Report  
*HB 3650, Section 13 (7)*

All of the reports are attached and will also be available online at:  
[www.oregon.gov/OHA/legactivity/](http://www.oregon.gov/OHA/legactivity/)

Sincerely,



Bruce Goldberg, M.D.  
Director

CC: Scott Burgess, Legislative Administrator