



**Greg Van Pelt Testimony on House Bill 2216
House Revenue Committee
March 22, 2013**

Chair Barnhart, Members of the Committee, for the record, my name is Greg Van Pelt. I am the CEO of Providence Health and Services in Oregon and a member of the Oregon Health Leadership Council. I am here today to share with you our strong support for the passage of House Bill 2216 and the entire package of bills connected to the Oregon Health Plan budget this session.

The Oregon Health Leadership Council was formed in 2008 after Oregon's leading business associations called providers and insurers to the table to work together to control health care costs. We've spent the last five years working together to great success, for example:

- Working with the March of Dimes, the OHLC and 35 Oregon hospitals have agreed to stop the elective delivery of babies prior to 39 weeks. This action has improved outcomes for moms and babies, and had a significant impact on the number of babies requiring neonatal services.
- Five health plans, four state insurance purchasers and 14 medical groups have deployed 23 registered nurses to manage the care of patients with complex, chronic medical conditions. This two-year pilot project has reduced emergency room visits, hospital admissions, lab tests and prescriptions, while improving patient satisfaction with their care.
- Five health plans teamed up to reduce unnecessary, high-cost imaging, which also can lead to harmful radiation exposure in patients. The cost savings so far exceeds \$9 million.

Providence was also awarded a \$17.3 million CMS Innovation Center grant over three years that has become a springboard for Health Share of Oregon to create a regional system to better serve the Medicaid population in the Portland metro area. The grant facilitates the build out of complementary care model interventions and the hiring and training of new community health outreach workers -- all to achieve improved care coordination, develop enhanced systems for learning and collaboration, and help our community create a sustainable system of care.

Highlights and achievements include:

- Placement of community outreach workers in five clinics;
- Build out of hospital to home care transitions in Portland area hospital medical and surgical wards with support workers and transition nurses;
- Mental health intensive transition teams and standardized work flows;
- Expanding the ED Guide program (for Medicaid and uninsured) that has already touched 4,500 lives with education and guide services, with 98% of patients receiving appointments within 12-24 hours of being guided; and
- Expanding the standardized discharge program with medication reconciliation.

These initiatives represent just a few of the successes achieved at the OHLC and Health Share tables. We are proud of our work, which has intentionally been done collaboratively and out of public view.

Two years ago, Governor Kitzhaber asked us to engage in his efforts to bend the cost curve in Medicaid. We recognized that without the long-term restructuring of the health care system – and sustainable financing to support it -- all of our initiatives would be for naught. The impact of increased health care costs and cost-shifting are real, and we all acknowledged the need to be a partner in finding a new way to deliver services more effectively and efficiently.

Many of our organizations had already engaged heavily in the health care transformation discussions and pilot projects. Nearly all of the members of OHLC are now a key part of Coordinated Care Organizations that are forming to serve our communities across Oregon. Providence Health and Services is a partner in Health Share of Oregon as well as the other geographic regions in which we operate hospitals and clinics – Seaside, Newberg, Hood River and Medford. We are all-in and determined to make transformation work in Oregon.

The OHLC agreed to take on the governor's challenge. Over several months, we worked collaboratively with OHA and the Governor's staff to develop policy and budget concepts on which we could all agree and based on numbers we all understood. The end result was an OHP budget package that includes four components:

1. Continued cost-reduction from increasing the efficiency in the delivery of Medicaid services in Oregon. Overall, the system must shed an additional \$350 million in costs this biennium.
2. Passage of an OHP budget funded at the level capped by the agreement with the federal government, including uses of general fund, tobacco taxes and the tobacco master settlement.
3. Extension of rate-setting policy for non-participating providers and alternative dispute resolution provisions contained in Senate Bill 568. The Senate has unanimously passed SB 568, and the bill passed out of the House Health Care Committee, also unanimously, earlier this week.
4. Passage of House Bill 2216.

House Bill 2216 contains two important components: a two-year extension of the current hospital provider assessment and an additional assessment of 1% to create the Hospital Transformation Performance Program.

The hospital provider assessment began in 2004 as a temporary funding measure to offset the impact of Ballot Measure 30, when 60,000 enrollees were cut from OHP Standard. In 2007, the tax was extended and expanded to cover more of the costs of OHP Standard. By 2009, a tax on Managed Care Organization plans had ended, making the hospital provider tax the sole funding source for the entire expansion population covered by OHP Standard. During the 2011 session, the uses of the assessment were expanded again. The provider assessment continued to fund 100 percent of the costs of the OHP Standard population and, for the first time, provided partial funding for OHP Plus, the underlying, statutorily required Medicaid program. These revenues were used to fund rate buy-backs for physicians, hospitals and durable medical equipment providers.

House Bill 2216 will extend for two more years the hospital provider assessment on Oregon's 26 diagnosis related group (DRG) hospitals. The current assessment is 4.32 percent of net patient

revenue. Hospital provider tax revenues are considered “state funds” and thus are matched by the federal government at an approximate 2:1 ratio. From these proceeds, hospitals are reimbursed their \$1 of underlying tax liability in the aggregate and the remaining \$2 is used for funding the Oregon Health Plan programs. In 2011-13, the hospital provider assessment generated \$650 million in state funds and \$1.16 billion in matching federal funds.

The OHP funding package would use the hospital provider assessment generated as a result of HB 2216 to fund the majority of the OHP Plus population. The Affordable Care Act will fund the OHP Standard population.

The second important component of HB 2216 is the establishment of the Hospital Transformation Performance Program. This program, funded with an additional 1 percent hospital provider assessment, is designed to help continue to drive health system transformation. The objective of Community Care Organizations is to reduce the cost of health care services and improve quality. One way of achieving this is to keep patients out of the hospital. With hospital volumes on the decline, this fund will assist all of Oregon’s community hospitals and their staff as we transition to delivery methods intended to reduce significantly overall hospital utilization, while focusing on improving patient outcomes.

Hospitals will have to show measurable improvement against several quality and patient safety goals to qualify for this additional funding. This performance pool requires no state dollars and CCOs will benefit significantly from cost savings but do not have to put any of their funding at risk. In the end, this creates a ‘win/win’ for the state, CCOs, hospitals and, most important, their patients.

Thank you for the opportunity to share with you OHLC’s support of the OHP budget package and House Bill 2216. I am happy to answer any questions.