



May 13, 2013

Representative Chris Garrett
Chair, House Rules Committee
900 Court Street, Salem, OR 97301

On behalf of Salem Health, which is comprised of Salem Hospital, West Valley Hospital in Dallas, and a medical group called Willamette Health Partners, we urge you to not move House Bill 3309 forward.

Salem Health supports the governor's efforts at health care transformation.

House Bill 3309 would have devastating effects on the willingness of providers to participate in the creative approaches needed for health care transformation to be successful.

At Salem Health, we actively work to improve the patient experience, improve care and reduce costs. We do that alongside physicians and other providers who practice at our hospitals, and in projects with the WVP Health Authority, the local Coordinated Care Organization, and others.

We also participated in developing our local CCO and are pleased to be equity-owners of the organization, which helped it get started.

HB 3309 takes punitive action toward dissenting voices and reduces the possibility of robust conversation when it is needed for CCOs to be transformative.

In HB 3309, a board member can be removed if the board member refuses to deliver contracted services, or, either by act or refusal to act, puts the organization at risk of being decertified under the CCO statute. This provision, in reality, covers many responsibilities, so it could be quite simple for a 2/3 majority of the CCO to claim a member didn't meet those requirements.

Any organization, a hospital, a clinic, independent physicians organization or other provider, that has a dissenting voice in the CCO could be subjected to being ejected from the CCO with devastating financial and other consequences to that organization and the community.

CCOs will suffer from not having robust conversations when members are afraid to voice unpopular yet important views. CCO board members must feel free to



engage in discussions that disrupt standard approaches in order to bring about transformation.

A statewide approach isn't needed to address local issues

Using our local CCO as an example, we have rules that specify the procedures to remove members and officers from the board as well as how to expel an equity owner from the CCO. Those types of rules are standard in any organization and a statewide process on top of that is unnecessary. Further, as our local CCO is organized as a limited liability company under Oregon law, Chapter 63 of the Oregon Revised Statutes already addresses standards of conduct for members.

HB 3309 punishes the organization whose representative is booted from the board by severely reducing the organization's payment rate down to 58 percent of Medicare.

HB 3309 goes far beyond the local CCO's rules for removing a member or officer and ejecting an equity owner. If the CCO were to boot an individual from the board, then that person's organization is also removed from the board and is severely punished. The punishment is a reduction in that organization's reimbursement down to 58 percent of Medicare rates. Of course, the total funding for the CCO is not reduced when this happens, so the result is that the remaining members of the CCO have more money to divide between themselves. This creates a perverse economic incentive to remove a member from the board.

This reduction in rate is 10 percentage points below what the health care entity should get as a contracting provider. Keep in mind, the 68 percent reimbursement rate for a contracting provider was most recently affirmed during the Senate floor debate on SB 568 on March 6 and that bill has been signed by the governor.

HB 3309 continues to punish the organization booted from the board for five years.

The inability to have a voice on the board and the severe reduction in reimbursement rates would be required to continue for five years. And the CCO would have to keep reimbursement to that organization at 58 percent for the five years because the CCO could be decertified by OHA if it didn't.



CCO equity-members have made a sizeable investment to get the CCOs off the ground. There is no provision in this bill that the booted organization would be able to have its equity investment returned.

For health care transformation to truly be successful we need to have fairness, equity and transparency within each CCO.

Fairness: All CCO owners need to be treated fairly.

CCOs need to ensure that its primary loyalty is to the community as a whole, rather than to any particular provider or group of providers.

Equity: All players in the CCO need to share in the risk.

Care provided through CCOs needs to move to a shared-risk model, where the goal is improving the patient's health, their experience of care and reducing costs instead of the old model of paying for medical visits and procedures.

All providers should equitably share both risk and reward for changing the current system rather than supporting the status quo.

Transparency: Transparency is key to equity, fairness and trust for all members.

In order for the vision of the CCOs to be realized, its board members must have access to the information they need to carry out their fiduciary and statutory responsibilities.

HB 3309 is a bad bill and needs to be defeated.

Sincerely,

Kenneth Sherman, Jr., Chair, Salem Health Board of Trustees