Oregon Health Authority
2013 – 2015
Budget Overview

Joint Ways and Means Committee
Human Services Subcommittee

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Oregon Health Authority

Oregon Health Authority & Oregon Health Policy Board

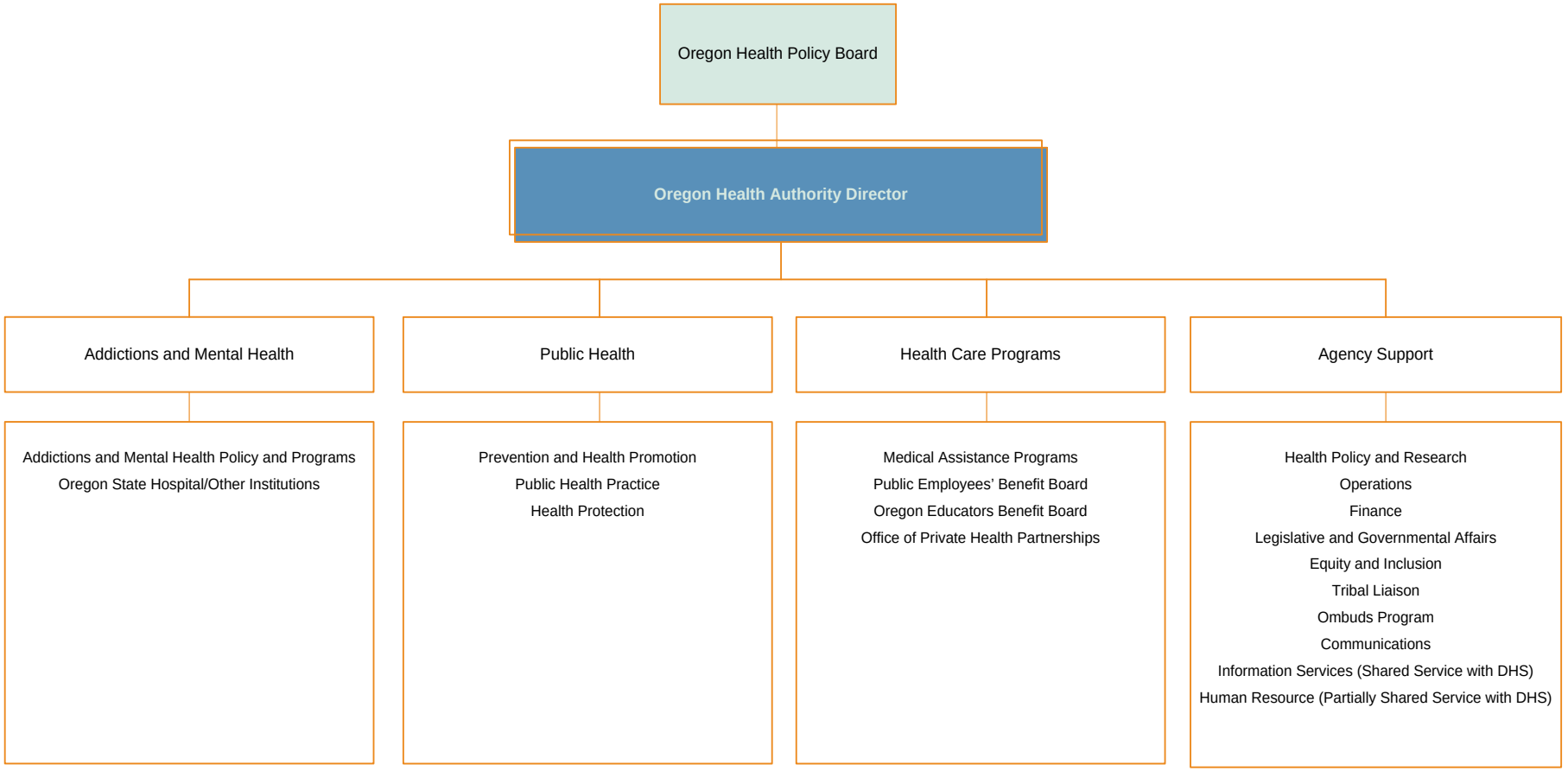
- Created by the 2009 Oregon Legislature (HB 2009) to be a single point of accountability of the state for health and health care costs.
- OHA goals are to improve the health of Oregonians, reduce health care costs, increase reliability and availability of health care services, and reform Oregon's health system.
- OHA was formed by bringing five state agencies into one.
- OHA was formed within existing budgeted resources.

Oregon Health Authority

Oregon Health Authority Vision and Mission

- Vision – A healthy Oregon
- Mission – help people and communities achieve optimum physical, mental and social well-being through partnerships, prevention, and access to quality, affordable health care.

2013-15 OHA Organization Structure



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The Context of Our Work

- Unsustainable health care costs
- Rising needs (caseload, economic conditions)
- Uncoordinated health care system
- Federal health reform (ACA)

Traditional Budget Balancing

- Cut people from coverage
- Reduce provider payment rates
- Cut benefits

Oregon's Response

Change how care is delivered

- Create local accountability for health, outcomes and cost
- Reduce waste
- Improve health
- Align financial incentives
- Pay for outcomes
- Create fiscal sustainability

Oregon's Response

- House Bill 3650 created Coordinated Care Organizations
- Senate Bill 1580 launched them
- Bi-partisan support from the legislature
- Followed a year of public input – more than 75 public meetings and tribal consultations

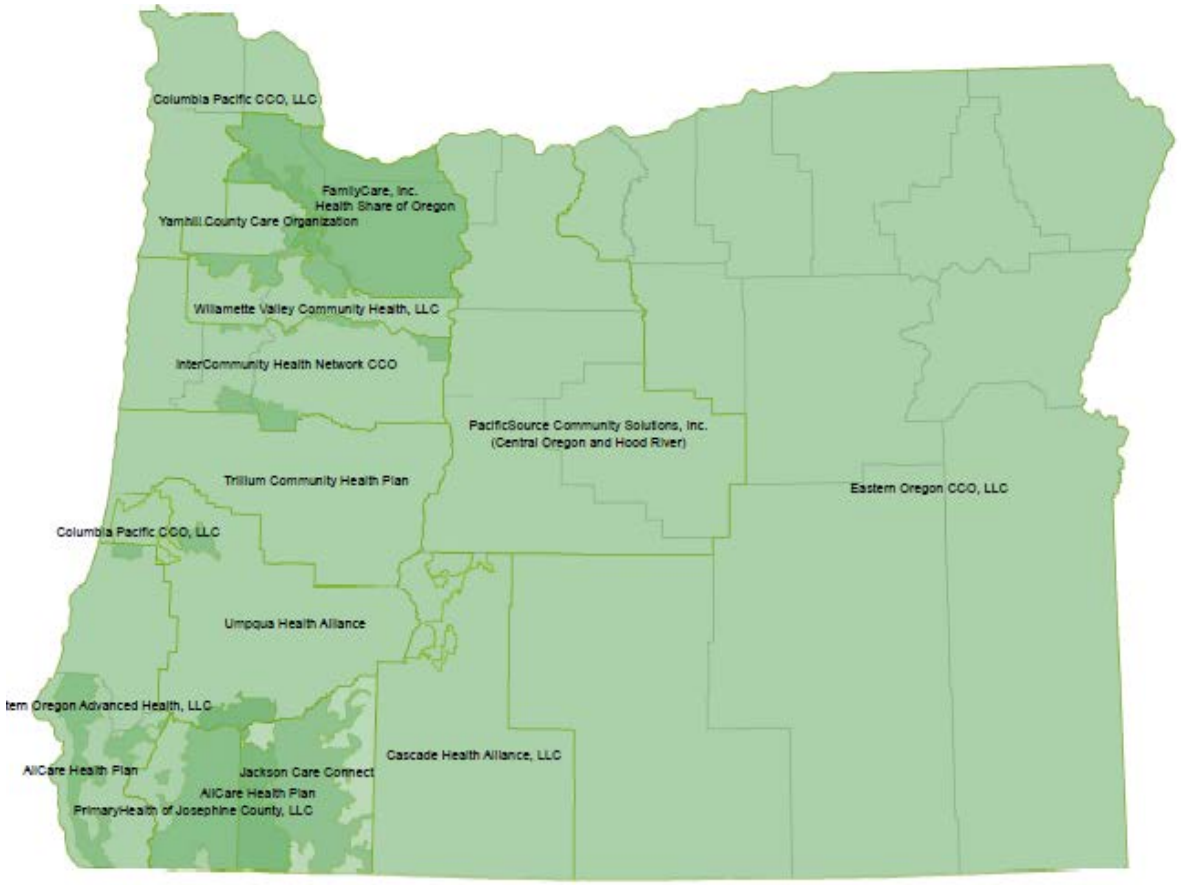
Coordinated Care Organizations

- A local network of all types of health care providers working together to deliver care for Oregon Health Plan clients.
- Governed by health providers, consumers, those taking financial risk
- 15 operational in Oregon, serving about 90 percent of OHP clients

Coordinated Care Organizations

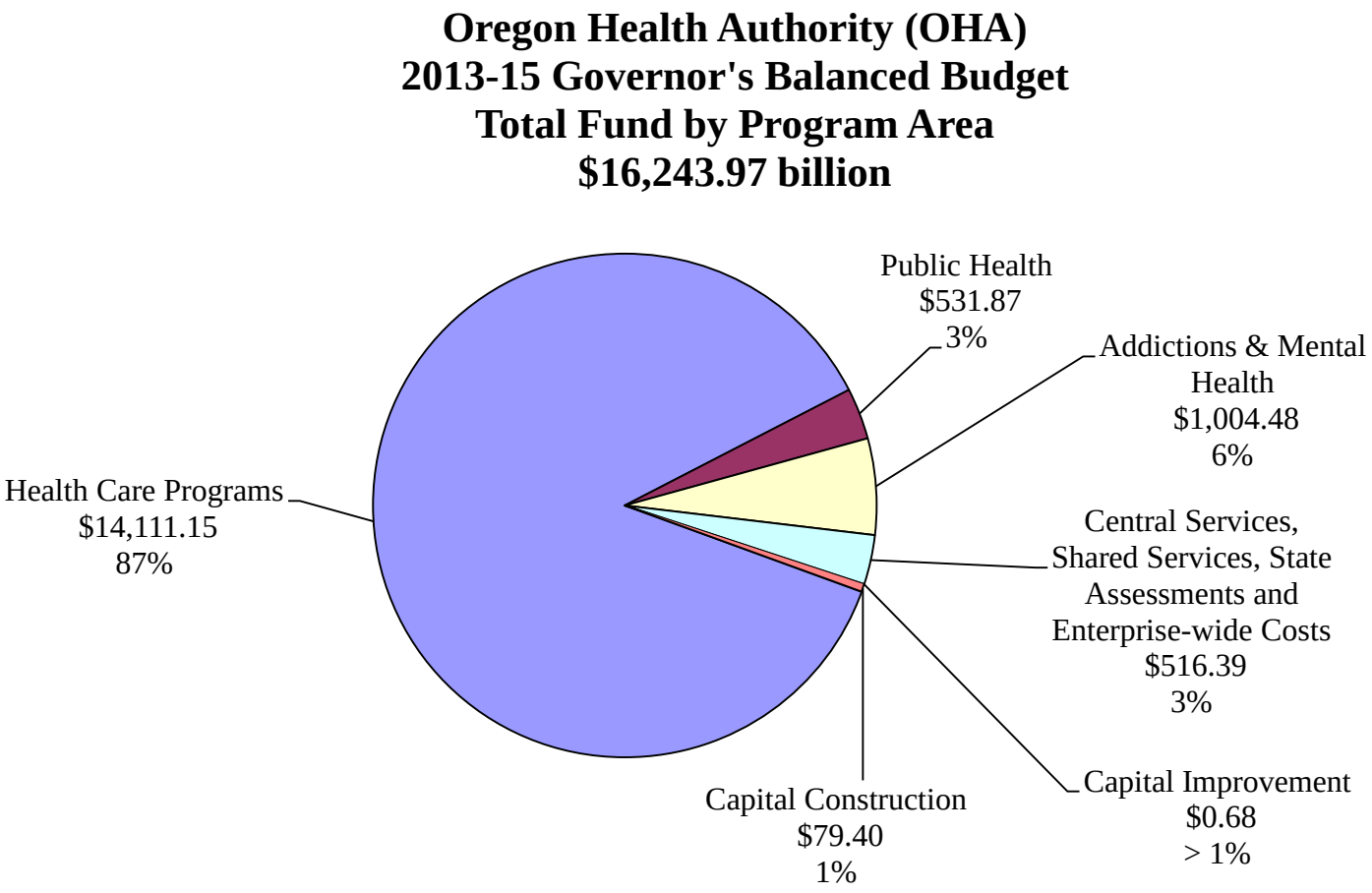
- Community-based, strong consumer involvement in governance that bring together the various providers of services
- Responsible for full integration of physical, behavioral and oral health
- Global budget
  - Revenue flexibility to allow innovative approaches to prevention, team-based care
  - Opportunities for shared savings
- Accountable for health outcomes

Coordinated Care Organization
Service Areas

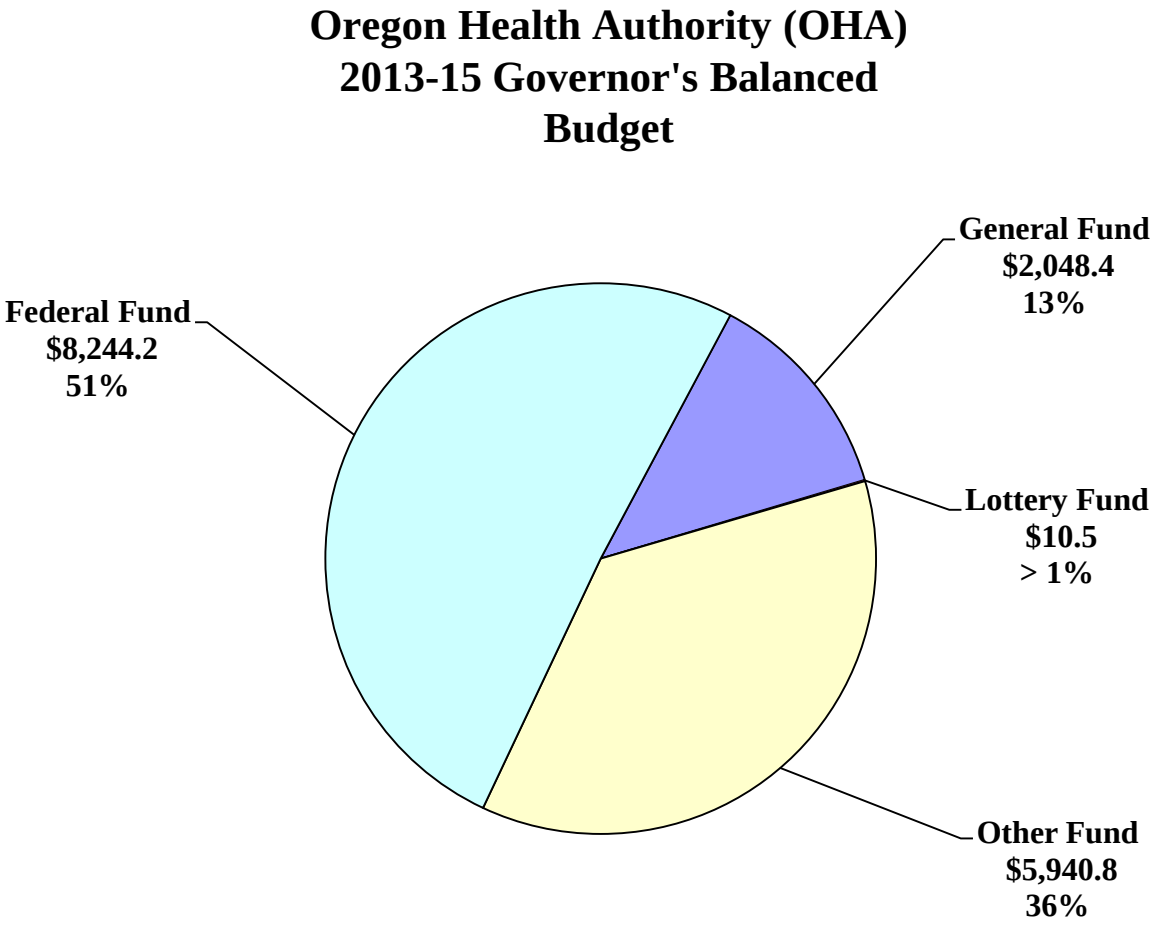


Oregon Health Authority

OHA Budget Overview

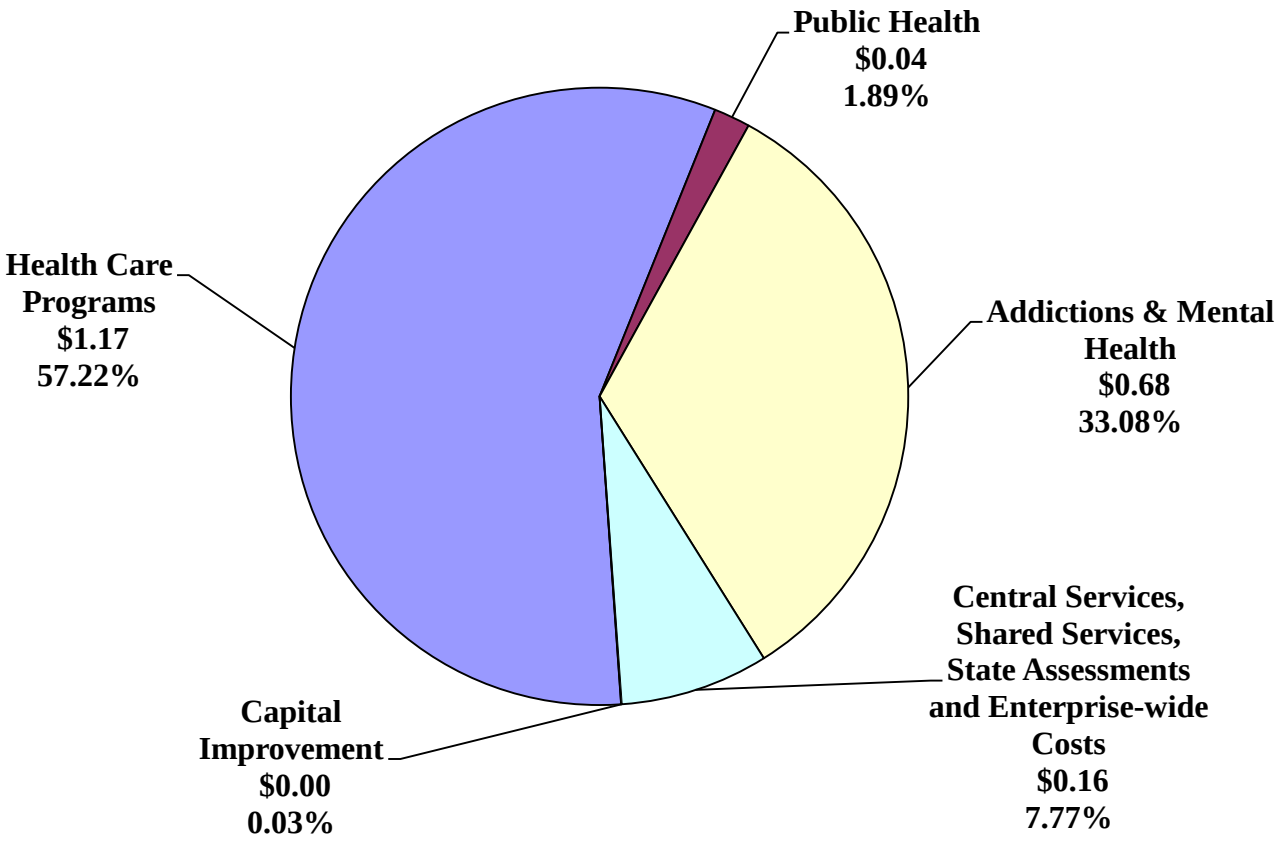


OHA Governor's Balanced Budget
by Fund Type



OHA Governor's Balance Budget

GF by Program Area $2.05 B



Oregon Health Authority

Budget Highlights

Funds OHP and lowers costs per agreement with CMS

- 4.4% increase in per capita expenses in year one
- 3.4% increase in per capita expenses in year two

Expands coverage in Jan. 2014 to ~ 180,000 people. These health care costs 100% federally funded in 2013-2015

- 30% of state's remaining uninsured Oregonians

Reduced medical debt & cost shift, increased access to care

43% increase in Oregon's community mental health and addictions treatment system

Where the OHA Dollars Really Go

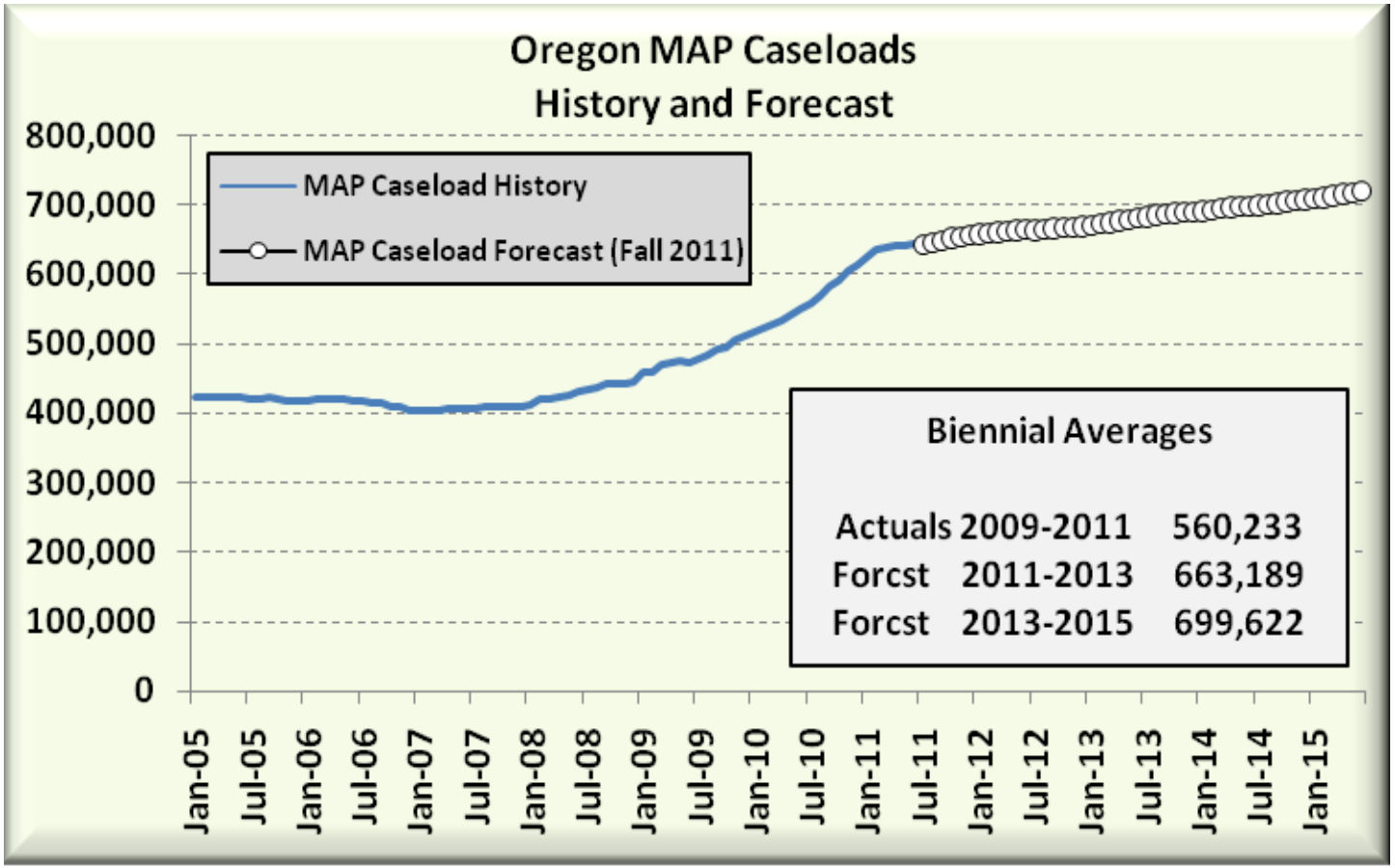
- 96 percent goes to direct provision of health services:
  - 90 percent goes to pay doctors, nurses, pharmacists, dentists, hospitals, mental health providers and other health/health care providers in every community throughout Oregon.
  - 6 percent goes to direct services provided by the state in public health, Oregon state hospital.
- 4 percent goes to personnel, administration and other overhead costs (inc. capital construction).

What Drives the OHA Budget

- Medical inflation and the underlying cost of medical care
- Economy/caseload: poverty, unemployment
- Social issues: untreated mental health and substance abuse; homelessness; disparities
- State and federal policy

Medical Assistance Program Caseloads

History and Forecast



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OHA Significant Budget Issues

Designated State Health Programs (DSHP)

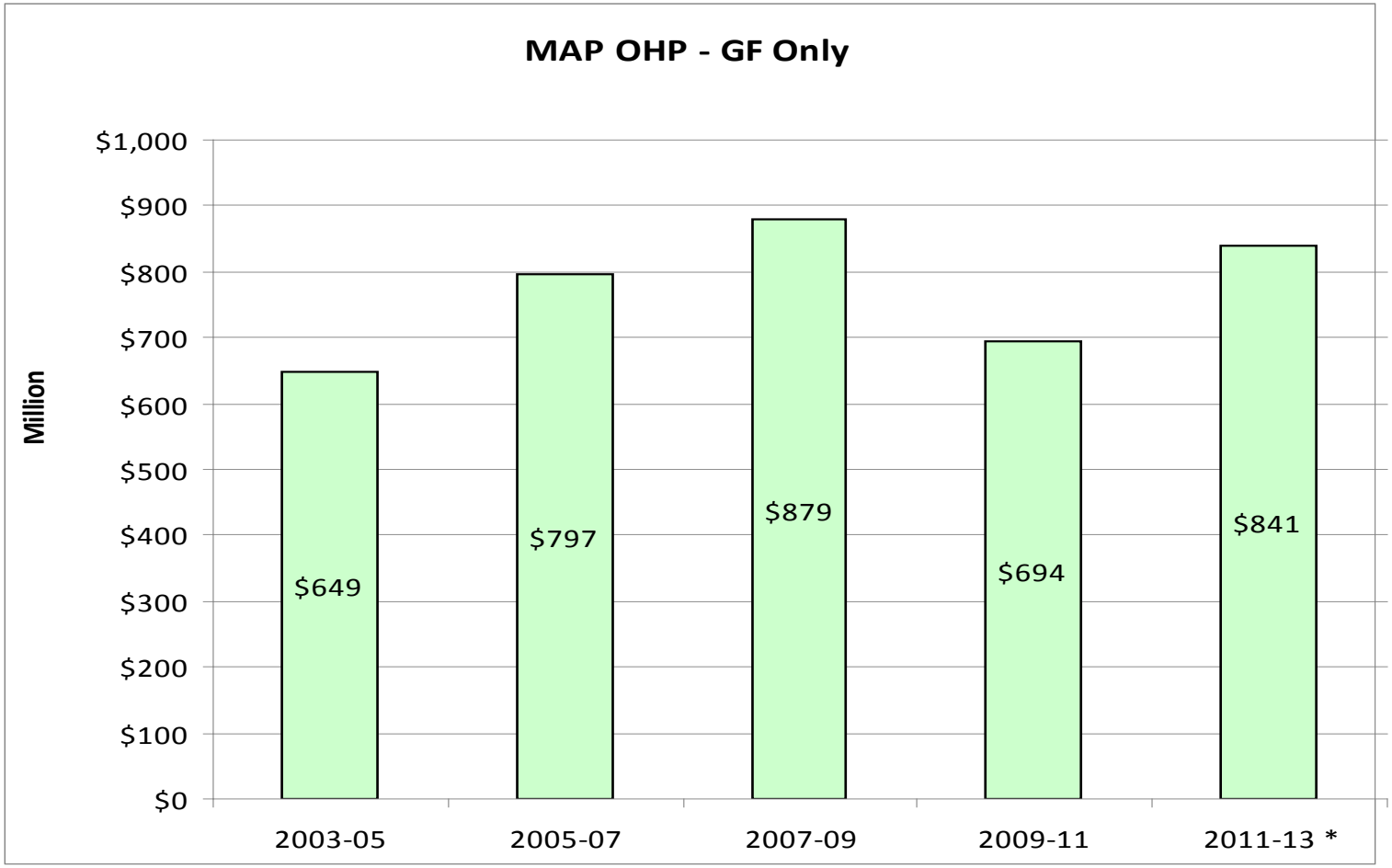
- Allows us to match funds that support services and programs to meet health needs that Medicaid, as it is currently structured, does not.
- By obtaining federal matching payments for such programs, state funds are freed up that can be reinvested in Medicaid.
  - Yr 1: 2012 $620 million
  - Yr 2: 2013 $620 million
  - Yr 3: 2014 $290 million
  - Yr 4: 2015 $183 million
  - Yr 5: 2016 $183 million
- If DSHP programs are reduced, we lose that portion of the funding.

OHA Significant Budget Issues

Reliance on federal funds to fund OHP

- This and past budgets have relied on federal funds to funds OHP during economic downturns
  - Stimulus dollars
  - DSHP dollars
- As a result, general fund investments have lagged
- Any additional decreases in GF will only exacerbate future funding challenges

Medical Assistance Programs



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OHA Significant Budget Issues

Funding OHP to level of our federal agreement requires multiple funding streams

- $910M – Designated State Health Program
- $600M – hospital assessment
- $160M – general fund investments
- $120M – tobacco master settlement agreement

OHA Significant Budget Issues

Relationship between Hospital Assessment and Federal Reform

- Current hospital assessment funds OHP Standard
- Opportunity under federal reform to have OHP Standard population considered as “newly eligible” and thus fully federally funded
- Frees up hospital assessment dollars for OHP.

OHA Significant Budget Issues

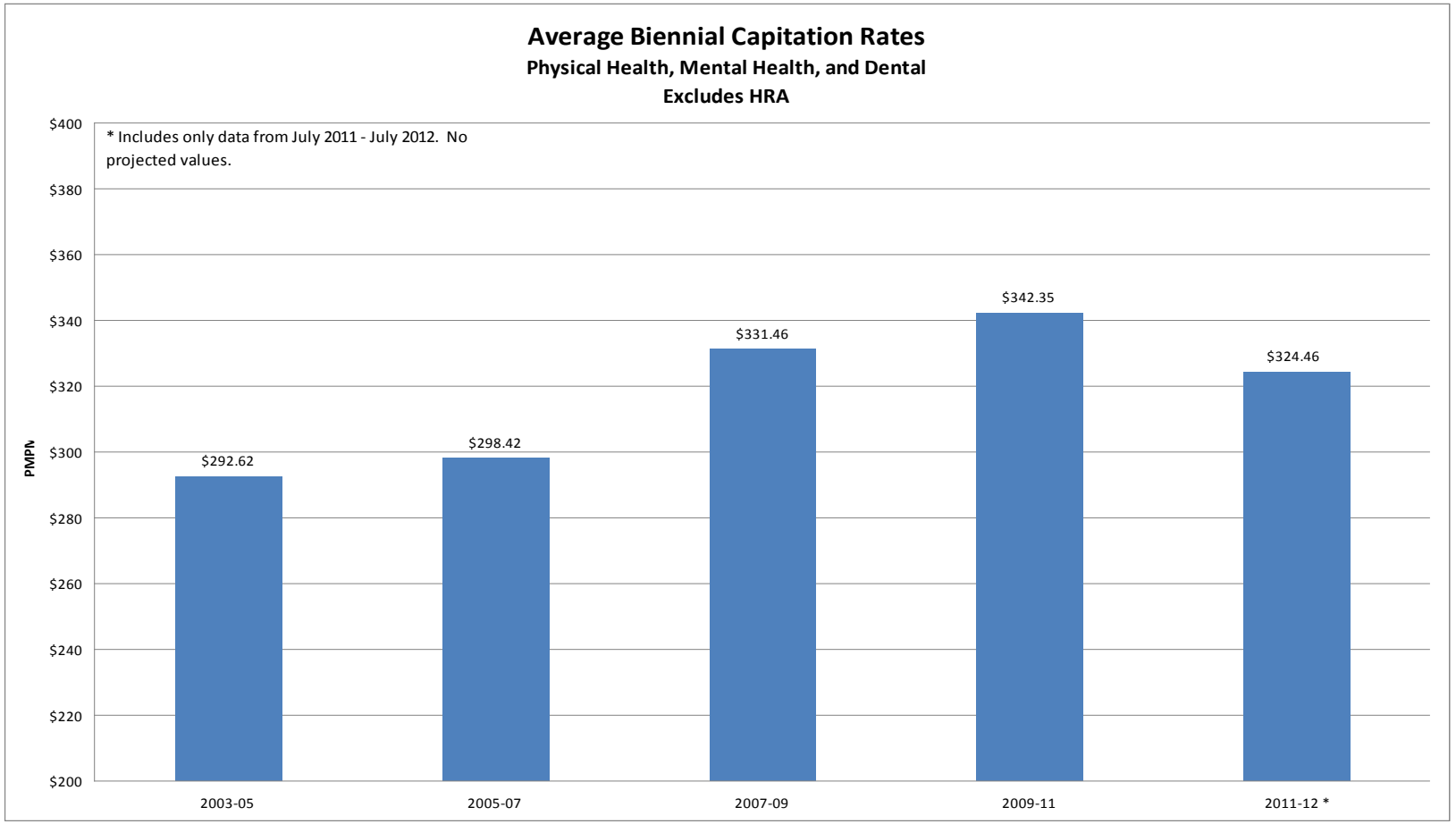
Many provider rates have not kept pace with costs

- Access and quality suffers
- Many OHP providers saw significant rate cuts during current biennium
- Other providers have not had any COLA in several biennia, e.g. mental health residential

OHA administrative budgets have been consistently reduced

- Creates additional challenges in administering programs
- “Absorbed” $16 million in admin reductions this biennium
- Operating with 9% less staff to meet budget targets

Medical Assistance Programs



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Risks/Concerns

- The economy
- Changes in Federal policy
- Ability to meet the goals of Health Systems Transformation

Making Government Work Better: Transformation inside OHA

Streamlining and reducing red tape. Such as:

- Integration of AMH and DMAP Medicaid administration and program support
- Integration of AMH and DMAP Medicaid CCO contract administration and monitoring
- Mental health rules improved to reduce administrative burden and align with Health System Transformation
- Coordination and integration of data and analytics across divisions

Things to Keep in Mind During Budget Development

- OHP budgets are based on historical caseload, and are not a true reflection of need in Oregon communities.
- Most resources are devoted to direct health care delivery with limited investment in prevention or public health.
- No reserve funding.
- Mental Health – correcting the chronic underfunding of mental health and addictions treatment and prevention. These drive health and social costs elsewhere.

In Conclusion

- Almost all of the OHA budget goes to the direct provision of health care services.
- State funded health care programs exist as a part of our larger health care system.
- If we are to truly manage the OHA budget, we need to focus on ways to transform our entire health care system.