

*Advocating for Oregon's Hospitals & the Patients They Serve*

**Committee:** Senate Health Care Committee  
**From:** Drew Hagedorn, on behalf of OAHHS  
**Bill:** SB 665  
**Date:** March 25, 2015

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Senator Monnes Anderson and members of the Senate Health Care Committee, on behalf of Oregon's 62 acute care hospitals and the patients they serve, the Oregon Association of Hospitals and Health Systems (OAHHS) appreciates the opportunity to comment on Senate Bill 665, regarding creation of a Hospital Rate Commission.

OAHHS opposes this legislation, which is poorly crafted and fundamentally flawed in its understanding of hospital financing. It disregards existing statewide efforts that are addressing health care cost containment in a collaborative and holistic manner and inappropriately focuses regulatory efforts on a fee-for-service payment system that Oregon providers and state and federal health programs are already moving away from.

The Sustainable Healthcare Expenditures Workgroup, convened by the Oregon Health Policy Board in 2014, was charged with establishing a foundation for cost containment through sustainable rate of health care cost growth. This work is set to continue in the coming months. OAHHS and the Oregon Health Leadership Council have additionally committed to partner on the development and advancement of sustainable rate of growth policy options. Senate Bill 665 ignores these existing, collaborative efforts and would impose a model that threatens access to acute care as a result of its fundamental lack of understanding regarding health care financing.

The proposed regulatory system doesn't address incentives to control volume or offer incentives to improve quality, both of which are necessary if the state is to create a more sustainable and effective health care system. It does not account for alternative payment models that reward value and strong quality performance, and it detracts from health care systems that are working to become integrated along the full continuum of care by regulating per-unit measures and focusing attention on historical financial models instead of evolving models.

Proponents of the bill make significant and incorrect assumptions regarding the relationship between charges and payment and appear unaware of federal regulations that already protect uninsured patient billing practices. The bill has no conception about the amount of work or time it would require from state regulators. It would in effect cause individualized review for every hospital on tens of thousands of medical procedures, devices, and pharmaceuticals at a substantial cost of time and funding. Finally, the bill's proposed standard of reasonableness for rates conflicts with its own stated goal of ensuring hospital financial viability by tethering hospital 'reasonable costs' to Medicare payments, which were equivalent to just 78 cents for each dollar hospitals spent caring for Medicare patients in 2013.<sup>1</sup>

We ask that you join us in opposing this ill-conceived legislation. Thank you again for the opportunity to comment.

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<sup>1</sup> Apprise Health Insights. 2014 Oregon Community Hospital Report. Page 5.