PeaceHealth

Testimony on HB 3300

April 1, 2015

Alan Yordy, President and Chief Mission Officer, PeaceHealth

Good afternoon Chair Greenlick and members of the committee:

My name is Alan Yordy, and I am president and chief mission officer of PeaceHealth. We have four hospitals, nine medical clinics and about 6,000 caregivers in Lane County, Oregon. I am here today to speak in support of House Bill 3300.

HB 3300 gets at a fundamental problem that, we believe, if not addressed, threatens to undermine the safety net of care in Oregon. That problem is with inconsistent reimbursement rates paid through government contracts. At the top of the scale we have OEBB and PEBB which pay commercial rates. In the middle is the federal program, Medicare, which used to pay slightly above cost but now pays slightly below as reimbursement has eroded over time. And at the bottom of the scale is Medicaid, which pays PeaceHealth just 70 cents on the dollar of our cost of providing care.

This variance in reimbursement leads to a not-surprising outcome: Competition to serve the well-paying clients is far greater than it is to serve the less well-paying. Up to a point, that can work. Prior to the Affordable Care Act, when Medicaid was a smaller part of our overall book of business, we could absorb the losses under Medicaid more easily. As a nonprofit organization, PeaceHealth has long believed that it is our responsibility to care for all in need, and particularly the most vulnerable – that is, the elderly, the poor and the uninsured. This has been a core part of our mission in Oregon for almost 80 years.

The advent of government-sponsored health care programs changed how health care providers operate, but with low reimbursements we have found that there is still a role for us as safety net providers. Our fundamental commitment and mission has not changed. What has changed with the Affordable Care Act is the rapidly growing number of people on Medicaid – now about one-quarter of the state's population. That, coupled with Medicare patients, represents 70 percent of our business, and yet only half of our revenues. With both Medicare and Medicaid paying below our cost of providing care, the only way we can remain viable is by cutting costs – which we have done and continue to do, but not without creating a great deal of anxiety among our nurses and other staff – and by cost-shifting to commercially insured patients. That includes OEBB and PEBB.

With the advent of the ACA, which we generally support, our Medicaid business has grown from 15% to 23%. Now granted getting paid 70 cents on the dollar is better than nothing, but for some providers the choice is to do neither charity nor Medicaid. That may be fine – after all, we're nonprofit and it's our mission to provide the care that others choose not to. But in the interests of preserving the safety net and providing incentives that are in the best interests of society, we believe that those providers who choose not to do charity or Medicaid should not have the privilege of contracting with the state for the better-paying state employee business. HB 3300 is not a requirement that providers take charity or

Medicaid. It's not a stick. It's a carrot, saying that if you want one part of the government's business, you have to do this other part as well.

While this issue has long been of concern to us, it developed new urgency for us with the news that Kaiser is moving into the Lane County market. We were delighted and encouraged when Kaiser began taking Medicaid in the tri-county area, because that is a departure from their business model, and one that we wholeheartedly support. Kaiser officials have been very transparent that their motivation in coming to Lane County was the public employee market, but they also have stated their intention to take Medicaid there as well. We applaud that decision, while noting that no contracts have been signed to date as far as we know.

The concern is that we already have an access problem in Lane County. Thousands of new Medicaid enrollees have no doctor, and we are one of the only places in the state that saw an upsurge in Emergency Department visits with the Medicaid expansion because, with insurance but no doctor, patients turn to the ED. We are the only Urgent Care to accept Medicaid as well, and our Urgent Care Centers also experienced an uptick in Medicaid volume. We want to be sure that any insurer who wishes to enter a market to participate in OEBB and PEBB doesn't exacerbate this problem by contracting with doctors who currently take Medicaid and diverting that capacity to commercial business only.

With Kaiser's entry into the Lane County market, we are at an important crossroads. The introduction of this new provider can ease the access problem or add to the crisis. For now we're taking a wait-and-see approach, but it would be helpful if this were all unfolding within the context of a clearly articulated state policy that the state will use its collective purchasing power to assure equal access to all citizens who are in the state's care. It is an important step toward breaking down the silos in health care and approaching service to those for whom the state is responsible in a fair and consistent way. Instead of robbing Peter to pay Paul, as currently happens, we will be advancing a policy that is blind to income or insurer – a policy that says all those who count on the state of Oregon for care deserve access not only to insurance, but to a doctor.