

Testimony in support of HB 2679, March 1, 2017

Submitted by Charlie Swanson of Eugene (HD 11)

Thank you, Chair Mitch Greenlick and members of the committee. I am Charlie Swanson, an advocate for universal healthcare, and am speaking in support of HB 2679 with a modification. In general, a hospital rate commission can serve a useful function in Oregon, and so I think it is important that this bill be seriously considered.

A key part of this bill is the threshold at which rate commission review is triggered, and below which a rate is considered reasonable. As currently written, the threshold is “two times the Medicare payment rate.” I would suggest that this threshold is too high.

The recently completed RAND Corporation Study, “**A Comprehensive Assessment of Four Options for Financing Health Care Delivery in Oregon**” (see http://www.rand.org./content/dam/rand/pubs/research_reports/RR1600/RR1662/RAND_RR1662.pdf), portrays the average private insurance hospital reimbursement rate to be about 154% of Medicare reimbursement (see p. 45). The report shows that the average reimbursement for hospitals is 130% of Medicare. The average rate is lower than that from private insurers because many of their patients are covered by Medicare or Medicaid. Hospitals in Oregon have done very well since the Affordable Care Act, especially the Medicaid expansion, have been in place. This suggests that 130% of Medicare rates on average is more than sufficient.

I think that the rate review threshold should be informed by data from the RAND report, perhaps with cross-checking from the Oregon Health Authority, and should be somewhere close 10% above typical reimbursement from private insurers, likely about 170% of Medicare rates. If it is kept at 200% of Medicare rates, I would expect that the commission would do essentially nothing to control costs.

As I understand the bill, the authority would still be able to approve a reimbursement rate greater than the threshold, it would just not be an automatic approval. The threshold needs to be low enough to have a useful effect.

Thanks for considering my comments.