



March 2, 2017

Senate Committee on Health Care  
Senator Laurie Monnes Anderson, Chair

Chair Monnes Anderson, Vice-Chair Kruse, members of the Committee,

Thank you for the opportunity to testify today on the cost drivers of health care in Oregon. My name is Art Suchorzewski and I am the Director of Government Affairs for FamilyCare Health.

Since 1984, FamilyCare Health has coordinated member health benefits and services for lives covered by the Oregon Health Plan. As the second-largest Coordinated Care Organization, we contract with thousands of healthcare providers to provide integrated physical, dental, and behavior health care to approximately 120,000 Oregonians in Clackamas, Multnomah, and Washington counties, and parts of Marion County.

There is no question that hospital and pharmacy costs have been increasing significantly every year. While utilization, or the number of services provided, contributes to rising costs, increases in the **price**, or the individual unit cost, are by far the largest contributor to rising health care costs in these two areas. Rising hospital and pharmacy prices are a problem for all payers, including commercial insurance and other government sponsored programs like PEBB and OEBC, not just at CCOs.

With regard to FamilyCare's pharmacy experience, total drug costs rose 21% in 2016 compared to 2015. Utilization actually declined slightly, while the average price paid increased by 22%. **Again, price is the driver.** CCO's have done as much as they can to manage and compensate for these unsustainable price increases. All CCO's have very high generic issue rates, generally above 90% and have other pharmacy management protocols that require the use of the least costly medicine as supported by medical evidence. For FamilyCare, this increase in pharmacy prices alone account for more than the 3.4% global budget rate of growth. Without containment of pharmacy prices, funding available in the global budget for other providers will decline,

and Oregon will be sending all of its global budget increases to out-of-state pharmaceutical companies.

Similarly, hospital prices rise unchecked annually due to the current DRG and cost-based reimbursement methodologies. Hospital prices continue to rise even in the wake of falling charity care and rising hospital profits.

We recommend that the committee consider the following as it tackles this important issue:

1. Tax-funded health care should be considered as a package when controlling costs. Regardless of whether an individual is on OHP or PEBB or other state-funded healthcare, Oregonians have access to the same hospitals and drugs that are driving up costs for these programs.
2. We also recommend that the committee look at creating a statewide Pharmacy Benefit Manager (state-wide contract for drug prices with management staying at CCOs) for all tax-funded health care and study how this may have a positive effect on drug prices.
3. Lastly, we would recommend that you look at limiting hospital costs in the same way we have capped Medicaid at 3.4 percent. You can also look at Maryland, where hospital rates are set by a state agency known as the Health Service Cost Review Commission. Within the last two years, Maryland has even moved to implement global budgets for hospital reimbursements.

While pharmacy and hospital prices are the most “popular” cost drivers, there are other cost pressures to consider as well. Increasing administrative burdens, inadequately funded new benefits, and the loss of innovative flexibility in delivering high-quality healthcare can add to the overall cost of healthcare. These cost-pressures, along with unchecked pharmacy and hospital price increases, may ultimately reduce the funds available within a CCO’s global budget to invest in prevention and investments in the social determinants of health that have the greatest potential for long-term reduction in the demand for health care services.

FamilyCare would be pleased to provide any additional information to you regarding these important issues. We would also appreciate the opportunity to comment on any legislation that may address our state’s health care costs.

Thank you for the time to provide this testimony to you today.

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FamilyCare Health