

March 9, 2017

Oregon State Legislature  
Senate Committee on Health Care  
900 Court St. NE  
Salem Oregon 97301

**Re: *Senate Bill 419 – Hospital Rate Setting Commission***

Dear Chair Monnes Anderson and Members of the Committee:

On behalf of Oregon's 62 hospitals, health systems, and the patients they serve, the Oregon Association of Hospitals and Health Systems (OAHHS) appreciates the opportunity to share our concerns about Senate Bill 419.

Oregon's health care environment continues to undergo significant transformation, including pricing and payment reform. Provider reimbursement that was once entirely fee-for-service has become a hybrid with the adoption of accountable care models. Hospitals and health systems are increasingly paid based on performance and at-risk cost of care. SB 419 would lock in the fee-for-service model and takes health system transformation in the wrong direction.

Maryland is often pointed to as a model of hospital rate setting, which has been in place since 1977 and is made possible by a 40-year old Medicare waiver as well as state law. A key component in Maryland's model is that it includes all payers – commercial, Medicaid and Medicare—within the rate setting environment. Without an all-payer model, SB 419 would not achieve the core vision of its proponents.

Hospitals respond to and anticipate market forces; they require flexibility to develop new ways to manage risk and to offer competitive bundled services. For example, bundling payments for joint replacement or pregnancy care is an innovative approach that will reduce costs and improve outcomes for patients. SB 419 would move the system away from that model and back towards fee-for-service.

Additionally, the rate setting model proposed in SB 419 does not address incentives to control volume or offer incentives to improve quality, both of which create a more sustainable and effective health care system. It does not account for alternative payment models that reward value and strong quality performance. It also hinders health care system integration along the full continuum of care by instead regulating per-unit measures and focusing attention on historical financial models instead of evolving models.

Oregon's hospitals and health systems are poised to continue to lead and support the state's collective health system transformation efforts. OAHHS opposes SB 419 but welcomes conversations during the interim to continue to move health care transformation forward.

Thank you for your consideration.

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