



March 14, 2017

Chair Laurie Monnes Anderson
Senate Committee on Health Care
900 Court St. - State Capitol
Salem, OR 97301

Chair Monnes Anderson and members of the Committee:

My name is Paul McKenna. I am the Research Director of SEIU Local 503, which represents about 25,000 state agency and public university employees in Oregon who receive health insurance benefits through the Public Employees' Benefit Board. Until recently, I was a PEBB Board member and from July 2014 to June 2016, I served as Chair of the Board. I'm here today speaking on behalf of SEIU Local 503, to express support for SB 419, from the perspective of a long-time PEBB Board member.

According to a recent study, Oregon's rates for inpatient hospitalization are 27% above the average for other states. The study, which was conducted by the Network for Regional Health Care Improvement, compared Oregon's provider rates, utilization, and overall costs with four other states. Oregon's overall "unit costs"--which includes hospital rates, physician rates, and pharmaceutical prices--were found by this study to be 17% above the average.

The study also found that utilization in Oregon was 7% below the average, with inpatient utilization 15% below average. Overall costs, combining unit costs and utilization were found to be 9% above average.

Unit costs are the largest cost driver for PEBB's overall 2018 cost trend. According to Mercer, PEBB's actuarial consultant, 47% of PEBB's projected increase in costs for 2018 is attributable to unit costs.

Limiting the increase in PEBB's unit costs, specifically provider rates, is therefore critical to helping limit PEBB cost increases as well as cost increase in other publicly funded health care programs, including OEBC and Medicaid. Limiting these cost increases, in turn, will allow the State to invest in critical public services that otherwise might be on the chopping block.

In addressing provider rates and working to bring them under control, PEBB can certainly direct its insurance carriers to take a harder line with providers in negotiating rates.

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However, PEBB could definitely use the Legislature's assistance in achieving this goal. Setting up a process for hospital rate review as proposed in SB 419 would be an important component of an overall strategy to limit or reduce hospital rates, which is clearly needed in order to limit the overall increase in PEBB's costs and in health care costs for Oregonians in general.

Thank you for the opportunity to testify today.