



Testimony Narrative

March 14, 2017

SB 861: Removing financial data reporting exemption

Presenter: Jon Collins, Director of the Office of Analytics, Health Policy and Analytics Division

Chair Monnes Anderson, Vice Chair Kruse and members of the Committee: for the record, I am Dr. Jon Collins. I am the Director of the Office of Health Analytics, which is in the Health Policy & Analytics Division of the Oregon Health Authority. Thank you for the opportunity to speak with you today about SB 861, which is a bill to strengthen OHA's collection of financial data from hospitals.

As authorized by ORS 442.425, Oregon Health Authority collects financial data from Oregon's hospitals on an ongoing basis. One dataset is collected annually, and consists of each hospital's audited financials. The other dataset is collected monthly, and consists of each hospital's self-reported, unaudited financial information. It includes data elements such as gross patient charges, contractual amounts, operating expenses, payroll expenses, and utilization figures for inpatient, outpatient, emergency room, and other settings.

Today, two of Oregon's sixty hospitals are exempted in statute from reporting their individual financial data. This bill seeks to close that exemption. In lieu of the data elements that all other hospitals must report, the exempted hospitals instead submit a national health system wide audited financial statement and handful of hospital-specific data elements. We know from the limited data these hospitals provide that they account for over 120,000 patient visits, over \$800 million in operating revenue and over \$50 million in net income in 2015.

These statistics are not included in statewide analyses of Oregon's hospitals' financial health because necessary information is still missing. Gross charges, net patient revenue, operating expense, and operating and total margins are metrics reported or calculated by OHA for all other hospitals in the state except these two.

While the need for complete and accurate data may be sufficient rationale to end this exemption, there are other compelling reasons. Once collected, all of the hospitals' financial data are made publicly available. This gives the exempted hospitals a competitive advantage, in that they can access other hospitals' data, while their own are missing from the dataset.

Also of concern is the relatively broad statutory language, which allows hospitals that "receive a preponderance of their revenue from associated comprehensive group-practice prepayment health care service plans" to "report as a group rather than individual institutions." As the health care landscape shifts, large hospital systems and organizations will increasingly adopt capitation and managed care models. This could result in more of Oregon's largest hospitals falling under this exemption and reporting at the aggregate level only in the future.

Lastly, this statute was enacted decades ago when this health care model was very unique and reporting this type of data would've been problematic. Since that time, extensive guidelines from the Financial Accounting Standards Board exist about how to handle capitation and prepayment of health care in financial reporting. Other hospitals already follow these guidelines in reporting their financial data to OHA with respect to the care they provide on capitated Medicaid and Medicare Advantage arrangements.

Thank you for your time and careful consideration of this bill. I am happy to answer any questions.