



EXTERNAL RELATIONS DIVISION

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TO: The Honorable Laurie Monnes Anderson, Chair
Senate Committee on Health Care
900 Court St. NE
Salem, OR 97301

FROM: BethAnne Darby, Director, External Relations Division

Cc: Mark Fairbanks, Chief Financial Officer, Fiscal & Operations Division
Lori Coyner, State Medicaid Director

RE: Senate Bill 234

Chair Monnes Anderson and members of the Senate Committee on Health Care; the Oregon Health Authority (OHA) appreciates the opportunity to submit written testimony on OHA's CCO contracting process and the potential impact of Senate Bill 234 on it.

Background

Senate Bill 725, passed in 2013, required that contracts between the Oregon Health Authority (OHA) and coordinated care organizations (CCOs) be for a term of five years. With implementation of those contracts in 2014, that initial five year term is set to expire at the end of next year (2018). Senate Bill 234 proposes to establish the terms and conditions in which OHA shall renew the contracts of CCOs wishing to continue to serve OHP beneficiaries in 2019 and beyond.

Senate Bill 234 requires OHA to renew the contract with a CCO for another five year term **unless** the CCO:

- Substantially failed to carry out the terms of the original five year contract;
- Substantially failed to comply with federal law; or
- Failed to make meaningful progress toward meeting the outcome and quality measures adopted under ORS 414.638.

Evergreen Contracting Policy

Senate Bill 234 seeks to evergreen current CCO contracts unless there has been substantial bad action by a CCO. The policy could have the effect of stunting continued progress in the next phase of Health System Transformation. The current 16 CCOs were engaged in 2012 following a Request for Applications (RFA) procurement process. The RFA solicitation

document that OHA prepared was lengthy, technically detailed, and based on OHA's understanding of Medicaid managed care possibilities in 2012.

Conditions have changed in important ways since 2012, and an essential feature of the CCO model is OHA's continuous learning about innovations that CCOs can accomplish. Imposing evergreen contracting would freeze the 2012 CCO model without allowing OHA to progress towards "Health System Transformation 2.0" for the next contract cycle.

Many potential changes to the Medicaid program at the federal level may still be forthcoming. Changes may include the way (and amount) states receive funding for the Medicaid program from the Centers for Medicare & Medicaid Services (CMS). Oregon needs to maintain maximum flexibility in how it operates its Medicaid managed care program to respond and to operate as efficiently as possible.

Giving existing contractors vested renewal rights is contrary to sound government contracting practices, especially where it results in awarding contracts based on five year old solicitations and responses. OHA should, and will, expect CCOs in the next contract cycle to demonstrate how they will further improve health care, not just demonstrate that they have complied with past requirements.