



Testimony in Support of House Bill 3418
House Committee on Health Care

Speaker of the House Tina Kotek
April 5, 2017

Thank you for the opportunity to testify in support of House Bill 3418 today.

HB 3418 is one piece of a broader conversation about how to reduce cost-drivers within our state budget. Specifically, this bill seeks to contain the cost of providing health care services to state employees.

Health plans offered through the Public Employees Benefit Board (PEBB) cover over 136,000 state employees, spouses and children. Since 2013, the legislature has aimed to keep these costs in check by capping the annual cost growth for health insurance plans in PEBB to 3.4 percent. The PEBB board has generally done well to adhere to this cost trend through annual insurance contract negotiations, but I think we can do better – particularly on the provider side.

HB 3418 would formalize the effort to contain the rate of insurance cost increases by instituting reasonable guardrails on our health insurance costs in PEBB. The bill does two primary things:

- Sets a maximum allowable cost for in-network claims at 200 percent of Medicare;
- Sets a maximum allowable cost for out-of-network claims at 185 percent of Medicare.

The current average inpatient/outpatient cost for the self-insured plans is approximately 237 percent of Medicare. The bill targets 200 percent for in-network claims because it is an achievable benchmark that still moves us in the right direction.

The bill would apply to both self- and fully-insured plans. The *maximum* allowable costs would apply to inpatient and outpatient costs and specialty care claims. It would not apply to Type A, Type B, or Critical Access Hospitals; primary care services; behavioral health homes; or any other claim that could be included in a primary care incentive program.

I also want to be clear that HB 3418 does not prohibit incentive payments or value-based payments to improve outcomes; it simply defines a ceiling. The goal is to increase transparency in specific health care costs, set expectations for how prices are set, and ultimately reduce the cost of providing health care services to state employees.

We can see the need for this measure by looking at a few key data points that support the findings of a recent Quality Corp study, which found the cost of health care in Oregon is 17 percent higher than neighboring states with no correlating increase in the quality of care.

In 2016, there was an 8.1 percent increase in medical costs across all PEBB plans compared to the previous plan year. Mercer actuaries determined that 3.4 percent of the self-insured cost increases were due to simple increases in the service cost – not increases in utilization or risk. For example:

- Based on aggregate data of services and procedures, which you can review on OLIS, the state is paying up to 672 percent of Medicare to some hospitals.
- The number of cesarean sections across regions decreased from 2.1 to 0.1 per 1,000 from 2014 to 2016. Yet, the minimum allowed paid claim for PEBB increased from \$6,314 to \$11,655. This is an increase of 84 percent in cost and a decrease of 200 percent in utilization.
- Guiding catheter utilization did not increase between 2014 and 2016, yet the cost of this procedure increased 113 percent since 2015 and varied dramatically between regions.

With those data points in mind, it's clear that HB 3418 could both increase transparency in pricing and result in considerable cost savings. A preliminary model of potential cost-savings just for inpatient and outpatient hospital claims at 200 percent of Medicare found that PEBB could save over \$30 million dollars per year on the self-insured plan.

HB 3418 provides a meaningful and achievable way to follow through on our commitment to reduce the cost-drivers in our state budget. Thank you for your consideration.