



## Service Employees International Union Local 503

*More than 55,000 public workers, care providers, and non-profit employees in Oregon.*

### **House Committee on Health Care SEIU Local 503 Supports HB 3418 April 5, 2017**

Chair Greenlick, members of the committee, thank you for the opportunity to testify. My name is Shaun Parkman. I am a member of SEIU 503 and I am the vice-chair of the Public Employee's Benefit Board. I am testifying today on behalf of SEIU 503 and I am here to testify in favor of HB 3418.

PEBB's hospital costs rose by 8.3% last year. Despite PEBB's bargaining power some hospital systems are charging our plans more than 300% of Medicare costs. Rising hospital costs are one of the cost drivers that undermines PEBB's goal to keep costs low.

Meanwhile, "Oregon hospitals' operating margins increased nearly 35 percent indicating high profitability", in 2014 and 2015 according to the Lund Report. Hospital Systems would argue that due to a higher proportion of Oregonians covered by health insurance since the Affordable Care Act, hospitals have needed to provide less resources for charity care. Instead of taking their savings from their drop in charity cases and invested that money back into Oregon communities in the form of community health projects, they have pocketed much of the difference. One wonders just how not for profit some of the not for profit hospitals are.

The rate of increase that hospitals are forcing on PEBB is unsustainable. A reasonable corrective action needed for this situation is HB 3418. This legislation would provide some much needed leverage for PEBB by providing a legislatively mandated cap on how much our fully-insured or self-insured PEBB plans can pay in-network providers and out-of-network providers. This applies to broader services than hospital costs, but it is hospital costs where many services are being charged and reimbursed at rates above 200% and 185% of the reimbursement rates of Medicare.

PEBB continues to be committed to using all means at its disposal to press for good deals with plans, providers, and hospitals. We have a good track record of finding success at holding costs down without simply pushing costs onto members, but it is becoming clearer that there are some market distortions that are leading to price gouging. This legislation is a great answer to unsustainable hospital costs.

Thank you.