



April 5, 2017

PacificSource Testimony – SB 934

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Chair Monnes-Anderson, Vice-chair Kruse and members of the Senate Health Committee, thank you for allowing us the opportunity to provide comment to SB 934. PacificSource is an independent, not-for-profit health plan, serving commercial, Medicaid, and Medicare lives in Oregon. We thank Senator Steiner-Hayward for her leadership around the important goal of strengthening primary care in Oregon. We support this goal; we know that promoting the use of primary care and medical home models can create better health outcomes and can help to drive down costs across the healthcare system. We are aware of the strong results surfacing from the CMS CPCI initiative, as well as the PSU evaluation of the PCPCH program, and we are committed to continued investments that strengthen primary care. Nevertheless, we believe there are more effective and sustainable ways to induce behavior change among payers by reinforcing and incentivizing good work in this space, rather than setting up a complex regulatory approach that has the potential to create unintended consequences.

Our concerns include the following:

**Affordability and Complexity**

- Within a total cost of care framework, setting a percent of spend target for primary care services is fundamentally problematic. If insurers are required to meet a set target for primary care, yet other cost centers increase, then overall costs will increase.
- In addition, the percent of spending on primary care could be impacted by things that have little to do with primary care. There are areas of significant spend where insurers have limited control—e.g., prescription drugs, cost-based reimbursement for Type A/B hospitals, as well as the underlying risk of a population (where one would expect that high-risk members will require more specialty care services). These factors could serve to skew the percentage, even if insurers are doing the right things to meet the primary care spend target.
- Although we understand the expectation is that there will be cost savings as a result of increased primary care spending, we believe this outcome may not be as immediate or direct as anticipated. As such, the dollars from this mandate would have to come from somewhere. With limited ability to control for certain high-cost

services and treatments, the burden will ultimately be borne by the consumer. Consumers are already struggling with affordability, and we cannot support approaches that could compound the possibility of pricing folks out of the market.

### **The Devil is in the Details**

- Although the Primary Care Collaborative has done good work to identify approaches that support primary care through technical assistance, reimbursement strategies, and evaluation, there are important unanswered questions and concerns. These include the definition of primary care and the process for calculating primary care spend. Proposed changes to these fundamental concepts have been recent topics of discussion by the workgroup and others.
- Furthermore, achieving value from increased percent spend and changed payment models will depend on having providers who have the capacity and interest to partner with payers to do so. Our experience has been that the landscape varies across the state and within markets. PacificSource has a strong track record of engaging alternative payment approaches (many within primary care), and we are also participating in CPC+; however, these are complicated arrangements and take time to realize.
- Finally, leaving the development of penalties to DCBS via rulemaking is concerning given there would be limited ability to inform the process.

### **Unintended consequences**

Candidly, we do not know what the range of unintended consequences might be in passing this legislation, particularly in light of the uncertainty within the federal environment, but we can envision the following:

- This model directs absolute incentives toward one segment of the healthcare system, which could result in perverse outcomes, such as not being able to incent other kinds of services that, although not directly related to primary care, could help to promote improved health outcomes. To the degree that this level of specificity adversely impacts the ability to promote other kinds of innovations, we don't believe it would be moving us in the right direction.
- Health insurance markets are already strained with state and federal mandates and other regulatory requirements. Adding yet another complex requirement will yield additional administrative demands in the form of reporting, data calls, and the expense of ensuring that we have the people necessary to comply. Although it would be difficult to draw a direct cause and effect correlation, we believe it's reasonable to project that that employer groups will continue to move away from being fully-insured toward self-insuring (a trend we are already seeing) where there can be significantly more variation in benefits and quality expectations.
- Finally, these kind of regulatory requirements do not create a level playing field among payers; smaller health insurers and CCOs that do not have the same level of infrastructure as larger payers will still be subject to the full requirements and will have a much harder time conforming.

PacificSource has made significant investments into the primary care workforce and has voluntarily participated in payment reform approaches. We strive to be part of the solution as the State continues its efforts toward realizing the Triple Aim. We would like to continue to collaborate around these efforts; however, the approach set forth in SB 934 is not one that we can support. Please feel free to reach out with any questions.

Thank you,

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