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Measure Description:

Modifies methodology for reimbursement of health care services and supplies provided to enrollees in health benefit plans offered by Public Employees' Benefit Board.

Government Unit(s) Affected:

Oregon Health Authority (OHA)

Analysis:

House Bill 3418 modifies the reimbursement methodology of health care services and supplies provided to enrollees in health benefit plans offered by the Public Employees' Benefit Board (PEBB). The bill requires PEBB to reimburse in-network services at 200% of Medicare and out-of-network services at 185% of Medicare. The bill also prevents balance billing; providers who are reimbursed in this manner are prohibited from collecting the difference between the reimbursement amount and the billed charges from the patient. This reimbursement methodology excludes: (1) type A or B hospitals; (2) rural critical access hospitals; (3) patient centered primary care homes; (4) behavioral health homes, and (5) services delivered using a nationally recognized primary care home payment model. The bill is effective upon passage and becomes operational and applies to health benefit plans offered by PEBB on or after January 1, 2018.

Passage of this bill is anticipated to realize savings. Providence, PEBB's largest carrier, and Mercer, PEBB's actuarial consultant, estimate for the 200% in-network hospital reimbursement rate, a cost savings of \$52 million in the 2017-19 biennium and over \$70 million for the 2019-21 biennium due to the reduced premium rate for PEBB medical plans resulting from decreased hospital reimbursements. Although Providence was not able to provide a quantifiable cost savings amount for the 185% out-of-network hospital services, the carrier reports out-of-network admissions are few and cost savings would likely be nominal.

Note that any proposed legislation resulting in a fiscal impact on insurance premiums provided by PEBB will have a General Fund impact on state agencies because about 40% to 45% of PEBB premium resources come from state agencies' flexible benefits payroll General Fund budget.

The Legislative Fiscal Office (LFO) believes this measure warrants a subsequent referral to the Joint Committee on Ways and Means Committee for consideration of this measure's budgetary impact.