SB 419 -3 STAFF MEASURE SUMMARY

Senate Committee On Health Care

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Sub-Referral To:	Joint Committee On Ways and Means
Meeting Dates:	3/9, 3/14, 4/18

WHAT THE MEASURE DOES:

Establishes Hospital Rate Commission (Commission) in Oregon Health Authority (OHA) to review hospital charges, and recommend to OHA whether to approve or disapprove each charge. Creates Commission of seven members appointed by Governor. Defines unreasonable charges. Specifies hospital may not bill for charge if charge has not been approved by OHA. Specifies charge equal to or less than two times the Medicare payment rate as reasonable. Directs OHA to adopt rules on reporting of charges by hospitals. Allows hospital to request hearing if Commission disapproves of charge. Permits person to file complaint. Permits Commission to investigate and make recommendation on complaint. Requires hospitals with unreasonable charges to reduce charge to reasonable amount and be liable for the attorney fees and cost of complaint. Establishes Hospital Rate Commission Fund. Directs hospitals to pay yearly fee to Commission. Authorizes Oregon Health Policy Board to oversee review of charges by Hospital Rate Commission.

ISSUES DISCUSSED:

- Maryland's hospital rate review commission
- Costs of hospital procedures in Oregon
- Publicly funded programs and provider reimbursement rates in Oregon; Medicaid, Public Employees' Benefit Board and Oregon Educators Benefits Board

EFFECT OF AMENDMENT:

-3 Replaces the measure. Establishes a Task Force on Health Care Cost Review. Requires taskforce to study feasibility of establishing a hospital rate-setting process in Oregon and submit recommendations to the Legislative Assembly no later than September 15, 2018.

REVENUE: May have revenue impact, but no statement yet issued.

FISCAL: May have fiscal impact, but no statement yet issued.

BACKGROUND:

Health care spending growth outpaces the growth of the overall economy and workers' wages. Between 2015-2025 health care spending is projected to grow at an average rate of 5.8 percent per year. Hospital expenditures constitute the largest single component of health care spending, and accounts for a steady proportion of national expenditures on health care, approximately 30%. The Centers for Medicare and Medicaid Services (CMS) reports that as national hospital expenditures increase, prices between hospitals for the same services vary significantly by geographic region, and even within the same city.

In an effort to contain rising health expenditures, state and federal agencies have created programs designed to regulate provider payments, increase health care price transparency or disclosure of health costs as policy tools. Such tools include establishing large databases that collect health care data from insurers and hospitals, requiring public reporting of hospital prices and provider payments, or establishing state-based hospital rate setting systems. For example, Maryland created an all-payer hospital rate setting program, established in 1971 with a federal waiver; the only state to do so in the country. Maryland's Health Services Cost Review Commission serves as an independent state agency to authorize and establish hospital rates. Several other states have historically used hospital rate setting,

but were limited to Medicaid or commercial insurers (i.e. Non-Medicare payers).

In Oregon, House Bill 2009 created an all-payer all-claims database (APAC) that includes health care costs and spending in Oregon. In 2015, Senate Bill 900 passed requiring the Oregon Health Authority to post hospital price information using APAC for the 50 most common inpatient procedures and 100 most common outpatient procedures on a website. The intent of SB 900 is to provide a source of transparency and public accountability for hospital prices. Senate Bill 419 would create a commission tasked with reviewing hospital charges and recommending to OHA whether such charges are reasonable based on Medicare payment rates.