

FISCAL IMPACT OF PROPOSED LEGISLATION

79th Oregon Legislative Assembly – 2017 Regular Session
Legislative Fiscal Office

Measure: HB 3418 - A

Only Impacts on Original or Engrossed Versions are Considered Official

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Date: 5/22/2017

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), Legislative Policy and Research Office (LPRO)

Analysis:

House Bill 3418 directs the Legislative Policy and Research Office (LPRO) Director to convene an advisory group and to conduct a comprehensive study regarding the reimbursement of prescription drugs in the medical assistance program, the Public Employees' Benefit Board (PEBB) and Oregon Educators Benefit Board (OEBB) health benefit plans, and other programs financed with state moneys that reimburse the cost of prescription drugs. LPRO is required to report its findings and recommendations to the Legislature by September 15, 2018.

In addition, the bill mandates that PEBB and OEBB carriers reimburse in-network hospital claims at 200% Medicare and out-of-network hospital claims at 185% of Medicare. The bill specifies that PEBB/OEBB hospital payment rates do not apply to type A or B or rural critical access hospitals. The bill is effective upon passage and becomes operational and applies to health benefit plans offered by PEBB on or after January 1, 2018. The bill specifies that providers are prohibited from balance billing.

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

Oregon Health Authority (OHA)

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. This projection was calculated by applying the estimated premium rate reduction from Providence to all PEBB medical plans. 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.

According to Moda Health, OEBB's largest health insurer, limiting hospital reimbursements to 200% of Medicare would result in a 9.5% savings on the premium rate for the medical plans Moda administers, and limiting hospital reimbursements to 185% of Medicare would result in a 11.3% savings in the medical prescription premium rate for the medical plans Moda administers. Assuming this applies to all OEBB medical plans, a cost savings of \$47 million in the 2017-19 biennium and \$126 million in the 2019-21 biennium is anticipated.

Note that any proposed legislation resulting in a fiscal impact on insurance premiums provided by OEGB will impact any educational entity that has mandated or elective coverage under OEGB. This includes school districts, community colleges, education service districts and some charter schools.

Also 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.

Legislative Policy and Research Office (LPRO)

Passage of this bill is anticipated to have minimal fiscal impact on LPRO. The bill requires LPRO to convene an advisory group and to conduct a comprehensive study regarding the reimbursement of prescription drugs. The 2017-19 Legislative Branch budget should contain funds allocated for LPRO support of interim advisory groups.