

SB 889: Sustainable Health Care Cost Growth Target

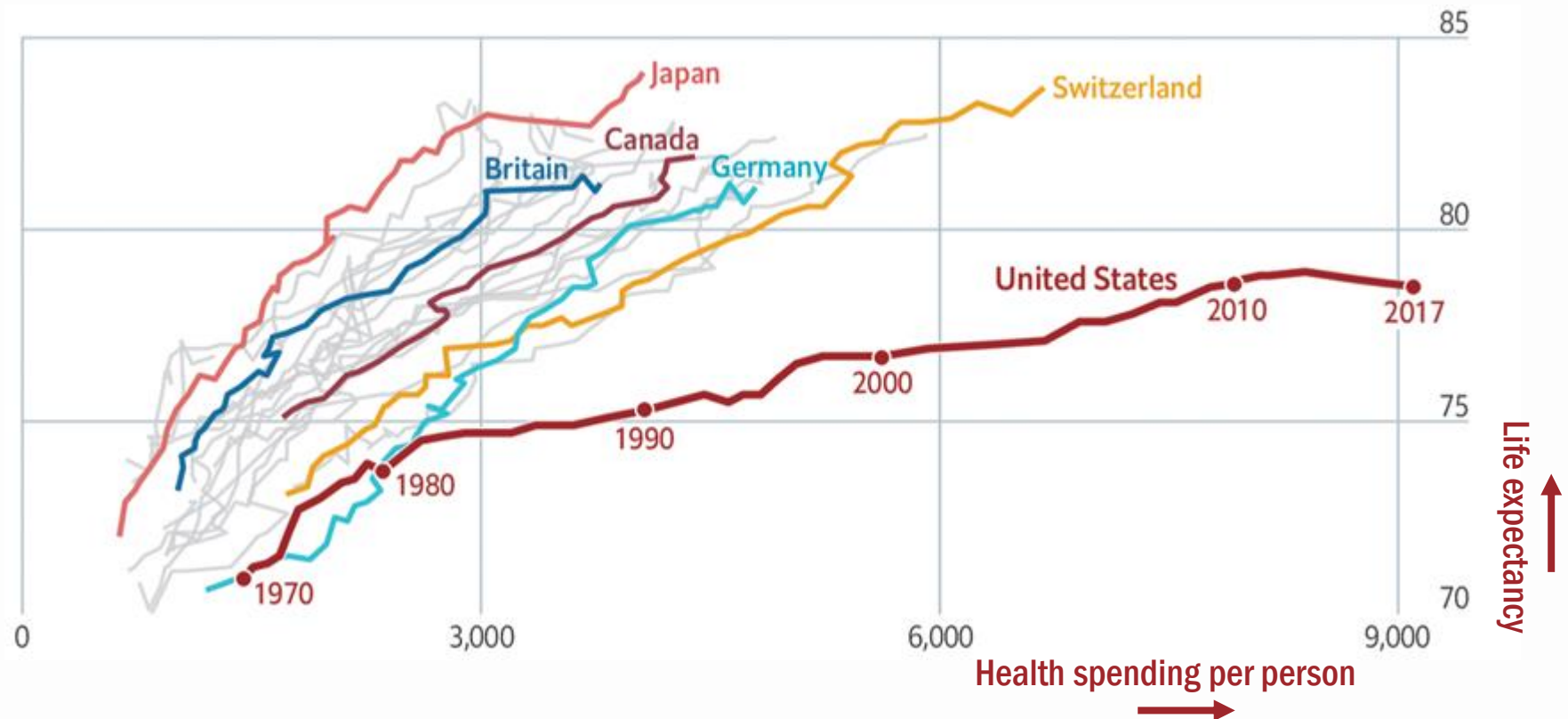
Patrick Allen
Director, Oregon Health Authority

Presentation to
House Interim Committee On Health Care
November 19, 2018

What's the **problem?**

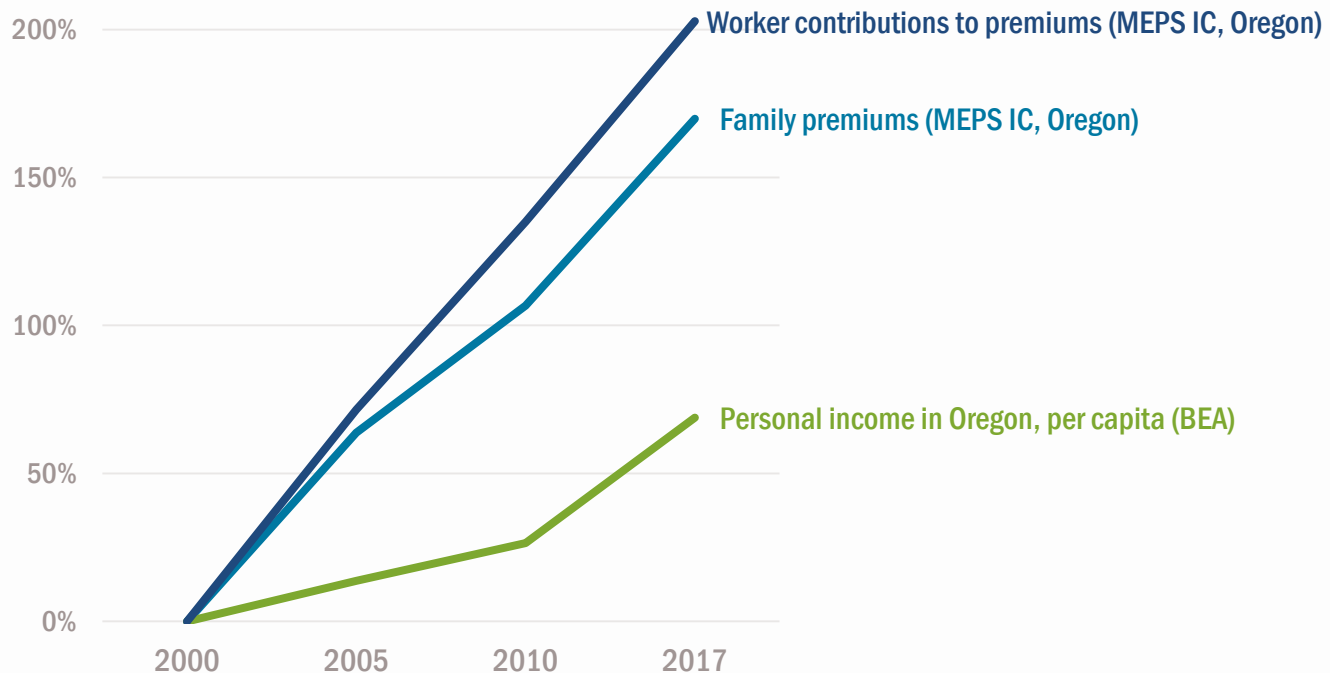
U.S. health care costs twice the average of others countries

But life expectancy is lower



Private sector cost growth is unsustainable

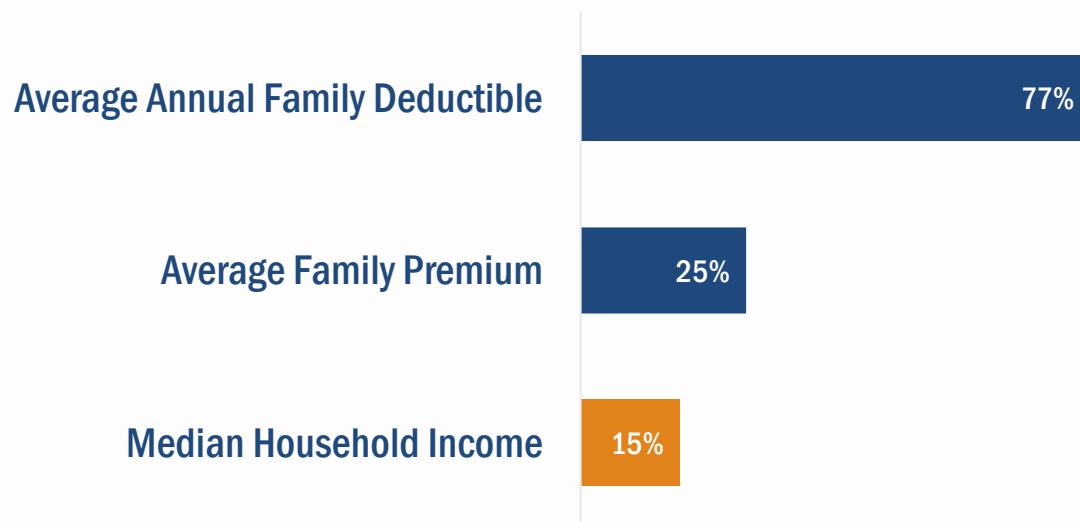
Since 2000, Oregon employer-sponsored insurance premiums have grown three times faster than **personal income**.



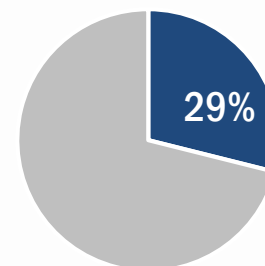
Health care is increasingly unaffordable

Premiums and deductibles are growing faster than **household income**.

Percent change: 2010-2016



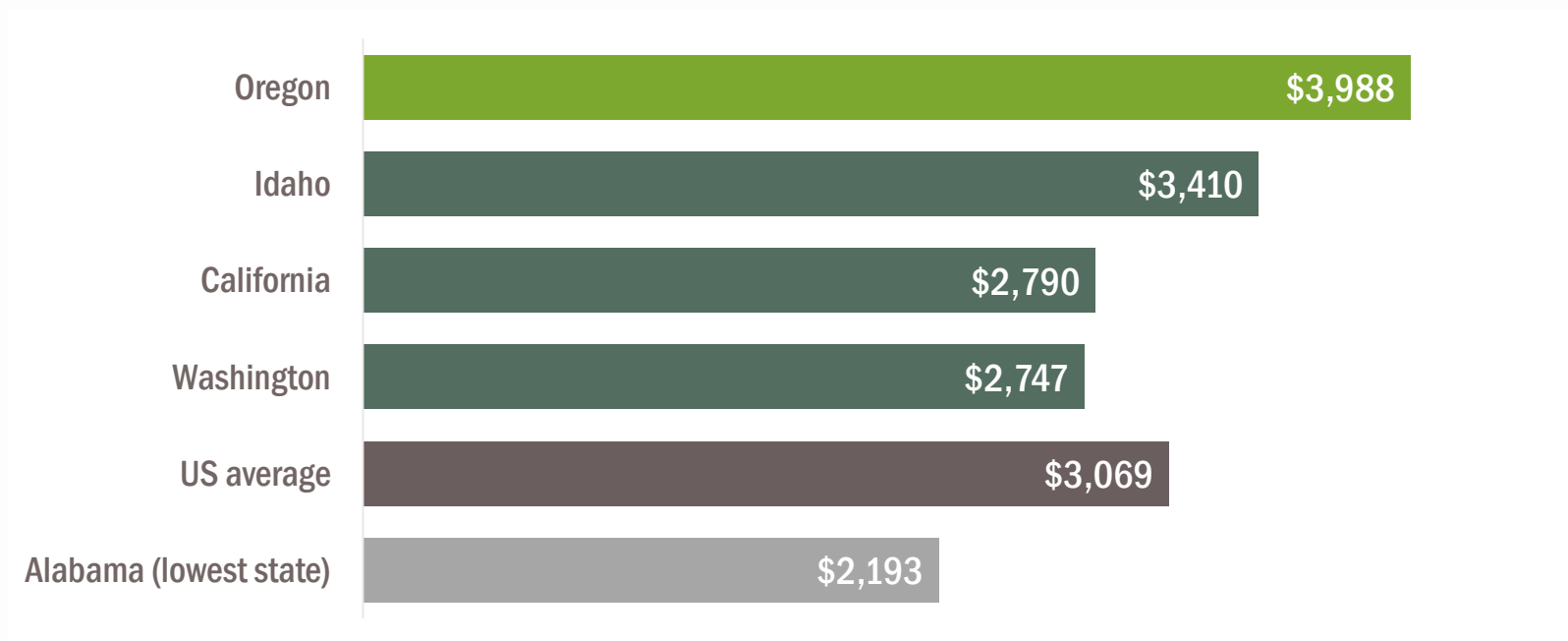
In 2016, premiums equated to 29% of a family's total income.



Oregonians' deductibles are the 3rd highest in the nation

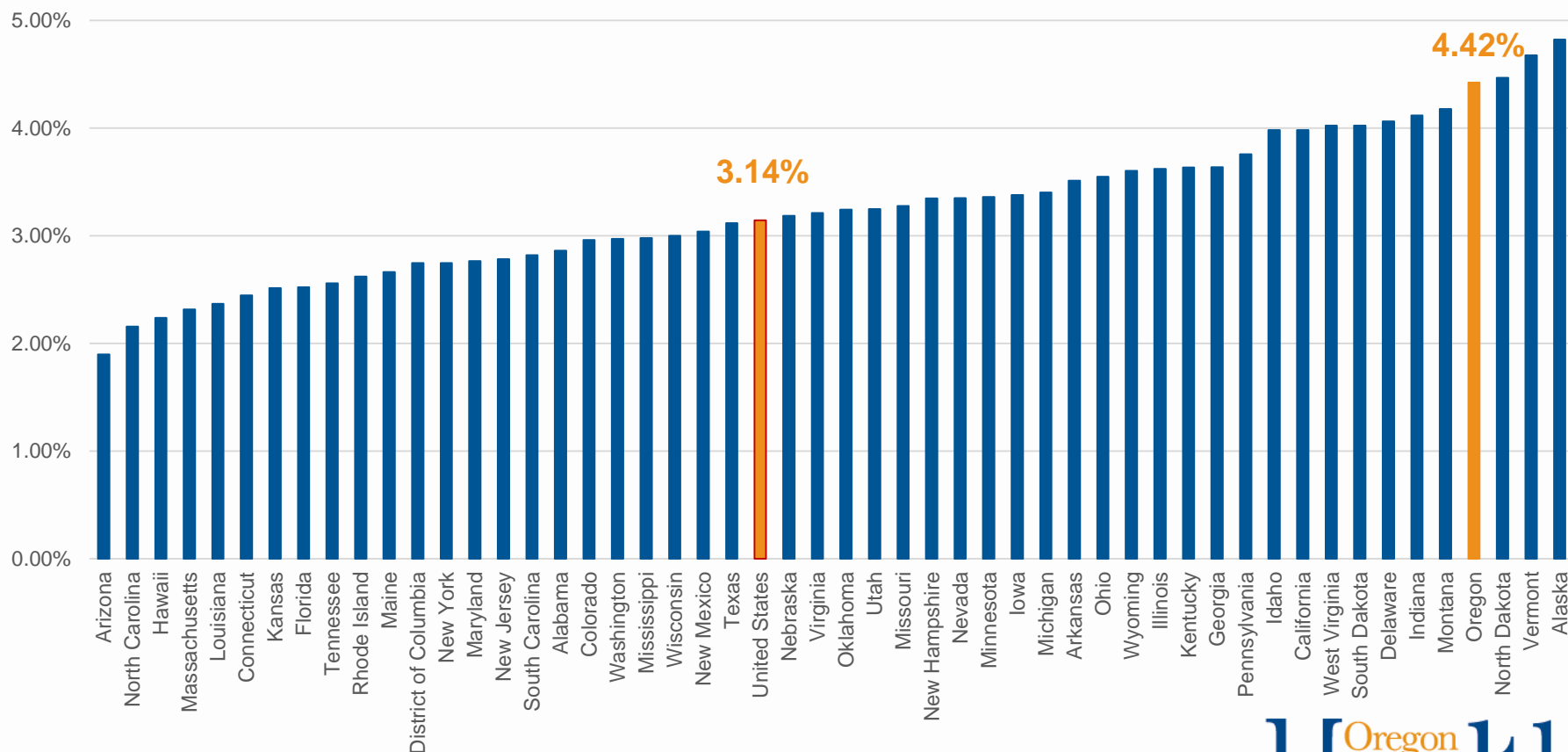
Oregon is 4th highest in the country for the percent of individuals with high out of pocket costs relative to their income.

Deductibles in **Oregon** are higher than in neighboring states.



Oregon healthcare spending grew at the 4th highest rate from 2009-2014

Average Annual Healthcare Spending Growth Rate
Per Capita (2009 - 2014)



Sources: U.S. Census Bureau; and Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

Why are costs so high?

There are multiple contributors to the total cost of care.

Reducing costs in one area often leads to them growing elsewhere.

Some contributors include:

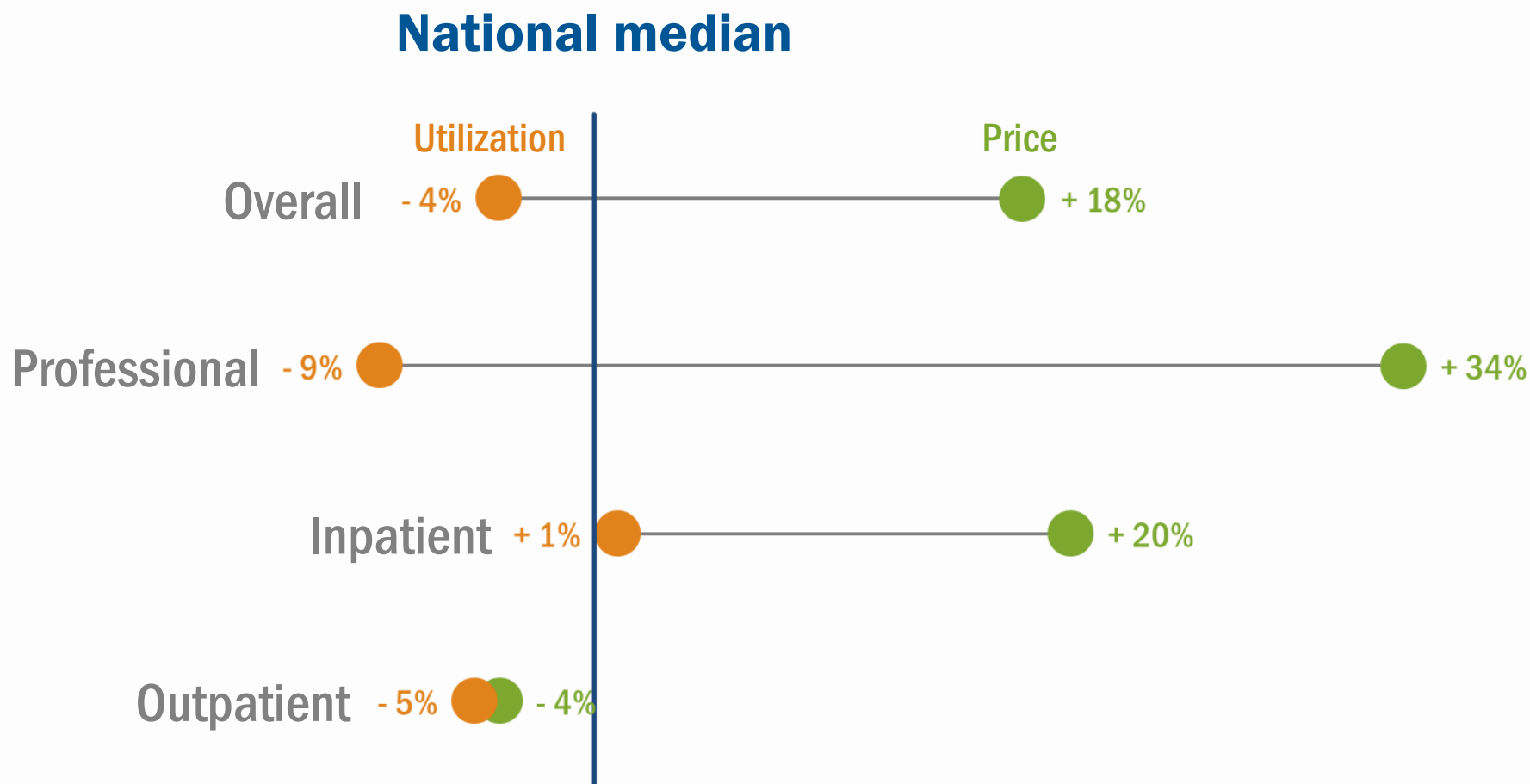
- ✓ Delivery of low-value services
- ✓ Waste
- ✓ New technology (think new drugs)
- ✓ Administrative requirements



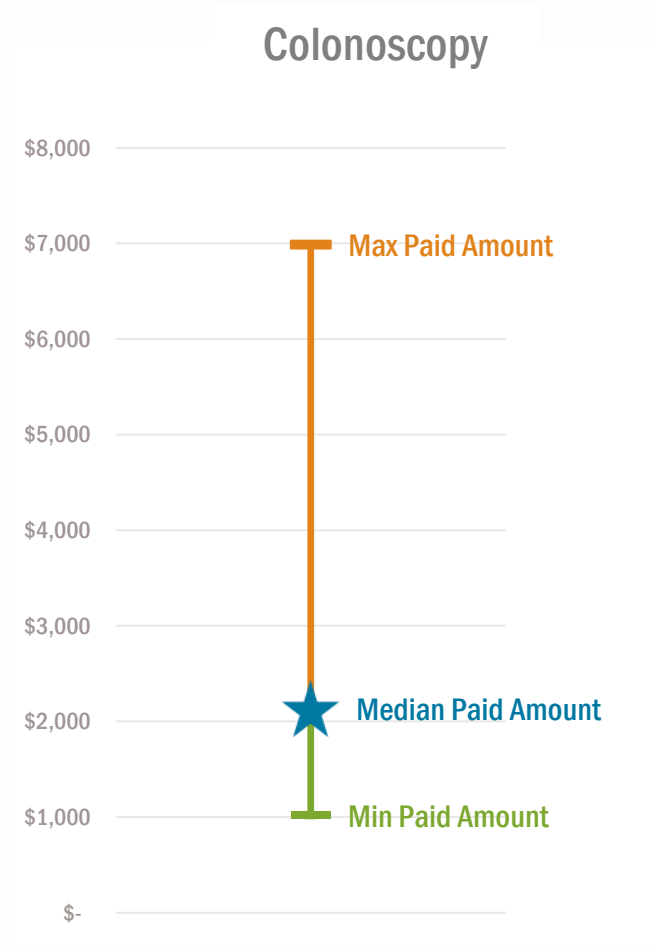
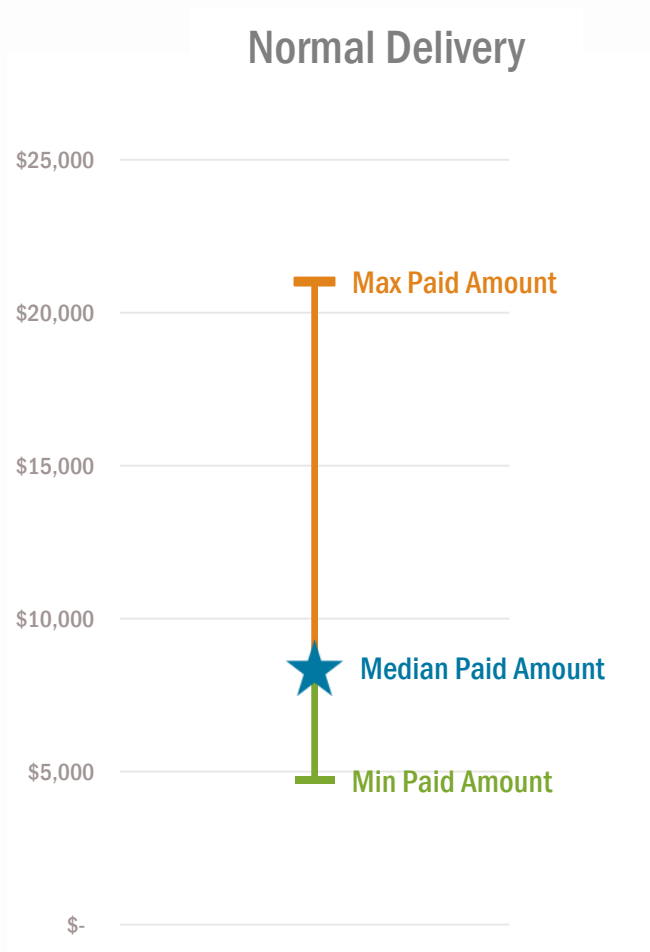
Among these contributors and others, **there is one leading contributor...**

Overall prices in the Portland metro area are 18 percent above the national median.

These high prices are not offset by low utilization.

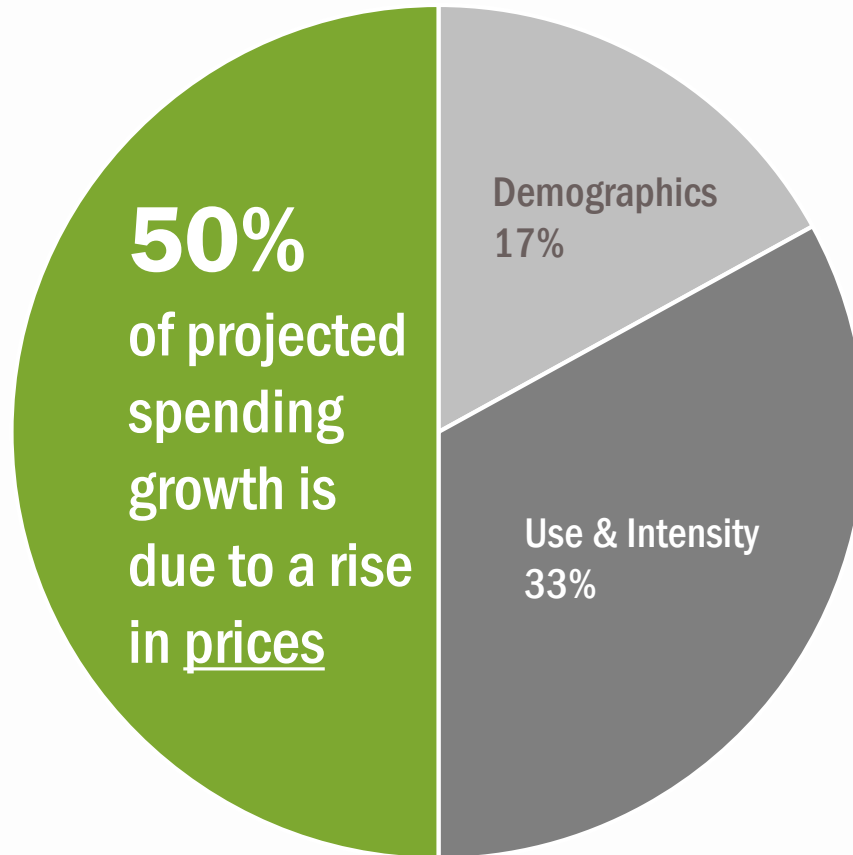


Commercial prices for care vary significantly.



Health care costs are projected to grow to 19.4% of GDP by 2027.

What's driving costs?



Source: Sisko et al,
"National Health Expenditure Projections, 2018-2027: Economic and Demographic Trends Drive Spending and Enrollment Growth."
Health Affairs, 2019.

What's the proposed **solution?**

Set a budget target for health care.

A cost growth **target** for the annual rate of growth of **total health care spending** in the state.

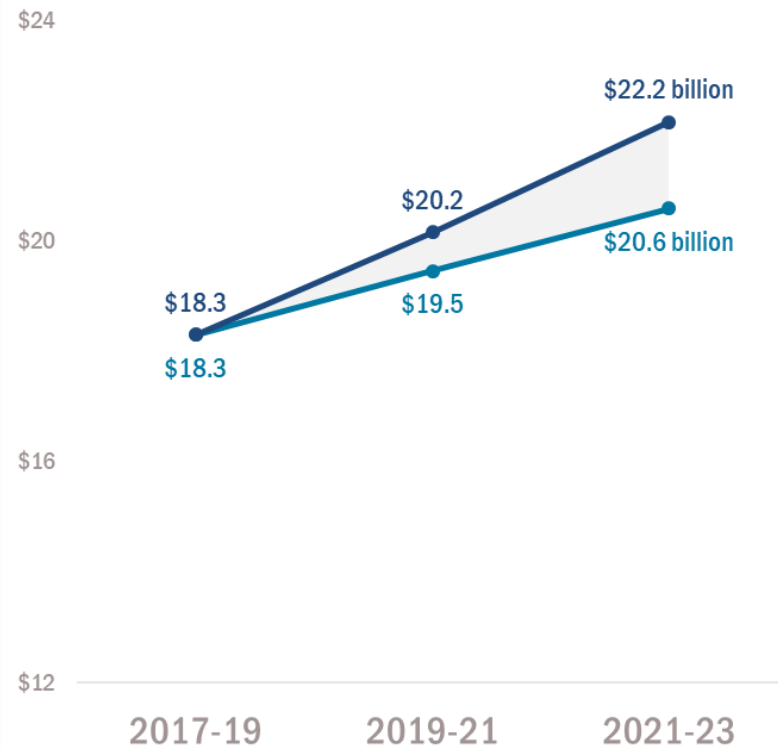
The target will align with state economic growth.

Oregon will be the **fourth state** to set a statewide health care cost growth target.

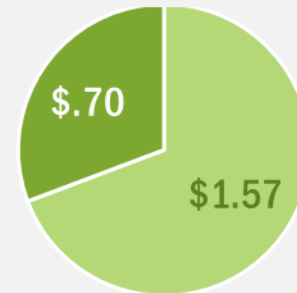


State programs are already subject to a cost growth target.

OHP, PEBB and OEBC are required to limit the per capita annual growth rate to 3.4%.
By doing so they will save the State almost \$700 million.



Cumulative savings (billions)
State & Federal funds



There is not a similar cost growth target for the commercial and self-insured markets.

Insurers have limited negotiating power, especially in consolidated markets, **where prices are highest.**

Without a mechanism to protect against high annual cost growth, **costs continue to be shifted to consumers.**

Setting a budget target creates a common goal and mechanism to **reduce total cost growth.**

What will this mean for health plans and providers?

The target will constitute an expected **ceiling** on per capita cost growth at the state level.

Health plans, providers – and the State – will be expected to **take action** to ensure the target is not exceeded.

OHA will annually report on state-level performance against the target, but also on **performance** at the health insurance market, insurer, and (large) provider levels.

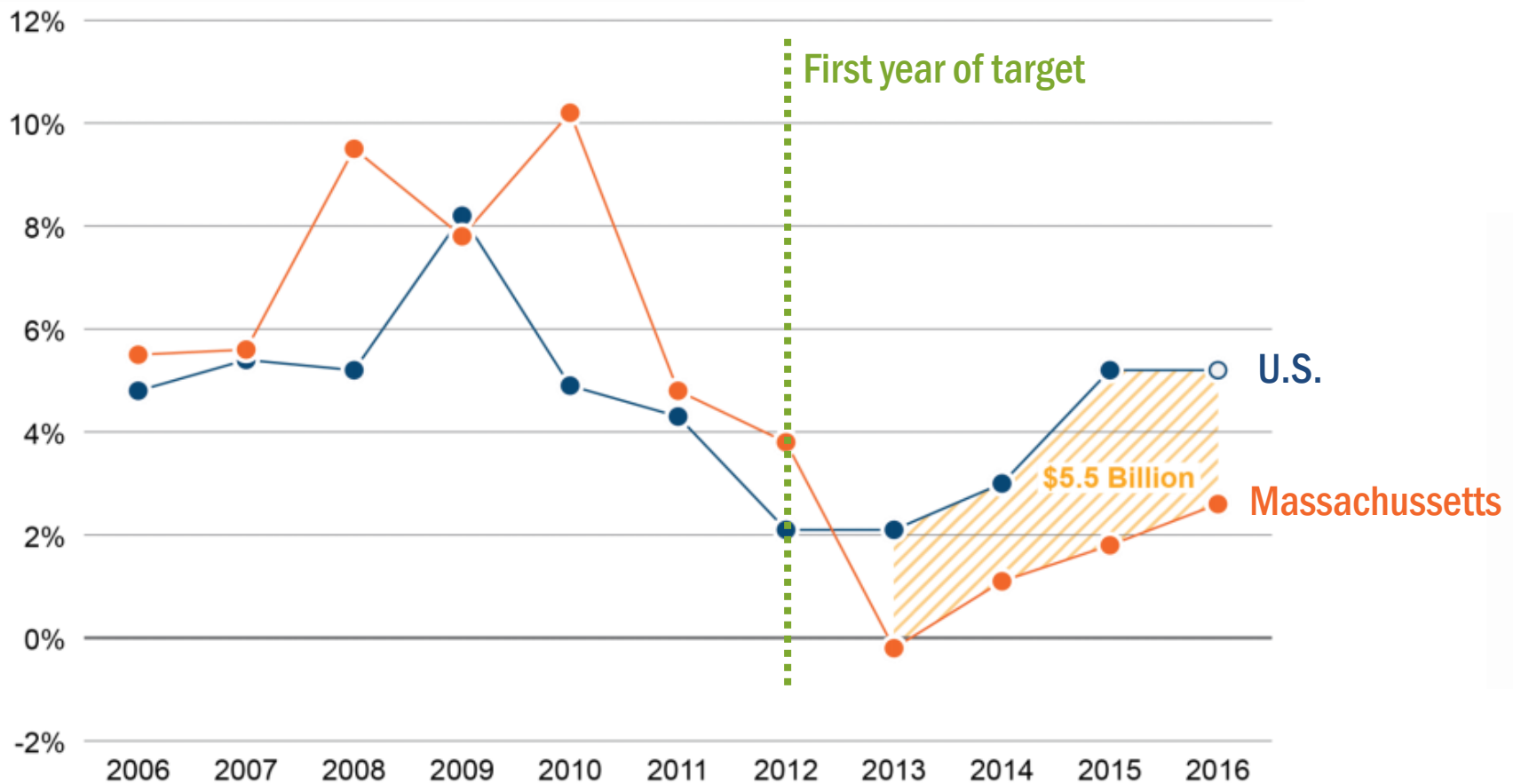
The program will provide better information on **costs & cost drivers**.

Will it work?

(and why?)

Mass. Cost Growth Target Experience

In recent years, **growth in spending on private health insurance in Massachusetts** has been consistently **lower than national rates**.



Notes: U.S. data includes Massachusetts. Center for Health Information and Analysis data are for the fully-insured market only. U.S. data for 2016 is partially projected.

Source: Centers for Medicare and Medicaid Services, State and National Healthcare Expenditure Accounts and Private Health Insurance Expenditures and

What will drive success?



Common goal

Payers and providers are publicly responsible for reducing health care cost growth.



Sustainable target

Selecting a target that ensures health care costs do not outpace other economic growth, such as general inflation or wages.



Transparency

Reasons for cost growth are studied and publicized, informing policy recommendations.

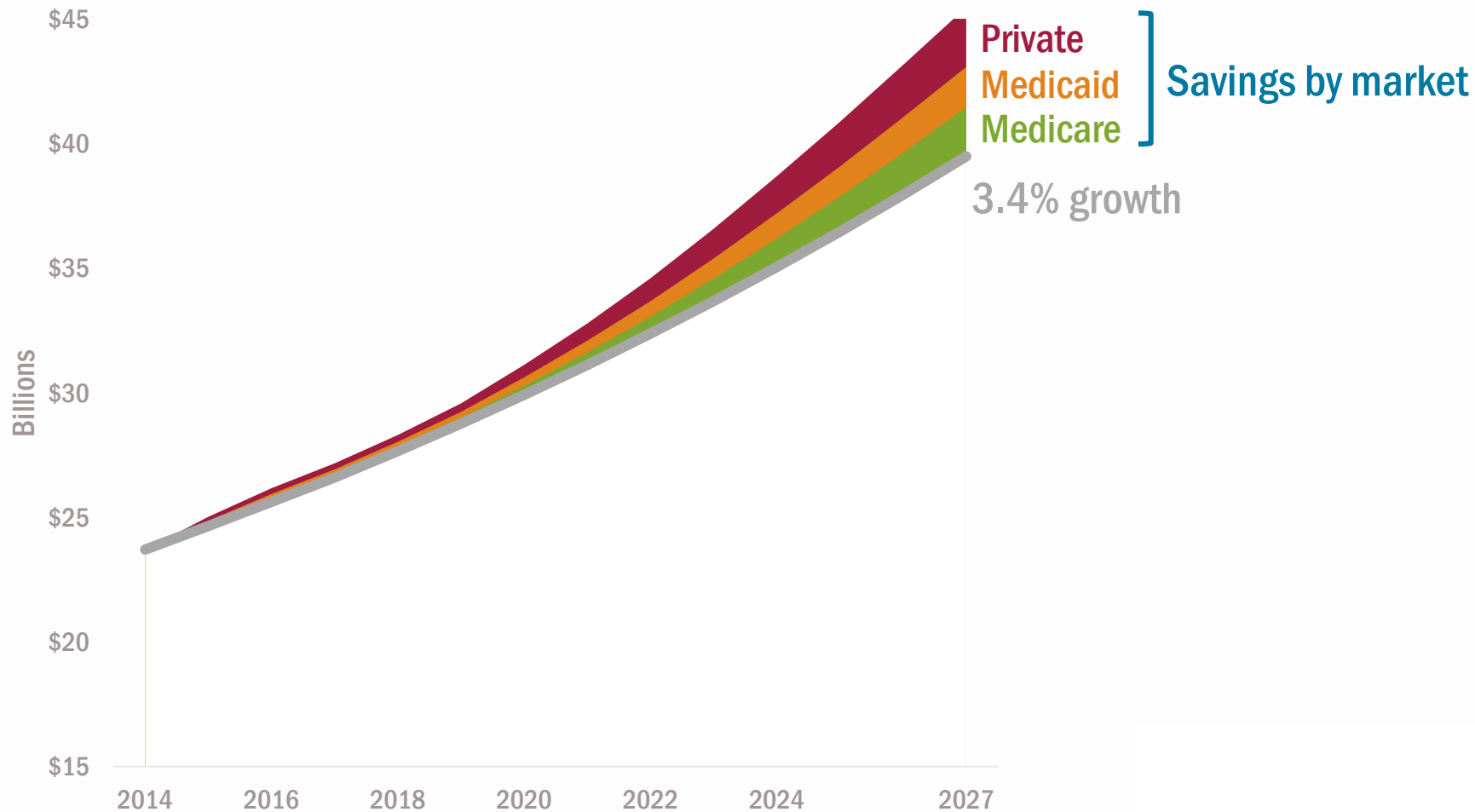


Total cost of care approach

Taking a total cost approach allows payers and providers to shift from volume to value-based approaches.

Oregon would save \$29 billion between 2018-2027 if the 3.4% target applied statewide.

When compared to CMS's projected per capita cost growth of 4.7%



Notes: Medicare enrollment growth projected to be 2% annually.

Sources: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

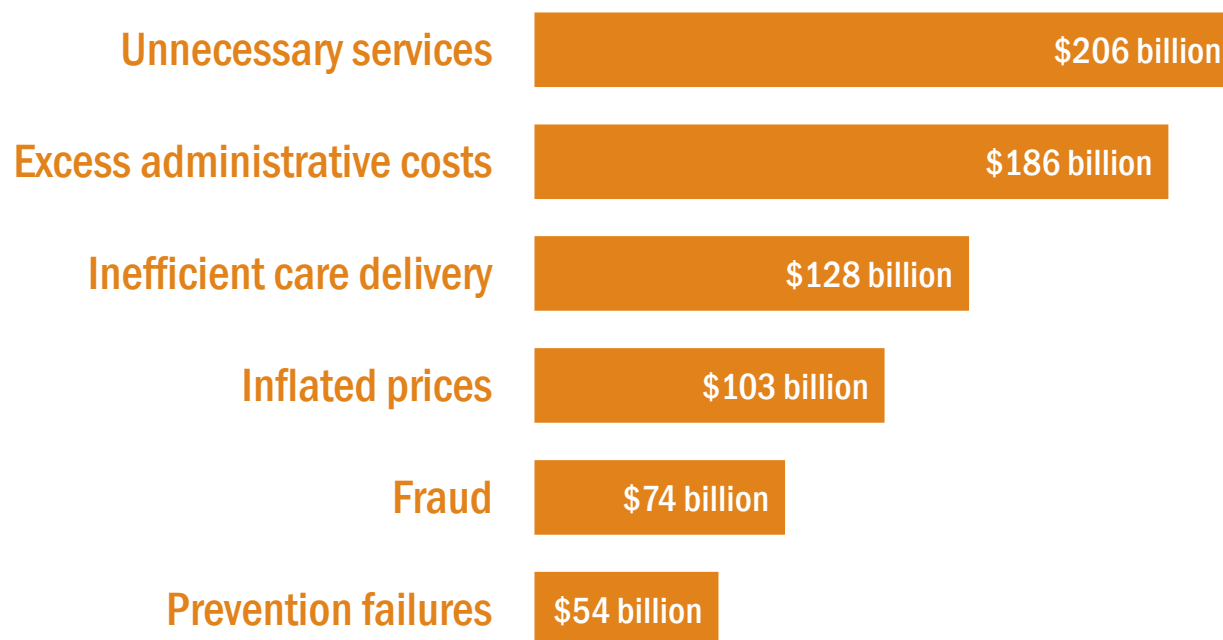
Will

access & quality

be compromised?

There's room to save and improve quality.

The Institute Of Medicine estimates there's **\$750 Billion** in annual waste in the health care system.



Quality of care is not an afterthought.

Oregon's cost growth target legislation requires that quality remain central to the discussion.

The program will include approaches to measuring quality of care that:



Account for **patient health** status



Align with outcomes and quality measures adopted by the Health Plan Quality Metrics Committee.

What are the **next steps?**

SB 889 Establishes the Sustainable Health Care Cost Growth Target program



Creates a framework and key functions of the cost growth target program.



Establishes an Implementation Committee under the Oregon Health Policy Board to develop program details.



Requires an Implementation Plan to the Legislature in September 2020.

The Implementation Plan must:

- Establish a single statewide cost growth target
- Develop and adopt a methodology for setting the target
- Ensure the calculation encompasses all spending
- Identify individual health care providers and payers who shall report
- Determine the responsible oversight entity
- Support a market-oriented approach
- Align reporting and use of quality measures across payers and providers

Implementation Committee's Next Steps

- Implementation Committee launched in November 2019.
- Second meeting occurs December 12th and will include
 - What constitutes total health care expenditures
 - What and whose costs should be measured
- Third meeting occurs January 8th and will include
 - Cost growth target methodology
 - Assessing performance against the target

<https://www.oregon.gov/oha/HPA/HP/Pages/Sustainable-Health-Care-Cost-Growth-Target.aspx>

Implementation Committee members

Jack Friedman

Former CEO, Providence Health Plan - CHAIR

Kevin Ewanchyna

VP & CMO, Samaritan Health Services – VICE CHAIR

President, Oregon Medical Association

Patrick Allen

Director, Oregon Health Authority

Kraig Anderson

Senior Vice President & Chief Actuary, Moda Health

Kathryn Correia

President & CEO, Legacy Health

Angela Dowling

President & Chief Revenue Officer, Regence BlueCross BlueShield of OR

Jessica Gomez

CEO, Rogue Valley Microdevices

Felisa Hagins

Political Director, SEIU Local 49

Ruby Haughton

State Director, AARP Oregon

K. John McConnell

Director, Center for Health Systems Effectiveness, OHSU

Mark McMullen

State Economist, Oregon Office of Economic Analysis

William Olson

CFO, Providence Health & Services

Jordan Papé

CEO, Papé, Group

Ken Provencher

President & CEO, PacificSource

Shanon Saldivar

Co-Owner & Agent, Chamness Saldivar Agency

Cameron Smith

Director, Oregon Dept of Business and Consumer Services

Jenny Smith

CFO, Kaiser Foundation Health Plan

Jennifer Weland

CFO, St. Charles Health System