



March 2, 2021

Oregon State Legislature  
Joint Committee on Ways and Means Subcommittee on Human Services  
900 Court St. NE  
Salem, OR 97301

**Re: House Bill 5024 – Oregon Health Authority Budget  
(Oregon Health Plan)**

Co-Chairs Lieber and Nosse, and members of the Subcommittee on Human Services:

On behalf of Oregon's community hospitals and the patients they serve, the Oregon Association of Hospitals and Health Systems (OAHS) appreciates this chance to provide initial comments on the Oregon Health Authority budget, House Bill 5024. As the agency with the most direct influence on, and responsibility for, the health and well-being of all Oregonians, we appreciate you providing this opportunity. We believe a transparent, focused discussion on the Oregon Health Plan budget helps identify successes and opportunities and helps to prioritize what is most important, especially in a time like this, for an agency like this. Oregonians depend on the Oregon Health Plan more than ever, and so do the providers who serve them.

The pandemic has highlighted the critical need for the Oregon Health Plan, especially for underserved and vulnerable populations. More than 1.2 million Oregonians are now covered by the Oregon Health Plan, an increase of more than 16% since the beginning of the pandemic. This increase of more than 180,000 people, combined with the most recent data from the revenue forecast, demonstrates the need for continued federal assistance as our economy recovers. We urge you to continue to listen to the voters in their support for the Oregon Health Plan. There continues to be broad, strong public support for fully funding the Oregon Health Plan as demonstrated by the passage of Measure 108 (November 2020).

**What can the legislature do?**

***Protect access for Oregonians by fully funding Medicaid to the maximum allowable extent to ensure access to the Oregon Health Plan.*** Through Oregon's health care transformation and federal partnership, Oregon should maximize investment in health care reform by fully funding Medicaid by 3.4% per member per month and the maximum allowable through Oregon's agreement with the federal government.

***Rebuild and reinforce the health care system through maximizing use of federal funds.*** Not only should Oregon fully fund through its current and any future federal waiver agreement, it should also maximize programs under its federal partnership to support providers.

*Maximize Graduate Medical Education Program*

The state supports graduate medical education programs in Oregon with **approximately \$24 million** which brings \$36 million in federal funds to Oregon **for a total of \$60 million per biennium** to support graduate medical education programs across Oregon hospitals. Without funding, residency opportunities for physicians in Oregon will decrease, possibly by the hundreds, impacting Oregonians' ability to access care all around the state. Without

opportunities to complete residency in Oregon, physician students will have to leave the state, and it will be harder and more expensive to recruit these physicians back to practice in Oregon, especially rural Oregon.

*Maximize funding for the Disproportionate Share Hospital Program*

The main goal of the program is to help acute care hospitals defray the financial losses of providing uncompensated care to uninsured and Medicaid patients, thus maintaining access for low-income and vulnerable populations. Like in previous biennia, **to fully maximize available resources of \$133 million, the state needs to budget \$46.6 million in state funds for DSH for 2021-2023 biennium.**

***Ensure health care funding for Oregonians in need remains dedicated to the Oregon Health Plan.*** Resources from the federal government as well as resources from the passage of Measure 108 (November 2020) should remain committed to the Oregon Health Plan for the 21-23 budget. As we continue to understand the effects of the need of Oregonians, we should retain all available resources in planning through this recovery.

***The Legislature should protect the health care system from unnecessary state administrative and regulatory burden when patients and families need care the most.*** OAHHS asks for your support around value-based payment by removing statutory and regulatory barriers. With OAHHS and other hospital support of the OHA VBP compact, payers and providers will need to deepen collaborative partnerships and move towards value-based payment models. This partnership should continue the current voluntary path being discussed with OHA. In an era of change, partnerships have become one means for developing coordinated systems of care that fuel innovation and drive value-based care. Partnering with the industry to design, pilot, innovate and implement policy will ultimately create better policy and create what we all want: better health, better care, and lower costs for all Oregonians.

The need for the Oregon Health Plan has grown and hospitals that serve members on the Oregon Health Plan have been under extreme strain. Hospitals, health systems, coordinated care organizations and other providers have committed to providing care for those most in need, even under the most severe circumstance. Hospital margins fell in 2020, with declining volumes and escalating expenses compared to 2019. The median operating margin for 2020 was 3.9%, including federal CARES Act Provider Relief Funding. ***If you take out federal assistance, the median operating margin was -2.1%, or about six percentage points lower.***

Despite lower overall volumes, hospitals continued to see expenses mount as they bore the higher costs of caring for COVID-19 cases and other high acuity patients. Hospitals are not generating sufficient Net Patient Revenue to cover their Total Operating Expenses. For 2020, Net Patient Revenue lagged Total Operating Expenses by 6.5%.

Finally, investments in the Oregon Health Plan are not only investments in the health and well being of our communities but in the health and well-being of the economy of our state and communities. Our state's 62 community hospitals are spread across Oregon, in all areas of the state – urban and rural, coastal and Eastern. Oregon hospitals contributed a total of \$1.6 billion in community benefit in 2019, an increase of 36% since 2013. Oregon hospitals provide financial assistance to patients with household incomes up to 400% of the federal policy level. Hospitals account for one in 20 Oregon jobs, and the health care sector is a top three employer in all but three of Oregon's 36 counties. In 2019 Oregon hospitals directly employed 77,284 people and generated \$28.3 billion in economic output.

Through this federal and state partnership under the Oregon Health Plan, Oregon should remain committed to this population and the health care community to ensure they have access and services by accessing every available federal resource to invest in this program. The health care systems' success is not only critical to the health of the population of those they serve but the economic health of the communities they are in and for the state.

Sincerely,

Sean Kolmer

A handwritten signature in black ink, appearing to read 'Sean Kolmer', with a long horizontal flourish extending to the right.

Senior Vice President of Policy and Strategy  
Oregon Association of Hospitals and Health Systems