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April 24, 2019

TO: Senator Beyer, Co-Chair, Joint Committee on Ways and Means Sub. On Human Services  
FROM: Ali Hassoun, Director – PEBB and OEGB  
SUBJECT: SB 734/-1 Fiscal Analysis for PEBB and OEGB

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## **Background**

### **PEBB/OEGB Fiscal Analysis Process**

Current and past practice for developing PEBB/OEGB fiscals begin with staff identify bills that have a potential fiscal impact to PEBB/OEGB programs by determining whether proposed legislation may result in increased health care premium rates. To do this, staff work with PEBB and OEGB's largest insurers, Moda Health and Providence Health, respectively to review and calculate the potential premium increase. Staff then review the calculations and methodology and ask PEBB/OEGB third party actuarial consultants (Mercer for PEBB and Willis Towers Watson for OEGB) to perform an independent review as necessary. The premium impacts are then applied to PEBB/OEGB premium expenditures to the effective period to determine budgetary impact.

Going forward, PEBB/OEGB will now have their actuarial consultants review and determine the premium impact for all active bills that may have a fiscal impact and consult with Moda Health and Providence Health on an as needed basis.

### **Naturopathic Physicians in Specific Moda and Providence Provider Networks**

Moda Health (OEGB's largest health plan) has 610 licensed naturopathic physicians in its Conexus (PPO) network. Licensed naturopathic physicians are reimbursed at a lower rate than Primary Care Providers (PCP) unless they are credentialed as PCPs. Only 57 naturopathic physicians in Moda's Conexus Network are credentialed as PCPs.

Providence Health which administers the PEBB Statewide Medical/Rx Plan and Providence Choice Plan has 594 naturopathic physicians in-network for PEBB. Providence reimburses naturopathic physicians at a lower rate than licensed medical physicians.

## **Original SB 734/734-1 Fiscal Impact Analysis Submitted to LFO 2/19/2019**

### **OEBB Fiscal Methodology**

Moda compared reimbursement experience between naturopathic doctors and physicians credentialed as PCPs for the 2017-18 plan year for the OEBB medical plans it administers. The multiplier was then applied to naturopathic utilization for the 2018-19 plan year and a small increase in utilization was added to naturopathic utilization due to the increased reimbursement. This resulted in a 65% increase in unit costs for naturopathic services, which translated in to \$500,000 in additional costs or about 0.1% increase in premiums for OEBB medical plans administered by Moda Health. OEBB applied the .1% premium increase to OEBB medical/rx premium dollars (except Kaiser) for the effective period to determine that there would be an estimated fiscal impact of \$1,106,641 (2019-21 biennium) and \$1,106,641 (2021-23 biennium).

### **PEBB/Providence's Fiscal Methodology**

Providence Health reviewed the plan experience for the PEBB Statewide Medical Plan and Providence Choice medical plans. Providence Health Plan has 594 naturopathic doctors in-network for PEBB. Providence compared the average allowed amounts for the same procedure codes between Medical Doctors and Naturopathic Doctors (ND) and used the increased costs from raising ND reimbursement to determine that there would be a less than 1 percent impact on premium rates for the PEBB Statewide and Providence Choice medical plans. PEBB applied a .5% premium to PEBB's medical premium dollars (except Kaiser) for the effective period to determine that there would be a fiscal impact of \$7,840,893 (2019-21 biennium) and \$7,840,893 (2021-23 biennium).

### **SB 734/734-1 Consultant Fiscal Analysis**

OEBB/PEBB requested that their actuarial consultants Mercer (PEBB) and Willis Towers Watson (OEBB) review the initial analysis and if necessary conduct an independent analysis.

### **Willis Towers Watson Review of Original OEBB Fiscal**

Willis Towers Watson reviewed and concurred with the methodology used by Moda to determine the premium increase associated with SB 734 and the -.1. **WTW also conducted an independent analysis using the data warehouse that that there would be a 0.1% premium impact, which confirms Moda's original fiscal analysis.**

- Willis Towers Watson analysis looked at total allowed naturopathic claims vs. primary care physician (PCP) claims for the 2017/2018 plan year using OEBB's data warehouse
- Number of patient visits and the average allowed amount per visit were extracted from the data warehouse
- The difference between the PCP and naturopathic average allowed amount was determined
- The difference was multiplied by the number of naturopathic visits to arrive at a total expected cost impact of approximately \$700K, or 0.1% of allowed cost for Moda

- Note that naturopaths are not specifically identified in the OEGB data warehouse, but are assigned to an alternative therapist category which was used as a reasonable proxy for naturopathic average costs and visits

### **Mercer Review of Original PEBB Fiscal**

Mercer reviewed and concurred with the methodology used by Providence to determine the premium increase associated with SB 734 and 734-1. **Mercer also conducted an independent analysis that resulted in a 0.12% premium impact versus the 0.5% assumption of the initial less than 1% premium impact range provided by Providence.** The calculation was based on:

- Data based on incurred claims for the 2017/2018 plan years
- Includes all carriers (Providence and Moda)
- Grouped the following Provider Types together to come up with a baseline “General Practice” cost:
  - Pediatrician (NEC)
  - Internal Medicine (NEC)
  - Medical Doctor – MD (NEC)
  - Family Practice
- Pulled data for Therapists (Alternative)
- Calculated average allowed amount per visit, total allowed amount, and number of patient visits for each grouping
- Average allowed amount per visit of the “General Practice” grouping was compared against the Therapist (Alternative) grouping, and that cost difference was multiplied by the number of patient visits.
- The cost difference multiplied by the number of patient visits showed a cost impact of approximately \$800,000 or 0.12% of PEBB’s total allowed claims cost.