Health Care Market Oversight (HCMO)

Senate Interim Committee on Health Care
November 6, 2023
Consolidation in health care

and why it matters
Consolidation is when 2+ companies combine

Consolidation in health care can involve entities such as:

- Hospitals
- Insurers
- Clinics
- Health systems
- Other companies involved in delivering health care

Consolidation can occur through different types of business deals:

- Mergers
- Acquisitions
- Joint ventures
- Partnerships
- Affiliations
Consolidation can be…

**Horizontal**
between companies that offer similar services or products.

**Vertical**
between companies that offer different services or products.

**Cross Market**
between companies that operate in different states or regions.
Consolidation can result in...

**Higher prices**
Consolidation can lead to higher prices for products & services, higher insurance premiums

1. Curto et al, Health Affairs, 2022

**No improvements to quality or outcomes**
Consolidation may reduce quality of care in some cases, e.g., by increasing use of low-value procedures

2. Young et al, Health Affairs, 2021

**Changes to services**
Consolidation can impact the type, location, and staffing of services, particularly in rural areas

3. Mosher Henke et al, Health Affairs, 2021
Consolidation in Oregon

Most hospitals are affiliated with or owned by health systems.

In 2003, 43% of Oregon hospitals were independent; by 2020, this decreased to 25%.

Most physicians in the Portland area work for health systems.

In 2016, 39% of Portland metro physicians worked for health systems. In 2018, 71% worked for health systems.

Oregon’s insurer market is not highly concentrated.

As of 2017, Oregon was the only state where no metropolitan statistical areas (MSAs) exceeded the threshold for a “highly concentrated” commercial payer market.
Potential impacts for people in Oregon

• Higher personal spending on health care
  – Forgoing care & medications
  – Medical debt

• Higher costs for employers slows wage growth

• Fewer choices for obtaining care

• Fewer options for health care employment

• Some communities or populations experience impacts more than others, potentially exacerbating health inequities
Oregon’s Health Care Market Oversight Program
and how it works
Through the **Health Care Market Oversight (HCMO)** program, the Oregon Health Authority reviews proposed health care business deals to make sure they support statewide goals related to cost, equity, access, and quality.
The Health Care Market Oversight program aims to...

- Promote transparency
- Support statewide priorities
- Monitor and study impacts
Oregon has one of the strongest market oversight programs in the nation
What authority does OHA have?

For each proposed deal, OHA may:

- Approve
- Approve with conditions
- Disapprove

For deals that involve a domestic health insurer, OHA provides a recommendation to DCBS.
Background

Codified into statute as [ORS 415.500-415.900](https://leg.state.or.us/reports/)
HCMO permanent rules: [OAR 409-070-0000 through 0085](https://www.oregonlegislature.gov/rules/rulemaking/oar/)

- **HB 2363 (2021)**
- **Administrative Rulemaking**
- **Program Launched March 1, 2022**
What transactions are subject to review?
What entities are subject to review?

HCMO applies to transactions involving health care entities. This includes entities that:

- Provide health care, like hospitals, doctor’s and dentist’s offices, health plans, and medical groups.
- Help administer health care, like pharmacy benefit managers and management services organizations.
- Control a health care company, like private equity firms.

https://www.oregon.gov/oha/HPA/HP/HCMOPageDocs/HCMO-Entities-Subject-to-Review.pdf
What transactions are subject to review?

Is it material?
- Does one entity have at least $25 mil in revenue?
- Does another entity have at least $10 mil in revenue?

+

Is it covered?
- Merger, acquisition, or corporate affiliation?
- OR
- New contract, clinical affiliation, or contracting affiliation that will eliminate or significantly reduce essential services?
- OR
- New partnership, joint venture, accountable care organization, parent organization, or management services organization that will:
  1) eliminate or significantly reduce essential services,
  2) consolidate or combine providers of essential services when contracting payment rates with payers, or
  3) consolidate or combine insurers when establishing health benefit premiums

Yes
- Submit notice

No to all
- Notice is not required
Not all transactions are subject to review

Safe Harbor Exemptions

- Transactions in which one of two entities involved is a solo practice and the transaction is the direct result of either the death or retirement of the provider in the solo practice.

NOT Subject to Review (partial list)

- Clinical affiliations for the purpose of collaborating on clinical trials or GME programs
- Medical services contracts
- Affiliation that does not impact corporate leadership, governance or control of an entity and is necessarily to adopt advanced VBP methodologies to meet cost growth targets
- Transactions involving Federally Qualified Health Centers

How it works
HCMO Review Process

Health care entities file notice that they are planning a transaction.

OHA reviews the transaction and its potential impacts.

OHA may consult with community or other experts.

OHA issues decision.

OHA conducts follow up review 1, 2 and 5 years after.
During reviews, HCMO looks at how a proposed transaction could affect:

- Health care costs
- Access to care
- Quality of care
- Health equity

Reviews are guided by the framework adopted by the Oregon Health Policy Board and the HCMO Analytic Framework.
There are multiple opportunities for the community to engage on proposed transactions

**Transparency**
All notice of proposed transactions are posted online. OHA sends out public notice.

**Public Comment**
OHA accepts public comment for each proposed transaction and incorporates in the review.

**Community Review Boards**
Community members who might be impacted by a proposed transaction share their experience and concerns.
OHA conducts follow-up reviews one, two, and five years after a transaction closes

What has happened since the transaction closed?

- Compliance with approval conditions
- Cost and cost growth trends
- Impact on cost growth target
- Compliance with commitments included in the notice
- Impact on access
- Impact on quality
- Impact on equity
HCMO Reviews
Since HCMO launched in March 2022

- 14 transaction notices
  - 12 preliminary reviews
    - 1 exempted from review
  - 11 preliminary reviews completed
    - 4 approved
    - 4 approved with conditions
    - 2 comprehensive reviews (in process)
    - 1 transaction withdrawn

As of Oct 27, 2023
Current Transaction Reviews: 013 Kroger-Albertsons

- Kroger plans to acquire Albertsons
- HCMO is reviewing for effects on prescription drug services
- Potential to impact a large number of people in Oregon
- Potential to significantly impact access to care

Current Transaction Reviews: 008 SCAN Group - CareOregon

- SCAN Group and CareOregon hope to create a non-profit organization to serve Medicare and Medicaid members across multiple states.
- As this transaction involves a domestic carrier and a CCO – it is also undergoing Form A review with OHA and DCBS.

For More Information

Health Care Market Oversight Website
https://www.oregon.gov/oha/HPA/HP/Pages/health-care-market-oversight.aspx

Transaction Notices and Reviews

Contact Us
HCMO.info@oha.Oregon.gov