
Oregon's Sustainable Health Care Cost Growth Target Program

House Interim Committee on Behavioral Health & Health Care
November 6, 2023

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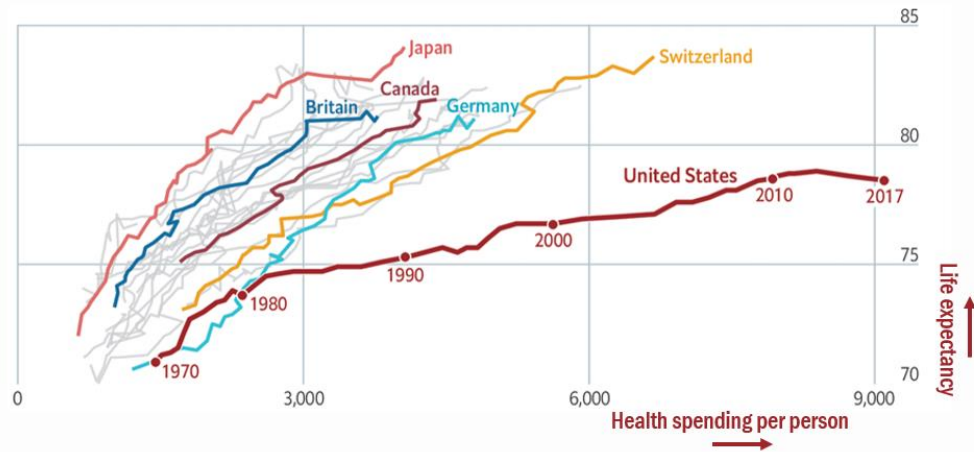


Cost Growth Target History

How we got here

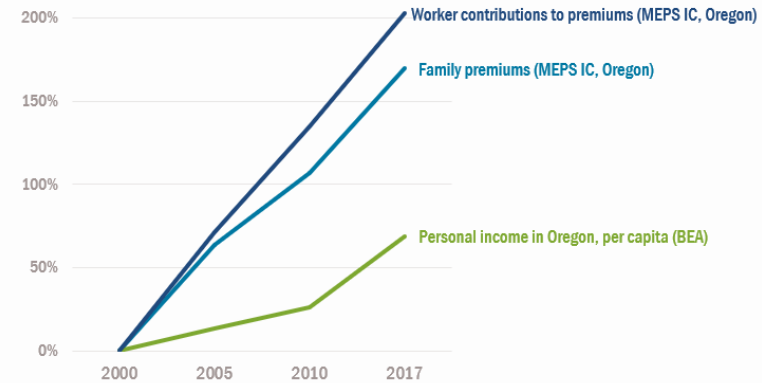
U.S. health care costs twice the average of others countries

But life expectancy is lower



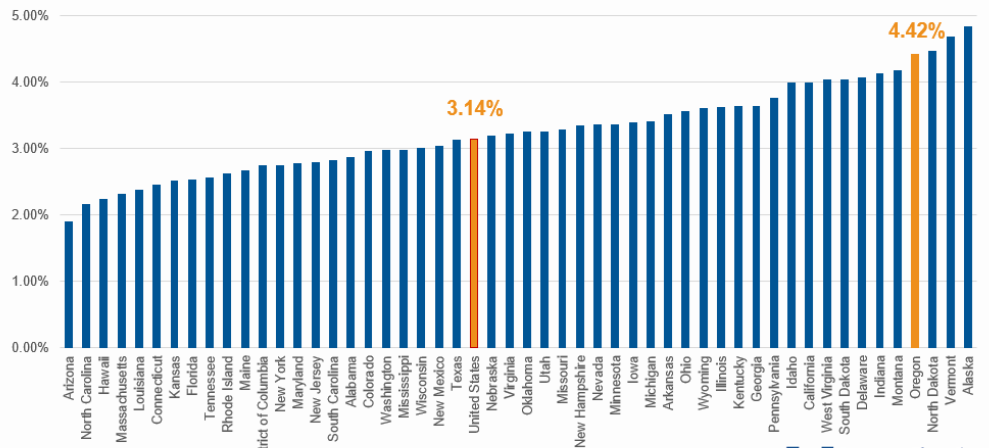
Private sector cost growth is unsustainable

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



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

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

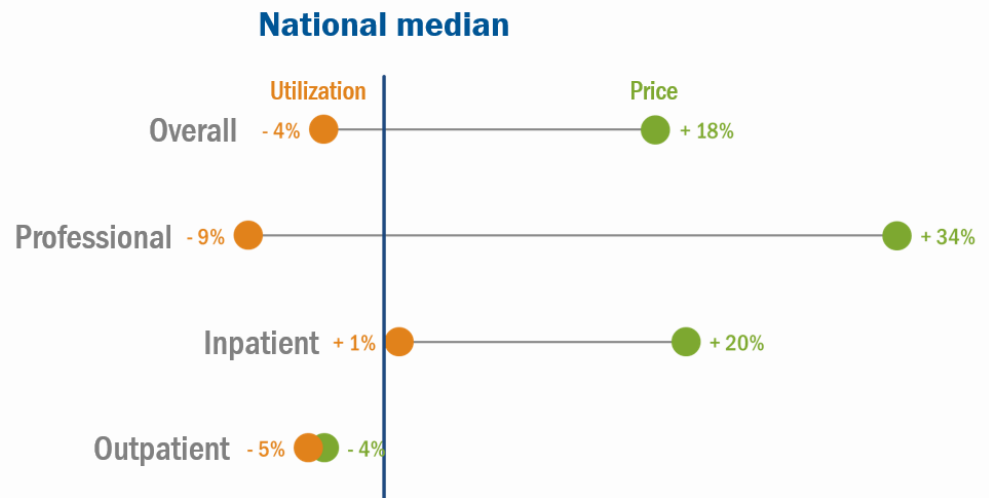


Sources: U.S. Census Bureau; and Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.



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

These high prices are not offset by low utilization.



SB 419 Task Force on Health Care Cost Review

2017-2018

Studied the feasibility of creating a hospital rate-setting process in Oregon

Explored opportunities to

- limit the growth of health care expenditures
- address cost growth, with initial focus on hospital costs

Ultimately recommended cost growth target, modeled on Massachusetts



SENATE BILL 419 JOINT INTERIM TASK FORCE
ON HEALTH CARE COST REVIEW

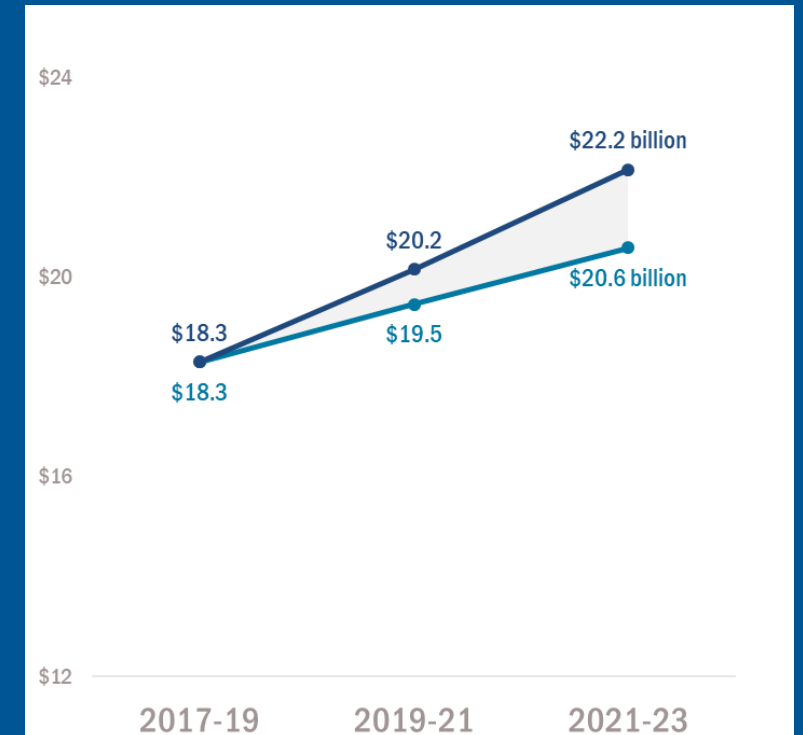


REPORT TO OREGON LEGISLATURE
SEPTEMBER 13, 2018

Public programs were already subject to a cost growth target

The Oregon Health Plan, PEBB and OEBC are required to limit per person annual cost growth to 3.4% each year.

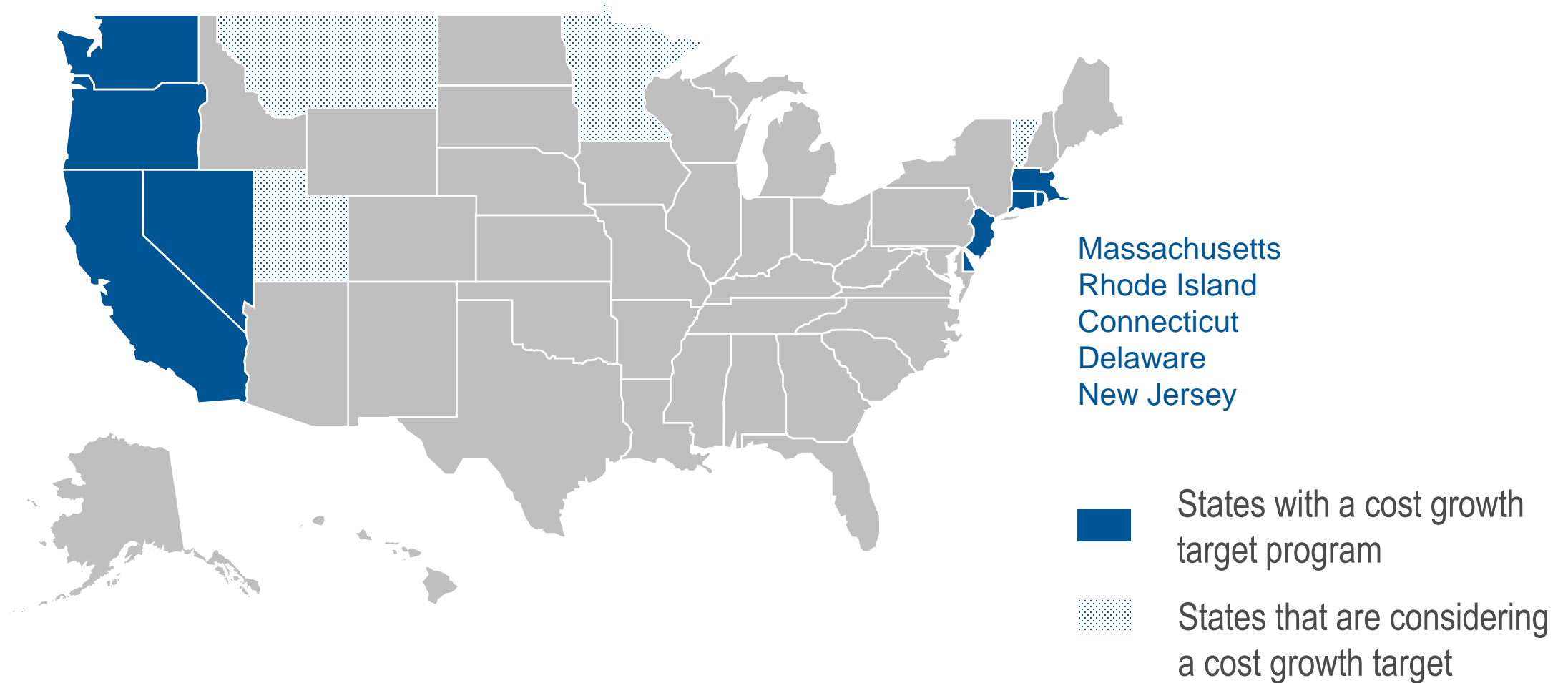
Compared to the expected 4.7% national cost growth, this was projected to avoid \$700 million in General Fund expenditures over 4 years.



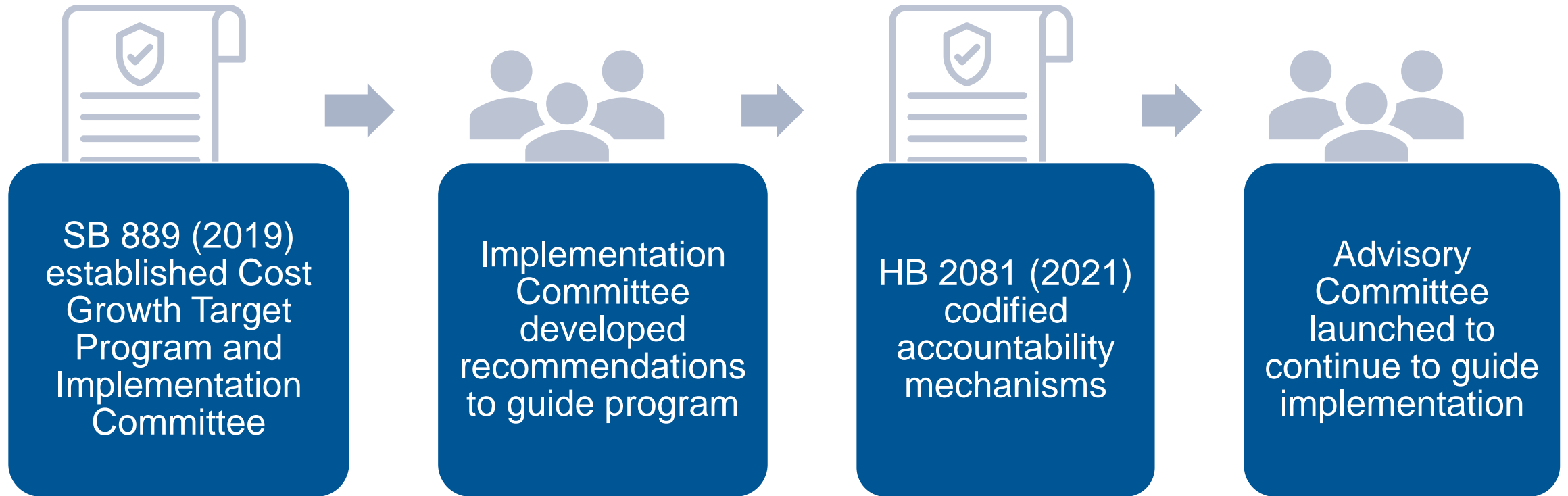


Oregon's cost growth target says that total health care spending should not grow more than 3.4% each year.

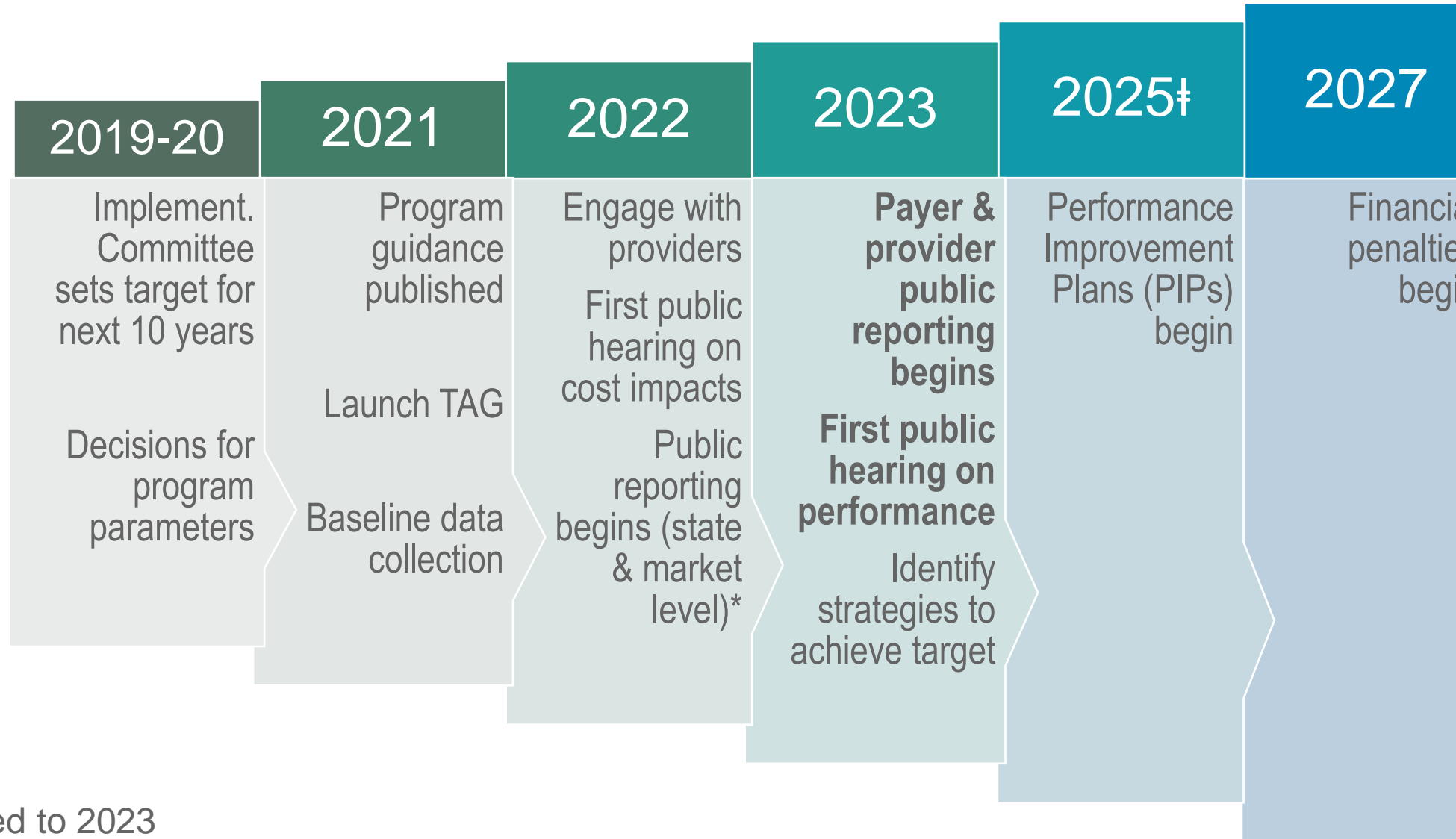
A growing number of states are using a cost growth target to address health care affordability



Standing up Oregon's Cost Growth Target program



The Cost Growth Target program is designed to ramp up slowly, to allow time for change.



*Public reporting delayed to 2023

† Performance Improvement Plans delayed by one year from initial timeline

Opportunities for Engagement



- Cost Growth Target Advisory Committee
- Cost Growth Target Technical Advisory Group
- Public Hearings
- Rules Advisory Committee (RAC)

Cost Growth Target Advisory Committee's Work

What we've learned this year

In 2023, the Advisory Committee...

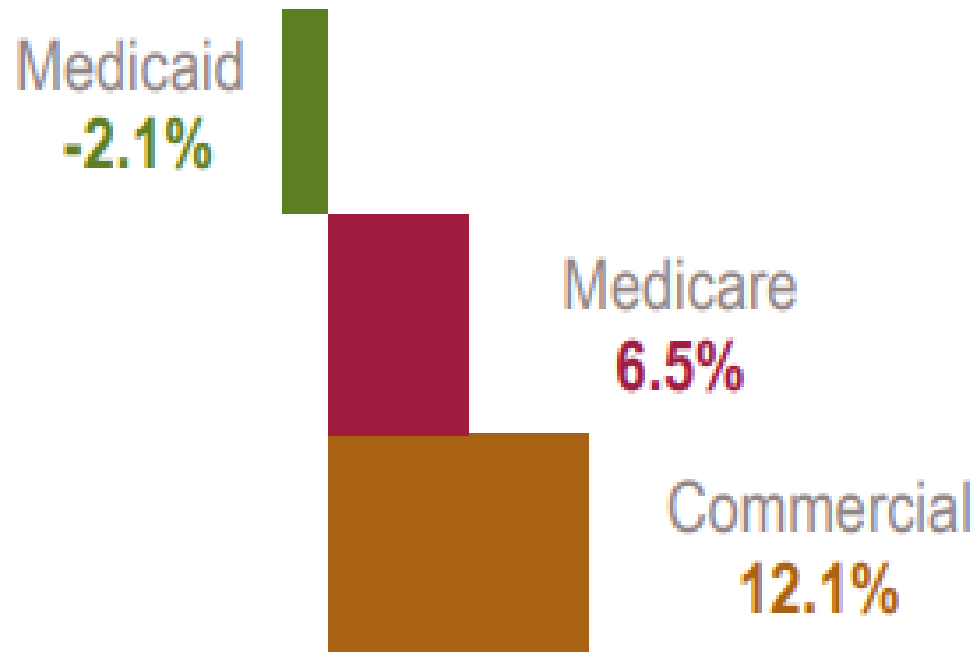
- Considered strategies to address pharmacy costs
- Reviewed first report on payer/provider cost growth
- Reviewed data on impacts of health care costs
- Drafted cost & equity framework
- Adjusted PIP timeline, informed financial penalties
- Monitored Value-Based Payment Compact progress
- Held two public hearings

Some takeaways

<p>Health care is increasingly unaffordable</p>	<p>Oregon's statewide cost growth was 3.5% in 2021 (close to the target) but ranged from -2.1% for Medicaid to 12.1% for commercial</p>
<p>Not seeing progress toward VBP Compact targets</p>	<p>Statewide cost growth in 2021 was primarily driven by increases in professional and outpatient utilization (covid-19 rebound)</p>

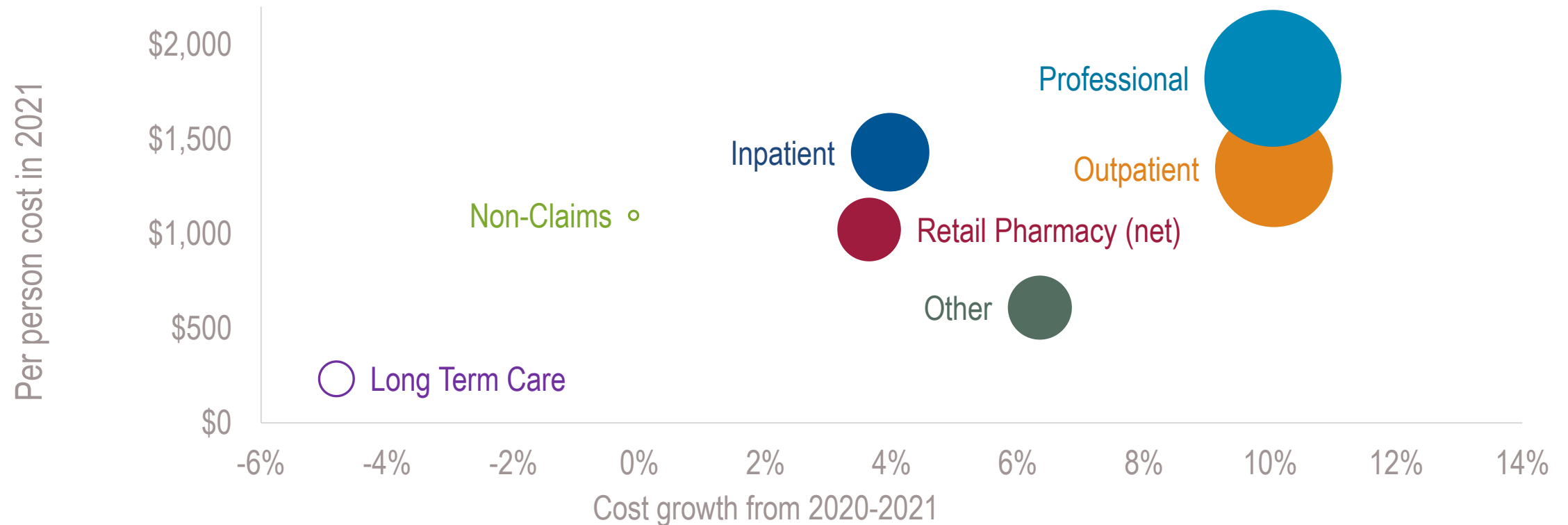
Total Health Care Expenditures statewide grew 3.5% in 2021, but with different experiences by market

Percent change in THCE, by market 2020-2021



Medicaid enrollment increased during this period, and while total Medicaid spending increased, spending on a *per person per year basis* declined.

Statewide cost growth in 2021 was driven by professional and outpatient services, as utilization returned after covid-19

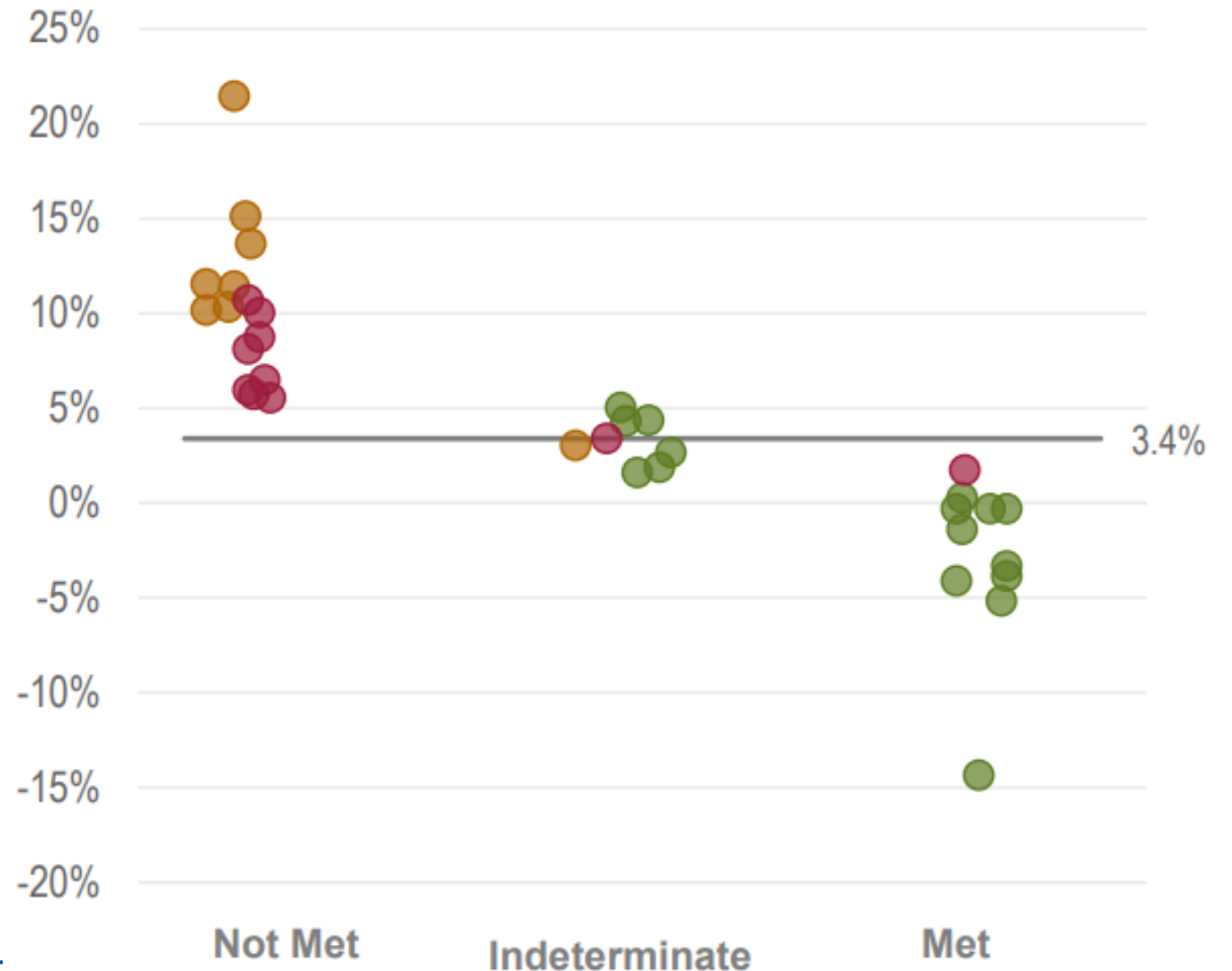


Overall cost growth for payers in 2021 was 4.7%

- Commercial payers: **11.5%**
- Medicare Advantage: **6.0%**
- Medicaid: **-3.0%**

Of the 29 payers, 11 met the cost growth target for at least one market.

Payer performance in relation to the cost growth target for **commercial**, **Medicare Advantage**, and **Medicaid** markets, 2020-2021.

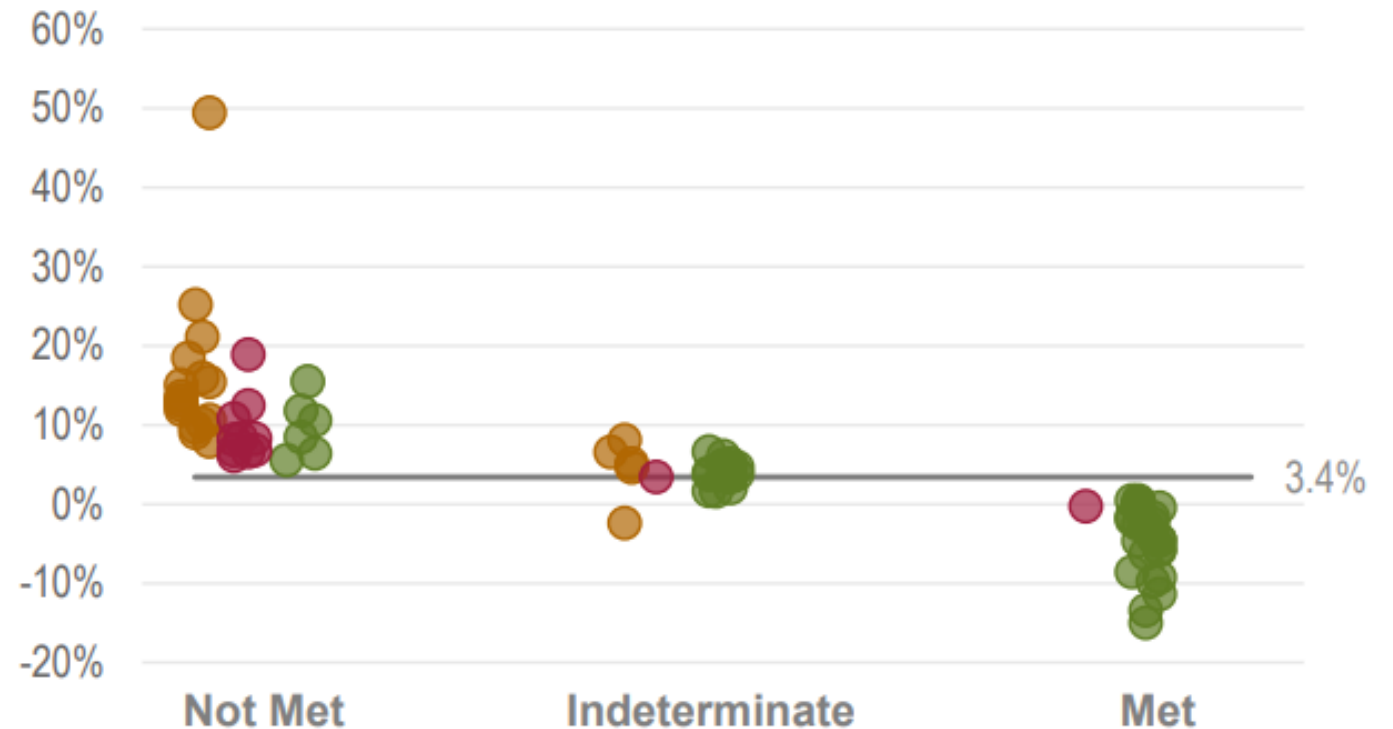


Overall cost growth for provider organizations in 2021 was 4.9%

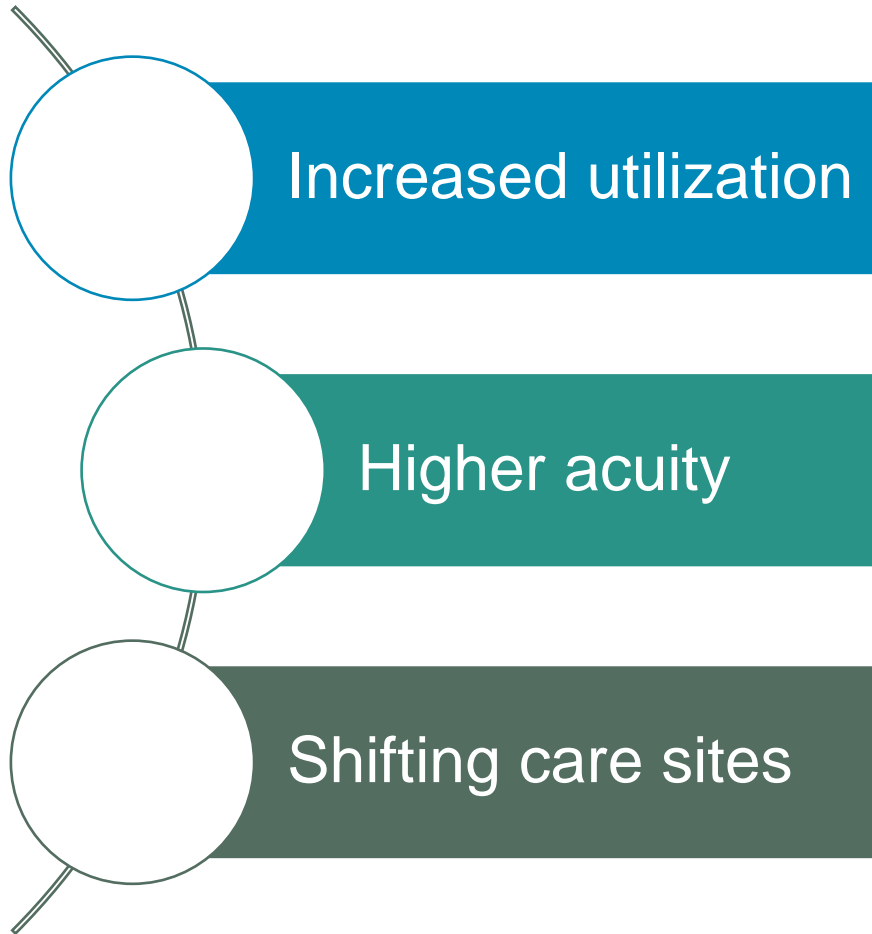
- Commercial payers: **11.8%**
- Medicare Advantage: **6.3%**
- Medicaid: **-3.0%**

Of the 51 provider orgs, 26 met the cost growth target for at least one market.

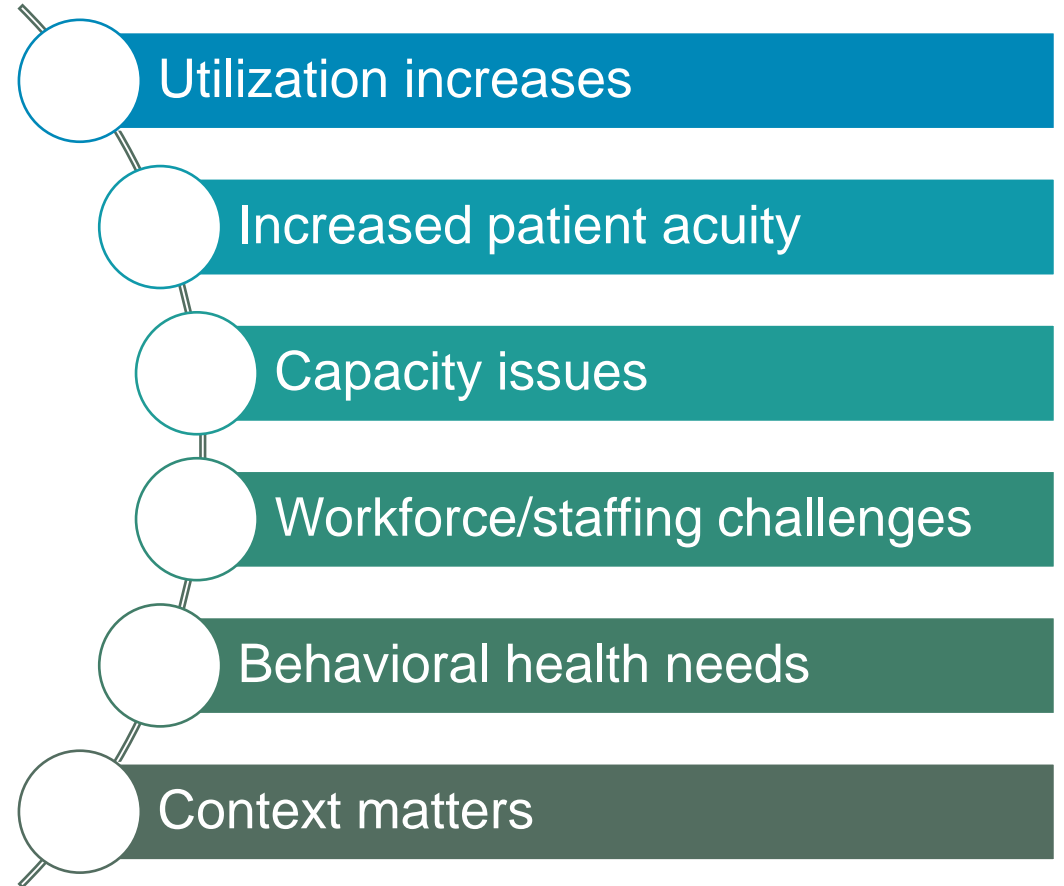
Provider organization performance in relation to the cost growth target for **commercial**, **Medicare Advantage**, and **Medicaid** markets, 2020-2021



Payer Perspectives



Provider Perspectives



Cost Growth Target Accountability

Developing financial accountability

Accountability for excess cost growth



Transparency



Performance Improvement Plans



Financial Penalties



Ongoing conversations with payers and provider organizations to understand cost growth drivers and reasons for exceeding the cost growth target in a given year

Financial accountability is required by statute

The authority shall adopt by rule criteria for imposing a financial penalty on any provider or payer that exceeds the cost growth target without reasonable cause in three out of five calendar years or on any provider or payer that does not participate in the program. The criteria must be based on the degree to which the provider or payer exceeded the target and other factors, including but not limited to:

- (a) The size of the provider or payer organization;*
- (b) The good faith efforts of the provider or payer to address health care costs;*
- (c) The provider's or payer's cooperation with the authority or the department;*
- (d) Overlapping penalties that may be imposed for failing to meet the target, such as requirements relating to medical loss ratios; and*
- (e) A provider's or payer's overall performance in reducing cost across all markets served by the provider or payer.*



Before any payer or provider organization is subject to a financial penalty

- They must exceed the cost growth target **with statistical confidence in 3 out of 5 years**
- They must not have a **good reason** for exceeding the cost growth target in 3 out of 5 years
- They must **not be making progress or demonstrating good faith efforts on their PIP**

Changes in federal or state law

Changes in mandated benefits

New pharmaceuticals or treatments

Changes in taxes (or other admin)

“Acts of God”

Investments to improve population health/ health equity

Macro-economic factors

Frontline workforce costs (as per HB 2045)

Good reasons for exceeding the cost growth target

The Cost Growth Target Program is designed to ramp up slowly, allowing time for change

CGT Year	0	1	We are here	3	4	5
Cost growth between	2018 – 20	2020 – 21	2021 – 22	2022 – 23	2023 –24	2024 – 25
Data submitted in	2021	2022	2023	2024	2025	2026
Report published in	2022	2023	2024	2025	2026	2027
Are payers/providers publicly identified?	No	Yes	Yes	Yes	Yes	Yes
Do PIPs apply?	No	No	No	Yes	Yes	Yes
Does \$ penalty apply?	No	No	No	No	No	Yes

OHA started accountability development in 2023 to address payer and provider uncertainty

- Initial discussions with Technical Advisory Group
- Initial discussions with Advisory Committee
- Drafted Performance Improvement Plan guidance and templates
- Identified multiple possible formulas for penalty calculation
- Ongoing conversations with DCBS (re: solvency)
- Advisory Committee to adopt guiding principles for penalty development (Nov 15 meeting)

Next Steps

OHA has delayed rulemaking to 2024 to allow more time for discussion with the Cost Growth Target Advisory Committee.

The Advisory Committee will discuss principles to guide financial penalty development at their Nov 15th meeting.

Rulemaking Timeline



OHA will begin Rules Advisory Committee (RAC) recruitment in November



Convene RAC in early 2024

Setting a cost growth target will not slow the rate of growth by itself.

A cost growth target is a **catalyst** for implementing cost growth mitigation strategies.

