

# Invited Testimony Sustainable Cost Growth Target Penalties Discussion

House Health Care

November 6, 2023

Chair Rob Nosse and Members of the House Health Care Committee,

My name is Felisa Hagins, and I have the honor of serving as the SEIU representative and co-chair of the Sustainable Cost Growth Committee. Today, I am here to discuss the significance of the financial penalties within the framework of Oregon's cost growth target program, a component integral to the program's integrity and effectiveness.

Before I delve into the importance of financial penalties, I want to address why the sustainable cost growth target that Oregon has established is a critical measure for consumers, especially considering the backdrop of mounting healthcare costs. Oregon's cost growth target model begins to address challenges faced by consumers, employers, the State of Oregon, and frankly any purchaser of healthcare. Due to the high cost of accessing care, not just premiums, health insurance no longer means access to affordable care. This challenge has been highlighted by numerous studies, including recently by the Commonwealth Fund, which documented that insured individuals, particularly those in high-deductible health plans, often face just as much difficulty covering medical costs as uninsured individuals. This reality hits home for many Oregonians.

Our state has witnessed a proliferation of high-deductible health plans between 2013 and 2019 deductibles for commercial insurance family plans grew by 40% to an average of \$,634, and deductibles for single plans grew by 51% to an average of \$1,958. In contrast to median household income in Oregon has only grown by 33%. This often places an unsustainable burden on consumers when they access care. The cost growth target initiative is our proactive stance, aiming to curtail the surge of healthcare costs. While working to restrain cost growth broadly, we must also work toward how being insured translates to tangible financial protection, quality, and accessibility health care for every Oregonian.

The Sustainable Cost Growth Committee has engaged in two robust discussions concerning financial penalties within the cost containment framework. It is clear and understandable that no system or stakeholder desires to be subjected to penalties. Our goal has always been to work collaboratively with all parties to avoid this outcome. Reflecting this, you'll see later the robust timeline and actions, including performance improvement plans, occurring before any entity gets to a financial penalty. At our next meeting, we intend to lay the groundwork for a set of principles that will guide the dedicated staff at the Oregon Health Authority in the drafting of administrative rules. We

anticipate this discussion to not only consolidate our collective insights but also to crystallize the Committee's vision into actionable, clear, and fair guidelines for maintaining the fiscal discipline that is so vital to the success of Oregon's health care cost growth target.

## The Sustainable Cost Growth Committee

The principles governing our financial penalties are designed to safeguard the intent and efficacy of our cost growth target. They are as follows:

### 1. **Corrective Guidance Prior to Penalties**:

- Financial penalties should serve as a measure of last resort, to be employed only after an insurer or provider has not met the obligations laid out in their Performance Improvement Plan (PIP). Before penalties are levied, entities should be given the opportunity to engage in a structured, supportive, and transparent Performance Improvement Plan that is specifically tailored to help them address and rectify issues that led to the cost target overruns. This plan would include clear objectives, timelines, and strategies for cost management and quality improvement. Regular monitoring and intermediate checkpoints should be part of the PIP to assess progress and provide feedback. If, after sufficient time and support, the insurer or provider fails to make adequate progress according to the predefined milestones, only then would penalties be considered. This approach reinforces the primary goal of improving health care cost management and efficiency, rather than immediately resorting to punitive measures, and underscores the commitment to collaborative improvement over coercive enforcement.

### 2. **Equity**:

- The penalty system should take into account the size and financial capacity of the entity. In absolute terms penalties should avoid crippling financial burdens that threaten the viability of the entity or the community's access to care. However, the penalty should be meaningful to enough to deter future behavior.

### 3. **Transparency**:

- The process for determining when penalties are assessed, how they are calculated, and how the funds collected are used should be transparent. Stakeholders, including the penalized entities, should have a clear understanding of the methodology and be able to anticipate and plan for potential penalties.

4. **\*\*Appeal and Adjustment Mechanism\*\***:

- There should be a fair appeals process that allows insurers and providers to contest penalties if they believe they have been wrongly assessed or if there were extenuating circumstances that led to their exceeding the cost target.

The bipartisan endorsement of this legislation in 2019 reflects a shared acknowledgment that cost control is a pivotal factor in the future stability of our healthcare system and economy. The financial penalties are not punitive for the sake of being so, but are a deliberate step to maintain disciplined cost management while enhancing the health outcomes Oregonians.

In closing, I urge you to continue supporting the principles and structure of the Sustainable Cost Growth Target program, including the critical role of financial penalties. Our united front on this issue is paramount in signaling to our constituents that we are unwavering in our pursuit of affordable, high-quality healthcare for all Oregonians.

Thank you for your time and your dedication to the health of our state, and I'm happy to answer any questions.

Felisa Hagins