



## Testimony on -1 Amendment to HB 2045

Chair Fahey and Members of the Committee,

Thank you for the opportunity to submit comments on HB 2045. While we are neutral on the -1 amendment to HB 2045, we wanted to flag the potential impact of this bill on Oregon's Sustainable Cost Growth program, and the ability of payers and providers to be held to the same standards under the program.

As one of the state's largest health insurers, Regence BlueCross BlueShield of Oregon is committed to addressing current and emerging health needs for the nearly one million Oregonians we serve. In keeping with our values as a tax paying nonprofit, 85% of every premium dollar goes to pay our members' medical claims and expenses. That includes paying members' claims for doctor visits, hospital care, medications, COVID-19 tests and treatment, and other health care goods and services. In total, Regence paid \$2.17 billion in medical care for its fully insured members in 2021.

Regence has been particularly focused on cost containment over the past several years, as we see increasing demand from employers and individual members to keep premium costs reasonable while providing access to high quality, high value care. As one of the only insurers in the state who is unaffiliated with a hospital system, we occupy a unique place in our ability to identify and seek to address major cost drivers in healthcare.

As a nonprofit insurer with slim operating margins, we reflect escalating medical and drug costs. Hospital and pharmacy costs are the major drivers of costs in healthcare today, and one of the main areas where Regence is working hard to contain costs.

On the pharmacy side, the average costs of new drugs continues to skyrocket. In 2008, the average cost of a new drug was \$2,000 annually, and today it is \$220,000 annually. From 2013 to 2019, spending on health care went up by about 50%, an average of 7% every year for Oregonians; nationally it was closer to 4%. These trends are unsustainable, and something that must be addressed at the source of the costs.

As Oregon's cost containment program rolled out, we hoped to see the state's efforts at cost containment reflected in the negotiations that we have with providers about rate increases and costs of care for our members. However, the program as it functions now is not achieving its mission, and instead we are seeing significant reimbursement rate increase requests across all hospital and provider offices. Given that we reflect the costs in the healthcare system, those budget increases directly impact our ability to meet our own cost containment obligations.

There are a variety of policy initiatives that could be implemented in the hospital and provider space and the drug space to contain and control skyrocketing cases, and we support pursuing those initiatives. However, we understand that inflation, increased labor costs, and COVID hit the provider community hard, such that providers are seeking to exclude workforce costs from on Oregon's Sustainable Cost Growth program in the face of new nurse staffing ratios.

We also want to make it clear excluding workforce costs on the provider side of the cost containment calculus but not the insurance side will result in insurers remaining liable for meeting a target that includes cost drivers that providers are not responsible for containing. This will impact insurers' ability to meet the target themselves, and result in payers and providers being held accountable for differing cost standards within the system.

We understand and appreciate the careful negotiations that resulted in the -1 amendment to HB 2045, and do not wish to disrupt the compromise reached between the parties. However, we also want to make clear that we are concerned with creating disparities in accountability within the cost-growth

program, especially without clear assurance that those disparities will be accounted for within the program as it continues to roll out.

Cost containment is a critical ongoing healthcare conversation, and one Regence is eager to be part of. As an insurer, we fear that we will remain unable to meet the state's cost growth target until meaningful cost containment occurs on both the pharmacy side and within provider/hospital systems. While we do not think that workforce should be a major focus of cost containment, it is currently a fast-growing cost in the system and we are concerned about payers and providers being held to different standards.

Thank you for the opportunity to comment.

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