

## HB 4039 -1 STAFF MEASURE SUMMARY

### House Committee On Health Care

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**Sub-Referral To:** Joint Committee On Ways and Means

**Meeting Dates:** 2/3, 2/10

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#### WHAT THE MEASURE DOES:

The measure directs the Oregon Health Authority to make changes to the process used to set payment rates for coordinated care organizations.

##### Detailed Summary:

- Defines terms, including capitation rates, base data, medical loss ratio, and major initiative.
- Directs the Oregon Health Authority (OHA) to:
  - Establish a transparent, data-driven process to use when developing coordinate care organization (CCO) capitation rates and specifies what must be included in the process. Specifies how to calculate the medical loss ratio.
    - Stipulates that the rate development process applies to plan years beginning January 1, 2027.
  - Obtain an independent review of the rate development process and specifies what must be included in the review. Requires a report to the interim committees of the Legislative Assembly related to health by September 15, 2027.
  - Prepare a medical assistance cost impact statement prior to all rule development excluding procedural.
  - Adopt rules that require CCOs to use part of their annual net income or reserves beyond financial requirements to address social determinants of health and health disparities. Specifies requirements for spending. Sets an operative date of January 1, 2030. Modifies statute to specify that provision applies to CCO financial requirements.
- Prohibits OHA from adopting major initiatives (including new rules, programs, or contract requirements costing health care entities more than \$1 million in a given biennium) through January 2, 2028.
- Directs the Oregon Health Policy Board (OHPB) to establish processes, including a review process for collecting public comment on the rate development process, approaches to collecting public input, methods for third party input, and publicly available materials.
- Declares an emergency, effective on passage.

*Fiscal impact: May have fiscal impact, but no statement yet issued*

*Revenue impact: May have revenue impact, but no statement yet issued*

#### ISSUES DISCUSSED:

##### EFFECT OF AMENDMENT:

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- Makes changes to requirements for the rate development process and removes stipulation on calculating medical loss ratio.
- Requires OHPB to report on preliminary capitation rates and stipulates what must be included in report.
- Removes requirement that the OHPB develop processes related to public participation.
- Removes requirement that OHA obtain an independent review of the rate development process.
- Removes provisions related to prohibition on OHA adopting major initiatives.

#### BACKGROUND:

The coordinated care organization (CCO) model of the Oregon Health Plan (OHP) was established in 2012 through the passage of House Bill 3650 (2011) and Senate Bill 1580 (2012). CCOs provide a range of health services to their members, including physical, oral, and behavioral health care. Currently, there are fifteen CCOs operating regionally across Oregon, serving more than 92% of Oregon's nearly 1.5 million OHP members. CCOs receive a five-year contract from the state and a fixed-growth budget from which to coordinate services for their members. CCO capitation rates, the per-member-per-month payments paid by the Oregon Health Authority (OHA), are set annually following federal and state regulations with an annual cost growth target of 3.4%.

House Bill 4039 directs OHA to make changes to the process used to set CCO payment rates, requires an independent review of the rate development process, and restricts OHA from adopting major initiatives costing \$1 million or more over a single biennium until 2028. The measure also directs the Oregon Health Policy Board to establish a process for collecting and considering public comment the rate development process.

**PRELIMINARY**