



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



REPORT TO OREGON LEGISLATURE  
SEPTEMBER 13, 2018

# EXECUTIVE SUMMARY

## Background

Senate Bill [419](#) (2017) established the Joint Interim Task Force on Health Care Cost Review to study the feasibility of creating a hospital rate-setting process in Oregon modeled on the process used by the Health Services Cost Review Commission in Maryland. Specifically, the Task Force was directed to:

- explore opportunities to limit the growth of health care expenditures in Oregon
- address cost drivers in Oregon, with initial focus on hospital costs
- assess potential impact and feasibility of the Maryland model
- consider and evaluate alternative models to accomplish the goals in SB 419

This report documents the response of the Joint Interim Task Force on Health Care Cost Review to the legislative direction in Senate Bill 419 and describes the process and considerations that have guided the Task Force's work. It includes recommendations approved by the Task Force to address the directives in Senate Bill 419 and supporting documentation. The report's centerpiece is the recommendation for establishment of a health care spending benchmark—a statewide target for the annual rate of growth of total health care expenditures.

## Summary of Task Force Activity

The Task Force initially convened in November 2017 and was directed to submit its final report to the legislature by September 15, 2018. We adopted a formal [charter](#) and set of principles to guide our work, which lasted over a period of 10 months with each member contributing over 100 hours. Collectively, the sixteen-member Task Force invested over 1,000 hours into examining the Maryland model, hearing from national and state health policy experts, and working to develop a consensus around a set of recommendations designed to contain health care cost growth in Oregon.

The Task Force worked to assess any opportunities and challenges associated with:

- establishing models of accountable care organizations;
- creating multi-payer and all-payer approaches to transform health care payment; and
- key factors to consider in establishing a statewide benchmark to limit the annual rate of growth in health care expenditures.

Based on comprehensive research and information provided by national and state health policy experts; investigation of payment reform models adopted by Massachusetts, Pennsylvania, and Vermont; robust discussion and debate among members; and a series of detailed Task Force exercises, we recommend moving forward with a model similar to Massachusetts' cost containment approach adapted for Oregon's health care environment.

## Task Force Findings

The Task Force opted not to recommend adopting the Maryland hospital rate-setting model at this time predicated on the following:

- The approach focuses on fee-for-service rather than paying for value and fails to align with Oregon’s payment reform efforts including incentivizing prevention and population health services.
- Hospital care is a shrinking proportion of health care spending, and a hospital-based rate-setting system could potentially incentivize out-migration of care from regulated hospitals to unregulated outpatient providers (non-hospital providers).
- Maryland’s rate-setting system is complex and administratively challenging to implement and maintain over time.
- The model requires a federal Medicare waiver to implement (Maryland is the only state to have received this type of waiver since 1977).

Having agreed the Maryland model was not appropriate for Oregon at this time, we considered a comprehensive array of alternative policy strategies that serve to accomplish the goals reflected in Senate Bill 419, which were to explore a range of cost-containment approaches to address the rapid and unsustainable growth of health care costs in Oregon. Starting with investigating the financial conditions of and key cost drivers among Oregon hospitals, sifting through a robust set of policy options from other states, coupled with evaluation criteria, we offer our recommendation for the Legislative Assembly to begin its deliberation. Our report provides a clear set of recommendations with guidance on potential infrastructure and implementation considerations, a tentative timeline, and a consensus-driven solution. The policy proposal offers a mechanism to understand and take action on the cost drivers in health care that includes, but is not limited to, hospitals in an effort to address the total costs of health care in Oregon. Based on Maryland’s experience, we recognize that to truly address the total costs of care, both inpatient and outpatient services need to be addressed simultaneously, using a model that applies to all expenditure and provider types, which is reflected in our deliberations and proposed policy framework. The recommendation also seeks to account for variations in terms of patient mix, geographic regions, and provider types, and further commits Oregon to increasing transparency around price and total cost of care—regardless of payer.

## Recommendations and Policy Framework

To respond to Oregon’s health care cost challenges, we are recommending a new approach to achieving a sustainable health care system. This is an Oregon solution, a plan to control total health care expenditures across – *all payers and providers* – by establishing a health care spending benchmark: a statewide target for the annual rate of growth of total health care expenditures. This solution supports accountability for total costs of care applied to all payers, public and private, and builds on Oregon’s existing health care reform efforts around cost containment and payment reform. A foundational underpinning for these efforts is ensuring the long-term affordability and financial sustainability of Oregon’s health care system, for patients and providers. To that end, the Joint Task Force on Health Care Cost Review recommends enhancing the transparency of the state’s health care system, identifying and addressing health costs and prices through a public reporting process, and establishing a statewide target for the annual rate of growth to reduce total health care

expenditures. Recommendations further include a set of building blocks and an implementation blueprint and timeline that seek to balance a sense of urgency with feasibility considerations and are designed to support reducing the annual growth of health care expenditures and enhance Oregon's ability to achieve an affordable and financially sustainable health care system.

The proposal also promotes alignment and coordination with Oregon's current commitment to reducing the rate of growth of costs within Medicaid to 3.4 percent per member per year, creating the state's first health care cost growth target. That current commitment ends in 2022. Following the implementation of coordinated care organizations, the Public Employees Benefit Board (PEBB) and Oregon Educators Benefit Board (OEBB) were committed to the same rate of growth by the legislature. Between members of the Oregon Health Plan, PEBB, and OEBB—which collectively cover 1.3 million Oregonians, the state has already set a cost growth target of 3.4 percent for one-third of the population. Establishing a statewide benchmark that serves as the annual growth target builds on Oregon's existing commitment by expanding the cost growth target to all payers and providers.

Lastly, the Task Force recognizes the critical intersection between health care spending and quality. In recognition of the Triple Aim and the relationship between costs and quality, the Task Force recommends closely aligning ongoing health outcome and quality measures, reporting, and benchmarking efforts with establishing an annual rate of growth of health care spending in Oregon ([Senate Bill 440](#), 2015). Furthermore, the recommendation provided in this report should be considered in the context of and complementary to reform efforts underway including but not limited to increasing transparency and spending to 12 percent of total medical expenditures on primary care ([Senate Bill 231](#), 2015, and [Senate Bill 934](#), 2017), pharmaceutical transparency and cost reduction ([House Bill 4005](#), 2018), and advancing alternative payment models, statewide, across payer and provider types.

## Call to Action for the 2019 Legislative Session

We are aware that legislators have difficult decisions to make in the upcoming 2019 legislative session. We stand ready to assist you in your efforts to move forward with implementing an actionable policy framework and the charges laid out in moving recommendations that stem from the work of Senate Bill 419—from concept to action. We hope our recommendations and report provide clarity for legislators to move forward with an actionable policy framework that aims to create a more affordable and sustainable health care system in Oregon.

Respectfully Submitted,

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

*Senator Lee Beyer*

*Senator Elizabeth Steiner Hayward*

*Representative Julie Fahey*

*Representative Ron Noble*

*Representative Rob Nosse*

*Cameron Smith, Director, Department of Consumer and Business Services (DCBS), Task Force  
Chair*

*Jeremy Vandehey, Director, Health Policy and Analytics Division, Oregon Health Authority (\*as designee for  
Patrick Allen)*

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*Kevin Ewanchyna, Chief Medical Officer – Samaritan Health Services*

*Maggie Hudson, Chief Financial and Operations Officer – Santiam Memorial Hospital*

*Kirsten Isaacson, Researcher – SEIU Local 49*

*Joyce Newmyer, President and CEO – Adventist Health, Pacific Northwest Region*

*Jesse O'Brien, Policy Director – Oregon State Public Interest Research Group  
(OSPIRG)(\*member until June 2018)*

*William Olson, Vice President of Finance Operations – Providence Health & Services Oregon*

*Zeke Smith, Chair, Oregon Health Policy Board*

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<https://olis.leg.state.or.us/liz/2017I1/Downloads/CommitteeMeetingDocument/150140>