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Standing Up To Powerful Interests
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To: House Health Care Committee

From: Jesse Ellis O'Brien, OSPIRG Health Care Advocate

Date: March 25, 2013

Re: Testimony Supporting HB 2118 with -1 amendments

Chair Greenlick and Members of the Committee,

OSPIRG supports HB 2118 with the -1 amendments. This legislation represents a huge step forward for Oregon's health insurance exchange, Cover Oregon, and will help ensure that the exchange lives up to its full potential to make health care work better for all Oregonians.

Cover Oregon's staff and board are to be commended for their hard work so far toward setting up an exchange that will build a better, more transparent health insurance marketplace for Oregon consumers and small businesses. Thanks to that hard work, Oregonians can expect to have one of the best-functioning exchanges in the nation.

However, more action is called for to put the exchange in the best position to succeed. An important part of the promise of an exchange is its ability to leverage the buying power of hundreds of thousands of Oregonians to drive a hard bargain with the insurance industry to contain costs, cut waste, improve quality of care and build value for consumers.

While Cover Oregon has limited leverage prior to open enrollment October 1, its buying power and ability to push insurers to contain costs and improve quality will only grow over time. **HB 2118-1 will give Cover Oregon the tools it will need** to take full advantage of the opportunity to use that leverage going forward.

HB 2118-1 will ensure that Cover Oregon's bargaining power serves the best interests of Oregon consumers and small businesses by empowering the exchange to take the following steps:

1. *Negotiate premium rates with participating insurers*

Giving Cover Oregon a specific mandate to negotiate lower rates is the single biggest step Oregon can take to ensure that the exchange is doing everything it can to keep down costs.

There are a number of options for how an exchange can conduct effective negotiation to keep down premium rates. HB 2118-1 does not constrain Cover Oregon by mandating a specific form that these negotiations must take, which will enable the exchange to explore its options and reevaluate them in light of experience and trends in health care costs.

2. *Strengthen standards for cost containment and quality improvement*

Under the Affordable Care Act, plans available on exchanges are required to have at least one Quality Improvement Strategy, which is defined as a payment structure that provides increased reimbursement or other incentives for the following activities:

a. Care coordination
b. Reducing hospital readmissions
c. Improving patient safety and reducing medical errors
d. Wellness and health promotion
e. Reducing disparities

Properly executed, each of these evidence-based strategies represents a strategy to contain costs as well. Each strategy represents an effort to cut back wasteful spending in the health care delivery system—deadweight loss that experts estimate represents a third of all spending in health care. Exchanges are also empowered to set their own standards in this area.

For its initial 2-year contracts with carriers, Cover Oregon has put standards in place that will require carriers to implement the Medical Home model and a strategy to reduce disparities. These are important advances. However, by themselves, these standards are insufficient to push insurers to implement strategies that will bend the cost curve for quality health care.

HB 2118-1 will give Cover Oregon a mandate to add at least two new strategies prior to its next round of contracting with carriers, and to update these strategies to reflect the developing state of the art in health care cost containment.

By strengthening its standards and aligning the strategies required for participating carriers with the strategies being pursued by Oregon's developing Coordinated Care Organizations, Cover Oregon can put itself in the best possible position to contribute to aligning the incentives in Oregon's health care system with our shared goals of reduced cost and improved health.

3. *Set a Medical Loss Ratio (MLR) standard*

MLR, the percentage of premium that is spent on medical care instead of going to administration, marketing or profit, is an important measure of the efficiency of a health plan's spending. Oregon's carriers already have some of the highest average MLRs in the nation, but Cover Oregon can build on this success by setting a higher standard for participating plans.

By taking these important steps now to prepare for the future, Cover Oregon will put itself in the best position to succeed. By sending a clear signal to the insurance market about the direction the exchange will take in its cost containment efforts, HB 2118-1 will enable carriers to begin preparing and implementing successful strategies today.

Oregon needs a strong health insurance exchange. OSPIRG urges your support for HB 2118-1.