Health Care Cost Drivers and Financial Report

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Oregon Health Authority

Medicaid Cost Drivers

The Oregon Health Plan is facing significant financial pressures including:

- Rising pharmaceutical costs
- Cost of new treatment and expanded benefits on Oregon Health Plan
- Provider reimbursement

Oregon's commitment to 3.4% growth rate

Reports to reference

Pharmacy report: http://www.oregon.gov/oha/hpa/csi/Documents/Pharmacy-Costs-Report.pdf

Quarterly legislative reports

Quarter 1: https://www.oregon.gov/oha/analytics/Documents/LegislativeReport_Q1_2016.pdf

Quarters 2 & 3: https://www.oregon.gov/oha/analytics/Documents/LegislativeReport_Q2-Q3_2016.pdf

Hospital Community Benefit Report: http://www.oregon.gov/oha/analytics/HospitalReporting/Community-Benefit-Report-FY-2015.pdf

Hospital payment report:

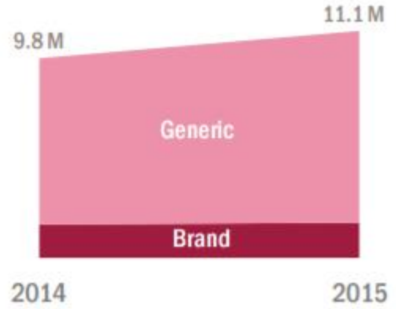
http://www.oregon.gov/oha/analytics/HospitalReporting/Oregon-Hospital-Payment-Report-2014.pdf

Hospital financial report: https://www.oregon.gov/oha/analytics/HospitalReporting/Hospital-Quarterly-Report-2016-Q2.pdf

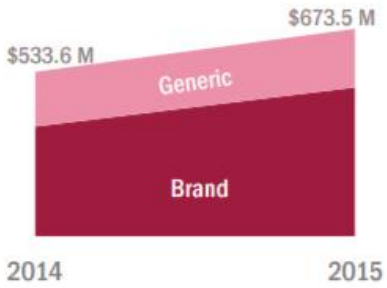
Oregon Health Authority

Rising Pharmacy Costs

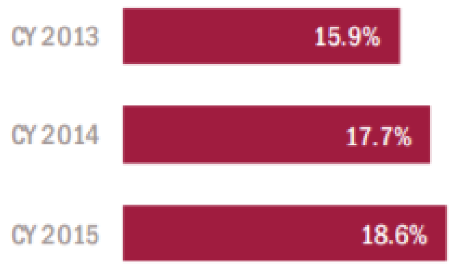
Brand drugs make up a much smaller share of prescriptions utilized...
(# of prescriptions)



...but a larger share of total expenditures.



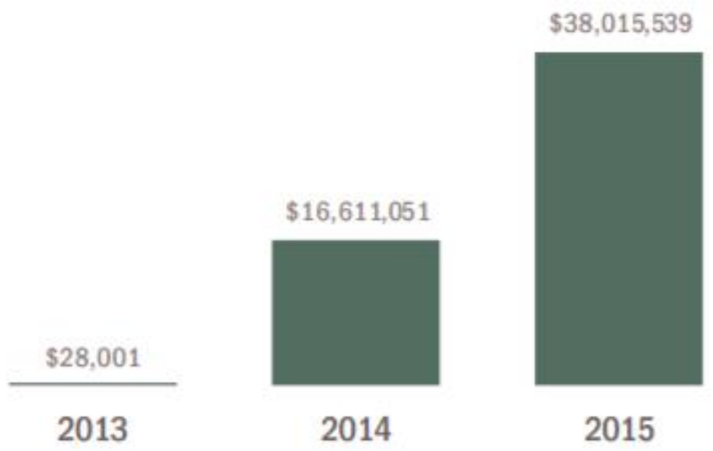
Each year, prescriptions make up a larger share of CCO physical and mental health expenditures reported in the claims data.



Rising Pharmacy Costs cont.

Hepatitis C drug expenditures per year.

Total 2013 - Aug 2016: $82.5 million



Per capita pharmacy cost range for CCOs between 2014 and 2015:

Generic **+7-9%**

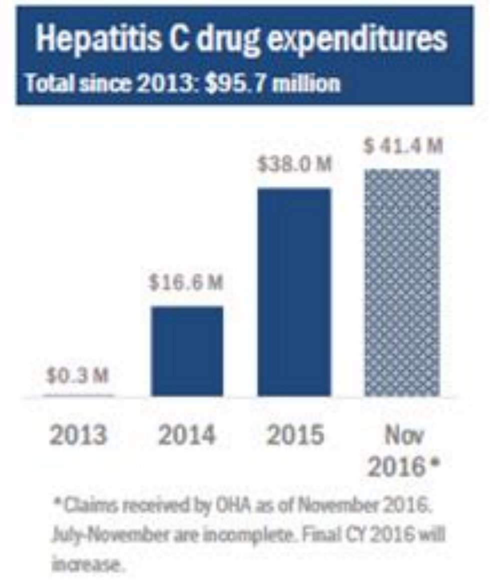
Brand **+19-21%**

Specialty **+26-28%**

Expanded OHP Benefits and Treatment

Major program changes impacting 2015-17 OHP coverage:

- Applied Behavioral Analysis
  - SB 365 mandated coverage
- Treatment of back pain
  - HERC decision
- High cost drug therapy for Hepatitis C
  - Pharmacy and Therapeutics committee recommendation



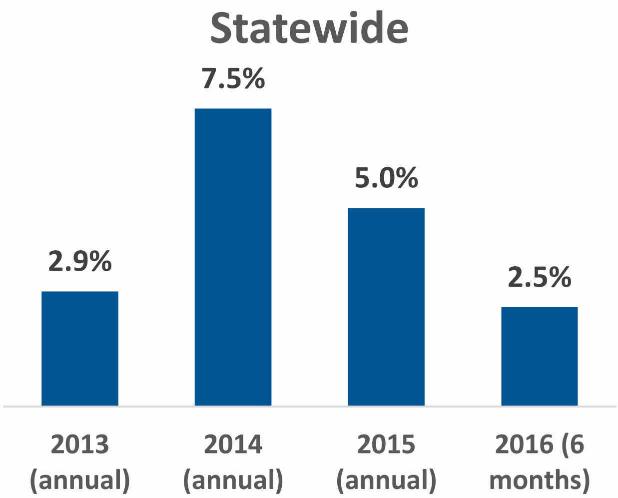
- Expansion of adult dental services
  - Legislative action with additional funding allocated in budget note

CCO Financial Report

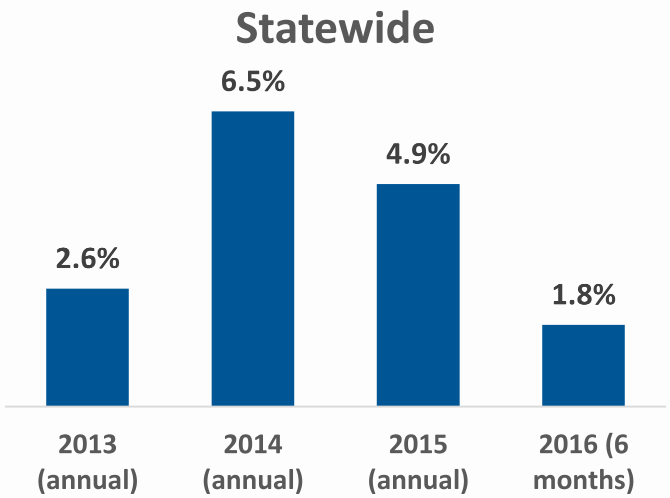
CCO Financial Strength

Operating and total margins have stabilized from significant highs in 2014 but still remain strong

Operating margin

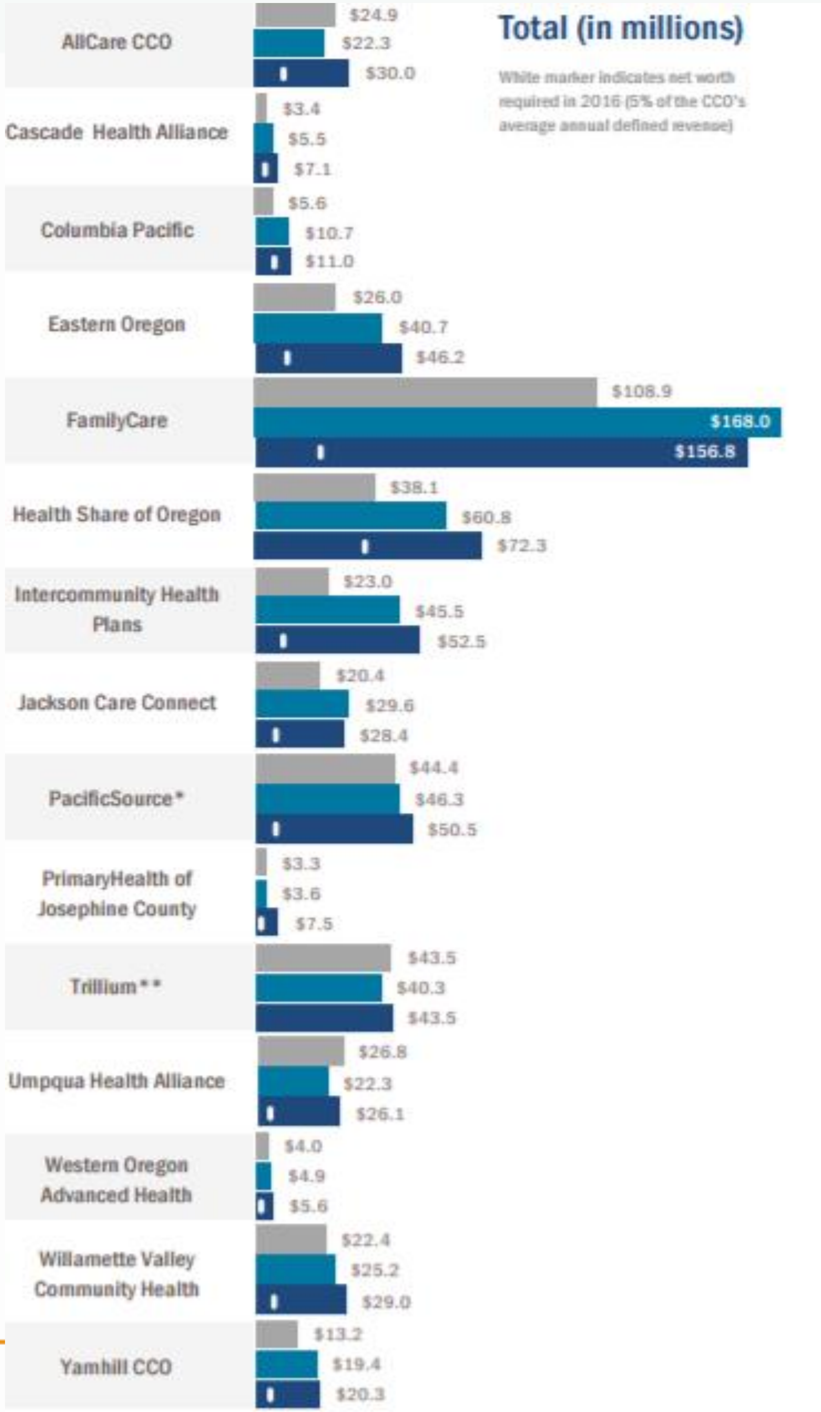


Total margin



Net Assets

- CCOs are required to maintain a net asset level of 5% of average revenue as a minimum amount of operating capital.
- Medicaid expansion and higher margins in 2014 contributed to an increase in CCO net assets.

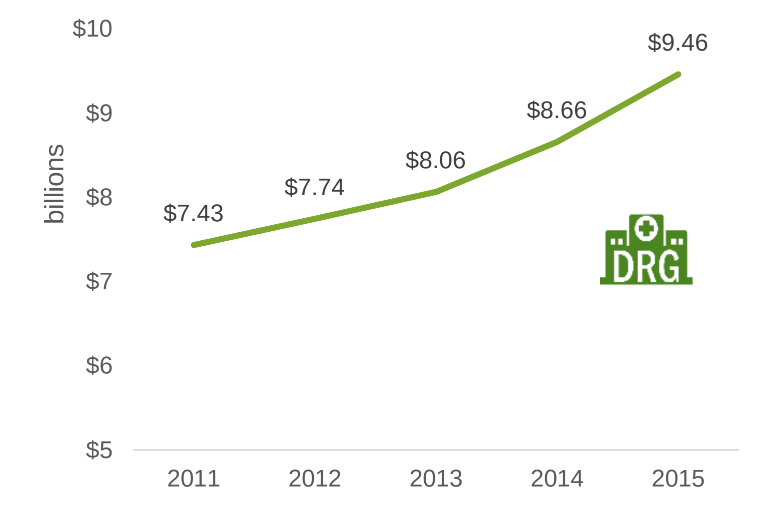


Hospital Financial Report

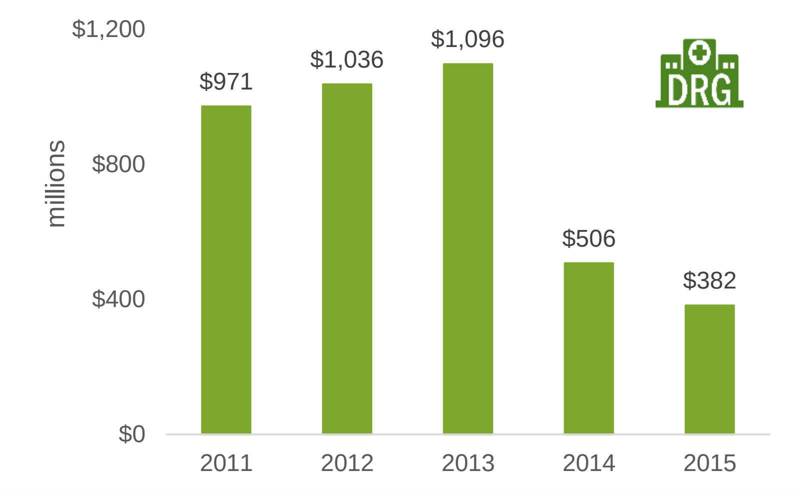
Hospital Data Trends

Recent DRG Hospital Data Shows Positive Trends; particularly since the implementation of the Affordable Care Act:

Total operating revenue increased 17% (from 2013 to 2015)

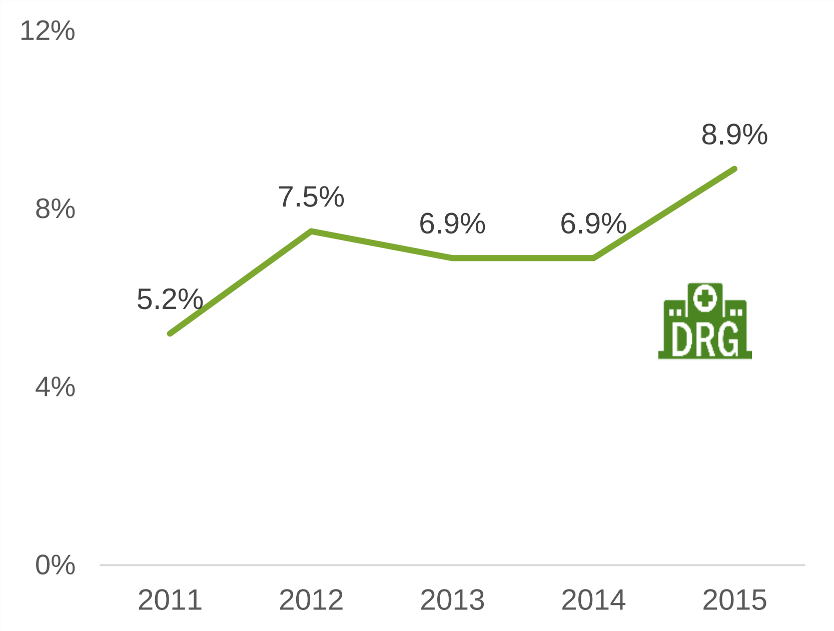


Uncompensated care dropped 65% (from 2013 to 2015)

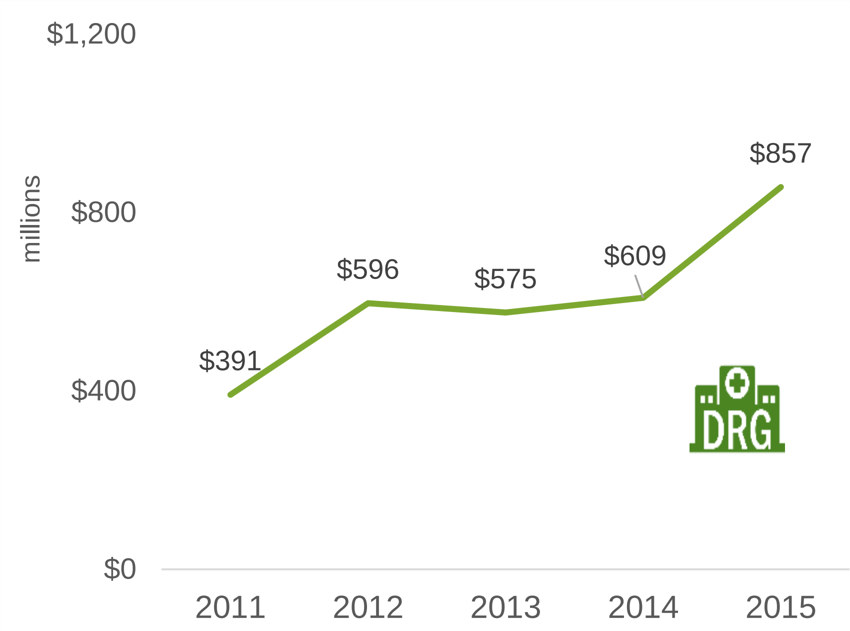


Hospital Data Trends

Total margins have grown from 5.2% in 2011 to 8.9% in 2015

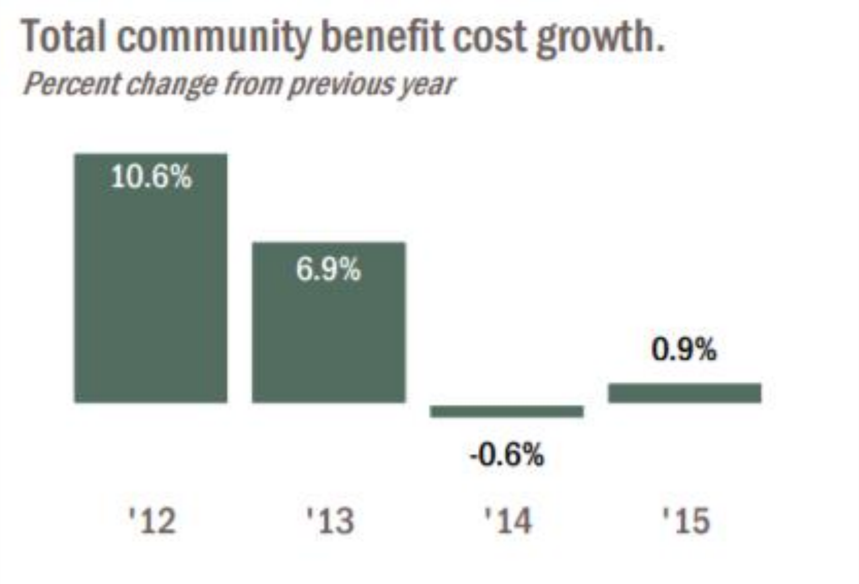


Total margins have grown from $391 million in 2011 to $857 million in 2015

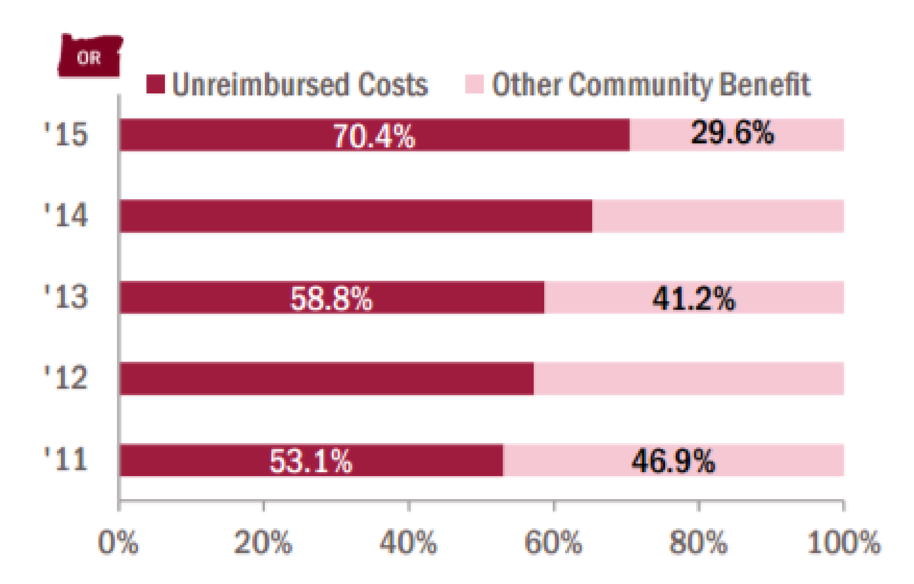


Hospital Community Benefit Report

$1.9 billion in total community benefit in 2015- holding flat over last 2 years

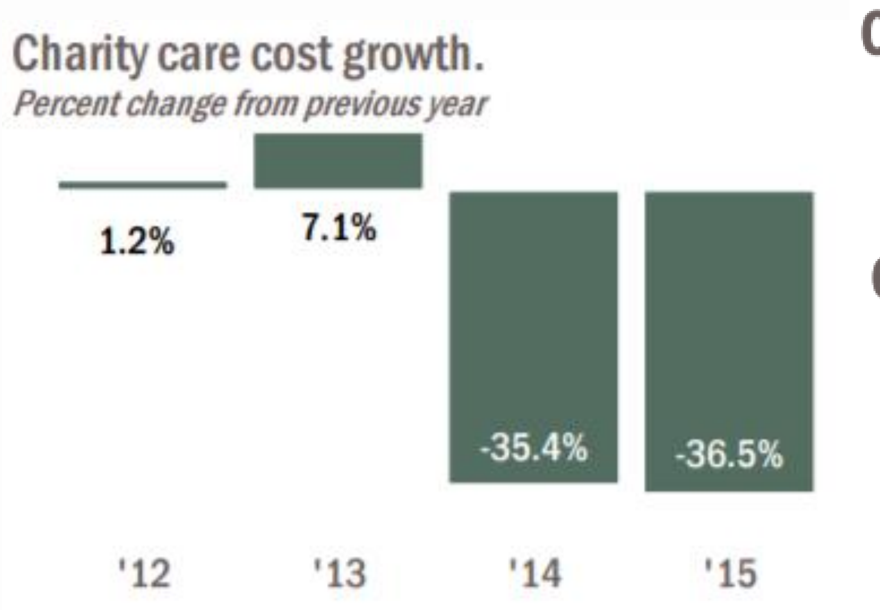


Medicare and Medicaid costs accounted for 70% of community benefit in 2015



Hospital Community Benefit Report cont.

Due to ACA charity care has dropped significantly



$67 million in direct community benefit in 2015

Questions?