Financing Health Care in Oregon: Four Policy Options

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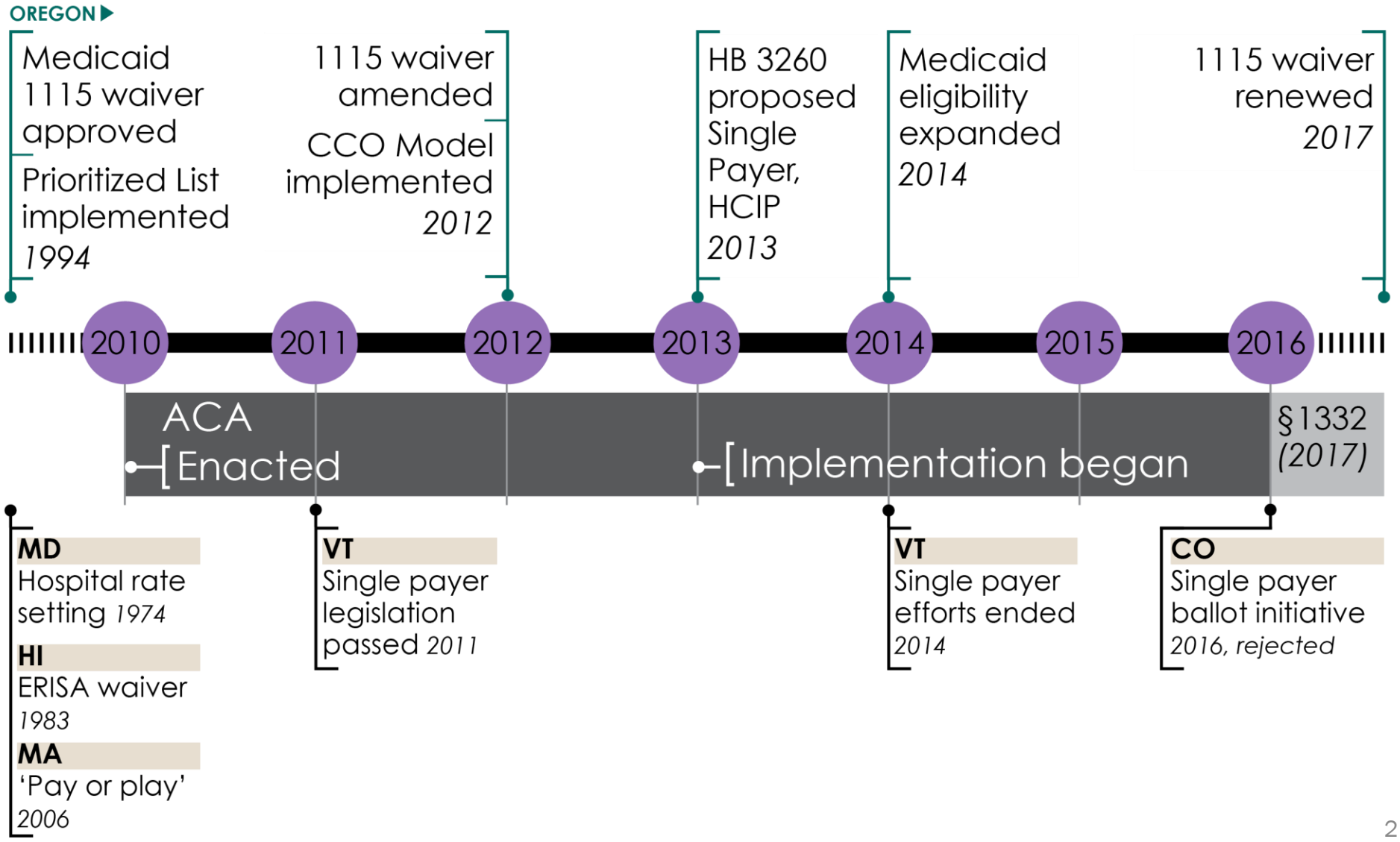
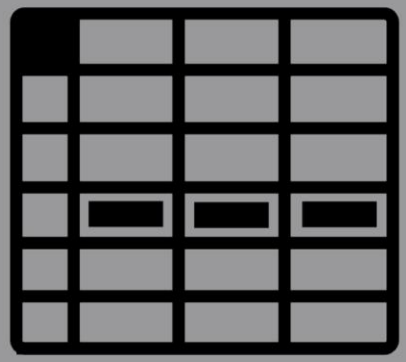
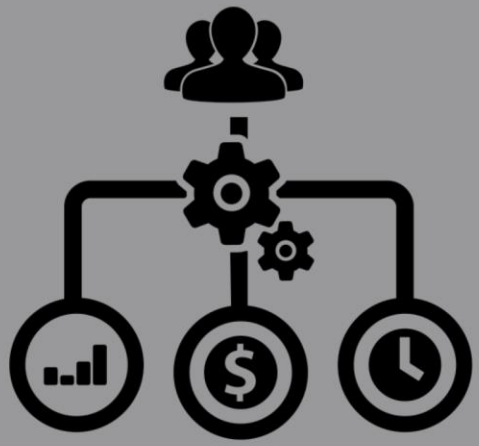
Oregon is among the leading states in pursuing health care reform



Oregon HB 3260 called for analysis of four policy options

SINGLE PAYER	HEALTH CARE INGENUITY PLAN (HCIP)	PUBLIC OPTION	STATUS QUO
• Universal coverage • Low or no cost sharing • State-administered plan • Tax-financed	• Universal coverage • Income-based cost sharing • Competing private plans • Tax-financed	• Add a state-administered option in the marketplace	• Continue with currently available options

RAND and HMA used qualitative and quantitative methods in the analysis

Used available data, HB3260, and input to define options	Interviewed state leaders & reviewed existing studies	Conducted projections with simulation modeling
		

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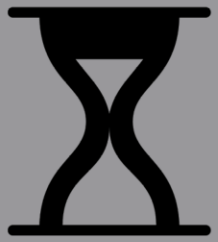
We evaluated each option on multiple criteria

Financial barriers to accessing care

System costs

Provider reimbursement

Availability of services



Statewide economic effects

Feasibility

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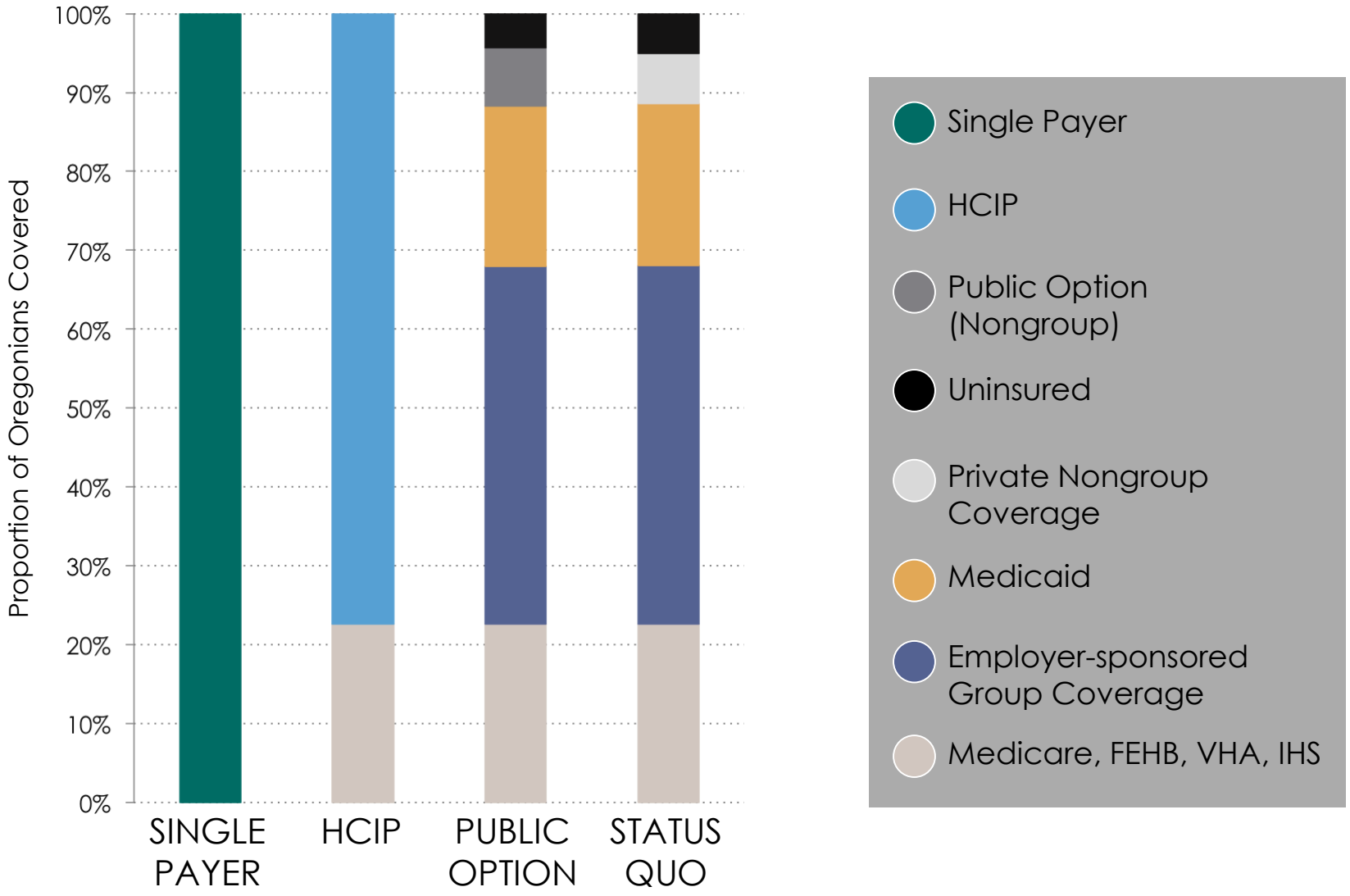
Specifications and Key Results

Eligibility and Benefits

	SINGLE PAYER	HCIP	PUBLIC OPTION
Population	All permanent Oregon residents	All permanent Oregon residents, except those covered by Medicare FEHB, VHA, IHS	Legal residents without an affordable offer of coverage
Plans	One state-run plan	Multiple private plans, with supplemental options	State-administered plan
Scope of Benefits	Essential Health Benefits (EHB)	EHB	EHB
Cost Sharing	No cost sharing for <250% FPL, modest above	Income-based cost sharing in base plan	Income-based cost sharing for participants

Proportion of Oregonians covered would vary by financing option



Policy options combine different financing sources

	SINGLE PAYER	HCIP	PUBLIC OPTION
Federal funding	✓	✓	✓
New state payroll tax	✓		
Increase in state income tax	✓		
Reduce provider payment rates	✓		
New state sales tax		✓	

Payments for Health Care

	SINGLE PAYER	HCIP	PUBLIC OPTION	STATUS QUO
Percent of Population Covered	100%	100%	96%	95%
Premiums (households, employers) and Out-of-Pocket	$0.7 billion	$6.8 billion	$13.0 billion	$13.8 billion
Federal Outlays*	$22.7 billion	$23.0 billion	$22.1 billion	$23.0 billion
State Outlays	$14.9 billion	$10.3 billion	$1.8 billion	$1.8 billion
Total Payments	$36.2 billion	$39.5 billion	$34.7 billion	$36.2 billion

Note: The amount reported in Federal Outlays includes federal tax expenditures for employer-sponsored health benefits.

Provider Payments & Administration

	SINGLE PAYER	HCIP	PUBLIC OPTION
Delivery	Private providers and integrated delivery systems	Private providers and integrated delivery systems	Private providers and integrated delivery systems
Provider Payments	10% below Status Quo across all lines of business, on average, for most providers	Negotiated	Medicare rate schedule
Administration	State finances care, oversees private contractors	State pays premiums to private health plans, oversees plans	State receives premiums and finances care

Implementation & Administration

	SINGLE PAYER	HCIP	PUBLIC OPTION
Implementation	Most significant effort: state legislative, CMS & other federal approvals; streamlining operations; third party contracting; possibly federal legislation	Very significant effort: state legislative, CMS approvals; streamlining operations; third party contracting	Limited change/lower effort: state legislative approval, establish state and contractor functions
Administration	Centralized administration, greater financial & regulatory leverage	Centralized administration, greater financial & regulatory leverage	Adds population to state administration, more limited population and leverage
Savings in Health System Administrative Costs	$1 billion/year total, including ~$100 million for State	Less than with Single Payer	~$100 million/year, if state costs are static

Impacts & Feasibility

	SINGLE PAYER	HCIP	PUBLIC OPTION
Impacts	Universal coverage Major shift in financing burden to higher income persons Access based on provider supply, not willingness, ability to pay	Universal coverage Shifts financing burden to higher income persons System costs increase as Medicaid enrollees shift to commercial plans with higher provider rates	Small expansion in coverage, small decrease in system costs (federal savings)
Feasibility	Significant challenge due to ERISA, Federal Medicare, Medicaid & 1332 waivers	Fewer hurdles than Single Payer, but major challenges re Medicaid & 1332 waivers, ERISA	ACA provides pathway, no waivers required to implement

The Bottom Line

Implementing any option requires keen awareness of benefits and trade-offs

	SINGLE PAYER	HCIP	PUBLIC OPTION
ENROLLMENT	Large increase	Large increase	Small increase
FINANCIAL BARRIERS	Much lower for low-income residents	Lower for low-income residents	Slightly lower for participants
SYSTEM COSTS	Little change	Increase	Decrease
PROVIDER REIMBURSMENT	Decrease	Increase	Decrease
SERVICE AVAILABILITY	Worsens	Improves	Little change
STATE ECONOMY	Increase employment 0.1%	Increase GSP 0.4%, increase employment 0.8%	Decrease employment 0.5%
FEASBILITY	Very challenging	Challenging	Feasible

Questions?

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