2017-19 Medicaid Budget Package

House Bills 2391, 3398 and 5026

The 2017-19 Medicaid budget package continues Oregon's commitment to health care transformation. It ensures all eligible Oregonians have access to Oregon Health Plan (OHP) coverage and makes no reductions in benefits. The package represents shared sacrifice across the health care sector – both in cost containment and new revenue – to fill the $934 million OHP budget gap. In addition to addressing the budget deficit, the package creates a 2-year market stability program (reinsurance) to reduce insurance premiums in the individual insurance market.

Key components of the Medicaid Budget Package include (all numbers in state funds):

Agency savings, cost reduction initiatives and revenue estimate updates	$171 million
CCO rate of growth reduction	$36 million
Discontinue hospital transformation performance program	$68 million
Increase hospital tax assessment – new true tax – on DRG hospitals	$120 million
Rural hospital assessment program	$90 million
OHSU intergovernmental transfer program	$105 million
Managed care/insurer 1.5% premium tax	$205 million
General fund increase	$139 million
TOTAL:	**$934 million**

Managed care/Commercial Insurer 1.5% Premium Tax: In order for taxes to be eligible for federal match, they must be broad based and uniform across sectors. The premium tax contained in this package qualifies as a provider tax, and will be eligible for match, because it applies equally to CCOs and commercial insurers. The tax is 1.5% of premium and will impact individual, small group and large group plans in the regulated insurance market. In addition, the state will apply the tax to PEBB self-insured plans. Medicare, Medicare Advantage, TriCare and Self-Insured/ERISA plans are exempt in accordance with federal law. The tax will be collected and administered in the same way as the 2009-2013 premium tax program.

The package dedicates 1.5% of the tax on CCOs to the Oregon Health Plan, which raises roughly $80 million in state funds after the tax has been repaid to CCOs. Of the tax on commercial insurance plans, revenue from an amount equal to 1.2% will be matched and go into the Oregon Health Plan, and revenue from an amount equal to 0.3% will be used to fund reinsurance. The tax will sunset after 2 years and apply to plans renewed on or after 1/1/18. CCOs and commercial insurers who are taxable for-profit or not-for-profits will not be subject to double taxation to fund the budget gap.

CCO rate of growth reduction: CCO global budgets rate increases are capped at 3.4% per member per year in accordance with the federal waiver. This cap, which is below medical inflation, has forced innovation and transformation in health care delivery. As part of the cost containment included in this budget, CCOs will be further constrained and held to a lower increase over the next biennium.

Increased Hospital Tax Assessment: The package raises the hospital tax assessment on DRG (large) hospitals from 5.3% to 6.0%, 0.7% of which is a new true tax. Under the current program, hospitals are assessed 5.3% of net patient revenue, the state uses those funds to draw down federal match and then returns the assessed amount back to hospitals in the aggregate through enhanced payments. This current mechanism funds 29% of the Medicaid program today. The 0.7% increase in the DRG hospital tax program will be assessed as a true tax – in other words, the $120 million raised in this line item will not be returned to hospitals. The other 5.3% tax will continue to be returned to hospitals as it is today.

The package also extends the sunset on the current hospital tax program (5.3%) for four years. Like the insurer and CCO premium tax, the true tax of 0.7% will sunset in two years.

Discontinue Hospital Transformation Performance Program: Created in 2013, the Hospital Transformation Performance Program, funded by the hospital provider tax (vs. state general fund) and matched by federal funds, utilized metrics to incentivize health care transformation in hospitals. The program, currently in its fourth measurement year, will be discontinued and the dollars redirected to fill the Medicaid budget deficit. This contributes $68 million (and nearly $200 million with federal funds) back to the State to reinvest in Medicaid, for Medicaid services. This redirects almost $200 million (with federal match) that is used today to recognize community hospitals and health systems for quality improvement and better patient outcomes in 10+ key areas.

Rural Hospital Assessment Program: The current hospital tax program applies only to the 28 DRG (large) hospitals in Oregon and excludes Type A and B (small) hospitals. To solve the budget gap, Oregon's 32 rural hospitals worked with the state to create a new rural hospital assessment program that will function like the current DRG program. Oregon rural hospitals will continue to receive cost-based reimbursement and the new 4.0% provider tax will be returned in the aggregate to rural hospitals for OHP services through enhanced payments. The program will sunset in four years. This raises an additional $90 million and includes statutory language to protect rural hospitals in the event the program meets any federal roadblocks and cannot be implemented.

OHSU Intergovernmental Transfer: OSHU's status as a public academic health center with a strong academic and research mission enables OHSU to provide funds through an Intergovernmental Transfer (IGT) instead of the hospital tax. This will provide the state with an additional $105 million for the Medicaid budget. Statutory language ensures OHSU receives the same amount of support for its multiple state mandated public missions as it does today.

Hospital and Physician Fee-for-Service Rate Freeze: This package includes a freeze on current fee-for-service rates paid to hospitals and doctors when a Medicaid patient is eligible for Medicaid but not yet enrolled in a CCO. Saving $10 million in state funds that will be redirected to fill the Medicaid budget hole; this freeze will result in a reduction of $38 million to hospitals and providers.

Market Stability Program/Reinsurance: Utilizing a portion of the commercial insurer premium tax, a new federal waiver, and $57 million in existing temporary reinsurance/Marketplace ending balances, the package will also include funding for a two-year market stability program. The program will focus on the individual market – reducing premium by 4.9% net of the tax. Keeping rates low will help individuals continue to buy insurance in this unstable market – which reduces costs for everyone. The reinsurance program is designed as a two-year program during this time of instability.

The following organizations support the 2017-19 Oregon Medicaid Budget Package:

PeaceHealth
CareOregon
OMA Oregon Medical Association
Providence Health & Services

Clackamas County
health share – Health Share of Oregon
OHSU
Washington County Oregon
HSCO Human Services Coalition of Oregon
COHO Coalition for a Healthy Oregon

Yamhill Community Care Organization – Your Local Health Partner
Jackson Care Connect
Oregon Association of Hospitals and Health Systems
Children First for Oregon

Umpqua Health Alliance
Kaiser Permanente®
Multnomah County
Legacy Health

Health Net®
moda Health
allcare health™
WVCH Quality Coordinated Care

OCPP Oregon Center for Public Policy – Because facts matter.
Columbia Pacific CCO
Oregon Alliance of Children's Programs
OHEA Oregon Health Equity Alliance

PacificSource
A Member's Union OSEA AFT Local 6732
Oregon Academy of Family Physicians
Western Oregon Advanced Health

FamilyCare Health
Cascade Health Alliance, LLC
eocco Eastern Oregon Coordinated Care Organization

Trillium Community Health Plan – It's beautiful what we cover
Oregon Ambulatory Surgery Center Association – Our Patients Come First
Alliance4Kids
Oregon Law Center

OPCA Oregon Primary Care Association
Primary Health
Oregon Academy of Ophthalmology
Asante®

uniteoregon
Oregon Latino Health Coalition
APANO Asian Pacific American Network of Oregon
Oregon Association of Orthopaedic Surgeons

OWRC Oregon Women's Rights Coalition
ophi oregon public health institute

2017-19
OHP Medicaid & Admin

OHP Proposed Budget
Updated 5/19/17

		in millions General Funds	Total Fund Impact:				
			Hospitals	CCOs	OHA	Other Providers	Insurers
A	**State Funds Gap @ Fall 2016 / Governor's Budget**	**934**					
B	Adjustment at Dec 2016 E-board	(17)					
C	**Current State Funds Gap** (A-B=C)	**917**					
	Co-Chairs Proposed Reductions and Adjustments						
	Net GF impact of revenue/reductions from other OHA programs	(20)			(9)	(5)	
	Unallocated hospital assessment revenue	(85)					
	Additional drug rebate revenue	(15)					
	Initiative to increase program integrity	(13)					
	Initiative to reduce unintended pregnancies	(11)					
	Enforce mental health preferred drug list	(8)					
	OHP admin & processing center reductions	(9)			(11)		
	CCO global budget lower growth rate	(32)		(129)			
	Fee-for-service rate increase delay	(10)				(38)	
D	Subtotal of proposed reductions/adjustments	(203)					
E	**Remaining State Funds Gap** (C-D=E)	**714**	**-**	**(129)**	**(20)**	**(43)**	
F	General Fund Increase in Co-Chairs' Framework	(139)					
G	**Remaining State Funds Gap** (E-F=G)	**575**					
	Proposed Budget Package						
	Remove OHSU from hospital tax; create new IGT program	(105)					
	Increase hospital tax from 5.3% to 6.0% (true tax on DRGs)	(120)	(120)				
	Discontinue HTPP - direct funds to OHP	(68)	(179)				
	New rural hospital assessment program (approx. 4.0%)	(90)					
	Discontinue OHA/OAHHS provider tax contract	(0.4)	(0.9)				
	Discontinue CCO admin expense from HRA - direct funds to OHP	(4)		(16)			
	Net revenue from 1.5% CCO/insurer tax to OHP	(195)					(145)
	Amount toward reinsurance program						31
	New 1332 reinsurance waiver (pending federal approval)	-					49
	Use temp. reinsurance/Marketplace balances toward reinsurance	-					(57)
	Include PEBB in insurer tax (preliminary estimate)	(10)					
H	Subtotal	(592)					
I	**Remaining State Funds Gap** (G-H=I)	**(18)**	**(300)**	**(145)**	**(20)**	**(43)**	**(122)**