

SB 889: Statewide Health Care Cost Growth Benchmark

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Why a benchmark

What is it

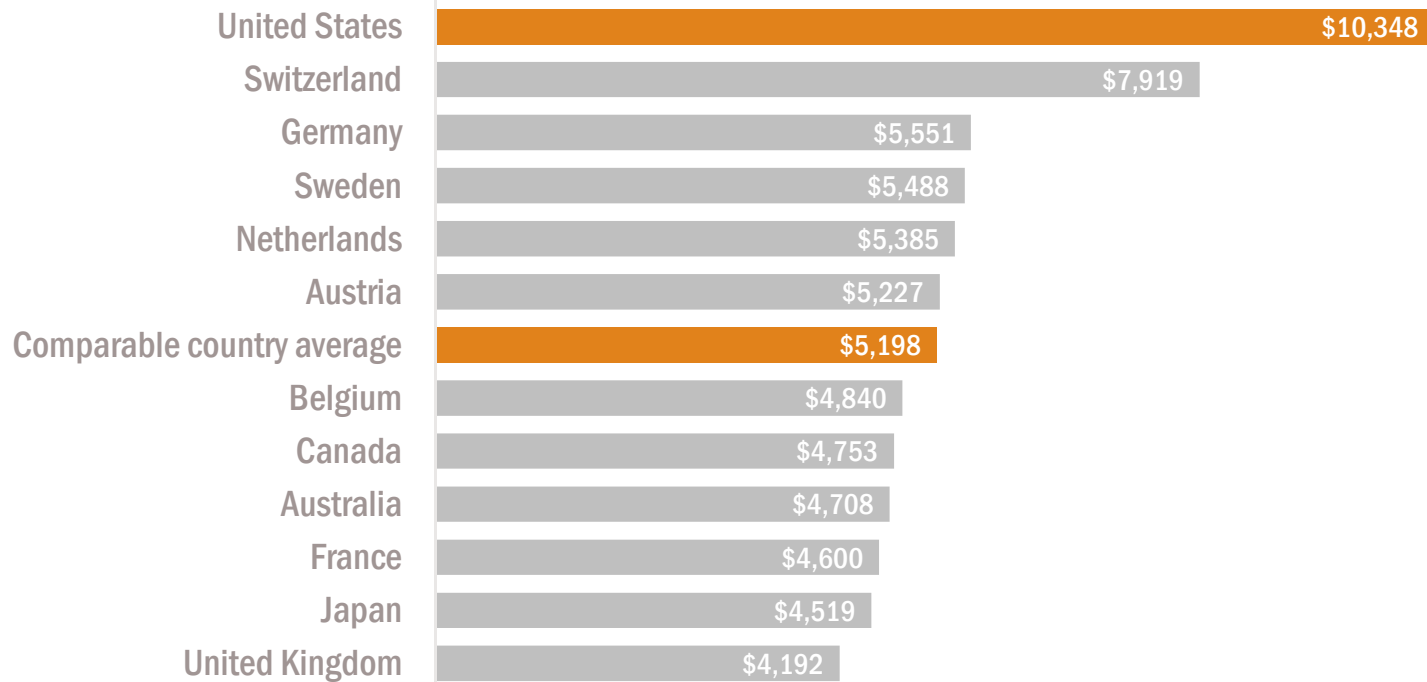
How it can help

Strategies for Oregon

Next steps

We spend **twice as much** as other wealthy countries.

Total health expenditures per capita
U.S. dollars, PPP adjusted, 2016



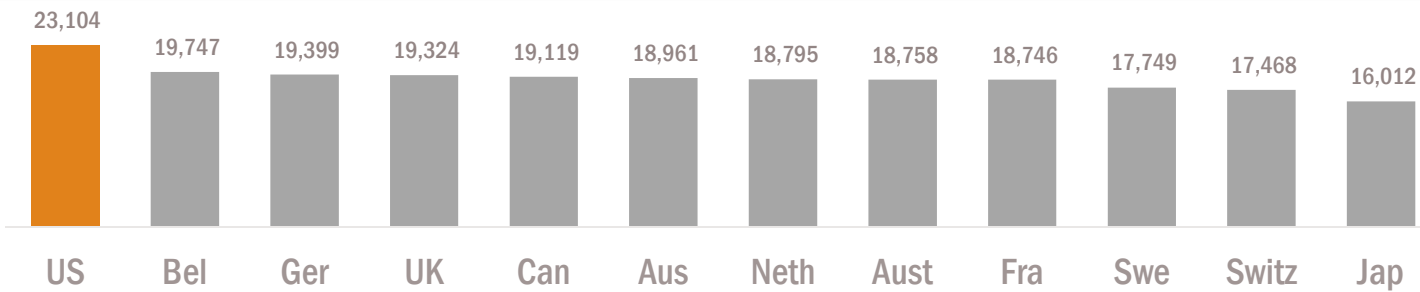
Source: Source: U.S. data are from the 2016 National Health Expenditures Account. Comparable country data are from OECD (2017), "OECD Health Data: Health expenditure and financing: Health expenditure indicators", OECD Health Statistics (database). DOI: 10.1787/health-data-en (Accessed on March 19, 2017)

For all that spending...

We often don't get better outcomes and we aren't healthier.

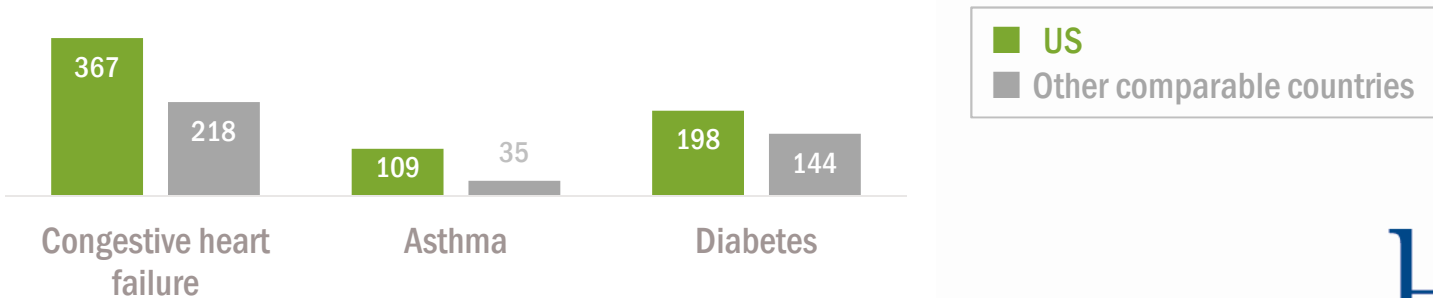
Disease burden is higher

Age standardized disability adjusted life year (DALY) rate per 100,000 population, 2015



Hospital admissions for preventable diseases are higher

Age standardized hospital admission rate per 100,000 population for asthma, congestive heart failure, hypertension, and diabetes, ages 15+, 2012

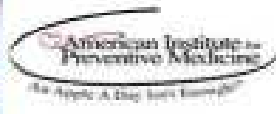


If Food Were Health Care...

If food prices had risen at medical inflation rates since the 1930's:

- 1 dozen eggs \$ 101.59
- 1 pound apples \$ 15.49
- 1 pound sugar \$ 17.34
- 1 roll toilet tissue \$ 30.65
- 1 dozen oranges \$136.68
- 1 pound butter \$118.37
- 1 pound bananas \$ 20.32
- 1 pound bacon \$155.16
- 1 pound beef shoulder \$ 55.19
- 1 pound of coffee \$ 81.30

10 item total \$ 732.09

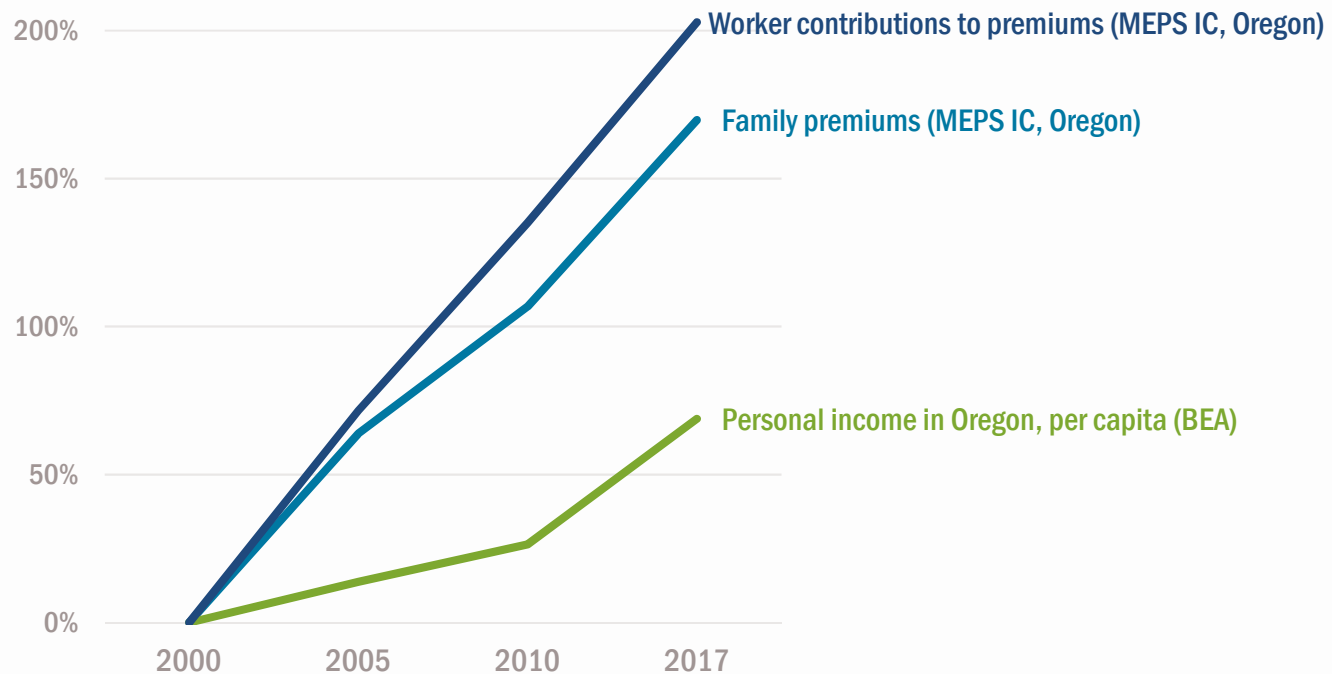


Source: American Institute for Preventive Medicine, 2015

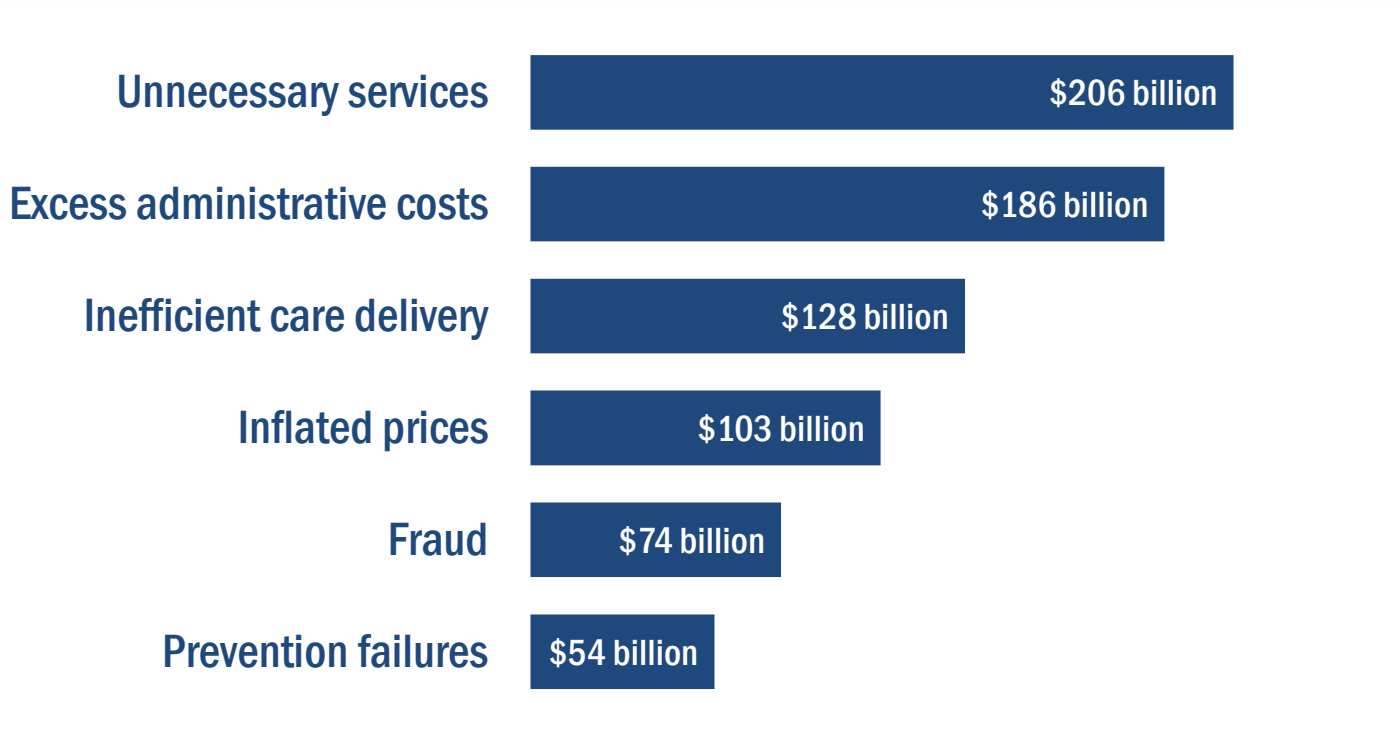
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Health Care Remains Unaffordable for Many

Since 2000, Oregon employer-sponsored insurance premiums have grown **three times faster** than personal income

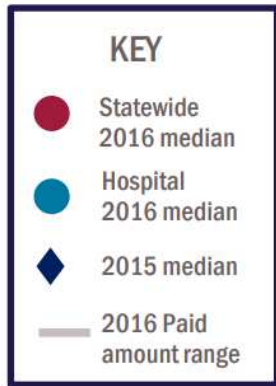


Institute Of Medicine: **\$750 Billion** in Annual Waste in the Health Care System

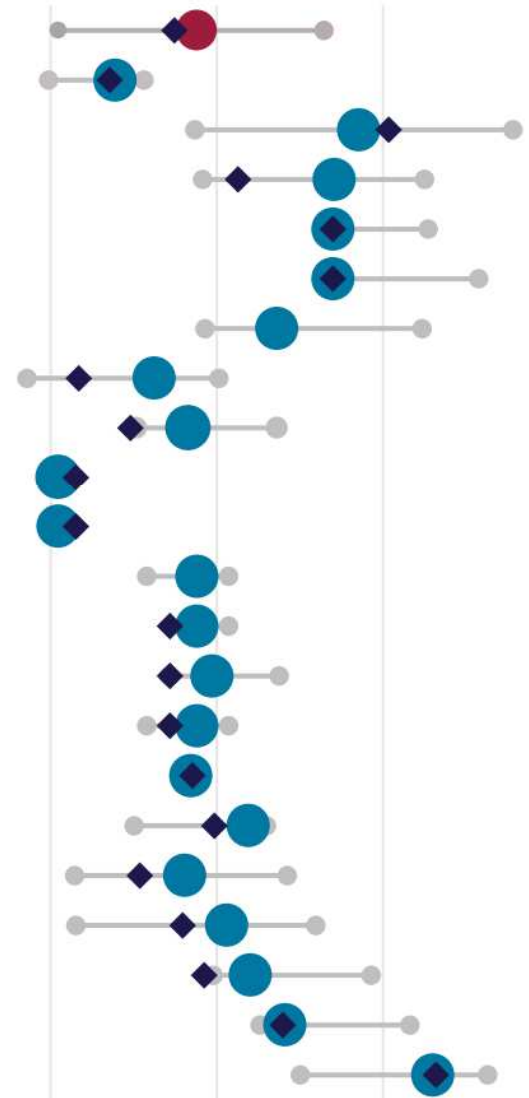


Prices for Care Vary Significantly

Variation in amounts paid for a normal delivery

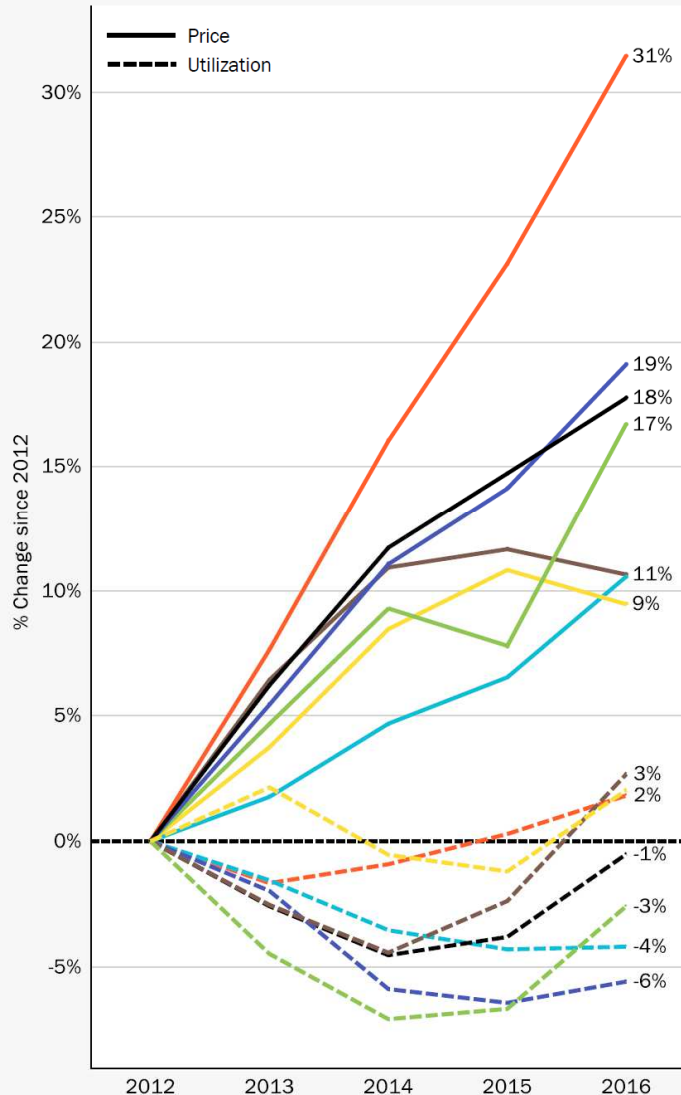


Statewide	\$8,057
Adventist Med Ctr	\$6,686
Adventist Tillamook Med Ctr	\$10,792
Asante Ashland Comm Hosp	\$10,378
Asante Rogue Valley Med Ctr	\$10,355
Asante Three Rivers Med Ctr	\$10,355
Columbia Mem Hosp	\$9,408
Good Shepherd Med Ctr	\$7,345
Grande Ronde Hosp	\$7,916
Kaiser Sunnyside Med Ctr	\$5,721
Kaiser Westside Med Ctr	\$5,721
Legacy Emanuel Med Ctr	\$8,064
Legacy Good Samaritan Med Ctr	\$8,064
Legacy Meridian Park Med Ctr	\$8,320
Legacy Mount Hood Med Ctr	\$8,064
Legacy Silverton Med Ctr	\$7,959
McKenzie-Willamette Med Ctr	\$8,929
Mercy Med Ctr	\$7,861
Mid-Columbia Med Ctr	\$8,569
OHSU Hosp	\$8,963
PeaceHealth Bay Area Hosp	\$9,546
PeaceHealth Sacred Heart Med Ctr-RiverBend	\$12,043

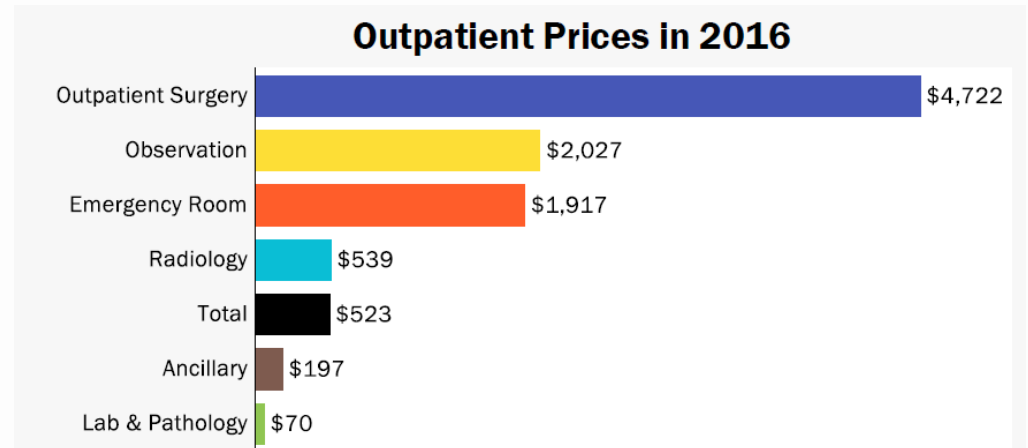


Source: OHA 2016
Hospital Payment
Report

Figure 12: Cumulative Change in Outpatient Price and Utilization



Squeezing the balloon:
Utilization goes down, prices go up

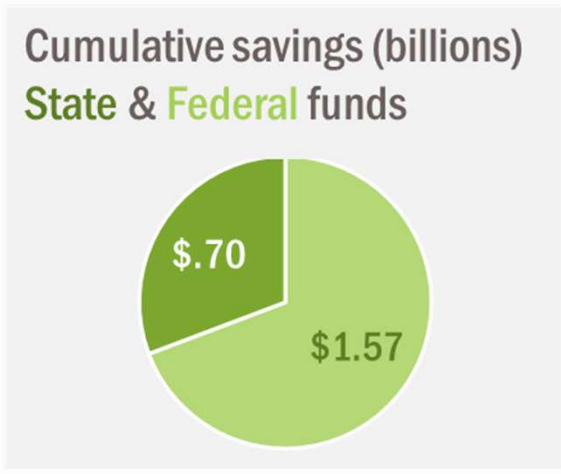
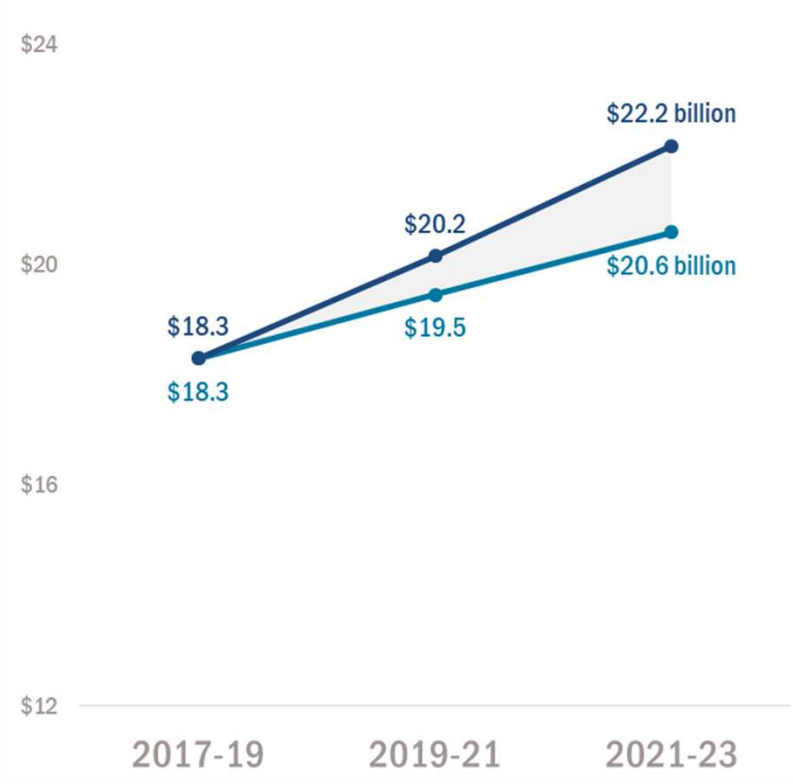


Source: HCCI 2016 Cost and Utilization Report

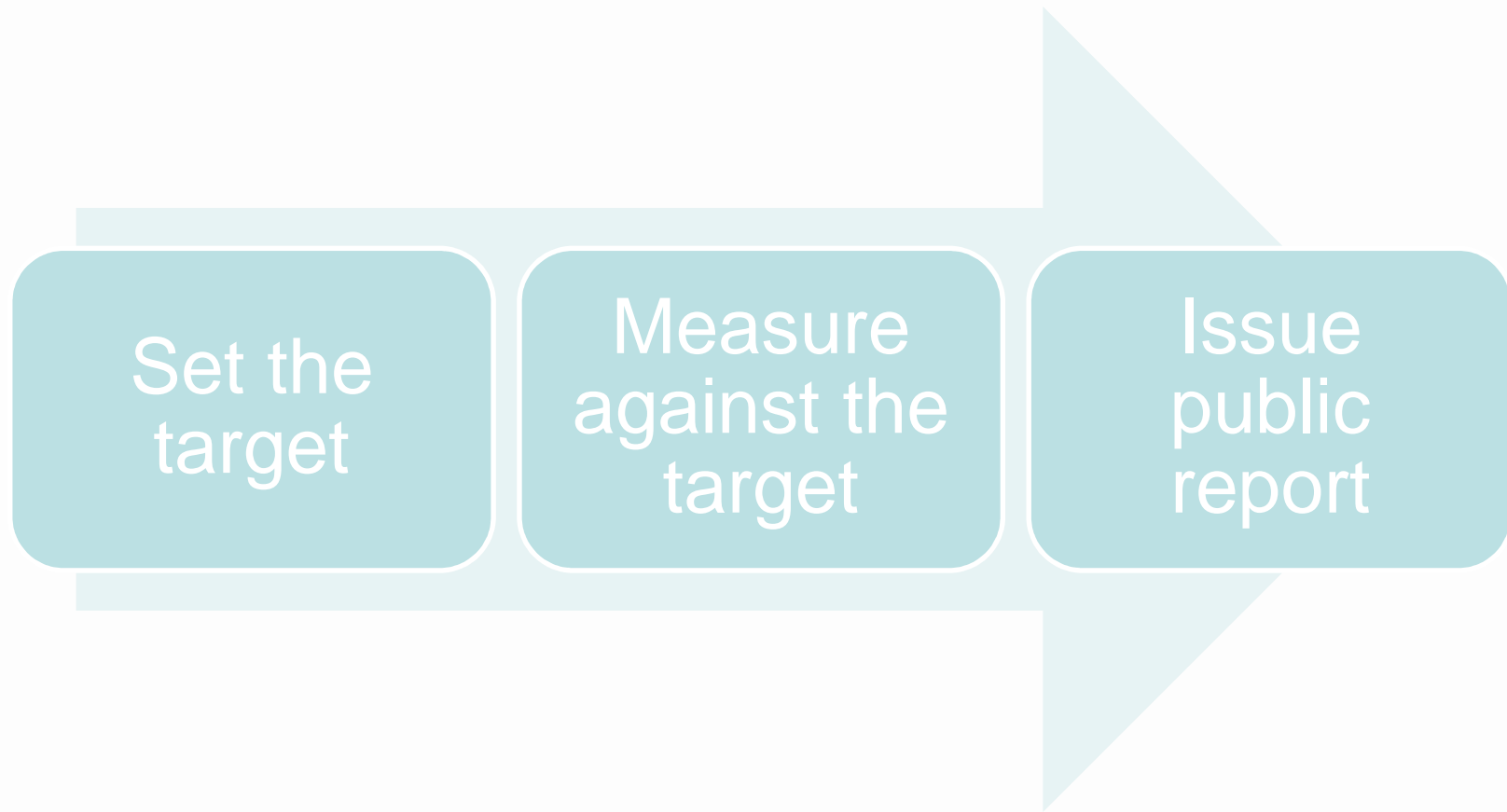
Why a benchmark
What is it
How it can help
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State programs (OHP, PEBB and OEBC) are already subject to 3.4% growth target

Limiting the per capita annual growth rate in Oregon to 3.4%, instead of the 4.7% national forecast, will save the State almost \$700 million



Mechanics of a Health Care Cost Growth Benchmark Program

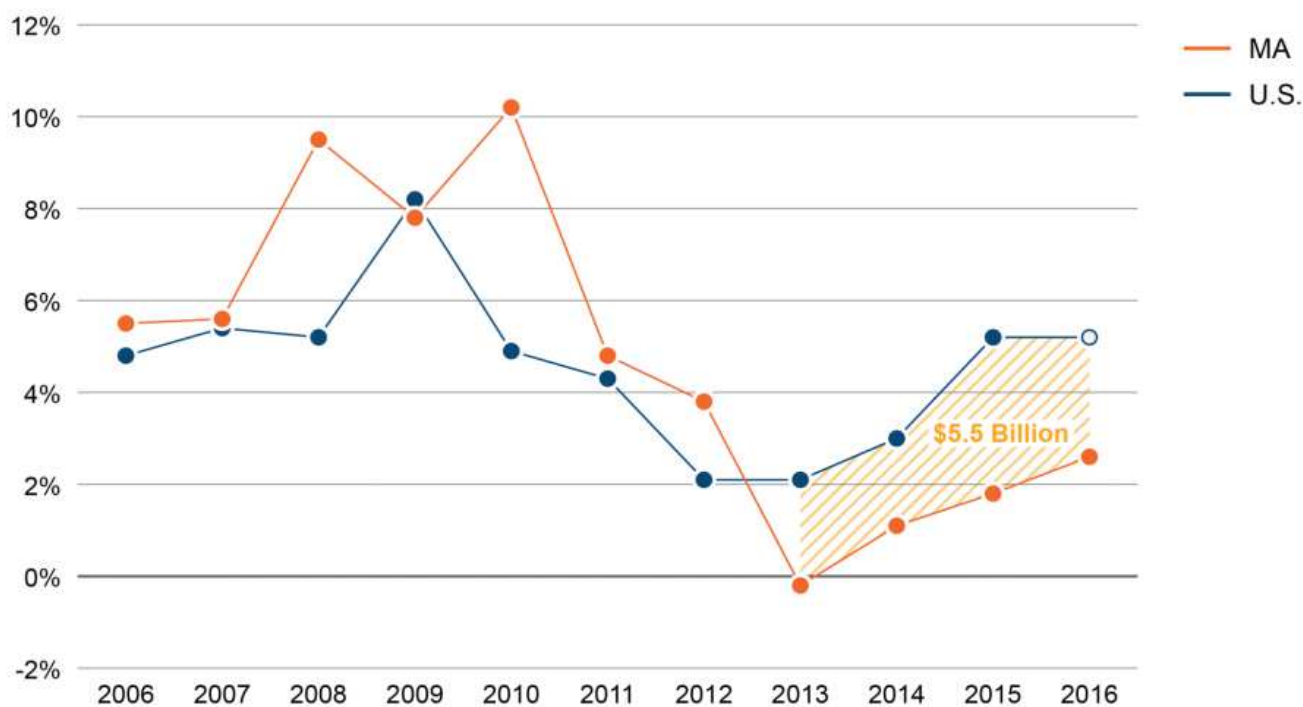


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Massachusetts' Cost Growth Benchmark

In recent years, growth in spending on private health insurance in Massachusetts has been consistently lower than national rates

Annual growth in commercial health insurance premium spending from previous year, per enrollee, MA and the U.S.



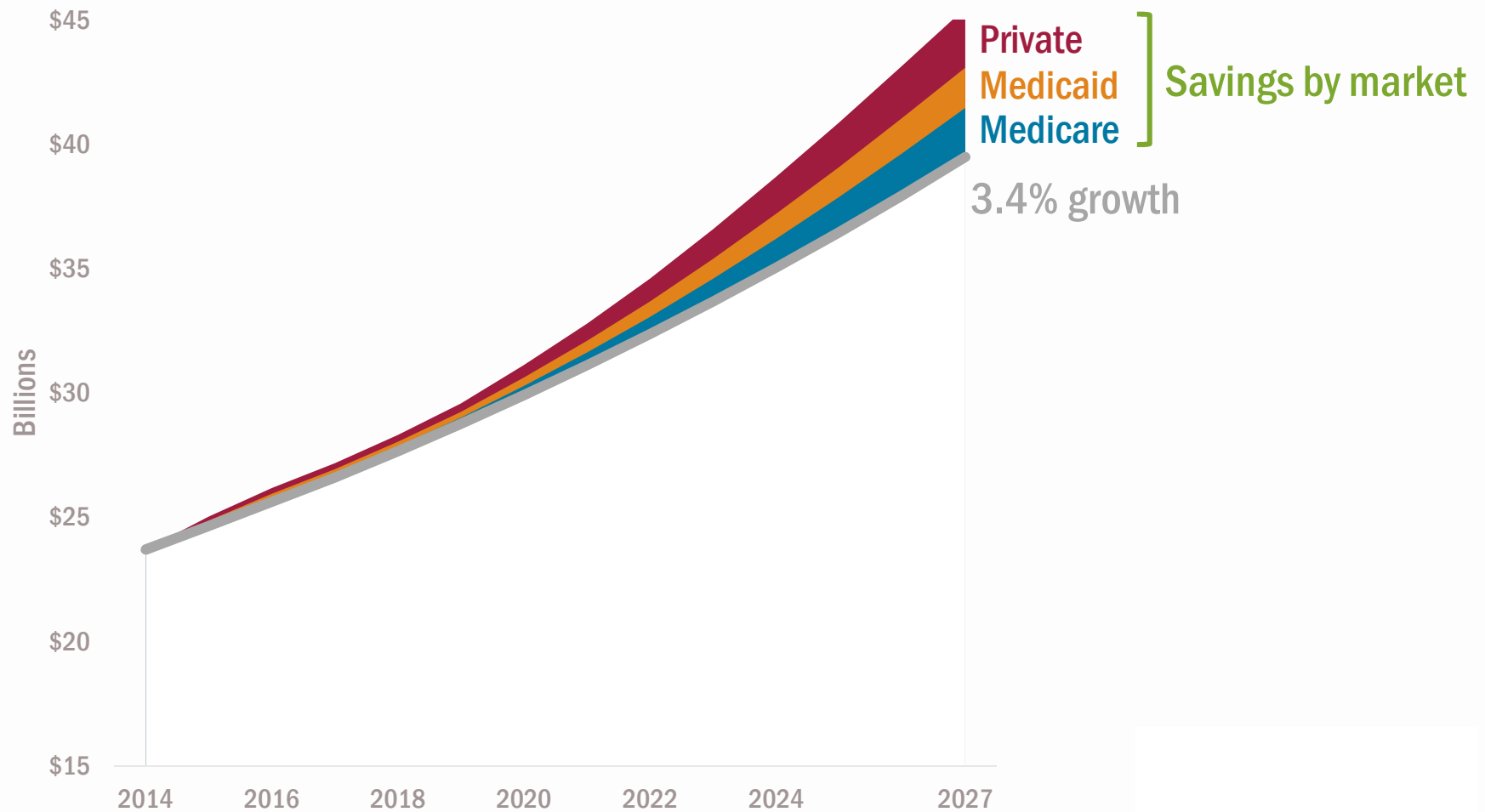
Notes: U.S. data includes Massachusetts. Center for Health Information and Analysis data are for the fully-insured market only. U.S. data for 2016 is partially projected.

Source: Centers for Medicare and Medicaid Services, State and National Healthcare Expenditure Accounts and Private Health Insurance Expenditures and Enrollment (U.S. and MA 2005-2014); Center for Health Information and Analysis Annual Reports (MA 2015-2016)



An example: Oregon would save **\$29 billion** between 2018-2027 if the 3.4% target applied statewide

When compared to CMS's projected cost growth



Notes: Medicare enrollment growth projected to be 2% annually.
Sources: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

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Interim Task Force Recommendations

SB 419 (2017) established Health Care Cost Review Task Force to:

- explore opportunities to limit growth of health care expenditures
- address cost drivers, with initial focus on hospital costs
- assess potential impact & feasibility of Maryland model
- consider and evaluate alternatives

Recommended adopting a model similar to Massachusetts' statewide cost benchmark, adapted for Oregon's health care environment.

SB 419 Task Force's Key Policy Considerations

- Promote cost containment
- Support payment reform
- Address price variation among payers and providers
- Offer multi-payer approach (public and private)
- Create fixed, stable, predictable rate of spending/growth
- Build on Oregon's successful 3.4 percent rate of growth in Medicaid
- Promote accountability through reporting, transparency and public hearings
- Remain true to Oregon's unique health care environment

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SB 889

1. Creates framework and key functions of the benchmark program
2. Establishes Implementation Committee to develop program details
3. Report to Legislature in November 2020

SB 889: Implementation Plan

- Establish a single statewide benchmark
- Develop and adopt a benchmark methodology
- Ensure calculation encompasses all spending
- Identify individual health care providers and payers who shall report
- Determine responsible oversight entity
- Support a market-oriented approach
- Align reporting and use of quality measures across payers and providers