

Testimony in support of SB 770 for the April 1, 2019 hearing

Chair Monnes Anderson, Vice Chair Linthicum and members of the Senate Health Care Committee:

Health Care for All Oregon-Action, a statewide organization working towards equitable, affordable, universal healthcare, is in support of SB 770. Today we are testifying in support of the -1 amendment to SB 770.

The intent of the amendment is to –

- Establish a commission to make legislative recommendations regarding an equitable, affordable universal health care system based on a single payer model.
- Specify the foundational principles of the desired health care system.
- Charge the commission to make cost estimates for such a system, as compared with the status quo.
- Charge the commission to estimate the new dedicated state revenue required to fund such a system.
- Direct the commission to solicit public comment while engaging in an educational effort based on factual information developed by the commission, including health care costs of single payer as compared to the current system. If things work well, the most important output from this would be a tax structure that has some chance of passing because people have had a hand in designing it.
- Describe questions the commission will address as they are making their recommendations.

An early task of the Commission is to estimate the costs of an equitable, affordable, universal system for all Oregon residents based on a single payer model, and an estimate of how the costs for that system compare to the status quo. A subsequent step is to solicit public input while engaging in an educational effort using, in part, this cost information. In order for this effort to be most worthwhile, it is critical that the initial cost estimates are for a sufficiently well-defined single payer model. Once the public input begins, that input will drive much of the direction of the Commission's work.

HCAO-Action strongly supports the establishment of this Commission. It is an important step towards a system that provides better health care to more people for less money.

What is single payer?

Several characteristics are necessary for a system to be reasonably considered to be a single payer system, and others are necessary for it to be the sort of single payer system

that can achieve the substantial administrative savings that is possible with such a system. The most important characteristics include:

1. No risk-bearing entities between the payer and provider (“self-insured”).
2. A single risk pool, or equivalently, a single self-insured entity
3. Evidence-based provider payment methods

While the amendment does not, nor should it, require that the Commission recommend a single payer system, it does, and should, require that initial cost estimates are done for a system that has the characteristics outlined above.

The rest of this testimony speaks in favor of a number of specific sections of the amendment, and tries to demonstrate why they are important.

The importance of sections clarifying characteristics of the single payer system

Single payer characteristic #1 – Single payer is a phrase used often, but it is used to define a variety of systems. To many advocates, the crux of the definition is that risk bearing entities should not operate between the payer and the provider (Section 6(2) of the -1 amendment). It is important that this is specified in the bill.

It is sometimes said that government should operate more like a business. Most businesses with a sufficient number of employees choose to self-insure. This means that they pay providers without a risk bearing entity as a middleman. They may hire an insurance company to process claims and do other administrative work, but that insurance company is not really acting as an insurer – the company bears the risk.

Why do large companies self-insure? Because it saves money. Why don't small companies do so? Because they cannot afford the risk – their employee pool is too small, and a few employees with a serious health issue would create a situation they cannot afford.

Oregon has more residents than the number of employees of any publicly traded company in the world. That suggests that the most affordable health care system for Oregon is the sort that large companies use – to self-insure, and have a single risk pool that includes all residents.

There are a few reasons why it is expected that a single payer system (self-insurance for the state) is more affordable than alternatives –

- Administrative simplicity, which leads to low administrative costs
- Monopsony power – being able to pool purchasing, and thus get better deals from service providers, drug manufacturers, and equipment manufacturers

- Fraud reduction – essentially all reimbursements to providers in the state come from one source, so fraud is easier to detect and thus prevent

Single Payer characteristic #3 (evidence-based payment methods) – Administrative simplicity comes in part just because there is a single payer. But comparative research strongly suggest that hospital administrative costs are lowest when hospitals are paid with a global budget consisting of separate operating and capital budgets, and equity is best ensured if each individual hospital has its own global budget.¹ For this reason, it is important to specify this characteristic for the single payer system for which initial cost estimates are produced. Section 6(3) through 6(5) in the -1 amendment are needed to specify evidence-based provider payment methods.

My experience with both the process that lead to the RAND study and with membership on the Universal Access to Healthcare Workgroup reinforces the importance of clearly defining the characteristics of the system to be examined. HB 3260 (2013) defined the study that eventually became the RAND report (“[A Comprehensive Assessment of Four Options for Financing Health Care Delivery in Oregon](#)”). Lack of specificity led to the necessity of legislative sponsors and advocates meeting with the Oregon Health Authority as they were drafting the Request for Proposals, and again with RAND when designing the study. Most people looking at the report did not accept RAND’s analysis of administrative savings, and we now think the difficulty was in the original specification of the tasks – HB 3260 did not define provider payment methods in a way that leads to expected administrative simplicity and savings.

The importance of the section specifying that initial cost estimates should be made for a system that includes essentially all residents

Single Payer characteristic #2 (single self-insured entity) – The RAND report indicated that the biggest legal hurdler to establishing a single payer system in Oregon is ERISA.² This may prohibit Oregon from including nearly 25% of Oregonians in the state system. Ironically, most of those not included in the state system would be covered by employers who self-insure. The multiple payers would be primarily entities that self-insure, so a multiple payer system without insurance companies. This would prevent the realization of nearly all of the potential administrative savings that would come from a single payer system.

Many advocates expect that by the time Oregon would need to apply for federal waivers and permissions to establish a single payer system, the ERISA problem will no longer exist. If the ERISA problem does still exist, establishing a single payer system would require the voluntary cooperation of essentially all large employers in Oregon.

¹A Comparison Of Hospital Administrative Costs In Eight Nations: US Costs Exceed All Others By Far <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2013.1327>

² The Employee Retirement Income Security Act of 1974.

If it appears that it is exceedingly unlikely that the ERISA problem will be alleviated in time, the Commission should probably steer the public conversation away from single payer, or perhaps explore what sort of voluntary cooperation to expect from large businesses.

The crux of this discussion – make initial cost estimates as if a single payer system can be established in Oregon. This requires the section stating something to the effect that –

The initial cost estimate will be developed as if, by the time the state will need to apply for federal waivers and permissions, a state will be able to waive restrictions that might make it difficult to include people covered by insurance that is not regulated by state

Section 5(1) is intended to say something to this effect, though the language needs to be corrected a bit.

The importance of the commission exploring the inclusion of long term care as a covered services

The Oregon legislature has several times passed bills that say the best system for the financing and delivery of health care will include long term care. SB 770 without an amendment states that the Board will develop a plan to include long term care two years after the plan is implemented. What to do about long term care has for decades vexed advocates of better care to more people for less money. This commission presents an opportunity to explore this more carefully than has been done before. Sub-sections 6(6) and 6(7) are needed to clarify this exploration.

It is expected that the issue of long term care will grow in importance. An equitable system would include long term care. It would be a shame if this commission did not at least attempt a serious exploration of the issue.

The importance of a section regarding patient empowerment

While exploring a system that is as transformational as a universal system would be, it is important to have a vision that includes things that make it more likely a patient will be able to benefit from the health care that is available. This includes things that protect and empower a patient –

- Advocates that can help a patient navigate the system
- Appropriate language and cultural translation if necessary
- Provider reimbursement for necessary services that the current system neglects
- Patient access to and control over their medical records

Patients tend to do better when they feel some control over their health care. They tend to become better active participants in achieving health, rather than being just passive recipients of care. Section 6(8) is included for this purpose.

Please consider the importance of these particular sections in achieving the goal of this amendment.

Thanks for seriously considering SB 770 with the -1 amendment.

submitted by Dr. Charlie Swanson, HCAO-Action legislative committee chair