FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: SB 765 - A3**

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Legislative Fiscal Office

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Prepared by: Kim To
Reviewed by: Tom MacDonald, Matt Stayner
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Measure Description:
Modifies definitions of "primary care" and "total medical expenditures" for purpose of reports on spending for primary care by insurance carriers, Public Employees' Benefit Board, Oregon Educators Benefit Board and coordinated care organizations.

Government Unit(s) Affected:
Department of Consumer and Business Services (DCBS), Oregon Health Authority (OHA)

Summary of Fiscal Impact:
Costs related to the measure are indeterminate at this time - See explanatory analysis.

Analysis:
SB 765 with the -A3 expands the definitions of "primary care" and "total medical expenditures" for purposes of reporting primary care spending by insurance carriers, the Public Employees' Benefit Board (PEBB), the Oregon Educators Benefit Board (OEBB), and coordinated care organizations (CCOs). The bill requires the Department of Consumer and Business Services (DCBS) and the Oregon Health Authority (OHA) to prescribe by rule the percentage of primary care spending that must be reimbursed using alternative payment methodologies. The bill requires carriers to include with their rate filings for individual and small group insurance the amount of spending the carrier anticipates for primary care and for alternative payment methodologies over the next plan year. The bill requires CCOs to:

- Spend at least 12% of the CCO's total medical expenditures on primary care without increasing the total costs of care [by January 1, 2023].
- Reimburse a percentage, as established by OHA by rule, of all primary care costs using alternative payment methodologies [by January 1, 2020].
- Report to OHA, after the global budgets are established, at the time and in the manner prescribed by OHA by rule: (1) the percentage of the global budget that the CCO anticipates spending on primary care in the calendar year; (2) the percentage of the spending on primary care that will be in the form of alternative payment methodologies in the calendar year; and (3) the types of alternative payment methodologies that the coordinated care organization will use during the calendar year. The bill stipulates that OHA may not consider the spending on primary care reported by a CCO as a determining factor in establishing the global budget for the COO in subsequent years.

In addition, the bill requires PEBB and OEBB to:

- Reimburse a percentage, as established by rule by OHA in collaboration with the Department of Consumer and Business Services (DCBS), of all primary care costs in self-insured health benefit plans offered to eligible employees using alternative payment methodologies [by January 1, 2020].
- Report [by December 1 of each calendar year] to OHA, with respect to the self-insured health benefit plans offered to eligible employees for the next calendar year: (1) the percentage of total medical expenditures that the board anticipates spending on primary care; (2) the percentage of spending on primary care that will be in the form of alternative payment methodologies; and (3) the types of alternative payment methodologies that will be used to reimburse health care providers.

- Report [by February 1st of each year] to the Legislature on the board's progress toward achieving the spending target of at least 12 percent of its total medical expenditures in self-insured health benefit plans on payments for primary care.

Department of Consumer and Business Services (DCBS)
The fiscal impact of this bill to DCBS is anticipated to be minimal. DCBS will use existing staff and resources to set a required percentage of primary care payments to be made via alternative payment methodologies and to encourage carriers to meet the percentages for payment of primary care services and the use of alternative payment methodologies.

Oregon Health Authority (OHA)
Passage of this bill is anticipated to have minimal fiscal impact on OHA. With passage of this bill, OHA will need to change the methodology of the Primary Care Spending Report, amend CCO contracts and Oregon Administrative Rules, and provide oversight to ensure compliance with new requirements. OHA anticipates accomplishing this work with existing staff and resources. OHA assumes the 12% requirement is an outcome of the CCO rate setting process and will not cause an increase to the capitation rates.

Public Employees' Benefit Board (PEBB), Oregon Educators Benefit Board (OEBB)
The fiscal impact of this bill on PEBB and OEBB is indeterminate. Mercer Health, PEBB's consultant, and Willis Towers Watson, OEBB's actuarial consultant, report that the bill's expansion of the total medical spending to include pharmacy spending, without a corresponding decrease in non-primary spend, could increase the 12% primary care spending target by 2.5% to 3% or more in later years. This projected 2.5% to 3% increase is based on PEBB achieving the target in one year and doesn't take into account any potential strategies to shift costs from specialist to primary. However, because the target date is January 1, 2023 and the potential cost increase doesn't consider any mitigating factors such as shifting cost from specialist to primary, Mercer Health and Willis Towers Watson are not able to determine the fiscal impact on PEBB or OEBB through increased premium rates. Mercer Health and Willis Towers Watson note that removing the ability to obtain the 12% primary care payment target through increased reimbursement that increases overall costs limits PEBB's and OEBB's capability to meet the target. PEBB and OEBB are limited in their ability to incentivize members to reduce specialty care usage in an effort to increase primary care usage. Maintaining a longer-term target of 12% of total medical expenditures as primary care payments is in part dependent on costs in other areas of medical expenditures being held to a sustainable rate of growth. If costs in other care areas of medical care increase at a rate faster than primary care costs, there's the potential that over time payments to primary care would have to be increased beyond what actual primary care cost data indicates simply to ensure the 12% of total expenditures target is met.