

April 1, 2021

The Honorable Rachel Prusak Chair, House Committee on Health Care
900 Court St. NE
Salem OR 97301

RE: HB 2010

Dear Chair Prusak and members of the House Committee on Health Care,

We appreciate the opportunity to express our concerns regarding the public option proposal included in House Bill 2010. Kaiser Permanente exists to provide high-quality, affordable health care services and to improve the health of our members and the communities we serve. We recognize the burden rising premiums and high out-of-pocket costs place on Oregonians, and we fully support affordable and accessible health care for everyone. However, the public option proposed by HB 2010 is not sustainable nor does it align with Oregon's goal to ensure all Oregonians have access to quality, affordable health care. For these reasons we oppose HB 2010 and urge the Committee join us.

The Public Option plans in HB 2010 will reduce Oregonians' access to health care services and are based on a reimbursement methodology that is not sustainable, which will result in market de-stabilization and cost-shifting to the large group market.

HB 2010 would cap provider reimbursement rates at 100% of Medicare fee-for-service (FFS) for public option plans and require health plans and providers that participate in Medicaid, Medicare Advantage or PEBB & OEBC to also participate in the public option. While capping provider reimbursement rates may result in premium reductions for those plans in the short-term, it does nothing to address the drivers of rising health care costs that providers and health insurers have no control over such as the cost of pharmaceuticals, medical supplies and other critical health care infrastructure. These cost drivers, which change dramatically based on market dynamics and the economy, are what ultimately determine cost of care and are reflected in the negotiated reimbursement rates between providers and insurers.

The fee-for-service reimbursement system does not recognize quality nor promote value, as it is dependent on the volume and type of services rendered. Failings of the fee-for-service model were made glaringly apparent by the current COVID-19 pandemic as Oregon providers and health systems that predominantly rely on FFS reimbursement struggled financially when elective procedures were restricted. This reimbursement mechanism directly contravenes Oregon's efforts to move toward a value-based system that improves health outcomes.

Providers and facilities may be unable or unwilling to accept public option reimbursement rates, particularly those that are specialized or serve rural areas. As such, public option plans along with Medicaid, PEBB/OEBC and Medicare Advantage plans are likely to see narrowed provider networks that make it difficult for enrollees to access covered health services. Health carriers that are unable to build adequate networks in light of these contracting dynamics will be forced to leave service areas, further reducing choice and access for Oregonians. We saw all of these dynamics play out with the "Cascade Care" public option in Washington in recent years.

Placing artificial cost-controls on provider reimbursements for individual and small group plans will produce significant cost-shifts that destabilize the large group market, as providers and facilities attempt to recoup revenue to keep their doors open. The majority of Oregonians in the commercial market access their health care through employer-sponsored coverage. We are concerned that the pandemic coupled with destabilizing forces such as cost-shifting from other market segments make it likely that employers will see the cost of their coverage increase while their benefits are reduced.

We urge the Legislature to focus on opportunities to understand and curb health care cost growth and close existing coverage gaps.

- SB 889, passed during the 2019 session, focused on understanding and controlling the cost drivers that uniquely impact health care in Oregon. That work is still in the development phase and we urge the Legislature to allow time for it to be implemented and assessed before considering new initiatives that will be disruptive to these efforts.
- Oregon has had great success with implementation of the Affordable Care Act and the new federal administration is committed to bolstering the Act. The recently passed COVID relief package contains a variety of provisions that further extend health care coverage and make it more affordable for Oregonians, such as enhanced subsidies for those that purchase plans on the individual market.
- Cover All People, introduced this session, would provide individuals the ability to qualify for Medicaid regardless of their immigration status. We support this proposal and believe that it, along with enhanced federal subsidies, will make significant progress in closing coverage gaps and ensuring that all Oregonians have access to quality, affordable health care.

As payers, providers and the State work together to contain growth in the total cost of care we respectfully request that the Legislature refrain from any actions that would contravene these efforts and, instead, focus on opportunities to close existing coverage gaps. We look forward to continued conversation and appreciate the opportunity to share our comments.

Sincerely,

Amy Fauver
Director, Government Relations
Kaiser Permanente Northwest