Oregon State Council
SEIU
Stronger Together
Service Employees International Union – Oregon State Council
6401 SE Foster ▪ Portland, OR 97206

Testimony for HB 2091 and HB 2742

February 21, 2023

Testimony to the House Committee On Behavioral Health and Health Care in Opposition to HB 2091 and HB 2742

Chair Nosse and Members of the Committee,

My name is Matt Swanson, and I am here representing the Service Employees International Union (SEIU). SEIU is an organization of 85,000 working Oregonians who are members of our Union. Our mission is to achieve a higher standard of living for our members, their families, and dependents by elevating their social conditions and by striving to create a more just society.

SEIU approaches healthcare policy from the perspectives of our members. This includes members who work in hospitals and other settings delivering care, members who collectively are significant healthcare purchasers privately and through PEBB, and of course SEIU members and their families who use the system as patients. In each instance – as health system employees dealing with short staffing and cost constraints, as major purchasers, and as patients – our members have been struggling for too long with rising healthcare prices.

The cost of healthcare in Oregon has grown and is projected to grow faster than both the state economy and Oregonians' wages. The Oregon Health Authority recently reported that the annual average family health insurance premium in 2019 cost almost as much as a new compact car -- at $19,400.[1] Decades of research have shown that prices are the main driver of high healthcare spending.[2]

These unsustainable prices led to the creation and implementation of the Cost Growth Target. I am here today to testify in opposition to two bills that would have the effect of at best hamstringing, and at worst, decimating this necessary program.

The Cost Growth Target is a critical tool to address unnecessary price growth in Oregon's healthcare industry. It should be given time to be implemented for the following reasons:

1.) Cost Growth Target was developed in collaboration with industry. This approach was selected by a broad committee that included insurance and hospital representatives, as a preferred solution over hospital rate setting. It was not developed or selected in a vacuum.

2.) Cost Growth Target forces needed transparency and accountability. Perhaps the greatest power in the program is simply prompting industry actors to consider one question: is this price increase, or expense, justified?

[1] Impact-of-Health-Care-Costs-on-Oregonians.pdf
[2] https://tradeoffs.org/2023/02/09/states-uphill-battle-to-stop-runaway-health-care-costs

To illustrate why this prompt is necessary, we can look to one hospital system in central Oregon. It was not until the financial challenges of the pandemic that St. Charles Health System performed an audit and realized they were spending excessive amounts on leadership staff and took action to reduce the expense. In an email to employees, CEO Joe Sulka stated, "*In particular, many leadership positions are being eliminated to bring our structures into alignment with other health systems of our size. These reductions are projected to reduce expenses by more than $20 million annually.*"[3]

While one health system spends $20 million more per year than is necessary, thousands of Oregonians are in debt or file for bankruptcy after medical bills wipe out savings and destroy their own financial stability.

Another example is Asante in Southern Oregon. While facing financial troubles,[4] the system has chosen to spend its limited resources on a highly paid consulting firm to dissuade their lowest paid workers from forming a union. Past hospital contracts with this firm show their consultants earn $400 per hour, with a 6-hour minimum.[5]

3.) Flexibility is a core feature of the program. The program has flexibility and reasonableness deliberately built into its structure. Accountability mechanisms only happen if two conditions are true: 1) Provider organizations exceed the cost growth target with statistical certainty *and* 2) without good reason.

The Cost Growth Target Implementation Committee has identified a list of potential factors that may cause an organization to *reasonably* exceed the target in a given year. These include, but are not limited to: changes in mandated benefits, new pharmaceuticals or treatments entering the market, "Acts of God" like natural disasters or pandemics, and investments to improve population health and/or address health equity. Rulemaking is scheduled for this summer and fall to further define what is considered a good reason.

We also believe that, as the agency highlighted in their testimony, macroeconomic factors like securing an essential workforce can be factored into these deliberations.

[3] St. Charles Health System cuts workforce by 181 positions amid mounting financial challenges, operating losses - KTVZ
[4] Fitch Affirms 'A+' Rating and IDR to Asante Health (OR); Outlook Revised to Negative (fitchratings.com)
[5] Reliant Labor Consultants' contract with Mission Hospital, executed on April 1, 2020, shows the firm's "persuader" was paid "$400/hour with no caps, plus travel expenses…There shall be a six hour minimum fee for any day engaged in onsite work or remote educational services, if deemed necessary." These documents are disclosed as part of federal labor reporting requirements, and are available here: OPDR - LM-20/21 Labor Relations Consultant (dol.gov)

Oregon State Council
SEIU
Stronger Together
Service Employees International Union – Oregon State Council
6401 SE Foster ▪ Portland, OR 97206

4.) Concessions have already been made to reflect the times. In addition to the flexibility built into already highlighted factors, the program has demonstrated willingness to recognize current circumstances in other ways. For example, Performance Improvement Plans (PIPs) were originally scheduled to apply starting in 2023 but have been delayed by a year. Financial penalties were never slated to begin before 2026, and now are pushed to 2027.

Proposed bills aimed at weakening the Cost Growth Target should be defeated.

- House Bill 2091 should be opposed because it is unnecessary. Further delay of improvement plans and penalty fines do not need to be legislatively mandated. Moreover, consumers and the state's economy have suffered for too long under the burden of high health costs.
- House Bill 2742 should be opposed because it cuts the program off at its knees by excluding all expenses related to essential services. Essential services are not delivered in buildings that are exclusive to that purpose, nor overseen by executives solely focused on essential services. It is impossible to separate expenses related to providing those services from the rest of health systems' expenses.

It's time for Oregon to address rising healthcare costs, and move forward with the Cost Growth Target.
The Cost Growth Target is a critical piece of the puzzle for Oregon's healthcare transformation. We should not abandon it before it is even off the ground. Instead, we should press forward and build a program that recognizes reasonable changes in expenses yet guards against those that are not.

The fact that this program, in its infancy, had the structural space to navigate through a pandemic without legislative changes speaks to its inherent strength. We believe that the tools available will provide the necessary flexibility to adjust to changes in our health care environment and meet the goals of containing the cost for services for Oregonians.

We look forward to seeing this program develop and its implicit and explicit impact on healthcare costs in the state -- and to continuing to see Oregon recognized in national studies and media outlets for its pursuit of a cost growth target.

Thank you for the opportunity to comment on this issue.

Matt Swanson