HOUSE COMMITTEE ON
AUDIT & HUMAN SERVICES BUDGET REFORM

February 17, 2003 Hearing Room 50
3:00PM Tapes 28 - 29

MEMBERS PRESENT: **Rep. Ben Westlund, Chair**
Rep. Steve March, Vice-Chair
Rep. Jeff Kruse
Rep. Jeff Merkley
Rep. Alan Bates

MEMBER EXCUSED: **Rep. Randy Miller**
Rep. Susan Morgan, Vice Chair

GUEST MEMBERS: **Rep. Laurie Monnes Anderson**
Rep. Gordon Anderson
Rep. Mitch Greenlick
Rep. Carolyn Tomei

STAFF PRESENT: **Rick Berkobien, Administrator**
Kelly Fuller, Committee Assistant

ISSUES HEARD: **Informational Meeting**
Dr. Joel Daven, Medical Director
Douglas County and Physicians with Douglas County IPA

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
TAPE 28, A		
005	Chair Westlund	Calls meeting to order and introduces Dr. Joel Daven and opens informational meeting.
INFORMATIONAL MEETING		
010	Dr. Joel Daven	Douglas County IPA (Independent Physicians Association), Roseburg. Offers written materials and overview of his presentation describing services provided. **(Exhibit A)**
143	Rep. Bates	Asks where the date for his presentation came from.
148	Daven	Responds the information came from Darin Coffman, Director of Health Services, Oregon Health and Policy Research.
158	Rep. Merkley	Asks if the legislative changes in drug policy for the Oregon Health Plan from the last session impacts the way he does business.
195	Daven	Answers they now have evidence of drug methodology to backup what is being done and makes the plan work much easier.
108	Rep. Merkley	Asks where this process has ended up in comparing drugs.
203	Chair Westlund	Comments that all fourteen fully capitated plans has some form of drug list.
213	Rep. Kruse	States not all of the plans have a list.
223	Rep. Bates	Offers explanation that the preferred drug list moving forward in

		the fee for service area.
245	Daven	States the drug methodology works better for the manage care side than the fee for service side.
260	Berkobien	Comments about which drugs are exempt from this list.
261	Chair Westlund	Asks if there is an exception process.
262	Daven	Responds there are exceptions every day.
284	Chair Westlund	Asks how someone avails themselves to the exception process.
TAPE 29, A		
001	Daven	Responds that physicians prescribing medication that is not on their formulary should have it listed in their office notes.
010	Rep. Merkley	Comments about managing drugs effectively.
013	Rep. Kruse	Asks if this is a disease management concept.
015	Daven	Answers it is case management.
022	Rep. Kruse	Asks if this is restricted to only certain categories.
034	Daven	Responds that they constantly review medical management.
060	Chair Westlund	Asks if his market area is just Douglas County.
063	Daven	Answers most of Douglas County.
070	Chair Westland	Asks if all the physicians in his market area participate
071	Daven	Answers not all are members but all are providers.
072	Rep. March	Asks what percentage of population in his area does he manage and why would some not be in the program.
079	Daven	Articulates the fee for service issue.
087	Rep. Bates	Asks for response to the way to the plan is presented to clients and asks how he handles the payment of durable goods.
095	Daven	Responds to paying Office of Medical Assistance Program (OMAP) rates on durable medical equipment.
125	Rep. Bates	Asks how the pharmacists are paid.
	Daven	Explains payment is made to a pharmacy benefit manager who pays the pharmacy.
140	Rep. Bates	Asks if his Pharmacy Benefits Manager (PBM's) has ever been audited.
142	Daven	Responds that they have done some auditing in the past.
155	Rep. Bates	Asks if they have ever thought of asking for user fees in his area.
156	Daven	Asks for clarification of the question.
157	Rep. Bates	Explains reimbursement matched monies.
169	Daven	States if reimbursement drops to fee for service level it would be difficult to continue seeing OHP patients.
171	Chair Westlund	Asks what is the gap between managed care participants and fee for services reimbursements.
200	Daven	Answers fee for service reimbursement is 28% less than Medicare.
203	Chair Westlund	Asks if it was mandated that Medicare patients had to be in managed care would it be helpful.
210	Rep. Deven	Indicates they could do a much better job if the patients were in managed care.
239	Berkobien	Asks if there is any type of cost shift between the two groups.
245	Daven	Responds that the standard patients were costing them more money.
266	Rep. Bates	Asks if the plan stayed the same and didn't go forward with the waivers, and standard patients were seen but expansion did not occur is this something he could live with.
280	Daven	Answers they are not even looking at expansion.
283	Rep. Bates	Reiterates not picking up any new patients.
284	Daven	Comments they could live with that.

305	Rep. Kruse	Points out under the old waiver standard patients would make them money.
307	Daven	Answers it depends on what category the patient is in.
320	Rep. Kruse	Asks how many categories are there.
325	Daven	Indicates there are fifteen different payment rates and the capitation rates are based on the category the patient is in.
328	Chair Westlund	Notes lesser capitation defines lesser reimbursement.
330	Deven	Responds that is right.
333	Berkobien	Asks how many fall under this categorical eligible standard.
334	Daven	Describes the fifteen different categories and different rates for each.
360	Berkobien	Asks if the formula has been a complication or a major concern of theirs.
362	Daven	States it has not been a major concern.
364	Rep. Greenlick	Asks if the predicted rates under the various categories of services are good.
392	Daven	States no problem with the rates just that the patients are placed in the right category.
400	Chair Westlund	Asks where do these patients go to begin with.
420	Berkobien	Asks if patients will be re-classified for eligibility.
422	Daven	Notes he is unable to give a figure.
TAPE 28, B		
423	Chair Westlund	Notes as time goes on the number will exacerbate due to AIDS and diabetic drugs.
012	Daven	Responds these people will move over to a category.
016	Berkobien	Asks if it will affect hospital costs and contract costs.
022	Chair Westlund	Asks why pharmaceutical benefits that go away from the standard population make their relationship with the hospitals unattainable
030	Daven	Explains when benefits are lost patients end up in the emergency room which results in increased costs.
050	Rep. Merkley	Asks if they have wrestled with the trade offs of fewer people covered under the standard option but include drug benefits.
058	Daven	Responds these are public health and public policy issues.
065	Rep. Merkley	Asks if cuts from the standard population under the current waiver would be feasible.
088	Rep. Kruse	Notes under the current waiver the drugs have been stopped altogether.
092	Chair Westlund	Comments these patients cannot find a provider.
095	Rep. Kruse	Asks if the standard population will have trouble finding a doctor to go to.
098	Daven	Responds it will be troublesome.
099	Chair Westlund	Informs it is an immediate cost savings and huge cost shift.
109	Rep. March	Asks if the other plans are in the ballpark.
112	Daven	Offers other plans that are.
121	Berkobien	Asks if he has seen any changes in the groups that are using the OHP, and changes that may be effecting the OHP.
148	Daven	Responds about the changes in those using the OHP.
157	Rep. Monnes Anderson	Asks if this organization would work in a very populated area.
159	Daven	Responds that the programs are more alike than we think and give some examples.
174	Chair Westlund	Asks is the success of the plan is determined by the relationship

		with the hospitals.
195	Daven	Answers it is but hospitals are different in different areas.
200	Rep. Kruse	Asks if there is a reduction in people being served won't the ones being served be only the sick people and what kind of impact will this have on the ability to operate.
213	Daven	Indicates there would be a change in the capitation rate.
215	Rep. Anderson	Asks if the fourteen plans around the state are breaking even.
217	Daven	Notes he does not have the 2002 figures but three or four lost money.
230	Rep. Anderson	Asks if these plans are staying in.
231	Daven	Answers yes they are in for the long haul.
233	Rep. Anderson	Asks if there is in fact some making money with the managed care plans.
240	Daven	Responds yes but that it is tough for everyone.
245	Chair Westlund	Points out it goes back to what kind of relationship the hospital provides.
260	Rep. Greenlick	Asks if you were dealing with physicians services alone and losing money would it still be feasible.
289	Daven	Responds it is feasible and there is a model that does just that.
307	Rep. Anderson	Asks if IPA's have the physician put in a sum of money to join and this money acts as a reserve.
309	Daven	Responds affirmatively and states that the physicians have access to their contracts and receive a higher reimbursement level than if they were not a member.
332	Rep. Anderson	Asks if this reserve stays fairly stable.
334	Daven	Explains the state mandates this reserve it does not fluxuate.
335	Rep. Anderson	Asks if it affects the cost of medical care.
342	Daven	Responds this is an emergency reserve.
354	Rep. Anderson	Asks what would happen if there were benefits from the federal government to increase these reserves rather than changing the capitation rate.
356	Daven	Responds the need for clarification.
380	Rep. Anderson	Asks if the capitation was lowered and the grant was increased would it make his plan more stable.
383	Daven	Responds if they are paying physicians less than Medicare there would be difficulty in getting patients to see these doctors.
394	Chair Westlund	Asks when the state makes an appropriation do the plans take a percentage of Medicaid before the physicians are reimbursed.
TAPE 29, B		
003	Daven	Answers the state pays them reimbursement but any extra money that the plan makes goes back to the physicians.
013	Chair Westlund	Asks what percent goes back to the doctors.
020	Daven	States the doctors that see more OHP patients get greater reimbursement.
029	Chair Westlund	Indicates the doctors have lost the most money on OHP patients.
030	Daven	Counters for fees for service rates but not from what OHP pays the doctors.
031	Rep. March	Responds that OHP is then subsidizing the Medicare rates.
035	Daven	Notes they are providing more access for these patients.
045	Rep. Merkley	Asks how much is received for each patient for the standard plan.
067	Daven	Responds he does not know the figure.
070	Rep. Merkley	Asks if OHP has talked about providing options of multiple plans for standard patients.

071	Daven	Responds theoretically that would feasible but there would be some practical issues.
080	Berkobien	Points out if other packages were offered it would be an alternative instead of the state making these precise decisions for what works for the whole state.
098	Daven	Offers it would be possible but hard to administer. Defers to Jeff Heatherington
104	Heatherington	President, Family Care Inc. Explains the categories of patients that are in the group of fee for service.
124	Chair Westlund	Asks what is the best thing that the legislature can do for the medical directors.
125	Daven	Responds to allow the plans to do the work and the directors to manage the care.
136	Chair Westlund	Asks specifically what can be done.
137	Daven	Describes ideas and elaborates.
169	Chair Westland	Closes informational meeting and adjourns committee meeting at 4:35 p.m.

EXHIBIT SUMMARY

A – Informational, prepared testimony, Dr. Joel Daven, 2 pp