

HOUSE COMMITTEE ON
AUDIT & HUMAN SERVICES BUDGET REFORM

March 17, 2003 Hearing Room 50
3:00 PM Tapes 59 - 60

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

MEMBERS EXCUSED: Rep. Randy Miller
Rep. Susan Morgan, Vice-Chair

GUEST MEMBERS: Rep. Gordon Anderson
Rep. Mitch Greenlick

STAFF PRESENT: Rick Berkobien, Committee Administrator
Patricia Nielsen, Committee Assistant

ISSUES HEARD: Informational Meeting
Committee Discussion on Oregon Health Plan (OHP) Recommendations

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, 59 A		
005	Chair Westlund	Calls the meeting to order at 3:16 p.m. Opens the meeting for committee discussion.
<u>INFORMATIONAL MEETING</u>		
Committee Discussion on Oregon Health Plan (OHP) Recommendations		
010	Barney Speight	Keizer-Permanente; OHP Stakeholders Group facilitator. Refers to submitted Stakeholder Group Initial Recommendations Summary and draft OHP Cost Containment Actions and Issues (EXHIBITS A, B) . Begins with presentation of report on OHP recommendations: <ul style="list-style-type: none">• Revenue forecast of \$933 million, which reflects a reduction of ten percent• Federal minimum requirements in Medicaid program
050	Rep. Kruse	Clarifies it is \$837 in combined general funds and tobacco funds.
055	Rep. Speight	Agrees and continues discussing optional benefit areas over federal minimum program: <ul style="list-style-type: none">• Prescription drugs• Durable medical equipment• Mental health• Chemical dependency Clarifies the total cost would be \$259.4 million, leaving a

080	Speight	shortfall of \$163.4 million. Explains need to find that amount of savings to fund the mandatory minimum Medicaid program. Continues and refers to stakeholder group initial recommendations summary (EXHIBIT A). Discusses prescription drug issues to be considered. Discusses potential prescription drug cost-containment actions.
155	Rep. Merkley	Asks about not keeping prescription drugs in the OHP.
160	Speight	Explains capitation rate for prescription drugs is higher than it needs to be. Savings gained from management can be used to offset, subsidize or enhance services in other areas. Projected 2003-05 rates have been fine-tuned and capitation rates more accurately reflect actual costs.
185	Chair Westlund	Clarifies that this portion can be combined with bulk purchasing to reduce costs.
200	Speight	Confirms it is similar to state purchasing with a broader base, or Oregon could work with other states to increase leveraging power of bulk purchasing. Expresses support for the concept by fully-capitated health plans (FCHPs).
220	Rep. Kruse	Advises the work group tried to eliminate shifts, to maintain funds in the plan.
230	Chair Westlund	Reminds the committee it will work in same financial box as the work group.
240	Speight	Continues discussing Medicaid cost-containment savings if FCHPs manage non-capitated fee for service (FFS) non-mental-health drugs.
355	Rep. Kruse	Asks whether FCHPs will be asked to manage other areas as well. Suggests it keeps providers in control of their own formulary rather than going through a third party.
370	Chair Westlund	Explains the fourteen formularies are ninety-eight percent the same, and this approach has proven effective in other organizations.
390	Rep. Kruse	Comments there are some areas that are still pure fee-for-service, so under this model plans may pick up different counties differently.
410	Speight	Points out some techniques have been used in different communities.
TAPE 60, A		
005	Rep. Greenlick	Asks about cost estimates.
010	Speight	Responds the group cannot yet estimate.
012	Chair Westlund	Advises agencies are costing these different plans so should have the information fairly quickly.
020	Rep. Greenlick	Asks about size of item. Committee discussion of interaction between cost-saving measures.
040	Rep. Greenlick	Asks about development of organizational culture versus external management techniques.
045	Speight	Discusses interest in using FCHPs as vehicle for enhancing management of the fee-for-service population.
060	Speight	Continues discussing Medicaid cost-containment measures.
100	Rep. Kruse	Asks whether the committee needs to address a mental health carve-out. Points out a percentage of mental health drugs are issued by FCHPs and by non-mental-health providers; they should be funneled into the mental health system, which should become their primary provider. Stresses the importance of

		connection between programs.
130	Chair Westlund	Points out this applies to 5-7 percent of the population with severe mental health problems.
140	Speight	Concludes that when savings are totaled it is possible to save about \$30 million. Recommends increased rebates and tougher management.
165	Chair Westlund	Asks for input about direction of prescription drug program.
170	Rep. Greenlick	Expresses agreement.
180	Rep. Merkley	Recommends additional consideration of mental health drugs.
185	Rep. Greenlick	Agrees and asks about advantage or disadvantage to retail pharmacists with generic prescriptions.
200	Tom Holt	Oregon State Pharmacists Association. Discusses reimbursement and costs for prescription drugs under Medicaid. Explains a pharmacy is generally better off using generic drugs than name brands.
230	Rep. Greenlick	Discusses pharmacist dispensing fee.
235	Holt	Describes experiences in other states.
245	Chair Westlund	Clarifies an increase in the percentage of generics sold would not be a disadvantage.
255	Holt	Agrees it would save state money and help achieve goals.
260	Rep. Anderson	Asks whether using generics helps the pharmacy gain more or lose less.
265	Holt	Clarifies they are usually better off.
268	Rep. Anderson	Asks about dispensing fee.
270	Holt	Clarifies. Continues and discusses overlaps in the proposed considerations.
290	Chair Westlund	Agrees a combination of proposals would generate the most savings.
300	Speight	Discusses OHP delivery system. Refers to EXHIBIT B , page 4.
340	Rep. Greenlick	Asks about where the minimum line would be.
345	Chair Westlund	Explains intention to provide specific minimum level of services.
355	Speight	Discusses controversy over inclusion and exclusion of benefits and services.
375	Ellen Lowe	Health Services Commission; work group member. Discusses review of list of conditions where there was effective treatment available. Suggests benefit level was not what everyone wanted but will meet definition of basic health package.
420	Rep. Merkley	Asks if there is a different level of waiver which is more acceptable, if the state does not try to get a waiver at this level.
425	Lowe	Explains the current level combines legislative funding, Department of Human Services (DHS) and Health Care Financing Administration (HCFA). Advises there is some indication in preliminary discussions with the Centers for Medicare & Medicaid Services (CMS) that the range is acceptable.
TAPE 59, B		
005	Rep. Kruse	Suggests instead of using mandated services, the line 519 package looks like a commercial package and is defensible and approvable. Reiterates the attempt is to stretch dollars to cover as many people as possible within existing resources.
035	Chair Westlund	Discusses waivers and service levels, especially for prescription medication and mental health services.
045	Rep. Merkley	Restates desire to provide a basic package.
050	Rep. Kruse	Comments benefits can always be increased later if resources

		become available.
060	Lowe	Explains the benefit list is a list of conditions and treatments: <ul style="list-style-type: none"> • Some treatments are stepped, and can be limited • Some can be eliminated because no longer used
070	Chair Westlund	Discusses example of physical therapy.
080	Rep. March	Comments it is a paradigm shift: <ul style="list-style-type: none"> • Originally, reduce services and offer optional services to more people, including eligibles and broader population • Now, reduce services and also offer only to eligibles
090	Speight	Explains the proposal is an incremental work product: <ul style="list-style-type: none"> • Set up a Medicaid program for mandatory minimum population • Other populations are next steps in the effort
105	Chair Westlund	Reiterates the group retreated beyond the original concept of the OHP and created a federal Medicaid baseline. Continues the group then tried to increase services in some areas and include additional populations.
125	Rep. Greenlick	Distinguishes between benefits and services. Continues under capitated health plans the focus was to provide basis for calculating a capitation rate. Compares current focus to consider not only capitation rate but also how to drive behavior.
135	Speight	Clarifies expenditures and savings under proposal to create a prioritized list.
160	Rep. March	Asks whether “more benefits” means more than under the OHP or more than the Medicaid mandatory minimum.
165	Speight	Explains it means more than mandatory minimum. Committee discussion of benefit levels.
175	Rep. Kruse	Comments on process of determining benefit levels.
180	Speight	Discusses narrowing coverage in some treatment-condition pairs, or reducing the number or quantity of services. Describes proposal to manage durable medical equipment and supplies.
225	Speight	Discusses savings in reduced FCHP capitation. Explains proposed actions to further reduce payments to managed care plans.
280	Rep. Kruse	Comments the work group looked at the actuary report and had trouble reconciling the report to reality on its face. Agrees that those inside Oregon determine the actual amount of money available and what distribution is needed.
310	Chair Westlund	Points out that Price Waterhouse Coopers says Oregon is underpaying, so some numbers are catch-up numbers. Continues the committee must find what number keeps the delivery system intact and afloat.
320	Speight	Adds that lowering rates to providers may not allow stable network to continue, and provider groups have offered to work with legislature.
345	Rep. Greenlick	Discusses assumption that FCHPs will do business with hospitals at rate set by state.
355	Speight	Explains he posed question to Price Waterhouse Coopers that there is state law that rate must be set at a point that reflects reasonable costs; but there is no such requirement in Medicaid fee-for-service. Discusses possibility of change to law.

395	Rep. Greenlick	Asks about requiring participation.
400	Speight	Responds and discusses various possible results due to real or perceived inequities.
TAPE 60, B		
010	Chair Westlund	Expands on possible results.
020	Speight	Notes other considerations to keep networks viable and providers participating while living within budget reality.
040	Chair Westlund	Discusses moving chronically mentally-ill from physical plan into mental health side, where they would receive some physical health benefits.
045	Speight	Continues describing proposals: <ul style="list-style-type: none"> • FCHPs manage all aspects of fee-for-service clients • Block grant funds to the FCHPs • Eliminate cost-based payments
060	Chair Westlund	Summarizes.
070	Rep. Bates	Asks about pricing within the package if service provisions are changed or narrowed.
080	Rep. Kruse	Responds and describes earlier discussion.
085	Rep. Anderson	Inquires whether block grants to counties will proceed.
090	Chair Westlund	Advises the issue is under discussion.
095	Rep. Anderson	Asks about funding levels.
100	Chair Westlund	Responds the committee will consider.
105	Rep. Anderson	Asks where control of mental health fits in with independent physician associations (IPAs).
110	Rep. Kruse	Discusses models for mental health delivery.
120	Rep. Anderson	Suggests steering people to most successful programs.
125	Rep. Kruse	Points out county programs will look different from each other.
130	Chair Westlund	Advises this will be discussed.
150	Rep. Anderson	Recommends giving incentives if some counties do well.
155	Rep. Bates	Clarifies most IPAs focus on physical health, not severe mental illness. Suggests no IPAs want to take over that segment, but some other groups might do well expanding mental health services.
180	Rep. Anderson	Suggests his IPA might like to come and present proposal.
185	Rep. Kruse	Points out that the (CD) delivery systems must be considered.
200	Chair Westlund	Summarizes. Closes informational meeting. Adjourns the committee at 4:52 p.m.

EXHIBIT SUMMARY

A – Informational - OHP, report “Draft Cost Containment Actions and Issues,” staff, 7 pp

B – Informational - OHP, report “Stakeholder Initial Recommendations,” staff, 7 pp