

**HOUSE COMMITTEE ON**  
**AUDIT & HUMAN SERVICES BUDGET REFORM**

April 07, 2003 Hearing Room 50  
3:15 PM Tapes 84 - 87

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

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

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

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

**ISSUES HEARD:**       **INVITED TESTIMONY ONLY**  
                                  Context for the Mercer Project and Introduction of Mercer Panel Bruce  
                                  Goldberg MD, Office of Oregon Health and Policy Research  
  
                                  Review of Mercer Report  
                                  James Matthisen, Mercer Human Resource Consulting  
  
                                  Implication of Current Environment in Oregon and Nationally  
                                  Steve Schramm and Stephanie Davis, Mercer Human Resource Consulting  
  
                                  OHP Fully Capitated Health Plan Panel Comments on Mercer Report  
                                  Bill Murray, DOCS Health Plan  
                                  Dean Andretta, Mid-Valley IPA  
  
                                  Question & Answer: on House Audit Committee's Report  
                                  James Matthisen, Steve Schramm and Stephanie Davis  
                                  Mercer Human Resource Consulting  
                                  Bill Murray, DOCS Health Plan  
                                  Dean Andretta, Mid-Valley IPA

**MEASURES:**            HB 2537 Public Hearing  
                                  HB 2559 Public Hearing  
                                  HB 2560 Public Hearing  
                                  HB 2641 Public Hearing  
                                  HB 2562 Public Hearing  
                                  HB 2829 Public Hearing  
                                  HB 2189 Public Hearing

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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.

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TAPE/#	Speaker	Comments
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**TAPE 84, A**

003 Chair Westlund Calls the meeting to order and opens for Public Hearing. Hands the gavel over to Rep. Kruse to tap in and tap out the house bills for the public hearing.

**HB 2537 PUBLIC HEARING**

031 Rep. Kruse Opens HB 2537

032 Rep. Kruse Closes HB 2537

**HB 2559 PUBLIC HEARING**

033 Rep. Kruse Opens HB 2559

034 Rep. Kruse Closes HB 2559

**HB 2560 PUBLIC HEARING**

035 Rep. Kruse Opens HB 2560

036 Rep. Kruse Closes HB 2560

**HB 2641 PUBLIC HEARING**

037 Rep. Kruse Opens HB 2641

038 Rep. Kruse Closes HB 2641

**HB 2562 PUBLIC HEARING**

039 Rep. Kruse Opens HB 2562

040 Rep. Kruse Closes HB 2562

**HB 2829 PUBLIC HEARING**

041 Rep. Kruse Opens HB 2829

042 Rep. Kruse Closes HB 2829

**HB 2189 PUBLIC HEARING**

043 Rep. Kruse Opens HB 2189

044 Rep. Kruse Closes HB 2189

045 Chair Westlund Closes the public hearing.

**INFORMATIONAL MEETING**

050 Chair Westlund Opens the informational meeting for invited testimony, and calls the first witness.

060 Bruce Goldberg, MD Introduces himself from Office of Health Policy and Research and begins his testimony.

090 Goldberg Invites the next three witness to testify.

095 James Matthisen Introduces himself from Mercer Human Resource Consulting.

100 Stephanie Davis Introduces herself from Mercer Human Resource Consulting.

105 Steve Schramm Introduces herself from Mercer Human Resource Consulting.

108 Matthisen Presents testimony and begins presentation. **(EXHIBIT A)**.

150 Rep. Greenlick Comments that there are lots of different definitions of equity and asks did you really discuss what version of equity that you mean.

159 Matthisen Responds that they did try to put more flesh around the names for criteria in the full report.

175 Rep. Greenlick Are you talking about equity as in comparing physicians to hospitals.

183 Matthisen Responds yes, physicians verses hospitals.

195 Rep. Greenlick Wants more elaboration about the equity that they are referring to, asks do you mean I will be treated fairly if I have been given more.

197 Matthisen Responds in more detail to the question.

125 Chair Westlund Makes comments to clarify the questions of equity.

138 Rep. Greenlick Makes additional comments.

244 Matthisen Makes comments about some peoples comments about them not keeping pace and continues presentation.

**TAPE 85, A**

064 Chair Westlund Looking at the Mercer report he is assuming that this category on page 7 shows some kind of weighting on a stronger

		recommendations or ability to accomplish and elaborates. <b>(EXHIBIT A 4/1/03)</b>
081	Matthisen	Responds to the question on page 7 of the Mercer of the report.
098	Rep. Greenlick	Asks if he could go across the top line of this page 7 and give more elaboration and help to define the assessments and share how utilization of service and unit cost got one check and ASO got two checks.
120	Matthisen	Explains the category about equity among providers.
130	Rep. Greenlick	Responds that's not really the equity it is criteria of how closely controlled the reimbursement that the state does, asks is that your definition of equity.
135	Matthisen	Responds it is how much the method allows the equity goal to be influenced by the state.
148	Rep. Greenlick	Responds no, it is how much the actual reimbursement is determined by the state.
157	Matthisen	Responds, yes.
160	Rep. Greenlick	So that criterion should not be equity it should be the extend to which the state rather than somebody else determines the distribution of payments and elaborates.
162	Matthisen	Comment that there is a proceed problem with its current method.
170	Rep. Greenlick	Makes additional comments on page 7 of the report.
175	Matthisen	Responds yes, that is correct.
178	Rep. Greenlick	Comments that if you stack the deck so that one definition automatically gets a four and the other gets a one regardless of whether there is equity or not, then you have defined it that way.
184	Matthisen	Responds yes, that they have had to pick a context and elaborates.
201	Rep. Merkley	Asks if they thought about the equity verses providers as an option.
216	Matthisen	Responds no, not an explicit analysis and continues presentation.
287	Steve Schramm	Begins his testimony and explains <b>(EXHIBIT B)</b> .
<b>TAPE 84, B</b>		
027	Vice Chair March	Asks is there one state that might be doing stellar in any of these categories.
030	Schramm	Responds by listing the stellar states and continues presentation.
114	Rep. Greenlick	Asks if this just like the fee for services we use to have.
116	Schramm	Responds that yes, it is very similar to the old fee for service way of doing things.
120	Rep. Greenlick	Asks if they didn't rate that high in administrative feasibility.
123	Schramm	Responds about the administrative feasibility and continues presentation.
212	Vice Chair March	Asks how long it took Tennessee to work through the process.
218	Schramm	Responds that it to Tennessee 18 months to negotiate with ASO.
227	Stephanie Davis	Makes comments about why other states went to an ASO and comments that we should look at what is working now and work on that.
272	Rep. Bates	Asks how you would go about setting capitation rates.
183	Schramm	Responds that they are the consultants to 20 – 28 programs right now and comments about the 3 points of data that the states use to make these decisions.
328	Rep. Bates	Asks how accurate they have been in the last couple of years.
332	Schramm	Responds about their accuracy in the last few years.
352	Rep. Greenlick	Asks if they risk just those rates.
356	Schramm	Responds that it is a policy adjustment.

363 Rep. Greenlick Do you find that when you do risk adjustment it decrease you ability to predict accurately.  
375 Schramm Responds about risk adjustment models.  
394 Rep. Greenlick Comments that it really does improve your estimates.  
002 Schramm Comments what they believe about risk adjustments and describes the difficulty that they have.

**TAPE 85, B**

011 Davis Makes comment about risk adjustment models.  
024 Rep. Greenlick Makes additional comments.  
027 Rep. Bates Asks his question from above again, as it was not clear before and re-asks how accurate their predictions have been.  
050 Schramm Responds that they usually hit within the range that is given to them as a model and comments that they try to set a wider range because of a lack of information and etc.  
070 Vice Chair March Thanks the witness for their testimony and ask the next witnesses to come up.  
078 Bill Murray Introduces himself from DOCS Health Plan and begins presentation.  
120 Dean Andretta Introduces himself from Mid Valley Individual Physicians Association and begins presentation.  
151 Rep. Greenlick Asks how they would define equity.  
156 Murray Responds with his definition of equity.  
177 Andretta Responds with his definition of equity and elaborates.  
207 Vice Chair March Opens the question and answer part of the meeting on the House Audit Committee Report.  
216 Matthisen Makes comments about how helpful the committee has been.  
224 Rep. Bates Asks Bill Murray if he is missing something in this process of capitation rates.  
242 Murray Responds to the question on capitation rates.  
272 Chair Westlund Comments that he is still confused on this chart on page 7 of the Mercer Report, the fee for service report scores higher, can you explain that.  
288 Schramm Responds on the issues that Mercer would have with that.  
324 Chair Westlund Appreciates him pointing this stuff out but he still looks at this thing and comments that the ASO is just kicking the RUV's tail.  
345 Rep. Greenlick He thinks the value of this chart would be how you can rate these things.  
379 Matthisen Comments about the value of this chart and goes back over the part which describes equity among providers.

**TAPE 86, A**

003 Chair Westlund On page two of the Mercer Report was there anything on the RFP that caused them to evaluate the current methodology.  
016 Matthisen Comments how they went about creating this report.  
025 Chair Westlund How is this relevant to me and help with our decision making process in here.  
031 Matthisen Comments again their charge was not to compare reports and comments about how they created it.  
043 Rep. Bates Comments that as he was looking at the report he asks where we want to go with the health plan, he sees that toward the end of the report it looks like they are dropping people out of the plan. How do you get people in the plans to stay in the plans and what have other states done to keep people in the plans.  
070 Davis Describes the element that causes confusion that does not in other States.

158	Schramm	Address how they are getting more people into Managed Care Plans.
180	Chair Westlund	Comments about hearing the more general question on what other states are doing, asks what is happening Nationally.
188	Schramm	Comments about what is going on Nationally.
207	Chair Westlund	Asks if he can break that out away from the commercial end.
214	Schramm	Responds no, because his response was dedicated to Medicaid and elaborates.
221	Chair Westlund	Asks how many states have this model.
228	Schramm	Comments that it is very typical to have many health plans.
240	Chair Westlund	Asks if Oregon is fairly unique.
245	Schramm	Ultimately health care is local and in Oregon you have been able to find fourteen health plans and guarantee access and quality of care, do be a solution in search of a problem.
251	Chair Westlund	One of the keys to this is the local/regional intimacy relationships that are build and that's why these things are working.
253	Rep. Bates	Comments that he thinks we have an exceptional program and was looking for a comment if we really are unique and if we are how do we go about sharing this.
278	Davis	Comments that most states goal was to have something like we have here today and elaborates.
332	Rep. Bates	Comments about one of the problems we are having here today and asks if other states are facing the problem of not having enough money to bring to the table.
350	Schramm	Responds absolutely, and elaborates.
389	Rep. Bates	Asks if he remembered what that particular population was.
397	Schramm	Responds yes, that it was associated parents for an SCHIP program.
<b>TAPE 87, A</b>		
001	Rep. Bates	Asks if other states have tried to increase revenues in other ways.
004	Schramm	Responds yes, and makes comments about the ways that they are trying to increase revenues in other states.
016	Chair Westlund	Asks what has the states success been with these.
019	Schramm	Responds about the success rate.
026	Chair Westlund	Asks if there is a bit on negotiation going on and putting together some creative financing.
037	Schramm	Responds to the negotiations that he is aware of.
050	Chair Westlund	Calls meeting to a close and adjourns 5:42 pm

## **EXHIBIT SUMMARY**

**A – Overview of Mercer Report “A Study of Alternative Rate Setting Approaches for Oregon Health Plan Fully –Capitated Plans” presented by James Matthisen 4 pp.**

**B – Risk Continuum Models – presented by Steve Schramm 1 p.**