

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

May 06, 2003 Hearing Room 50  
3:15 PM Tapes 107 - 108

**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. Laurie Monnes Anderson

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

**ISSUES HEARD: Informational Meeting**  
                                  **OHP reimbursement policies:**  
                                  **Quantifying the cost to other purchasers**  
                                  **Kevin Earls, Oregon Association of Hospitals and Health Systems**

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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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<b>TAPE/#</b>	<b>Speaker</b>	<b>Comments</b>
<b>TAPE 107, A</b>		
003	Chair Westlund	Calls the meeting to order and opens the information meeting.
<b><u>INFORMATIONAL MEETING</u></b>		
025	Kevin Earls	Oregon Association of Hospitals and Health Systems, presents testimony and begins presentation. <b>(EXHIBIT A)</b>
134	Rep. Greenlick	Asks in terms of your sense of the hydraulic effect, does it really matter that this 3 <sup>rd</sup> category is really a lot more complex than that.
144	Earls	Comments from a policy level it is best to look at it at the 30,000 ft. level and elaborates and continues presentation.
290	Rep. Kruse	Asks if A and B's are suppose to be true cost reimbursement, why aren't they.
293	Earls	Comments about A and B Hospitals.
301	Rep. Greenlick	Asks question on the out-patient expenses jump in two years from 59 million to 89 million.
319	Earls	Comments that the result of what happened was migration and continues.
339	Rep. Greenlick	Makes comments about that the hospital costs went up 30 % in two years, that just seems like a lot.
360	Earls	Gives an explanation of why the cost were so high, and continues presentation.
365	Rep. Greenlick	In the large hospitals the cost went up roughly thirty percent in those two years.

375	Earls	Comments that hospitals received a pretty significant bump in their component of the Managed Care rate during that time period, comments that he can't break it down at this point. Continues presentation.
418	Rep. Greenlick	That means the cost on the fee for service side went up sixty million.
422	Earls	The number you are looking at is utilization driven we are not talking about an increase in the rate, we are talking about an increase in expenditures.
430	Rep. Greenlick	That is a sixty percent increase in expenditures for the Medicaid fee for service hospital costs in a two year period.
437	Earls	That is a dramatic increase in utilization, but qualified it by saying when you are a hospital and you are being paid seventy one percent of your costs on units of service your working hard to try to limit utilization and lengths of stays in order to manage your losses. Continues presentation.
476	Rep. Bates	Asks if the Medicaid allowable any where close to your true costs.
478	Earls	It is close, but it is lower.
<b>TAPE 108, A</b>		
029	Rep. Bates	Asks if he would put that at ninety or ninety five percent of the cost, what is close.
032	Earls	Comment he has no idea and makes a guess that it is two percent, but it will vary from facility to facility.
036	Rep. Bates	Asks if he has any idea what has driven the costs so high for hospitals and plus utilization.
047	Earls	Comments about the point he is trying to make and state that it has to be utilization.
063	Chair Westlund	State what he thinks Kevin is trying to show.
070	Earls	Continues presentation
101	Berkobien	Asks did you break out long term care and acute care.
105	Earls	It is what is recorded and is not sure, comments about how HICVA reports it.
125	Rep. Monnes Anderson	When we are talking about costs and other states you say they pay higher, asks are you comparing the actual costs that it takes, are we comparing apples to apples.
140	Earls	Agrees and comments that it does not take in account cost of living and elaborates.
155	Chair Westlund	Makes comments about what other states are spending on long term care verses Oregon.
172	Earls	Will find out the answer to that question.
175	Rep. Greenlick	Asks if we rank about the same with Medicare spending as well.
180	Earls	Answers and continues presentation.
185	Rep. Bates	Made comments about reimbursing providers.
190	Earls	Responds yes that is right.
193	Rep. Greenlick	Comments that Medicare is not an issue of control it is an issue of our utilization patterns because the expenditure estimates are the same and its just that we use less care per enrollee in Medicare than other states use.
211	Rep. Bates	Disagrees and comments why.
217	Rep. Greenlick	Comments that you are talking about the Managed Care component of AAPC, but that is based on the fee for service utilization and explains.
223	Rep. Bates	Would argue that that was inappropriate at that time and still

229	Earls	thinks it is inappropriate.
232	Rep. Greenlick	Adds to the conversation. States that the fact is historically, that we have used hospital rates as you know twenty to twenty five percent on the average, because we chose to, not because the Government told us to.
275	Earls	Makes comments and continues presentation.
330	Chair Westlund	Comments that the slide leaves the uninsured out of the conversation.
336	Earls	Responds yes.
338	Rep. Merkley	Comments that he missed what the conversion is that we are discussing.
360	Earls	Answers and makes a couple comments in closing.
415	Chair Westlund	Makes his closing comments calls meeting to a close and adjourns 4:25 pm

## **EXHIBIT SUMMARY**

**A – Informational, prepared testimony, Kevin Earls, 3 pp**