

**SENATE SPECIAL COMMITTEE ON
ACCESS TO THE OREGON HEALTH PLAN**

September 10, 2002 Hearing Room 50
1:15 p.m. Tapes 13 - 14

MEMBERS PRESENT: **Sen. John Minnis, Chair**
 Sen. Bev Clarno
 Sen. Ted Ferrioli
 Sen. Gary George
 Sen. Avel Gordly
 Sen. Rick Metsger
 Sen. Frank Shields
 Sen. Cliff Trow

MEMBER EXCUSED: **Sen. Bill Fisher**

STAFF PRESENT: **Rick Berkobien, Administrator**
 Craig Prins, Counsel
 Patsy Wood, Committee Assistant

MEASURE/ISSUES HEARD: **Invited Testimony Only**
 Family Health Insurance Assistance Program (FHIAP) and OHP2
 DHS Budget Overview and Potential Cuts

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 13, A		
004	Sen. Clarno	Calls the meeting to order at 1:35 p.m.
009	Sen. Ferrioli	Informs the committee that he heard the OHP waiver is on hold in Washington, D.C. and wonders if Mr. King has any information relative to that.
011	Rocky King	Administrator, Insurance Pool Governing Board (IPGB). Explains where the waiver is in the system. Submits an agency overview and discusses OHP2, the waiver and the impact on the Family Health Insurance Assistance Program (FHIAP) (EXHIBITS A – C). Lists key points about the FHIAP program: <ol style="list-style-type: none">1. State Funds only2. Private-sector based3. Program is capped4. Targeted for Oregonians who can't afford health insurance
070	King	Lists the FHIAP program principles (page 10 of Exhibit C).

108	King	Describes the eligibility requirements (page 12 of Exhibit C)
128	King	Describes the two options under FHIAP (page 13 of Exhibit C).
154	Sen. Ferrioli	Expresses his concern that people in rural areas would not be enrolled in numbers equal to those in the I-5 corridor. Asks where the “Individual Market” FHIAP-certified carriers listed on page 13 have their base of operations.
165	King	Points out that page 23 of Exhibit C shows the distribution of enrollment, by area, in Oregon. Tells where the certified carriers are located. Notes that these plans are the same as those offered to people who purchase insurance in the regular, private-sector market.
185	Sen. Trow	Asks if there is bias in this program against serving people in rural Oregon.
189	King	Doesn’t think so. Says this program has not been marketed since 1998. Gives historical background as to the statewide marketing of the initial program.
215	Chair Minnis	Asks about the correlation between the FHIAP program and the waiver.
218	King	Describes the waiver implications on the back of Exhibit A .
235	Chair Minnis	Asks if the expansion occurs by the waiver allowing access to federal money.
240	King	Says, yes.
241	Chair Minnis	Asks what the dollar amount will be from federal funds.
245	King	Responds \$14 or \$15 million this biennium which will grow to about \$70 million next biennium.
249	Sen. Trow	Asks if that money is just for the expansion of FHIAP.
250	King	Responds affirmatively. Discusses the emphasis on group coverage as provided in HB 2519 (EXHIBIT D) which helps small businesses provide the dependent employee coverage through the workplace.
278	King	Cites the change in HB 2519 of the Insurance Pool Governing Board establishing a benchmark benefit plan. Describes the benchmark plan and says it will be adjusted soon.
302	King	Cites eligibility changes regarding non-citizens. Discusses the monitoring and evaluation component (required by the federal government) that they are working on now.
319	King	Discusses the legislative concept of the Oregon Medical Insurance Pool (OMIP) assessment – using more federal dollars to lessen the impact of insurance costs. Summarizes the waiver implications of the OHP.
373	King	Discusses issues of accountability and sustainability: <ul style="list-style-type: none"> ▪ Audits eligibility ▪ Audits those who apply for the program ▪ Subject to Secretary of State audit – requested a risk management audit (EXHIBIT E)
462	Sen. Clarno	Asks him to expand on the high risk pool. Also asks if the OMIP assessment on private insurance industry is subsidized by them.

474	King	Responds affirmatively.
TAPE 14, A		
018	Sen. Clarno	Asks him to clarify a statement he made earlier at the Leadership Commission on Health Care Costs and Trends that the OHP was far richer than small employers are able to provide.
025	King	Talks about the benefits contained in the small group, individual market as being less than the OHP.
036	Chair Minnis	Asks him to expound on his dialogue with small employers interested in this program.
040	King	Describes the dialogue that has occurred with small employers. Says the small business community has been a “hard sell” on the sustainability and amount of paperwork involved in the program, but they have been great in terms of the waiver. Talks about FHIAP being a “qualifying event” to allow someone to enroll in an insurance company’s program. Refers to subsidy levels (on the backside of Exhibit C).
094	Chair Minnis	Comments that FHIAP seems like a good program to invest money in, but wonders why the state’s commitment is dwindling.
103	King	Discusses cuts that have occurred in the past.
114	Chair Minnis	Asks if 20,000 people are on the current waiting list.
115	King	Replies that about 100,000 people are uninsured between 100% - 170% of the federal poverty level, but not all want to buy insurance, even if a subsidy is provided. Describes assets which disqualify them for eligibility.
126	Sen. Clarno	Indicates this program could be expanded with funds from the federal match if the waiver is approved.
133	King	Wants it noted that Medicaid is an entitlement and FHIAP is not (they can close intake). Says the waiver will provide tools to mitigate expansion. Reiterates, FHIAP is controlled to the state dollar.
146	Sen. Gordly	Inquires how the agency is doing with their goal of expanding participation and representation of minority and underserved populations in FHIAP.
153	King	Indicates they were initially doing well in this area, but they have not done well lately because the program has not been marketed since 1998. Mentions a recent audit that looked at the Oregon Medical Insurance Pool (high risk pool) and found that they were very underrepresented in non-English speaking and racial minority groups.
182	Sen. Gordly	Appreciates his forthright response. Asks if he has seen the April 2000 Progress Board report which looked at the progress of Oregon’s racial and ethnic groups.
190	King	Responds, affirmatively saying they have been a part of the Racial Minority Task Force.
192	Sen. Gordly	Speaks to the benchmarks of the Oregon Progress Board (from 1990-1996) where racial and ethnic minority groups lost ground. Says that the agency overview (Exhibit B) is helpful, but the information doesn’t go far enough to capture the numbers of

		racial and ethnic groups. Indicates she would like to see those numbers and have them provided to the committee.
221	King	Says that information is captured and will be supplied to the committee.
227	Chair Minnis	Recesses the committee at 3:20 p.m.
229	Chair Minnis	Reconvenes the committee at 3:34 p.m.
232	George Dunford	Assistant Director, Department of Human Services (DHS). Submits figures and testifies on reduction options of the Oregon Medical Assistance Program (OMAP) within DHS (EXHIBIT F).
256	Dunford	Points out some figures that need to be changed on the portion titled "Reductions which do not require statutory change."
313	Chair Minnis	Asks for clarification on the total reduction across DHS.
315	Dunford	Responds that reduction is \$121 million.
316	Chair Minnis	Inquires if the OMAP portion is \$30 million.
317	Dunford	Responds affirmatively. Explains that these cuts are listed by division because of the line-item appropriation from the 2001 session, but will change into a "cluster" format for the 2003 session.
338	Sen. Gordly	Asks for the purpose of looking at this document.
343	Chair Minnis	Explains this is background information.
349	Dunford	Clarifies that these cuts are actually being implemented today.
353	Sen. George	Asks if this is in response to the Governor's news conference today.
355	Dunford	Says, somewhat, but it is also statutory. Continues discussing the reductions by categories.
388	Sen. Gordly	Asks for identification of the areas where the reductions will have an impact on mental health.
394	Dunford	Replies that Jerry Fuller, Medicaid Policy Expert, DHS, will be looking for those items.
398	Sen. Metsger	Clarifies that the General Fund savings listed are computed from the implementation date until the end of the biennium (June 30, 200).
405	Dunford	Says, correct.
406	Sen. Metsger	Asks if that also applies to the figures listed under FF (federal funds).
408	Dunford	Responds affirmatively.
411	Sen. Trow	Asks if the reduced payments to pharmacies are actual reductions or just cost shifting.
417	Dunford	Anticipates there will be some cost shifting.
425	Sen. Gordly	Expresses concern about the impact of these cuts on access to clients.
433	Dunford	Indicates he doesn't know the full impact of these cuts on clients.
435	Sen. Gordly	Asks is there might be unintended consequences.
438	Dunford	Says, yes.

440	Sen. Ferrioli	Wonders how they got the figure of 17% below average wholesale.
TAPE 13, B		
004	Jerry Fuller	Medicaid Policy Expert, DHS. Indicates studies that have shown that the average wholesale price (AWP) doesn't reflect the cost to the end pharmacy, so reductions could be made without completely eliminating access for their clients.
020	Sen. Ferrioli	Discusses the average wholesale price (AWP) and its relative purchasing power. Wonders if it averages large chains as well as single stores.
032	Fuller	Responds affirmatively.
034	Sen. Ferrioli	Makes note of small, rural pharmacies leaving the OHP because they can't fill prescriptions lower than wholesale and asks if the agency is aware of that trend.
039	Fuller	Replies that he is not aware of that trend in terms of a study, but would agree that small pharmacies would be less able to deal with these reductions.
041	Sen. Ferrioli	Indicates the correspondence he has received from rural pharmacists refusing to fill prescriptions below cost, and the problems associated with not being able to get prescriptions filled.
052	Fuller	Mentions mail-order pharmacy as an option.
054	Sen. Ferrioli	Asks if he's heard of a program that pays people to travel to get their OHP prescriptions filled.
058	Fuller	Indicates that under OMAP, the state has to provide assurance of transportation to necessary medical services. Comments on a courier service being used in Washington state.
065	Sen. Ferrioli	Wonders if he's heard about pharmacists in rural areas having trouble getting co-payments that are voluntary from the OHP subscribers.
070	Fuller	Comments he has not heard that, but says he would not be surprised.
071	Sen. Ferrioli	Discusses co-pays being hard to collect because they are voluntary and the fact that some people are getting paid to go to a neighboring community to get prescriptions filled. Wonders if the actuarial is based more on "gut level" than feedback from the market.
092	Dunford	Replies that he would like to respond to this issue in writing.
095	Sen. Ferrioli	Seeks additional information of how many rural pharmacies have indicated they will no longer fill OHP prescriptions.
102	Dunford	Says he will give his response to staff to share with the committee. Continues discussing the reductions in Exhibit F saying he will send an updated copy to staff.
119	Sen. Gordly	Takes note that failure to allocate funds to the safety net clinics may impose a financial hardship on some clinics with inadequate operating margins. Asks how many clinics have inadequate operating margins.
127	Dunford	Says that information will be provided with the information

		requested by Sen. Ferrioli.
129	Sen. Gordly	Would also like information on the number of clients who will not be served if these clinics go away.
137	Dunford	Will get that information. Continues discussing Exhibit F with the change in the beginning date of the OHP eligibility for adults/couples. Notes that this reduction makes the payment date to providers the date the application is approved rather than retroactively pay providers based on the date of application. Changes the GF figure from \$1,663,369 to \$2,984,377.
151	Sen. Trow	Asks why the significant change.
153	Dunford	Indicates it is from an error they caught. Continues discussing Exhibit F at eliminating outlier payment for DRG hospitals and reducing DRG unit value.
161	Sen. Gordly	Asks about the impact on mental health services based on the change in the OHP eligibility.
165	Fuller	Explains that some clients may not be eligible under the later date, and this might result in cost-shifting to local hospitals or crisis centers.
177	Sen. Gordly	Speaks to the unintended consequence of people without crisis center services ending up in jail.
188	Fuller	Replies that could happen.
190	Sen. Shields	Wonders about the cost-shifting that might occur when individuals are in a crisis situation, but not eligible for the OHP.
202	Fuller	Says, that would be correct.
203	Sen. Shields	Asks if there have been any calculations for the savings because of cost shifting.
209	Fuller	Speculates that the savings would represent the cost shifting to different providers.
219	Sen. Shields	Asks if we would actually save any money with cost shifting.
231	Fuller	Suggests there isn't really any savings – it's a cost shift to the private side.
235	Sen. Trow	Guesses that people won't be getting services until they qualify.
238	Fuller	Responds that could be the outcome, except in emergency cases.
241	Sen. Clarno	Notes the new copies from DHS on reduction options (EXHIBIT G).
248	Dunford	Points out the federal funds lost on the new document for the change to the beginning OHP eligibility date. Also notes that eligibility is the first of the month following the date of approval.
261	Sen. Shields	Implies that could be a difference of six or seven weeks.
263	Dunford	Concurs, depending upon the date of the request. Goes back to discussing Exhibit G at eliminating outlier payment for DRG hospitals and reducing DRG unit value.
279	Sen. Gordly	Asks if there is a list of hospitals that are operating with an inadequate margin which could impact services.
288	Fuller	Replies that they will attempt to provide that information.
291	Dunford	Continues discussing Exhibit G and the savings from the elimination of the Mental Health/Alcohol & Drug portion of the

Oregon Children's Plan.

303 Sen. Trow Expresses concern about eliminating this portion of the program.
310 Fuller Says this program was added during the last legislative session and this is just the leftover money. Notes these are children and families that are not eligible for CHIP (Children's Health Insurance Program).
324 Sen. Gordly Clarifies that these are families and children not eligible for CHIP.
328 Fuller Believes so.
333 Sen. Gordly Asks if these are the poorest of the poor – the most vulnerable.
336 Fuller Replies, not the poorest of the poor, but not able to afford insurance.
352 Dunford Continues discussing **Exhibit G** at eligibility for pregnant women moving federal poverty level from 170% to 133%.
362 Sen. Clarno Inquires what percentage match this is.
367 Fuller Replies it is the Medicaid match of 60-40.
371 Sen. Gordly Wants the impact put on the record – not just in writing.
379 Dunford Notes this will impact 2500 pregnant women and children. Says it is a tragic reduction, but they don't have any options.
385 Sen. Gordly Reads the impact of item number 6 from **Exhibit G**.
396 Dunford Continues discussing **Exhibit G** with the CHIP elimination.
403 Sen. Trow Asks if this cut will continue into the next biennium.
406 Dunford Indicates he doesn't know the answer to that.
412 Sen. Gordly Reads the impact note (item number 7) saying the reductions are "uncivilized."
429 Dunford Continues discussing **Exhibit G** with the elimination of the medically needy program.
444 Sen. Trow Asks if there will be anything left of the OHP after these reductions this biennium.
447 Dunford Responds that the OHP will still be in place, but reduced by \$31 million.
454 Sen. Gordly Questions where the hospitalization mentioned in the impact note for number 8 would occur.
466 Fuller Indicates that people could end up in the emergency room or come to the attention of the Department of Justice.

TAPE 14, B

022 Sen. Gordly Repeats that the impact note mentions "psychiatric issues that would require *hospitalization*" and wonders where this would occur.
028 Fuller Responds this is another tragedy being discussed today. Says treatment could come from an emergency room, but the system is overloaded.
032 Chair Minnis Asks how many layoffs are occurring with these reductions.
033 Dunford Points out that most cuts are with provider payments – not staff. Says there may be some administrative layoffs from fewer

		checks written, but no direct-service layoffs.
053	Sen. Shields	Inquires about projected layoffs which might occur with their providers.
059	Dunford	Replies that state layoffs would be minimal, but provider layoffs could be substantial because these are small providers.
066	Sen. Ferrioli	Asks how a level of reduction can be determined or if dollars are being expended appropriately without accountability in the prescription drug program.
086	Dunford	Disagrees with the lack of accountability.
094	Sen. Ferrioli	Notes that the agency agreed with the audit that there is no feedback mechanism to correlate prescriptions with encounter data. Questions the basis for setting the actuarials for prescription reimbursements.
111	Dunford	Says the DHS workers are good workers, but agrees there are issues to deal with and will get information on determining reimbursements.
120	Sen. Ferrioli	Indicates he is anxious for that information.
127	Chair Minnis	Notes the disparity between what the agency says, what the audit says and the witness's testimony.
138	Dunford	Informs the committee he will get answers to the previous questions. Feels the agency is trying to be accountable and do a good job.
152	Chair Minnis	Cites the committee's main concern: what control systems exist within the OHP. Gives example of the lack of controls for prescription medications.
170	Dunford	Prefers to answer that question in writing.
171	Sen. Ferrioli	Contends there may be a corporate culture surrounding the OHP where people feel the need to protect it. Discusses the lack of accountability, the appropriateness and methodology of rate setting and reimbursements, as well as capitation.
272	Chair Minnis	Feels the legislature is partly at fault for not putting the right kind of controls in place for costs and accounting of the OHP. Says they need to spend more time looking at the sustainability of the program.
310	Dunford	Says he will make it his life's work to help the legislature understand the program and will get the information requested.
322	Sen. Shields	Appreciates this forthright approach in sharing information.
341	Chair Minnis	Requests input from committee members if there are areas they wish to cover.
361	Sen. Trow	Asks the chair to clarify an earlier statement about the waiver being on hold.
365	Chair Minnis	Replies that the federal government has placed the current waiver application on hold.
368	Sen. Trow	Asks for his sources.
369	Chair Minnis	Declines to divulge his sources, but says the office in Washington, D.C. could be contacted for verification.
372	Sen. Shields	Wonders if this is new information.

