SENATE SPECIAL COMMITTEE ON ACCESS TO THE OREGON HEALTH PLAN

September 11, 2002 Hearing Room 50
1:15 p.m. Tapes 15 - 18

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

MEMBER EXCUSED: **Sen. Bill Fisher**
Sen. Rick Metsger

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

ISSUES HEARD: **Oregon Health Plan Contractors**

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 15, A		
003	Sen. Clarno	Calls the meeting to order at 1:28 p.m.
010	Ruby Haughton	CareOregon, Inc. Gives introductory statement of what they will be talking about. Submits directory of CareOregon Network Providers **(EXHIBIT A)**.
038	Sen. Shields	Asks how many of their 90,000 Oregon Health Plan (OHP) clients are new eligibles and how many are Medicaid.
042	Haughton	Responds that 14,000 are OHP Standard, new eligibles.
048	Dr. Bruce Goldberg	Medical Director, CareOregon, Inc. Gives background information of their participation with Medicaid and the OHP. Discusses the inception of the OHP in 1994. Talks about providing access to care for people while using the health care dollar effectively.
160	Dr. Goldberg	Describes his association with a diabetic client who has been on and off the OHP for the past 10 years. Asserts that the challenge for the future is sustainability.
204	Craig Prins	Counsel. Asks about the audits and setting capitation.
219	Dr. Goldberg	Answers that there is only one rate.
222	Prins	Assumes contracts stipulate who is covered.
225	Dr. Goldberg	Explains instances of "cherry picking" within the industry and efforts to curtail such action. Describes contracting by locale.
245	Prins	Comments that audits indicate that fewer and fewer managed-

		care providers are able to make it on these rates.
250	Dr. Goldberg	Answers that contractors now in OHP have this as their business.
265	Prins	Presumes that such calculations are made on a risk assessment
268	Dr. Goldberg	Discusses the unique needs of Medicaid clients with different levels of service.
298	Sen. Shields	Asks what their capitation categories look like.
318	Dr. Goldberg	Gives statistics for the 90,000 who receive Medicaid assistance: • 14,000 of 90,000 are adults • 10,000 are blind and disabled • 28,000 are children • 4,000 in old-age categories • 30,000 receive Temporary Aid to Needy Families (TANF) • 18 percent of adults are couples
343	Sen. Shields	Asks whether each category has its own rate.
345	Dr. Goldberg	Responds that clients are placed into 16 capitated rate categories, ranging from $80 to $600.
379	Joy Soares	CareOregon, Inc. Offers membership statistics. Mentions that there are over 2,000 provider contractors. Talks about the challenge of bringing in providers, considering that reimbursement rates are not high enough.
TAPE 16, A		
008	Sen. Gordly	Asks what the impact on Oregonians if the legislature fails to distribute the safety net clinic funding.
014	Dr. Goldberg	Acknowledges that reimbursement rates are beginning to present a problem for provider recruitment.
025	Sen. Gordly	Comments on Department of Human Services (DHS) reduction options. Asks what the impact might be.
038	Dr. Goldberg	Replies that physicians in practice have to balance their lines of business. Talks about the safety net balance of Medicare-Medicaid dollars.
057	Sen. George	Asks what can be done to address the problem.
065	Dr. Goldberg	Clarifies he was speaking about the complexity of the members, not the program. Describes the range of patients.
075	Sen. Ferrioli	Asks the contractors to talk about the methodology of capitation.
084	Dr. Goldberg	Discusses the technically complex rate capitation process, which requires actuaries to anticipate future conditions.
099	Sen. Ferrioli	Asks if capitation rates are adequate for services being provided.
105	Dr. Goldberg	Comments that the capitation rates are not adequate.
125	Sen. Ferrioli	Explains that because of inadequate capitation rates, practitioners often decide to discontinue services. Comments on advocacy groups.
156	Dr. Goldberg	Remarks on the problems associated with being uninsured.
160	Sen. Ferrioli	Talks about cost shifting occurring to get costs paid.

164	Dr. Goldberg	States that the addition of more members without additional cost would be good, unlike the addition of new members who bring with them additional costs. Says costs get shared across the community.
167	Sen. Ferrioli	Says the cost shifting is not apparent to most Oregonians, adding that it is important for the public to be informed on the issue. Talks about the endless need for access to quality health care under the constraints of finite resources and undisclosed cost shifting.
217	Jim Russell	Mid-Valley Behavioral Care Network. Mental Health Care service in five counties. Submits testimony explaining the network's partnership of consumer-advocates and service providers who offer a continuum of mental health and chemical dependency services **(EXHIBIT B)**.
290	Sen. Shields	Asks how many clients they have.
295	Russell	Replies that new eligibles represent about 20 percent of the 64,000 individuals.
350	Kevin Campbell	Greater Oregon Behavioral Health, Inc. (GOBHI). Distributes handouts **(EXHIBIT C)** and testifies that GOBHI manages the mental health benefits under the OHP for 30,000 Medicaid adults.
400	Sen. Trow	Stresses the inadequacy of the capitation rates so providers do not have to subsidize the program.
405	Sen. George	Asks how much worse off he would be with a Medicaid fee-for-service structure.
407	Campbell	Discusses why the fee-for-service structure is something they cannot go back to b/c many would be put out of business.
TAPE 15, B		
015	Campbell	Describes the "Percent of County Population Accessing DHS Service" portion of the submitted materials. Comments on the importance of being able to demonstrate to the taxpayers that they are doing a good job of using their tax dollars.
080	Dr. Mike Shirtcliff	CEO, Northwest Dental Services. Emphasizes the need for accessible dental care in rural areas. Talks about reducing rates for dentistry to administer a dental plan. Discusses the layers of bureaucracy in the OHP that bog the system down, and the need for a partnership of trust in Oregon.
155	Shirtcliff	States the dentistry program is good, and shouldn't be eliminated, but needs a good manager. Suggests turning over the OHP to private business. States there are savings that could occur in other areas.
231	Sen. Ferrioli	Asks why 16 capitation rates are necessary.
235	Shirtcliff	Discusses why numerous rates are needed.
260	Sen. Ferrioli	Observes that the practitioners average the cost down to one cost.
267	Jim Bunn	Northwest Dental Services. Says the providers should be asked to make the cuts, not the legislators. Stresses the importance of considering the best interests of the patient.

300	Kevin Earls	Oregon Associations of Hospitals and Health Systems. States that paying providers at the costs sufficient to provide services to Medicaid patients is a key founding principle because it allows Oregon to leverage federal dollars and the framework I work from. Talks about the two different payments systems that affect hospitals in the OHP: 1) managed care 2) fee-for-service payment system. Discusses how the capitated payment rates are not well understood by most Oregonians.
392	Earls	Addresses issues surrounding capitation.
TAPE 16, B		
009	Earls	Discusses the fee-for-service payment system and how the updates have not kept up with inflation, with the last adjustment having been made in 1986. Talks about the cost losses to hospitals on Medicaid patients. States that Oregon hospitals discharge about 40,000 Medicaid patients annually, at a loss of about $2,000 per discharge.
066	Sen. George	Asks about the process for recouping losses.
077	Earls	Says that the payment made is accepted as payment in full. Mentions that 95 percent of Oregon hospitals are not-for-profit, and have well-defined charity care policies.
085	Rick Berkobien	Committee Administrator. Requests confirmation that the $2,000 loss is an average and whether it takes into account hospital reimbursements.
089	Earls	Replies that the statistic is an average.
091	Sen. Gordly	Asks about the mission and charity care policy of the association.
101	Earls	Provides background information on the association, which works in advocacy roles throughout the state. Describes the issues they work on during the year. Charity care policies are of individual hospitals, not association.
138	Sen. Gordly	Requests confirmation that hospitals generally write off their losses for charitable treatment.
144	Earls	Replies that is the case, clarifying that most hospitals have a charitable mission policy. Says that hospitals desire to use their charitable mission dollars that stem from their not-for-profit status to provide care for those who need care and cannot afford to pay. Asserts that hospitals effectively subsidize a state program, and should be allowed to free up those funds.
161	Sen. George	Asks if payment is close to payment, could dollars be freed up somewhere else.
177	Earls	Replies that there is a two-thirds federal match, with all three thirds shifted to the private sector. Adds that the state saves only $1 for every $3 shifted.
187	Sen. George	Asserts that the legislature should understand that the federal government reduces matching funds as they are shifted.
192	Chair Minnis	Comments that either the state or federal government must pay

		for the program, and that cost shifting only results in a coinciding shift elsewhere. Asks if the distribution problem is a federal one.
203	Earls	Issue with regard to Medicaid is state problem, adding that Oregon receives a fairly healthy match rate for Medicaid. Remarks that Oregonians typically have fewer and shorter hospital stays than most Americans.
220	Chair Minnis	Recalls that in the 1980s the state used to use a Certificate of Need process for building hospitals. Notes that hospitals seem to be getting bigger and asks why hospital capacity seems to be rising.
235	Earls	Lists the factors driving hospital construction: • Population growth • Aging of population • Change from inpatient to outpatient care, resulting in new facilities to handle outpatient care
261	Chair Minnis	Asks how hospitals gauge the need for additional capacity, especially considering the cost of maintaining larger facilities.
275	Earls	Discusses the data collected that is used to make such decisions, 85 data points in all. Says the lengthiness of the construction process necessitates a careful decision-making process.
294	Chair Minnis	Requests an explanation of how the data points relate to the cost calculations.
298	Earls	Explains how costs are determined. Discusses his belief that hospitals have not been a cost driver in the OHP. Notes that fee-for-service is set in statute and has not increased since 1994.
355	Chair Minnis	Asks at what rate hospitals pay for prescription medications. Elaborates that at a recent conference he learned that some doctors are able to purchase medications at 20 percent of adjusted wholesale price (AWP), but are reimbursed at 80 percent. Asks whether a similar option is available to hospitals that offer prescription medications.
380	Earls	Replies that he does not know.
285	Chair Minnis	Requests that the committee be provided with the answer at a later time, considering that such a system would help make up for money lost in other areas.
400	Earls	Offers to provide the information at a later time.
401	Berkobien	Inquires whether hospitals are considered a cost driver within the OHP.
411	Earls	Replies that there are two ways to receive payment under managed care: • Fee-for-service, which reimburses at about 59 percent of cost for outpatient care • Managed care, which has a per-member-per-month cost that has remained fairly static over time
427	Chair Minnis	Asks about the role technology plays in hospital costs.
430	Earls	Replies that technology costs play a significant cost role, and

		offers an explanation of the accounting mechanism based upon a nationally used straight-line depreciation schedule.
TAPE 17, A		
002	Chair Minnis	Wonders how that fits in with the non-profit definition of hospitals.
004	Earls	Replies that he does not know.
006	Chair Minnis	Asks whether liability costs are increasing for hospitals.
007	Earls	Answers that liability costs are a major factor, on hospitals as well as physicians. Notes that some have left the obstetrician practice because of the high liability insurance costs, adding that such losses could begin to adversely affect care levels.
018	Chair Minnis	Presumes that the problem would be worse in rural areas.
022	Earls	Elaborates that because hospitals don't turn away patients, and payments to physicians are so low, that physicians often reduce the number of Medicaid patients they serve, which in turn leads to a spike in Emergency Room visits. Asserts that physician payments need to be adequate so that physicians will be willing to see Medicaid patients. Discusses what is happening in rural areas that have very low fee-for-service rates.
060	Rep. Cedric Hayden	House District 7. Remarks that physicians often seek to make up for the low reimbursement levels by seeing higher numbers of patients, which results in a corresponding drop in quality of care.
067	Chair Minnis	Discusses how quality of care can be impacted by efforts to see more patients to keep cash flow.
073	Earls	Talks about survey of members concerning the liability insurance levels and offers to provide that information.
080	Chair Minnis	Mentions the Governor's task force on liability issues. Requests additional informational materials on the subject.
087	Sen. George	Expresses interest in a comparison of average liability for patients on OHP versus a private plan.
092	Earls	Offers to provide the requested information at a later time.
098	Dean Andretta	Marion Polk Community Health Plans. References the Mid-Valley Independent Physician Association (IPA). Indicates that his organization has about 30,000 clients. Speaks to the issue of cost shifting and says OHP has done a good job addressing that. Stresses the importance of being careful stewards of health care dollars.
160	Andretta	Asserts that the Oregon Health Plan offers the best chance for health care access for many Oregonians. Comments on health care coverage prior to the implementation of the OHP.
216	Sen. Ferrioli	Asks how many different entities Mr. Andretta works with.
225	Andretta	Replies that Mid-Valley IPA has contracts with ten health plans, of a variety of types.
229	Sen. Ferrioli	Asks if all 10 have different rates of reimbursement.
231	Andretta	Replies that is generally not the case, although the larger ones have independent, though similar, fee schedules.
237	Sen. Ferrioli	Asks how they recover unrecovered costs related to low

		reimbursements.
246	Andretta	Describes how physicians and hospitals manage their unrecovered costs.
274	Sen. Ferrioli	Inquires whether uninsured people pay more for services than the medical reimbursements received from health plans.
285	Andretta	Replies that most providers' fee schedules are the same, regardless of what sort of coverage, if any, the patient has.
289	Sen. Ferrioli	Wonders whether private-pay clients pay full price, considering that there are no cost controls or advocacy groups for private pay clients.
292	Andretta	Answers affirmatively. Concedes that some offices offer cash discount policies, while others write off losses, utilize collection services, or provide services as charity.
301	Sen. Ferrioli	Hypothesizes that many physicians provide additional charity services beyond the required amount, but that such costs are lost in the cost shifting process.
315	Andretta	Concurs that such losses often occur and are written off.
321	Sen. Trow	Concludes that the health care plan mix in Marion and Polk counties are not perfect, but that they are working.
333	Andretta	Responds affirmatively. Talks about cost shifting being far more problematic before the OHP. Reiterates that access is greatly enhanced by the OHP. Says physicians will not contract with Medicare if OHP goes away.
353	Sen. Gordly	Asks whether all who need access can get it, including the 30,000 patients mentioned earlier.
369	Andretta	Talks about the availability of providers in Marion and Polk County.
400	Sen. Gordly	References the informational materials **(EXHIBIT D)**.
419	Dr. David Balmer	Medical Director, Marion-Polk Independent Physicians Association (IPA).
TAPE 18, A		
002	Balmer	Discusses the reasons that Marion-Polk IPA began its relationship with the OHP. Comments on the importance of practitioners being willing to take on the care of a population, even when the compensation for doing so is less than they receive for serving other populations.
065	Balmer	Elaborates on the challenges related to serving a needy population. Asserts that poor Oregonians will suffer if the OHP is eliminated.
089	Sen. Ferrioli	Solicits reasons as to why there is a shortage of medical practitioners in Oregon.
096	Balmer	Responds that managed care penetration is much higher in Oregon than in other states, resulting in lower reimbursement rates, though Portland has managed to avoid the problems associated with that.
123	Sen. Ferrioli	Agrees lower reimbursement rates and managed care bureaucracy have kept physicians out of Oregon. Wonders

		where Dr. Balmer got the impression that the OHP was going to be eliminated.
131	Andretta	Answers that the budget deficit threatens large state programs such as the Oregon Health Plan.
133	Sen. Ferrioli	Asserts that there is commitment to the OHP within the legislature.
136	Chair Minnis	Notes that he may have mentioned the possibility, considering the tremendous cost of the OHP and the budget options available to the state.
145	Sen. Ferrioli	Comments that money is lost on nearly every patient, which drives the goal to increase patient volume. Asks whether a higher physician density provides cost savings or cost losses. Wonders whether doctors are concluding that Oregon is not a good place to practice medicine.
177	Balmer	Replies that the problem goes beyond just the OHP. States that primary care physicians are usually the first to feel the strain of increasing costs and decreasing reimbursement.
191	Andretta	Submits that a volume change related to additional physicians could result in additional cost strain. Reiterates that practitioners can recoup costs by seeing more patients.
212	Sen. Ferrioli	Notes the liability cap was overturned by the Supreme Court in the *Lakin* case. Talks about unintended consequences of doctors seeing more patients in less time.
258	Chair Minnis	Notes the need for more dialogue and the problem of nurse shortages.
295	Jane Myers	Director of Government Affairs, Oregon Dental Association. Submits copies of written testimony **(EXHIBIT E)**. Mentions a Massachusetts case related to Medicaid reimbursement for dental care.
327	Haughton	Introduces Joy Soares, an access developer for CareOregon.
344	Joy Soares	Recalls that one of the reasons why the OHP was expanded was to extend health care services to the working poor. Shares an example of an access success.
443	Tom Holt	Executive Director, Oregon State Pharmacist Association (OSPA). Talks about access to pharmacies in the OHP and the setting of contract rates. Discusses the reduction in pharmacy services in the State of Washington since this rate was implemented.
TAPE 17, B		
045	Holt	Asserts that seniors are the last significant group of the population who do not have coverage for prescriptions. Discusses the different acquisition costs for different prescription medicines.
067	Chair Minnis	Asks who sets those prices.
069	Holt	Replies that the prices are typically set by the manufacturer.
085	Sen. Ferrioli	Remarks on the greater purchasing power of national chains with regard to pharmaceuticals.
094	Holt	Responds that most independent pharmacy owners are part of

		larger purchasing groups that allow them to achieve the same economies of scale as larger corporations.
103	Chair Minnis	Asks how the small pharmacies know they are getting the same price as are larger companies.
105	Holt	Acknowledges that they cannot know that for sure.
108	Sen. Ferrioli	Explains that the issue is whether larger providers can use their pharmacy departments as loss leaders.
117	Holt	Acknowledges that there is a perception that that is the case, but says that it is not the case on an industry-wide basis.
129	Sen. Ferrioli	Wonders why the pharmacists are losing money and why their capitation rates are so low.
140	Chair Minnis	Agrees this topic needs to be explored. Adjourns the meeting at 4:20 p.m.

Submitted By, Reviewed By,

Patsy Wood, Committee Assistant
Rick Berkobien, Administrator

EXHIBIT SUMMARY

A – Directory of CareOregon Network Providers, directory, Ruby Haughton, 150 pp.
B – Directory of CareOregon Network Providers, testimony, Jim Russell, 2 pp.
C – Directory of CareOregon Network Providers, materials, Kevin Campbell, 27 pp.
D – Directory of CareOregon Network Providers, guide, Ruby Haughton, 86 pp.
E – Directory of CareOregon Network Providers, testimony, Jane Myers, 5 pp.