

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

September 5-6, 2002 Hearing Room 50  
10:00 a.m. Tapes 3 - 8

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

**STAFF PRESENT:**        **Rick Berkobien, Administrator**  
                                 **Bill Taylor, Counsel**  
                                 **Patsy Wood, Committee Assistant**

**MEASURE/ISSUES HEARD:**        **Informational Meeting**  
  
                                 **Secretary of State Audits Division**  
                                 **Department of Human Services**  
                                 **Oregon Health Policy and Research**

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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 3, A</b>		
003	Chair Minnis	Calls the meeting to order at 10:12 a.m.
010	Cathy Pollino	Director, Secretary of State Audits Division (AD). Introduces Chuck Gibner, Assistant Director. Gives an overview of the Secretary of State audit reports ( <b>EXHIBITS A &amp; B</b> ). Explains what is used to compile the encounter data.
032	Sen. Trow	Asks if the information is standardized
035	Pollino	Responds affirmatively. Continues to discuss the encounter data audit. Talks about the importance of good encounter data. Talks about what the state is doing to ensure good encounter data. Says the question of "how far off is it" isn't answered in the audit – quality of the data is unknown.
071	Sen. Trow	Asks if the data is so far off to cause big problems.
073	Pollino	Does not know. A review should be performed.
078	Sen. Trow	Says the fix is sometimes more expensive than the problem.
080	Pollino	Agrees, but does not know how far off the data is because they do not have the expertise to do an extensive audit.

101	Sen. Shields	Asks if the data is accurate enough so that the capitation rates are appropriately set.
110	Pollino	Answers they do not know.
114	Sen. Shields	Mentions the questions of paying too much or not paying enough.
118	Pollino	Talks about cost of living adjustment based on services. Talks about the discrepancies in reporting.
133	Sen. Clarno	Asks if they interviewed plants going out of business because lack of reimbursement rates.
139	Chuck Gibner	Deputy Assistant Director (AD). Responds they did interview a couple but had no way to confirm whether the rates were paying enough or not.
145	Sen. Clarno	Asks if anyone has reported feeling financially stable.
150	Pollino	Assumes some would go out of business.
151	Sen. Clarno	Talks about people going out of business because they could not operate with the reimbursement amount. Says there must be problems with the encounter data and the reimbursement rate.
154	Chair Minnis	Asks if there was adjustment by region.
156	Pollino	There is a geographic adjustment and with population served.
158	Chair Minnis	Asks if providers are opting out. Asks about the expectations of the Audits Division. Hears that the data is so inaccurate that there is no guidance as to financial accountability. Asks what needs to be done to improve the data and if there is documentation of agency response.
197	Pollino	Talks about the Secretary of State Audits Division role: identify systemic fixes to these issues – what can they do to improve the process.
210	Chair Minnis	Talks about legislation recently passed by Congress regarding corporations' financial conditions where state agencies verify the true financial condition.
220	Pollino	Says they have the state's financial report.
224	Chair Minnis	States the purpose of the legislation was to hold CEO's accountable.
230	Pollino	Answers she is not aware of that.
233	Sen. Fisher	Comparee private industry's accountability to the state's lack of accountability. Discusses the expense and fines that private companies are subject to.
257	Pollino	Emphasizes the state has financial reports that are audited every year and there are standards with accurate reporting data.
267	Sen. Fisher	Talks about the exactness of private business reporting required by the state.
278	Sen. Ferrioli	Discusses the importance of the audit. It says this agency violates accurate data reporting. Reads from the report. This program fails to meet HCFA regulations. The agency is seriously challenged without quality controls on their encounter data. Says there are no controls in place for auditing prescription drugs which is a significant cost of the Oregon Health Plan (OHP).

320	Sen. Ferrioli	States there is potential fraud and waste found by the report. Discusses fraud that could occur with a simple chest x-ray. Reports that inadequate encounter data could be putting the program at risk. Talks about the length of time the audit took compared to the number of files. Emphasizes the seriousness of the problem. Wants more extensive audits in OHP.
420	Chair Minnis	Asks if the Secretary of State has copies of the data.
426	Pollino	Responds that a lot of the information is held by an accounting firm and the database could be shared with the committee.
440	Sen. Trow	Asks how big a problem we have.
445	Pollino	Answers that they do not know at this point. They could be “right on”
455	Sen. Trow	Asks if the quality of the encounter data is worse than any other state.
459	Pollino	Responds that there is a struggle everywhere. Surmises that being off a small percentage can cause big problems due to the size of the program in Oregon.

**TAPE 4, A**

005	Sen. Trow	Asks what we need to better understand the problem.
009	Pollino	Responds the next step is to prioritize the audits coming out of the Secretary of State.
020	Sen. Trow	Asks if more information is needed to analyze where we are.
022	Pollino	Responds they can put that together.
023	Chair Minnis	Asks if a larger statistical sample number is needed.
026	Pollino	Explains the numbers used.
032	Chair Minnis	Is there a problem, based on the information found?
034	Pollino	Answers, Yes.
036	Sen. Ferrioli	Emphasizes that the failure is with the system and controls, not the people running the program. There is no mandate for this agency to do anything about prescription drug data. A mechanism to measure data platforms is needed.
055	Chair Minnis	Discusses the potential of spending more money than we need to spend.
060	Sen. Shields	Responds this information is hard to determine if the data is incorrect. Discusses the expanse of this problem and legislators not having the time to explore the issue. There is not enough data to determine where the sources of the problems lie.
080	Chair Minnis	Says there is enough lack of information to explore the issue.
095	Counsel Taylor	Directs to Page 2 of report “income not identified” and asks eligibility requirements found in the report.
100	Gibner	Mentions looking for a high-risk pool to audit.
110	Pollino	Says there is an update on that.
113	Sen. Ferrioli	Says we do not know if it is a system error or lack of control or oversight of the Legislature, but we do know this audit says the program fails to meet minimum federal standards for data.
123	Pollino	Explains we are only looking at managing the program – not

		legislative oversight.
130	Gibner	Discusses the eligibility plan audit and how the data was gathered ( <b>EXHIBIT B</b> ). Says they looked at high risk individuals.
148	Chair Minnis	Asks for a definition of “high risk.”
150	Gibner	Explains their definition of “high risk.”
165	Counsel Taylor	Refers to Page 2, “Unreported Income”
178	Counsel Taylor	Asks if that is a conservative number.
180	Gibner	Responds that would be statistically relevant to that population.
182	Counsel Taylor	Asks if between 100 and 125 percent group of those receiving benefits but actually ineligible would be a substantially larger sum of money.
188	Pollino	Explains how the “pool” was narrowed to focus.
199	Counsel Taylor	Would it be safe go assume that as some people go below the line, others go above the time?
200	Pollino	Answers yes; there is that population between 100 and 125 percent.
206	Taylor	Asks if that number is factored.
208	Pollino	Answers, no.
214	Gibner	Each sample case went back into case files.
218	Chair Minnis	Pool between 100 – 125% is significant. Asks if the federal government allows for fluctuation.
226	Gibner	Continues his discussion of the population that fall into the high risk category. Comments on the number of individuals on the plan who did not have social security numbers. Premium waiver allowances were also considered. Refers to page 4 that gives contributing factors – notes drop in income was not investigated. Discusses non-citizens.
279	Sen. Shields	Asks about eligibility specialists.
290	Gibner	Responds that they worked with DHS and there was a problem with manageability because of large caseloads.
302	Sen. Shields	Discusses eligibility in his area of Portland.
314	Sen. Trow	Asks if there was good training for people who determine eligibility.
319	Gibner	Replies that in the enhanced verification process trainers are focused on this area.
335	Sen. Trow	Asks if those marginally qualified clients that needed immediate medical attention might have affected eligibility.
339	Gibner	Answers that was not a factor evident in our sample.
342	Rep. Kruse	Discusses time allotted for applications.
358	Sen. Ferrioli	Asks how you can make a determination without social security numbers – saying a number of citizens were approved. Discusses people from Washington and Idaho who hook up with the OHP. Talks about serving illegal aliens or people not eligible for the program which is contradictory to federal law (page 5 of <b>Exhibit B</b> ). Says there are not adequate quality controls within

the agency.

**TAPE 3, B**

018	Counsel Taylor	Asks about the “significant” rate of error – what is significant?
023	Sen. Ferrioli	Gives the example of 20 files, six of the households. Significant in some cases is 50 %. Only very few social security number files are pulled, like 20.
026	Gibner	Gives the sample of 15 of 60 files did not have a social security number.
032	Pollino	Says an audit test was done to determine out of state living. States that obtaining Post Office boxes was the most common way to get an Oregon address.
040	Chair Minnis	Asks if they identified addresses.
042	Sen. Fisher	Says reports were made on using other people’s addresses. Asks if driver’s licenses or voting cards were checked.
058	Pollino	Answers no.
060	Sen. Fisher	Discusses people who come from out of state with relatives in Oregon who use false Oregon residency. Wonders why eligibility requirements are not tighter. Notes that the report doesn’t say why social security numbers are not required.
062	Gibner	Replies that the individual applying has to have a social security number, but not people in the house.
127	Jean Thorne	Governor’s Office, OHP2 Project Director, DHS. Introduces Lynn Reed.
128	Sue Abrams	Children, Adults and Families, DHS. Gives background with DHS.
129	Vicky Green	Program Manager for Oregon Health Plan Statewide Processing Center, DHS. Gives background with DHS.
148	Abrams	Discusses the actions they put into place
155	Chair Minnis	Asks if she has access to financial accountability people within DHS.
160	Abrams	Talks about the eligibility audit. Says the policy on non-citizens has been changed in their rules.
181	Sen. Ferrioli	Asks if actual or potential savings were tracked as a result of the changes made.
184	Abrams	Answers they have not tracked them, but they could provide information if people are denied.
190	Sen. Ferrioli	Talks about ineligible being found and notification of discontinued benefits.
200	Abrams	Said new ineligible will not receive benefits. Talks about “pending” notice given to individuals. Talks about follow-up on areas that were pointed out by the Secretary of State audit report – waiver and income pieces. Says that a social security number or proof of applying for social security number is now required. Talks about a verification of income.
255	Sen. Ferrioli	Points out that a drop in income is a significant driver – value of OHP would compare to \$350/month in health care so people miss

		work or leave a job to stay on the OHP. Explains that people do not want to jeopardize their health coverage in low paying jobs.
285	Sen. Clarno	Asks about policy changes, Asks if caseworkers are going back in files to check eligibility or just new enrollees.
295	Abrams	Responds usually at re-certification or if it comes to someone's attention.
298	Sen. Clarno	Re-certify how often?
300	Abrams	Every six months. Explains training to staff at OHP after the audit.
311	Chair Minnis	Asks if staff was signing up people who were not qualified.
313	Green	Responds, no.
320	Chair Minnis	Asks how the interview process is monitored
325	Green	Talks about quality control done monthly.
328	Chair Minnis	Says he has heard that caseworkers have told individuals to leave their job to stay on the OHP or have another baby.
335	Green	Answers, no, she has not heard that.
339	Sen. Metsger	Asks if review of eligibility has been done in the agricultural field – says he has heard that a group of ineligible individuals get one person signed up. This has to do with assigning payment to one person rather than others.
366	Abrams	Explains they do a match with the employment division for a control. Says they have investigators.
375	Sen. Metsger	Asks if an investigation has taken place.
384	Abrams	Responds she does not know but can find out.
386	Chair Minnis	Asks how many screeners there are to determine OHP eligibility.
<b>TAPE 4, B</b>		
001	Green	Reviews the eligibility process for the OHP.
005	Chair Minnis	Asks to describe hospitalization process.
007	Green	Responds they fax the form in and emergency determination is made.
014	Sen. Ferrioli	Asks about spot checks – how many are required each month?
016	Green	Responds five reviews on each worker with 20-25 workers each month.
020	Sen. Ferrioli	Audit implies that every file on intake has to be reviewed. Encounter data needs to be correlated. Emphasizes the need for systematic quality control on intake. Asks if a minimum wage earner, 40 hrs a week, is eligible for OHP.
040	Abrams	Responds that depends on how many are in household. One person would not be eligible. Says minimum wage is above poverty level.
050	Sen. Ferrioli	Asks if an employer could hire people part time and sign them up for OHP.
055	Abrams	Answers, that if a worker was paid below eligibility and met standards, they could sign up for OHP.
060	Sen. Ferrioli	Asks if all people on unemployment would be eligible for OHP.

063	Abrams	Answers she is not sure, it would depend on their income.
066	Sen. Ferrioli	Based on minimum wage, at 30 hours per week, guesses they would qualify. Describes Washington County software developers were doing this very same thing. Says people figure out how to tap into these benefits. In District 30, 40% of the people he represents are eligible for DHR programs and services. This program needs to be sustainable.
087	Chair Minnis	Asks if there are analyses of what percentage are receiving OHP benefits. Asks for number employed and receiving OHP and how often people cycle through the program and the turnover.
090	Abrams	Respond there is information, and she can get the figures.
100	Sen. Trow	Asks about staffing problems – are caseloads too big?
109	Abrams	Responds at the present with turnover and the freeze there are 40 unfilled positions.
117	Sen. Trow	The issue is whether to supply adequate staff or hire specialists to watch over inadequate staff.
123	Abrams	Responds that some processes have been recommended to improve quality control. It would require additional staff.
135	Sen. Trow	Sympathizes with people who need to be on the program.
197	Jean Thorne	DHS. Talks about rising cost of health care to which the OHP is subject. Submits notebook ( <b>EXHIBIT C</b> ) and discusses 3 charts ( <b>EXHIBIT D</b> ). Speaks about the waivers ( <b>EXHIBIT E</b> ) and the flexibility they might have.
250	Chair Minnis	Discusses the responsibility of financial accountability – asks how do you avoid the alarmist?
262	Thorne	Responds on flexibility in reducing benefits.
265	Chair Minnis	Responds that that make the issue “muddier.” Talks about expanding a program without accountability.
273	Thorne	Responds the escalation of health plan costs are related to caseload increases and medical inflation. There is room for tighter controls.
280	Thorne	Agrees and says there are more processes to look at to make sure encounter data is accurate. Describes the bar chart in <b>Exhibit D</b> . Discusses waivers.
342	Chair Minnis	Discusses budget and raising the level to 185% of the federal poverty level and asks what that would look like in the future.
350	Thorne	Says they should get to that information in her presentation. Mentions constraints by federal government.
382	Chair Minnis	Asks for spreadsheets to help explain this.
389	Rep. Kruse	Mentions creation of new waiver application
423	Rep. Kruse	Wonders if legislators have seen documentation
425	Thorne	She can give 27 pages of the last set.
430	Rep. Kruse	States that if we were involved in creation of OHP, we should be involved in negotiations.
449	Sen. Fisher	Asks for information on list of co-payments – asks for the range.
455	Thorne	Answers they can get that.

465	Rep. Kruse	Submits testimony ( <b>EXHIBIT F</b> ).
467	Chair Minnis	Recesses the committee until 3:30 p.m.
<b>TAPE 5, A</b>		
027	Chair Minnis	Reconvenes the committee September 6, 2002 at 11:10 a.m.
035	Jean Thorne	Continues her discussion of the historical background of OHP from about 1983. <ul style="list-style-type: none"> <li>▪ Government should be responsible for taking care of the poor</li> <li>▪ Employers should be responsible for providing health coverage</li> </ul> Implementation began February of 1994. 10.7% uninsured in 1996 and creeping up. Talks about the controls in the OHP. Talks about actions taken in the 2001 legislative session.
141	Thorne	Compares statistics from 1995 ( <b>EXHIBIT G</b> ). OHP doesn't drive Oregon health care costs, it responds to them.
196	Thorne	Discusses approach for OHP2 and HB 2519 ( <b>EXHIBIT H</b> )
	Thorne	Discusses the three-bar graph in <b>Exhibit D</b> . Says they have asked for approval to go to 185% of poverty. Describes the FHIAP graph.
281	Thorne	Discusses the Initial OHP Standard Benefit Package in <b>Exhibit D</b> . Talks about what services are not covered. Talks about HB 2519. Says state would cover mandated services.
408	Thorne	Summarizes services that could go away, starting with dental care.
<b>TAPE 6, A</b>		
021	Thorne	States changes in cost-sharing that has to be approved by the federal government. Says the Legislature does not need a bill to move a line on the list, but would have to approve disappropriations.
048	Thorne	Discusses the Oregon Health Plan 2 State Budget Neutrality page of <b>Exhibit D</b> . Talks about the flexibility they now have from the federal government. Describes the savings that could be realized as of December 1.
140	Thorne	Discusses the Program Cost from Outreach/Expansion. Describes how the expansion will occur. Discusses restructuring of OHP; there are many concerns from the advocacy community about the impact of co-pays and premiums. OHP is trying to take a path that allows more flexibility and tools.
310	Chair Minnis	Asks if receiving benefits under OHP is optional.
320	Thorne	Answers the federal government has mandatory groups, optional people and a separate group because of waivers.
330	Chair Minnis	Could this group because it is optional go away?
334	Thorne	Yes.
336	Chair Minnis	Asks about the benefits of the OHP.
345	Thorne	Translates into savings to everybody but the state. Describes the uninsured.
354	Chair Minnis	Asks why that is in the state's interest.



365	Thorne	Hospitals being compensated by payers who have to pay more. Health care coverage is brought to 110,000 who didn't have it before.
388	Chair Minnis	We're doing this because it is humanitarian?
390	Thorne	Yes and a benefit to the private sector. Says preventive care is less expensive.
408	Chair Minnis	Asks if this information has been quantified.
410	Lynn Read	DHS. Says this has not been quantified – have looked at the issue, but have not figured out how to quantify results.
412	Chair Minnis	Discusses the idea of capping expansion – OHP Standard – asks if there has been an analysis and if a cap is defensible.
415	Thorne	Says it is subject to available funds and federal government is allowing them to cap.
418	Chair Minnis	Who would they sue?
440	Thorne	In this case they could sue anyone. The federal government is allowing the state to cap enrollment.
475	Chair Minnis	Speaks about managed care.
489	Thorne	Talks about how the capitation rate is used to pay managed care. Discusses premiums and co-pays.

**TAPE 5, B**

048	Sen. Fisher	Asks what has happened to payroll, licensing, cost of equipment and supplies, donated services which are the first to suffer when bills have to be paid.
066	Thorne	Clarifies charity care is going down and hospital gross costs going up. Managed care rates do not cover for all cases.
100	Sen. Fisher	Refers to testimony on paying for managed care. Mentions care givers losing money.
118	Thorne	Discusses changes in Medicaid, Medicare, private sector, and OHP.
148	Sen. Fisher	Wants it in the record that it is not true that providers have taken advantage of the higher payment OHP gives and are no longer doing charity work.
156	Thorne	Responds that another factor is that medical malpractice has gone through the roof. Costs are higher. There are a number of factors that drive the ability of a provider to be able to see OHP patients.
160	Sen. Fisher	Asks about dental co-pays.
162	Thorne	Points out Appendix 3.1.
175	Sen. Shields	Asks about doctors leaving Oregon due to high liability insurance.
180	Thorne	Defers to Dr. Santa.
183	Sen. Shields	Refers to Medicaid and CHIP being out there whether OHP is or not.
188	Thorne	Of the 450,000 on the health plan, 340,000 would be covered under Medicaid and CHIP.
191	Sen. Shields	Refers to inadequate eligibility determination.
200	Thorne	Defers to other members of DHS to answer this.

209	Sen. Shields	Wants to know the accuracy in eligibility information in those two categories. Asks about moving the line on the list.
235	Thorne	Points out the Legislature moves the line, not the agency.
245	Sen. Shields	Refers to the chart, DHS adults outreach, what kind of outreach and how does the \$10.6 million cost arise. Asks how outreach in one area can be outreach in another category. Asks about the interrelationship.
258	Thorne	Responds about expansion in OHP.
264	Read	Discusses the estimate. Discusses publicity for those who qualify for programs.
293	Chair Minnis	Asks how the \$10 million was arrived at.
293	Read	Responds it was based upon assumption that there would be influx over six months.
303	Chair Minnis	Asks if the \$10 million is mostly focused toward FHIAP?
304	Read	Answers it is the spillover from their outreach.
314	Chair Minnis	Asks how many are intended to increase in the outreach program.
315	Read	Answers 14,000.
324	Chair Minnis	Asks how these people get into the program.
327	Sen. Shields	Comments that this is additional cost to the OHP because of the outreach.
330	Read	Comments that they do not want to spend on expanding.
340	Sen. Shields	Describes a VISTA volunteer in his area. Describes federal money being brought in.
363	Read	Responds there is no dollar amount budgeted for outreach.
375	Sen. Shields	Asks what the minimum expansion that the federal government would require; has OHP set up how to determine that minimum?
390	Thorne	Answers not at the present. Until waivers are in hand, they will not.
407	Sen. Trow	Refers to new waivers, expansion, new eligible, premiums and asks should we cap those premiums?
424	Thorne	Answers they are establishing premium models.
435	Sen. Trow	Discusses how seniors are paying high medication costs and co-pays.
440	Thorne	Responds premiums and co-pays were topics discussed in the waiver committee for OHP Standard. Explains co-pays.
<b>TAPE 6B</b>		
030	Sen. Fisher	Asks if co-pays are mandatory.
034	Thorne	Explains that for the OHP Plus, the separate co-pays the Legislature dealt with are not mandatory, but OHP Standard, the 110,000 people, are mandatory under Medicaid law.
050	Chair Minnis	Recesses until 2:00 p.m. Reconvenes meeting at 2:00 p.m.
073	Sen. Gordly	Asks about the wait list of patients.
077	Thorne	Responds about the Family Health Insurance Assistance Program (FHIAP) program which caps enrollment. There are 20,000 on that list. The Medicaid parts of the program, OHP and CHIP,

		there are no wait lists. Those are currently entitlement programs.
090	Sen. Gordly	Comments that there are no specific wait lists for CHIP, we have a way of capturing what the need is. Asks for a perspective that shows without the OHP, what is the safety net in the communities to provide health care.
109	Thorne	Responds the first safety net is the hospital emergency room. Describes other clinics. Federally qualified health centers do charge co-pays.
131	Sen. Gordly	Asks if there is a description by county or district that describes usage of the OHP.
135	Thorne	States there is one by county and it will be distributed.( <b>EXHIBIT I</b> )
155	Sen. Gordly	Asks if they could see the total number of Oregonians receiving the existing health services existing in one picture.
164	Thorne	Discusses where those figures might be obtained.
180	Sen. Gordly	Asks if the data can be separated by ethnicity.
183	Lynn Read	Responds there is data within their MMIS data system on race.
199	Chair Minnis	Are we assuming some individuals are underserved by race?
202	Sen. Gordly	Answers that is a fact. Others can testify to that also.
208	Thorne	Discusses racial statistics.
217	Sen. Gordly	Explains how data can be of help in determining access to health care by race.
243	Thorne	Discusses by total population health care accessibility.
250	Chair Minnis	States there may be a larger served racial group that is questionable.
260	Sen. Gordly	Asks if there are questions we are missing.
260	Thorne	Responds the issues are very complex. Suggests further hearing all the perspectives mentioned.
285	Chair Minnis	Asks about the 110,000 in the OHP standard that are waiver related. What is the cost per enrollee?
289	Thorne	Answers somewhere around \$300 per individual. Offers to get the accurate figure.
297	Chair Minnis	And that is 40 percent, 60 percent federal?
302	Sen. Ferrioli	Asks about the waivers. Currently it is designed to give Oregon flexibility in allocation of costs and benefits;
326	Read	Responds the federal oversight agency guide is to provide technical assistance to states.
350	Sen. Ferrioli	Discusses how accountability requirements are affected.
365	Read	Says she will look into that further.
400	Sen. Ferrioli	Asks if we do not currently require any long-term care, non-institutional care or in-patient encounter data.
428	Read	Responds those services are not part of managed care.
439	Sen. Ferrioli	Asks for encounter data that the agency collects, and what new plans for encounter data it intends. The federal waiver is very good but the dark side is that it absolves administrators from meeting minimum standards for accountability and reporting.

Wants a better understanding of how the capitation rate is set. Wants to know who does the capitation rate. What are the data streams? How the correlations are made. Are there any connection between the people setting the capitation rates and any beneficiaries under this program?

- 482 Thorne Responds that the actuary is Price Waterhouse Coopers. They are available to explain the capitation rates.
- 490 Sen. Ferrioli Asks who audits the department.
- 495 Thorne Responds the department has an Audits Unit which has a function related to looking at the organization. That is intended to improve operations. The Secretary of State Audit is separate.

**TAPE 7,A**

- 050 Sen. Ferrioli So you do have an outside process that looks at your program?
- 052 Thorne Replies the internal process is for the department as a whole.
- 055 Sen. Ferrioli Asks if Price Waterhouse performs any other functions besides setting the capitation rates?
- 058 Thorne Says they set per capita costs. They are looking at our fee-for-service utilization and expenditures and our managed care utilization and costs.
- 063 Sen. Ferrioli Asks if they provide written reports.
- 065 Thorne Answers they provide detailed reports.
- 068 Sen. Ferrioli Asks to see the executive summary. Asks how clients get back onto a program once they have been off for six months.
- 072 Thorne Replies those under the poverty level have to wait the six months until they can reapply. If they are over the poverty level, it may be longer due to caps.
- 080 Sen. Ferrioli Do those unable to meet the premium end up in the emergency room?
- 085 Thorne Replies that is possible.
- 090 Sen. Ferrioli Asks about cost shifting between agencies and HMOs and service and care providers but also between agency and hospital, doctors' offices and clinics. Do you have an analysis of cost shifting caused by your agency?
- 100 Thorne Replies they do not have an analysis because it has not happened yet. There are reports Dr. Santa may have.
- 105 Chair Minnis Comments on minimizing the shift.
- 107 Thorne Says they do not have data on physicians and other providers.
- 110 Sen. Ferrioli Asks if the agency implements the proposed prescription drug data system, and if it created a savings, where would that money go.
- 115 Thorne Until capitation rates change, any benefit accrues to the plan. Discusses utilization of that money.
- 120 Sen. Ferrioli Wants to make sure this program is sustainable, accountable, and is solvent. Says it sounds like when an asset appears it may disappear. Hoped that the Secretary of State's audits would trigger the desire to become accountable to meet the minimum federal requirements for reporting and to show potential

		improvements in performance and efficiency which result in savings. Says he does not see this.
170	Sen. Ferrioli	Emphasizes that the program will be lost if accountability is not attempted. You have to show how there can be savings.
185	Thorne	Answers during the interim DHS comes to the Emergency Board every six months. They rebalance at that time.
199	Chair Minnis	Comments that these are interesting issues in a complex area. Supports focusing on accountability of the agency. Asks how many states have programs that insure above the federal poverty level.
210	Thorne	Suggests 10 to 20 states.
212	Chair Minnis	Supports tracking accountability of the agency.
215	Sen. Trow	Comments that he did not realize there was a serious accountability problem with the agency. Is there concern at the federal level on how this money is being spent and how the program is operating?
220	Read	Answers she has not heard of anything.
222	Thorne	Answers that the federal agency has looked to Oregon as being one of the better states in terms of encounter data collection. This is an emerging field for states.
265	Sen. Trow	Talks about people who could not afford the program and would end up in emergency rooms. Suggests other consequences of not getting health care in the job, school, getting sicker, and even death.
312	Chair Minnis	Asks if that could be quantified.
315	Sen. Trow	Replies that some are qualitative and cannot be quantified but they are important.
320	Thorne	Discusses how coverage leads to savings. Ability to quantify is difficult.
325	Sen. Shields	Discusses accuracy of information in Oregon and other states. Asks about other states encounter data.
340	Thorne	Responds that changed in 1997 coming out of the Balanced Budget Act requirements.
350	Sen. Shields	Asks if Oregon's encounter data system is ahead of the other states.
360	Thorne	Replies that is probably true but the standards are set by the federal agency.
363	Sen. Shields	Adds also the Secretary of State Audit guidelines.
377	Sen. Ferrioli	Says that what he just heard is that the agency has better encounter data than the other states, yet, the agency agrees with the auditor's report that they are not meeting the minimum standards for encounter data reporting. Emphasizes that point.
400	Thorne	Responds that it is not characterized as a superior program; the level of efficiency in other states is very low.
405	Sen. Ferrioli	Asks if we meet all the federal requirements.
407	Thorne	Replies we meet the federal requirements for Oregon.

410	Sen. Ferrioli	That is circular! Either we meet the federal requirements or we do not.
415	Chair Minnis	Based on the waiver they are not required to meet the standards.
418	Sen. Ferrioli	Asks if we do not have federal requirements, do we have any requirements?
422	Thorne	Answers that the one requirement for other states not applicable to Oregon is the one to collect pharmacy encounter data and Oregon is now doing that.
428	Sen. Ferrioli	Suggests the legislators need to have data that can be made sense of to fulfill their role as oversight authority.

**Tape 8,A**

050	Chair Minnis	Recesses until 4:30 p.m. Calls meeting to order at 4:38 p.m.
055	Dr. John Santa	Office of Oregon Health Policy and Research. Submits testimony and discusses HB 2519. Talks about a bid for a new actuary. Says 41 states have capitated Medicaid programs figured in 41 different ways. Points out that a workgroup has been formed to provide input to the process. Discusses Section 12 of HB 2519 <b>(EXHIBIT J)</b> .
133	Sen. Fisher	Wonders if this information borders on Federal Trade Commission (FTC) collaboration.
137	Dr. Santa	Responds that information about trade levels is not FTC's concern, but independent competitors discussing that information and organizing joint efforts to affect reimbursement rates is of concern.
143	Sen. Fisher	Points out a problem he had when information was released.
153	Dr. Santa	Says comparative information can be shared with practitioners.
157	Chair Minnis	Asks what difference it makes.
159	Dr. Santa	Responds the question is what do the hospitals get, the doctors, individual doctors get.
168	Sen. Ferrioli	Talks about reimbursement rates for doctors and hospitals and wonders what dynamics come into a rural community. Capitation rates driven down by low per capita income so capitation rates are lower in rural areas than urban areas. Wants the assurance that the RFP won't bias capitation rates against rural Oregon.
233	Dr. Santa	RFP directs the actuary to be open to a number of areas, including the cap rate methodology.
241	Sen. Ferrioli	Comments that medical care in rural communities can cost more, but the capitation rates would not show this.
250	Sen. Trow	Asks how the RFP is going to be performed.
257	Bob DuPree	Deputy Administrator, Office of Oregon Health Policy and Research. Explains what the actuaries will do in Oregon.
276	Sen. Ferrioli	Describes former task force that visited rural Oregon a couple of years ago. Suggests their sharing the experience with the RFP organization.
280	Sen. George	Asks how Oregon compares with the 30 states not participating in this type of program in payment to hospitals and doctors.
300	Dr. Santa	Replies there are studies available showing comparable

		reimbursement rate by states. Says Oregon compares well for primary care services, but not as well for surgical services. Says it is more difficult to compare services on the hospital side.
323	Sen. George	Mentions the Secretary of State audit report saying primary providers are leaving because they're losing money. Is that correct?
331	Dr. Santa	Mentions providers who have been replaced by smaller HMO's. Says the state significantly increased reimbursement last October, but the state's increases are still falling short of the market. Industry costs are increasing significantly.
393	Sen. Ferrioli	Asks if Oregon is 49 <sup>th</sup> out of 50 states in physician reimbursement rates. Says this is driving the recruitment and retention issues.
403	Dr. Santa	Says, overall, we are lower than average; Oregon is around 38th.
409	Sen. Ferrioli	Asks if that is overall reimbursements.
412	Dr. Santa	Replies physicians only.
<b>TAPE 7, B</b>		
009	Sen. Ferrioli	Requests rankings on reimbursements.
010	Dr. Santa	Says he will get those to the committee. Points out documents in the packets.
016	Sen. Trow	Asks how the work groups and the actuarial inter-relate.
021	Dr. Santa	Explains the work groups are ongoing and they are to interact with the actuary. The physician group will be asked if they are aware of an alternative to RBRBS (the Medicare methodology for paying physicians). Says physicians were unhappy with that and a new system may have to be looked at.
036	Sen. Trow	Asks if options and recommendations go to the next Legislative session.
044	Dr. Santa	Responds that is what the bill calls for. Continues pointing out the health care drivers – especially the increased costs in all sectors of the health care industry. Refers to <b>(EXHIBITS K &amp; L)</b> and a website showing where Oregon ranks in terms of state spending per Medicaid enrollee <b>(EXHIBIT M)</b> refers to chart <b>(EXHIBIT N)</b> .
126	Sen. Ferrioli	Refers to trends in exhibit. Discusses health care cost drivers. Discusses fraud and abuse drivers.
144	Dr. Santa	Says he is not aware of that study.
146	Sen. Trow	Asks if there is an average estimation on program abuse.
152	Dr. Santa	Says he would assume so. Explains how fraud and abuse is handled.
160	Sen. Trow	Asks about fraud and abuse in the system.
166	Dr. Santa	Points out areas where fraud might occur. Says where there is a lot of money, there is a lot of opportunity. States risk should become more predictable.
195	Dr. Santa	Third area: cost shift – the waiver brings in federal dollars which should mean less cost share, not more. Mentions statistics on the uninsured.

227	Dr. Santa	Refers to a study by Providence/Health System report entitled Continuity & Turbulence in an Expanded Medicaid Managed Care Program ( <b>EXHIBIT O</b> ). Encourages the committee to talk to the people who did this report.
299	Chair Minnis	Says the line has to be drawn somewhere.
304	Dr. Santa	Says the waiver creates a sliding scale which gives people an alternative as their income rises. Talks about the importance of a six-month lapse in insurance. Says the waiver creates options that were not there before.
334	Chair Minnis	Asks if there is staff, like Paul Warner, who could plug this into a chart.
340	Dr. Santa	Replies it is a complex picture. Says he is worried about hospitals in Coos Bay and Grants Pass who are the primary employers and would suffer if the program is cut back.
364	Sen. Gordly	Asks that the people who provided this report come before the committee.
369	Dr. Santa	Absolutely.
370	Sen. Gordly	Can we take time to hear from the Robert Wood Johnson Foundation?
385	Chair Minnis	Replies if it applies in a limited-resource environment.
400	Sen. Gordly	Recommends seeking as much objective information as we can get.
412	Dr. Santa	Points out this is the first time the federal government is going to enroll people and let some of them choose between a private and public insurance – a truly original idea.
438	Chair Minnis	Sounds good, but who is going to do the data.
443	Dr. Santa	Says a grant has come from RWJ foundation to prepare the waiver; the state will be overrun with researchers because of the offerings in the waiver.

**TAPE 8, B**

013	Jim Neely	Deputy Assistant Director, DHS. Submits ( <b>EXHIBIT P</b> ). Refers to the Audit Section in the committee's notebook.
025	Chair Minnis	Asks if he would respond to the audits in writing.
127	Neely	Says he would be happy to respond to what the agency has done in response to the audit.
052	Sen. Clarno	Says Sue Abrams did touch on the agency response yesterday. Asks if individual tax returns are sought in terms of wages.
058	Neely	Replies he can check wage and hour records, but does not know if the Department of Revenue will share that information.
064	Sen. Clarno	Responds that the individual would have to give permission. Wonders about state and federal permission.
070	Chair Minnis	Reiterates that he wants to know what the agency has done in response to the audits.
078	Sen. Ferrioli	Asks what the Secretary of State is going to do after the audits raised questions.
087	Chair Minnis	Agrees. Personally he would not be averse to shutting down the



		OHP system.
115	Sen. Gordly	This statement causes her to wonder about our collective compassion as legislators and Oregonians, and what will happen to the OHP and the people who rely on it for services. Oregon leads the nation in unemployment and hunger.
163	Chair Minnis	Talks about his poor beginnings. Is worried about how the state of Oregon manages its money.
176	Dr. Santa	Adds that there are lots of actuaries watching these decisions; the biggest challenge is stability.
198	Sen. George	Talks about how the OHP has risen in costs since its inception. Describes how the program is out of control.
219	Sen. Ferrioli	Talks about the need for compassion to be mixed with discipline to make the plan cost efficient.
311	Sen. Fisher	Agrees. Points out the need for accountability for the dollars spent.
326	Sen. George	Clarifies the figures he used earlier.
337	Sen. Trow	Knows this is an expensive, but a valuable program. Some people want a more comprehensive program than we currently have. Feels this program is cost effective because of what it does for the people in Oregon as a whole; it keeps people healthy and productive.
370	Chair Minnis	Notes the broader discussion of health care in the nation.
399	Dr. Santa	Says there is no state that has been willing to take on tougher choices than Oregon. Gives examples.
429	Chair Minnis	Feels the work of the committee could be valuable.
434	Sen. Gordly	Asks if BM 23 passes, what is the plan?
442	Chair Minnis	Adjourns the committee at 5:55 p.m.

Submitted by,

Reviewed by,

Patsy Wood  
Committee Assistant

Rick Berkobien  
Committee Administrator

Transcribed by,

Nancy Masee  
Committee Assistant

## **EXHIBIT SUMMARY**

**A –Encounter Data, Pollino, 10 pp**

**B – Audit Report, Pollino, 8 pp**

**C – Oregon Health Plan Information, Thorne, Notebook**

**D – Charts on Income Eligibility and Oregon Health Plans, Throne, 3 pp**

- E – 1115 Waiver Amendment Application, 5/31/2002, other OHP information, Thorne, 118 pp**
- F - Written testimony, Rep. Kruse, 5 pp**
- G – Caseload summary, DHS, 3 pp**
- H – HB 2519-B, staff, 8 pp**
- I – Eligibility by County, Thorne, 2 pp**
- J – Contractor Reimbursements, Dr. Santa, 3 pp**
- K – Overhead presentation on health care costs, Santa, 14 pp**
- L – Health Care Cost Trends, Santa, 7 pp**
- M – State health care facts, Santa, 4 pp**
- N – Personal Health Care Spending Per Capita Charts, Santa, 3 pp**
- O – Continuity & Turbulence in an Expanded Medicaid Managed Care Program, Santa, 3 pp**
- P – Chart on income levels under 100% FPL, Neely, 1 p**