These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks

report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

SENATE COMMITTEE ON HEALTH INSURANCE AND BIOETHICS

April 18, 1991Hearing Room C 3:00 p.m.Tapes 62 - 64

MEMBERS PRESENT:Sen. Bob Shoemaker, Chair Sen. Joyce Cohen, Vice-Chair Sen. Jeannette Hamby Sen. Lenn Hannon Sen. Frank Roberts

MEMBER EXCUSED: Senator Hannon

VISITING MEMBER:Senator Kitzhaber

STAFF PRESENT: Barbara Coombs, Committee Administrator Mark Sigel, Committee Assistant

MEASURES CONSIDERED: SB 1076, SB 1077

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TAPE 62, SIDE A

Witnesses: Jim Swenson, Department of Insurance and Finance (DIF) Melody Long, Oregon Health Action Campaign (OHAC)

000 CHAIR SHOEMAKER: Calls meeting to order at 3:10. Starts hearing on SB 107 6.

015 JIM SWENSON, DEPARTMENT OF INSURANCE AND FINANCE: 1076 would require some limited rate bands. The National Association of Insurance Commissioners has reached a consensus which includes many of the same ideas found in SB 1076.

060 CHAIR SHOEMAKER: Does a rate have to be compensatory on order to be approved?

065 SWENSON: In the small group market, in fact in all of the group markets, we have no explicit rate authority. We do have authority over individual rates.

085 SWENSON: Insurers often offer low rates to small groups for the first year of coverage. However, rates tend to go up as individuals

within the group encounter health problems the group tends to become less select and rates are increased.

160 SWENSON: With respect to rate banding, 1076 has a tighter band than the NAIC band. 1076 prohibits rates from varying more than 25% from the community rate. A pure community rate with no variation would prove counter-productive in a voluntary market. First, because the uninsured population tends to be very young. A pure community rate would drive up the cost of insurance for the majority of the uninsured population.

214 SENATOR ROBERTS: What is a pure community rate?

215 SWENSON: You would charge the same rate to everyone in the community regardless of their sex, age and health.

225 SENATOR ROBERTS: Did you say that the younger groups represent a greater risk than the older groups?

227 SWENSON: The younger group is less of a risk.

232 MELODY LONG, OREGON HEALTH ACTION CAMPAIGN: Submits (EXHIBIT A) which explains that SB 1076 must be stronger. 1076 as it is encourages employers to discriminate against part-time workers and workers with big families. Presents section by section critique of the bill.

TAPE 63, SIDE A

Witnesses: Bob Castagna, Oregon Catholic Conference Robert Buckner, RV Associates Senator John Kitzhaber

060 BOB CASTAGNA, OREGON CATHOLIC CONFERENCE: Asks that an employer conscience clause be included in this bill.

075 CHAIR SHOEMAKER: What would be in such a clause?

080 CASTAGNA: A prohibition against abortion, sterilization and other fertility funding.

100 ROBERT BUCKNER, RV ASSOCIATES: Of the 400,000 uninsured people in the state, 125 ,000 will be covered by expanding Medicaid through SB 27. Of the remaining 275,000 probably a third will be unemployed and won't be affected. So, this bill will only affect about 150 ,000 to 200,000. My feeling is passing SB 1076 to restructure the insurance industry and get coverage for these people is like using an elephant gun to kill a mouse.

131 CHAIR SHOEMAKER: We expect to find that the small group plan will be less expensive than current insurance rates.

133 BUCKNER: I don't think it will be that way. Insurers are only making 1% profit. The quality of health care would deteriorate under this kind of program.

185 CHAIR SHOEMAKER: We are going to temporarily close our hearing on 1076 and turn to 107 7.

193 SENATOR JOHN KITZHABER: There is a strong relationship between the availability of health care resources and their use. If you have it you use it. There are different hospital utilization rates depending upon the area of the state. By getting the hospitals which have high

utilization rates to adopt a lower, more appropriate, rate we can save money.

318 SENATOR KITZHABER: If you were to take the rate at which physicians hospitalize people in Medford and apply that rate across the state we could save about $18 million per year. The Salem rate would capture about $47 million per year and the Bend rate would capture about $59 million per year.

410 SENATOR KITZHABER: My amendment in conceptual form involves extending the existing CN process for another 2 years. I also propose lowering the threshold so that we get more people involved in this process. Additionally, certain data would have to provided to the Office of Health Policy before new technology could be purchased.

TAPE 62, SIDE B

018 BARBARA COOMBS: What enforcement method could be used influence hospitals to lower their technology and service utilization rates?

024 KITZHABER: The most effective enforcement method would be to link reimbursement to the appropriate utilization of the technology. It is important to establish what the appropriate utilization of a technology is - this must be clinically based. Second, we must link reimbursement to utilization. Third, we must indemnify providers who are going to follow these practice parameters.

033 CHAIR SHOEMAKER: There are studies about establishing practice parameters which focus on physicians rather than on hospitals, right?

040 KITZHABER: That is right.

050 CHAIR SHOEMAKER: Do you feel that after this study the collected data would then be used in conjunction with a resource allocation process such as the one contemplated in SB 1077?

052 KITZHABER: Yes. The conceptual amendments we are proposing essentially require that information be collected through and housed in a biomedical information communication center made available to the Office of Health Policy and to consumers and providers. The Office of Health Policy could then take that information and in consultation with the provider community could then develop parameters for the appropriate use of these technologies and then that information would become the basis for future certificate of need decisions.

073 CHAIR SHOEMAKER: That sounds consistent with what SB 1077 is proposing.

092 CHAIR SHOEMAKER: Ends the hearing on SB 1077 and opens the hearing on SB 107 6.

105 PEGGY ANET, LEAGUE OF OREGON CITIES: Submits (EXHIBIT B) which explains that if 1076 mandates that cities and counties must extend health insurance to part-time and temporary workers then public sector budget processes will meltdown. As an example of how tight city budgets are, Pendleton has a $1.4 million budget which they will have to reduce by $500,000 by July 1.

230 AMY KLARE, AFL-CIO: Submits (EXHIBIT C) which explains that her organization is supportive of the bill and supportive of a regional

community rating system with limited rate bands and no underwriting based on claims experience or health status.

290 MARK NELSON, NATIONAL ASSOCIATION OF SOCIAL WORKERS: Submits (EXHIBIT D) which has a section by section analysis of the bill. Their main concern is that the Legislature be able to fund an adequate number of health services for the Oregon Basic Health Services Plan. We believe that the top 13 groupings constitute a basic health package - we would like to see the Legislature fund these groupings but with Measure 5 it seems uncertain whether the Legislature will be able to do this. We are concerned that alcohol, drug and especially mental health services are covered.

390 NELSON: I will provide an amendment which will say that the mandates for the 17 health services will remain in place until the Health Services Commission folds alcohol, drug and mental health services into the Basic Health Program.

426 CHAIR SHOEMAKER: You should understand that alcohol, drug and mental health services have been prioritized on the List. The Legislature has not yet drawn the line to identify which services will be funded, however.

TAPE 63, SIDE B

Witnesses: Brain Delashmutt, Oregon Nurses Association

054 NELSON: Section 6, which would require all self-insured plans to be subject to the standard health benefit plan, would be a violation of ERISA.

089 CHAIR SHOEMAKER: Doesn't section 14 essentially make individual provider mandates unnecessary because it says: "Any services provided within a health care provider's license are reimbursable."?

090 NELSON: I'm not sure. "But it is my understanding that the Senate President believes that this language is far too broad, that it would allow in providers who have a state license and are operating within the scope of their practice but who do not hold a mandate under state statute."

120 BRIAN DELASHMUTT, OREGON NURSES ASSOCIATION: Submits (EXHIBIT E). We too have concerns about tying the standard plan to what the Legislature is willing to buy. We would have a problem with the conscience clause because it could be used to exclude a lot of services.

149 KEVIN EARLS, ASSOCIATED OREGON INDUSTRIES: We made the commitment to endorse the Oregon Basic Health Services Act. We recognize that small market insurance reform was intended to be a part of that Act but we feel that SB 1076 does a lot more than that and that some provisions are too hasty.

- We feel that the rate banding, guaranteed issue and preexisting condition clauses in SB 1076 should apply to all products in the small group insurance market.

189 CHAIR SHOEMAKER: Are you saying that you would rather not have all policies cover at least the standard health services?

200 EARLS: I understand that under the existing legislation insurers

can't offer a policy that covers less than the Standard Health Package covers. I'm suggesting that insurers should be free to craft packages that offer more extensive coverage.

276 CHAIR SHOEMAKER: Earlier you said that you support every policy covering the basic services... now you seem to be saying that the self-insureds should be allowed to provide a package of benefits that does not include everything that is in the basic package.

284 EARLS: Self-insureds should be given the latitude to design their own health insurance packages which might not be the same as the basic package. Otherwise, we think that corporations may lower their benefits to match the basic package because they will not be compelled to offer anything beyond that. What I would like to propose is that some existing companies might be better served to allow their existing plans to continue. There should be a mechaniSMfor reviewing plans and approving plans which are richer than the basic package but which may lack some of the elements of the basic package.

381 EARLS: The small businesses of this state are very concerned about this bill. To address this concern we should reconsider the 30 day enrollment requirement. We should make it longer. We should address double coverage better.

TAPE 64, SIDE A

Witnesses: Ted Falk, Qual Med Oregon Health Plan

022 SENATOR COHEN: How are we going to deal with businesses that start up and don't pay taxes for 3 years? Are we going to look at some sliding fee scale within some other pool?

030 EARLS: We do need to help protect fledgling businesses somehow.

036 SENATOR COHEN: We must protect the businesses but not at the cost of their employees lacking health insurance. We may give such businesses a subsidy for a certain period of time - however, the businesses would have to pay the subsidy back somehow.

098 TED FALK, QUAL MED OREGON HEALTH PLAN: Submits (EXHIBIT F) which explains that his group thinks that federally qualified HMOs be exempted from the rating restrictions of SB 1076. His group questions the necessity for a state-offered standard plan.

220 CHAIR SHOEMAKER: Adjourns the hearing at 5:15.

Submitted by: Reviewed by:

Mark Sigel Barbara Coombs
Assistant Administrator

EXHIBITS

A - 1076 Testimony, Long, 8 pages

B - 1076 Testimony, Anet, 7 pages

C - 1076 Testimony, Klare, 2 pages

D - 1076 Testimony, Nelson, 11 pages

E - 1076 Testimony, Delashmutt, 3 pages

F - 1076 Testimony, Falk, 3 pages

G - 1076 Testimony, Gallon, 7 pages

H - 1077 Testimony, Bishop, 3 pages