

RESTRUCTURING THE OREGON HEALTH PLAN

Better Services for Oregonians



Far left, Karen Whittaker, Sandy Ryman (AHEC). Far right, Art Hill, Workforce Development Board & SBDC, with Senator Nelson.

In January 2003, the 72nd Legislature encountered an Oregon Health Plan (OHP) that was costing far more than the state had in available resources. Even after benefits were reduced to the newly created OHP Standard population in February 2003, costs continued to increase.

A special committee to create accountability and reform of the plan was created. The premise behind the reform was to identify cost-saving actions and ensure a more stable program for the future. Some of the cost-saving actions were to decrease the number of covered services on the state's prioritized list, utilize supplemental drug rebates and conduct drug utilization reviews. The hard work from legislators and key stakeholders resulted in several pieces of legislation.

Foremost, is the first legislative action since the inception of the OHP that reprioritized both populations and benefits. The impetus behind this act was to allow the legislature flexibility in determining the populations to be covered and the benefits to be offered. Ultimately, this will provide more tools to control costs when developing the OHP budget in the future.

A limited set of core benefits was defined that must be provided to the mandatory and optional populations. Core benefits for the OHP Plus (mandatory) population include: federal mandatory services, physician services, prescription drugs, lab and x-ray services, medical supplies, mental health services, chemical dependency services, emergency dental services, non-emergency dental services, other provider services and inpatient and outpatient hospital services. Core benefits for the OHP Standard (optional) population include the same benefits as the OHP Plus except: non-emergency dental services, other provider services, and inpatient and outpatient hospital services. Services beyond the core package may or may not be covered by the legislature based on funds available.

In addition, populations were prioritized to allow the legislative assembly to determine who should be covered in any given biennium based on available funds. By prioritizing populations based on income, need and cost, the legislature will now be able to cover specific populations based on available resources.

The Office of Medical Assistance Programs (OMAP), administrators of the OHP will have more flexibility to increase enrollment in the OHP managed care program. This is expected to increase access and quality of care for enrollees - limiting the utilization of costly emergency services. However, managed care can only work in areas where utilization of resources at the community level is maximized to best serve Oregonians.

As well, the state is directed to develop a benchmark for setting payment rates for managed care entities. This information will allow all parties to compare benchmark rates to any rates set in a legislative budget, which will permit a more transparent and open process.

An emergency hospital benefit will be provided to the OHP Standard population pending approval from the federal government on the state's Medicaid provider assessment. Revenue generated through the assessment will be dedicated to fund the emergency hospital benefit.

The 72nd Legislature attempted to pick up where the 71st left off by making prescription drugs more affordable. A prescription drug program will be established in the Department of Administrative Services to purchase drugs in order to receive discounted prices and rebates; make drugs available at the lowest possible cost; and maintain a list of recommended drugs that are the most effective at the best prices. Also, the drug rebates will apply to the following groups: state agencies that directly or indirectly purchase prescription drugs, Public Employees' Benefit Board, Oregon Health and Sciences University, local governments and special districts, enrollees in the Senior Prescription Drug Assistance Program and residents 55 and over who meet certain qualifications.

As health insurance costs continue to burden employers and employees and the number of Oregonians without private health insurance is increasing, legislators tried to help alleviate their financial burdens by controlling mandated coverage and with legislation.

One bill of note will make health insurance more affordable by allowing small employers - between 2 and 50 employees and who did not offer coverage as of July 1, 2003 - to offer benefit packages that are free of state mandates; therefore allowing standard benefit coverage, which would include inpatient/outpatient hospitalization, laboratory and diagnostic services and physician services.

Of particular importance to rural Oregonians, this session all funding (\$1.3 million) for rural Emergency Medical Services (EMS) was sacrificed to salvage the Poison Control Center. In the past two sessions, the Office of Rural Health has appropriated funds from the Criminal Fines and Assessment account for grants to rural EMS organizations. Legislation to further assist rural health clinics stalled in Ways and Means; however, a bill has been signed by the Governor that requires the Oregon Medical Assistance Provider and private insurance carriers to pay certain rural health clinics for dispensing prescription drugs.

TORT REFORM/MEDICAL MALPRACTICE



Senator Nelson visits with rural health care providers & Dr. Goldberg, Governor's policy advisor.

The U.S. Department of Health and Human Services recently published documents stating that medical liability is now a significant threat to health care quality for all Americans. A problem intensified as a result of an increasingly unpredictable, costly and slow litigation system.

Expensive litigation results in increased medical malpractice premiums. In Oregon as in many other states, qualified physicians are retiring early or relocating to states that have reformed their litigation systems. This has led to decreased access to providers, compromised patient safety and increased health care costs.

States that have been able to control medical malpractice rates have implemented caps on the awards for non-economic damages. For example, in 2001, the average loss ratio (ratio of claims paid to premiums collected by insurers) in states without caps was 100.86 compared to 68.98 in states with reasonable limits on non-economic damages.

A 1999 Oregon Supreme Court decision determined that capping non-economic damages (pain & suffering) was unconstitutional. Since this decision, legislators have been considering alternative ways to approach tort reform.

The 2003 legislative session began with a myriad of bills attempting to reign in the spiraling costs of medical malpractice insurance. The goal was to impose a cap on non-economic damages that may be awarded in civil action seeking damages arising out of bodily injury, death, or damage. Other bills attempted to modify the medical litigation process, but were equally unsuccessful in getting through the legislative process.

While unable to "fix" the problem, to alleviate the detrimental impact of high malpractice insurance rates on rural medical providers, legislation was passed requiring the State Accident Insurance Fund Corporation to establish a reinsurance program for medical liability policies for specific rural providers. The fund is expected to help lessen the burden on rural providers and thus, prevent migration of providers from rural areas.

Additionally, the legislation establishes a Professional Panel for Analysis of Medical Professional Liability Insurance to study the medical malpractice insurance industry and report back to the governor and the legislature by December 15, 2004 with data on why insurance prices are climbing so rapidly.

* Other professionals are experiencing similar rapid insurance rate increases for liability coverage (i.e. Contractors, pilots and others). Next legislative session, the entire issue of tort reform for cost containment of professional liability, particularly non-economic damages will likely get a closer look.

SUMMARY OF LEGISLATIVE ACTIONS AFFECTING THE 2003-05 BUDGET

- The 2003 Legislature reduced state agency budgets by \$86.5 million total funds by eliminating funding for merit step increases and cost of living adjustments for all state employees.
- The statewide balanced budget plan calls for elimination of vacant positions, unless justified. The 2003 Legislature eliminated 1,019 of 3,785 actual vacant positions, reducing state agency budgets by \$68.7 million total funds. In the 2003-05 adopted budget, there was no increase in the number of state agency full time positions overall, and a decline of 306 if Higher Education is excluded. In addition, a total of 759 state employees were laid off during the 2001-03 biennium and another 149 demoted in lieu of layoff.
- The legislature required all state agencies to identify Other Funds savings from implementation of PERS reforms and transfer these amounts, with few exceptions, to the General Fund. This action is expected to generate approximately \$40-\$50 million.
- The Legislature required all state agencies to track and revert General Fund savings achieved from compliance with various administrative restrictions and from actions taken that increased government efficiency.
- Due to constraints on the state budget, General Fund support for certain agencies and programs determined to be non-essential for the health, safety and welfare of Oregonians was suspended for the 2003-05 biennium.
- The 2003 Legislature passed a number of reforms to the Public Employees Retirement System (PERS) that had a direct impact on budgets of all participating employers. (See above PERS section.) While legal challenges have been filed against all or a part of this legislation, the PERS Board was required to adjust employer contribution rates for the effects of the bills. The reductions to employer contribution rates that resulted from these reforms were significant. Substantial savings to state and local employers for the 2003-05 biennium have been recognized as a result. The legislature also approved (and voters agreed in the September Special Election) the use of less costly long-term debt to pay down the state's portion of the PERS unfunded actuarial liability. Combined, these Legislative actions caused savings of approximately \$300 million General Fund for the biennium.
- Additionally, each agency budget review included a review of performance measures to be used in the future for determining agency progress in attaining expected performance toward approved goals and outcomes.