

# THE OREGON BUSINESS PLAN HEALTH CARE INITIATIVE

For Discussion at 7<sup>th</sup> Annual Leadership Summit

## SUMMARY

In order to lower health care costs, improve quality, and expand access to care, the Oregon Business Plan recommends that business take a leadership role in the following:

- Use value-based purchasing strategies by employers and public sector purchasers to improve quality and lower costs.
- Support increased transparency of health information and investment in health information infrastructure.
- Evaluate and support reform plans that address the high cost of healthcare, improve quality, and provide coverage for all Oregonians.

## Vision

We support actions to give all Oregonians access to quality healthcare. This can best be accomplished by creating the proper economic incentives where everybody is motivated to improve health, ensure quality, and control costs. In such a system, individuals, employers, health plans, and providers have incentives to encourage good health, and consumers make informed choices about health practices and treatment options based on understandable health information and transparent prices and quality.

## The Problem

As described in previous Leadership Summits, the current health care system in the U.S. and Oregon is not delivering value.

- The U.S. spends a much higher share of its GDP on health care than other developed countries.
- Health insurance premiums have been increasing at an unsustainable rate.
- In Oregon, lower reimbursement rates for Medicare and Medicaid patients increase the costs paid by employers and individuals.
- These higher costs drive employers to drop or reduce coverage or pass them on to their employees.
- This drives people to drop insurance and become uninsured, a vicious cycle that leads to increased costs.
- As a result, nearly one-sixth of the population is without health care, and in a recessionary times, this will only get worse.
- In addition, the quality of care in the U.S. is inconsistent and often below the standards of other developed countries.
- Our healthcare system lacks the proper economic incentives to engage consumers and providers in higher quality more cost-effective care.
- And, we do not have true accountability and transparency.

## ACCOMPLISHMENTS TO DATE

- ✓ Continued to work with the Oregon Coalition of Health Care Purchasers (OCHCP) to encourage employers to use more effective health benefits purchasing strategies. Co-sponsored an educational forum on value-based benefits designs to control costs and improve quality. Promoted the use of the common RFI (eValue8) to measure health plan performance
- ✓ At the request of the business community, the healthcare industry has commissioned work on 4 key drivers of health care costs with a goal to keep commercial premiums closer to CPI.
- ✓ Supported the work of the Oregon Health Fund Board with active participation of business leaders, including the chairmanship by Bill Thorndike. Many of the elements of the Oregon Business Plan reform design were included as recommendations in the final report.
- ✓ Supported the Aligning Forces for Quality initiative to develop and use improved quality measures.

## Why is this important for businesses and all Oregonians?

The high *cost* of health benefits:

- Makes it more expensive for Oregon businesses to compete in a global market.
- Reduces funds for business investment.
- Dampens economic recovery and job growth.
- Reduces funds available for cash compensation to employees.
- Contributes to poor employee and dependent health, which hurts productivity.

In addition, the high cost of publicly financed health care crowds out needed public investment in education and transportation.

## What Action Can Be Taken Now

There are three critical areas the business community needs to take action on over the next 12 months to address the health care issues in Oregon.

1. Support or implement changes to keep health care premiums more affordable by using value-based purchasing strategies and supporting the voluntary efforts of the Health Leadership Task Force, a group of healthcare industry experts commissioned at the request of the business community, to implement strategies to keep underlying health care costs and premiums closer to CPI.
2. Support efforts for improved transparency of health information with greater availability of cost and quality data that is useful to consumers, providers and purchasers and support investment in other health information infrastructure
3. Evaluate state and federal health reform proposals in adherence with the Oregon Business Plans established principles and support pragmatic and incremental reform strategies that are focused on controlling costs and improving quality

### 1. Controlling Costs

#### ***A. Use Value-Based Purchasing to improve value, i.e., higher quality and lower cost.***

Employers should:

- Encourage a culture of wellness and personal responsibility.
- Design benefit plans to improve health, including coverage of preventive services, management of chronic conditions, protection from catastrophic costs, and incentives for wellness.
- Create an effective market for health care: consumer choice of health plans, better consumer information, and appropriate consumer cost sharing.
- Develop clear and consistent expectations and incentives for health plans and providers to encourage higher quality and use of evidence-based care.
- Participate with the Oregon Coalition of Health Care Purchasers to access tools to develop and evaluate the effectiveness of your business's health care strategy.

## ***B. Support the efforts of the Health Leadership Task Force***

Employers should support and hold accountable the Health Leadership Task Force on delivering results on the four major areas:

- Administrative Simplification—standardize and simplify three key administrative functions among hospitals, health plans and physicians.
- New Reimbursement Approaches—develop new reimbursement and payment approaches that offer better economic incentives to reduce unnecessary utilization, greater efficiencies and better outcomes.
- Evidence-Based Best Practice—implement strategies focused on reducing high cost medical areas to achieve benchmark performance.
- Value-Based Benefits—develop benefit options that align with medical evidence and support care options that are cost effective.

### ***2. Encourage development of health care information infrastructure.***

- Adoption of electronic medical records.
- Secure exchange of health information among providers.
- Standardized measures of quality, and transparent information on costs and quality that can be used by consumers, providers and purchasers.

### ***3. Evaluate and engage in discussion on state and federal health reform proposals.***

Following the Business Plans principles, support pragmatic and incremental reform strategies that include the following key elements:

- Effective cost management strategies that will lead to a sustainable financing strategy.
- Strengthens the current employer-based system to ensure continued coverage for the majority of Oregonians.
- Expand the Oregon Health Plan, to reduce the number of uninsured and improve access after implementing effective cost management strategies and establishing a sustainable funding mechanism. Use additional state revenue to maximize federal matching funds. Increase payments to providers who serve Medicaid patients to improve access to care. In exchange, providers and health plans should reduce the cost shift by lowering charges to privately-insured employees and individuals.
- Increase access to coverage for individuals and small businesses: require individuals to have health insurance, subsidize low-income workers and individuals to enable them to afford coverage, and explore the creation an “insurance exchanges” to make it easier for individuals or small businesses to purchase insurance.

## **Key Principles to Reform the Health Care System**

As outlined the 2007 Business Plan, any state or federal reform plan should adhere to these principles:

1. **There are three essential issues to address: cost, quality and access.** Any proposal that does not address the system changes to reduce costs will be unaffordable.
2. **The healthcare system is badly broken and needs fundamental change.** Ultimately, the system of delivering health care services requires major restructuring.

3. **This is a systemic problem that requires collaborative problem-solving.**
4. **All stakeholders must accept their responsibilities for improving the system.**  
Consumers to stay healthy; providers to help keep patients healthy and offer evidence-based, cost effective care to all who need it; employers to offer benefits to employees and dependents, if they can afford it; health plans to offer coverage to all who need it and work with providers to reduce costs/improve health outcomes; government to ensure access to coverage and the use of value-based purchasing to encourage efficiency and quality.
5. **We believe that a system that is built on the private health care delivery system and uses proper economic incentives is most likely to achieve the goals of cost control and quality.** While there is an appropriate role for government as a facilitator, regulator and value-based purchaser, we believe that the private delivery system with the right incentives for providers, is the best way to improve quality and cost-effectiveness. Consumer engagement and personal responsibility are critical. Consumers must have real choices, an appropriated level of price sensitivity and access to information and decision support tools.
6. **We need practical solutions that can be implemented.** While we need a long-term vision for a redesigned health care system, we must find pragmatic approaches that build a bridge from the existing health care system to a future system that delivers value and evidence-based care. We recognize that investments in basic infrastructure are needed.
7. **Business leadership is needed to drive improvements** in the health care system. As the primary purchaser of health benefits on behalf of their employees, they have a major stake in ensuring that the money spent produces value. Building on the employer-based system also allows employers to customize their health benefits programs to meet their employees' needs.

### **State of Oregon Health Care Reform**

In 2007, SB 329 was passed that created the Oregon Health Fund Board with the charge to develop a long-term reform strategy for the state. The Oregon Business Plan supported this action. In late November 2008, the final report was delivered to the Governor and Legislative leadership.

The Oregon Health Fund Report lays out a very comprehensive plan for reform beginning in 2009 and moves to a fully reformed system by 2015. There are several key actions the Board is recommending to begin in 2009. The keystone is the creation of a citizen board with authority to establish and enforce state policy for the state, to oversee all aspects of health reform and to implement its policies by contract and contract standards. The Board would be responsible for executing all elements of the report. The second major recommendation is the expansion of Medicaid for children and adults funded through a provider tax and matching federal funds. The report also proposes a series of other foundational, planning and cost management initiatives to be funded in 2009.

### **Early Perspectives on the Oregon Health Fund Report**

The business community sincerely appreciates the commitment of the Board, staff and it's many sub-committees to present the State with a very detailed roadmap for health reform in Oregon. It is clear from the report that the Board grappled with the complex issue of health care in its many facets.

Many of the recommendations in the report appear to be consistent with the Oregon Business Plan. We expect that over the next several months, we will be engaged in discussions about what Oregon should advance in context with the national reform initiatives emerging at the federal level.

**The business community believes that cost is the first and foremost issue facing the state.**

Given the recessionary times we are in, this is even more important to address now. We want to ensure that any plan clearly addresses the fundamental drivers of health care costs through the creation of proper economic incentives and other cost management strategies. It is an imperative that the cost of health care be more affordable for employers and individuals. We believe strongly in the need for transparent and useful data for patients, purchasers and providers. We also want to make sure that any strategies deployed strengthen, and do not harm, the employer-based system. To that end, we think government needs to pay for reasonable costs for the Medicaid and Medicare populations rather than shifting those costs on to employers and individuals.

After preliminary review we offer the following observations and look forward to further dialogue on these elements:

1. State agencies that purchase health care should work together to implement consistent purchasing strategies. We encourage a stronger collaboration between the private and public sector to adopt best practices and other value based purchasing strategies by working with Oregon Coalition of HealthCare Purchasers. Working with the Coalition, we hope to more quickly deploy these strategies both within private and public employers.
2. Private employers also have a keen interest in transparent cost and quality data. We support an investment in a statewide, all-payer, all claims data collection program for cost and quality data, with standardized measures. This would give consumers and purchasers of health care the ability to compare data and direct quality improvement projects in Oregon. The Quality-Corp (Q-Corp) has been working on elements of data measurement and reporting for some time. Rather than investing in a new Quality Institute, we support the state contracting with the Q-Corp, who with their other funding sources, could accelerate this work and deliver results more quickly in a public-private partnership.
3. Expanding access is a difficult issue that will require much additional discussion. We support the concept of expanding coverage, but believe that we must first execute sound cost containment strategies and second, have a sustainable broad based financing mechanism in place to fund expansion. In our system today, premiums paid by employers subsidize care for other Oregonians created by the underpayment from Medicare and Medicaid, and for covering the costs of indigent care. We believe government needs to pay reasonable costs for the care they provide for. While, the business community understands the rationale of a provider tax as a strategy for drawing federal match to provide more services to children and other Oregonians, we also recognize that if a tax was levied, it could eventually show up in higher health care costs and premiums. Data from a leading actuarial consulting firm indicates that expanding access, using a provider tax, could exacerbate the impact on commercial premiums. Throwing more costs on employers to expand access would make the system even more unsustainable and result in more people uninsured. We need to focus on ways to keep commercial premiums more affordable. We would support expansion if we have cost improvement strategies underway and if there were a way to generate funds to obtain the federal match and not have a negative impact on commercial premiums. While

we support using a cigarette tax to fund public health, we would also support using a cigarette tax to fund expansion.

4. Recognizing the complexity of the health care system and potential for unintended consequences, we believe that health care providers have a critical role to play in crafting strategies to reduce costs and improve quality. Most of the cost containment strategies in the report will require the active engagement of health plans and health care providers to implement. The State, and private and public employers should encourage the private sector work of the Health Leadership Task Force and hold this group accountable for developing and implementing effective strategies. We need to create great sense of urgency for their work and not hinder them with unneeded regulations or bureaucracy that could stifle innovation.
5. We support the need for the state to coordinate and monitor health care costs, quality and access in Oregon and to act as a facilitator to help address the health care problems facing the state. We strongly believe that health providers (doctors, hospitals, health plans, OHSU and other health profession schools) need to be fully engaged in creating the proper incentives and implementing the change necessary to deliver results. We also believe that private and public employers, Q-Corp, the Purchaser's Coalition should be active participants, as well as the state resources, in the implementation of these strategies. We do have a concern of combining regulatory authority with a group who has coordinating, oversight and facilitator accountabilities. We look forward to further discussion on this concept and what will be the most effective means to create the right incentives to drive change and deliver results.
6. Lastly, given the momentum for healthcare reform at the national level, Oregon should be deliberate and pragmatic about what should be advanced at the state level.

We applaud the work the Oregon Health Fund Board and look forward to discussing these recommendations and other federal reform initiatives in the near future.

#### **Health Care Initiative Leaders**

Peggy Fowler, Portland General Electric  
Mark B. Ganz, The Regence Group

#### **Background Resources**

OBC white paper, "A New Vision for Health Care," December 2004.  
Oregon Business Plan Policy Playbook and Initiative Guide (Ch. 6 – Health Care), January 2007.  
OBC presentation to the Oregon Health Fund Board, "A Responsible Plan for a Sustainable Health Care System", October 30, 2007.  
Oregon Health Fund Report, November 17, 2008. Oregon Health Policy and Research.