Transforming, Coordinating and Exchanging

An update on Oregon's health care transformation, coordinated care organizations, and health insurance exchange

HFMA

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Presentation Overview

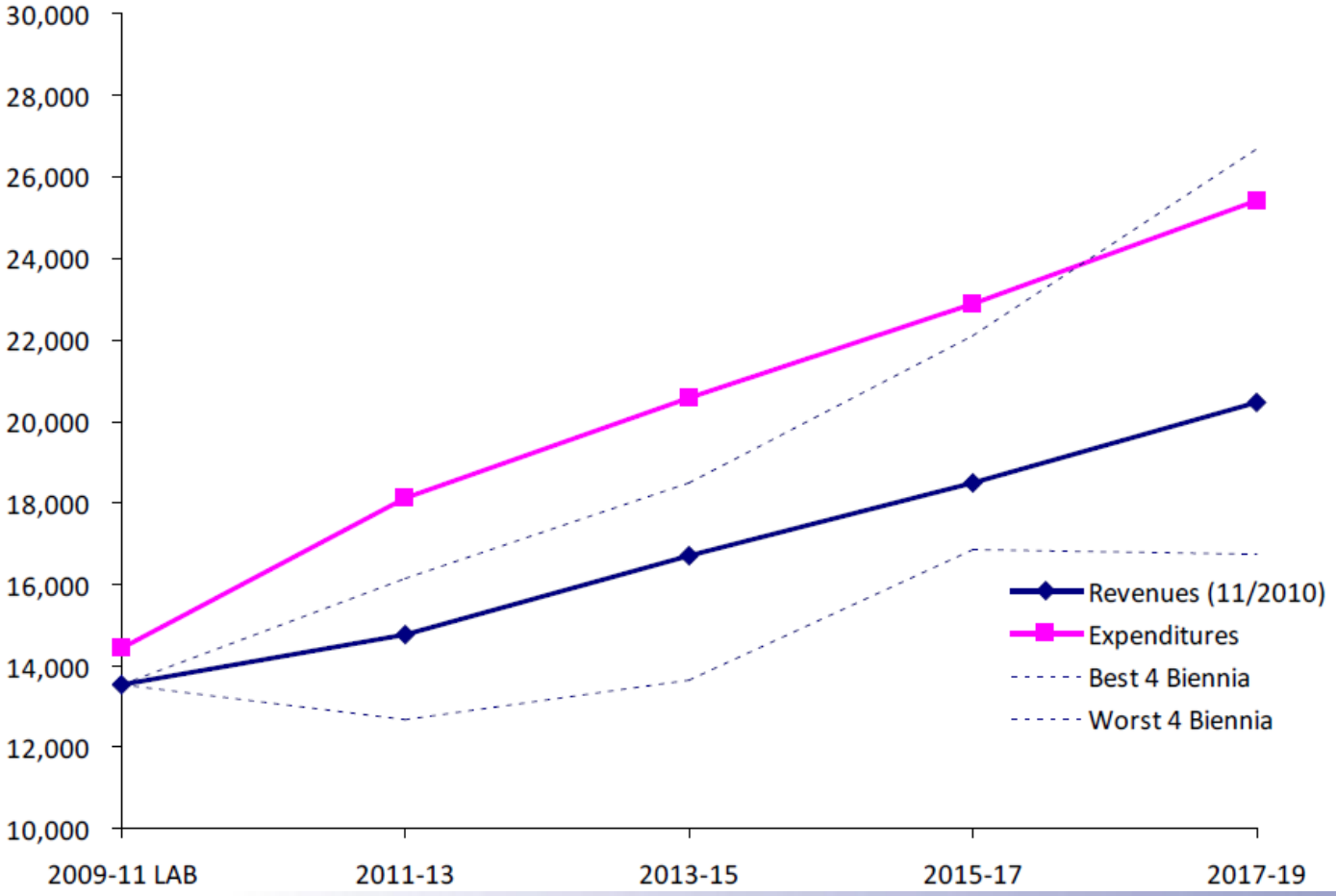
Health care areas of focus:

- The budget issue
- Oregon's 2012 legislative session
- Oregon's health insurance exchange
- Health care transformation and coordinated care organizations (CCOs)
- 2013 priority issues

The budget issue

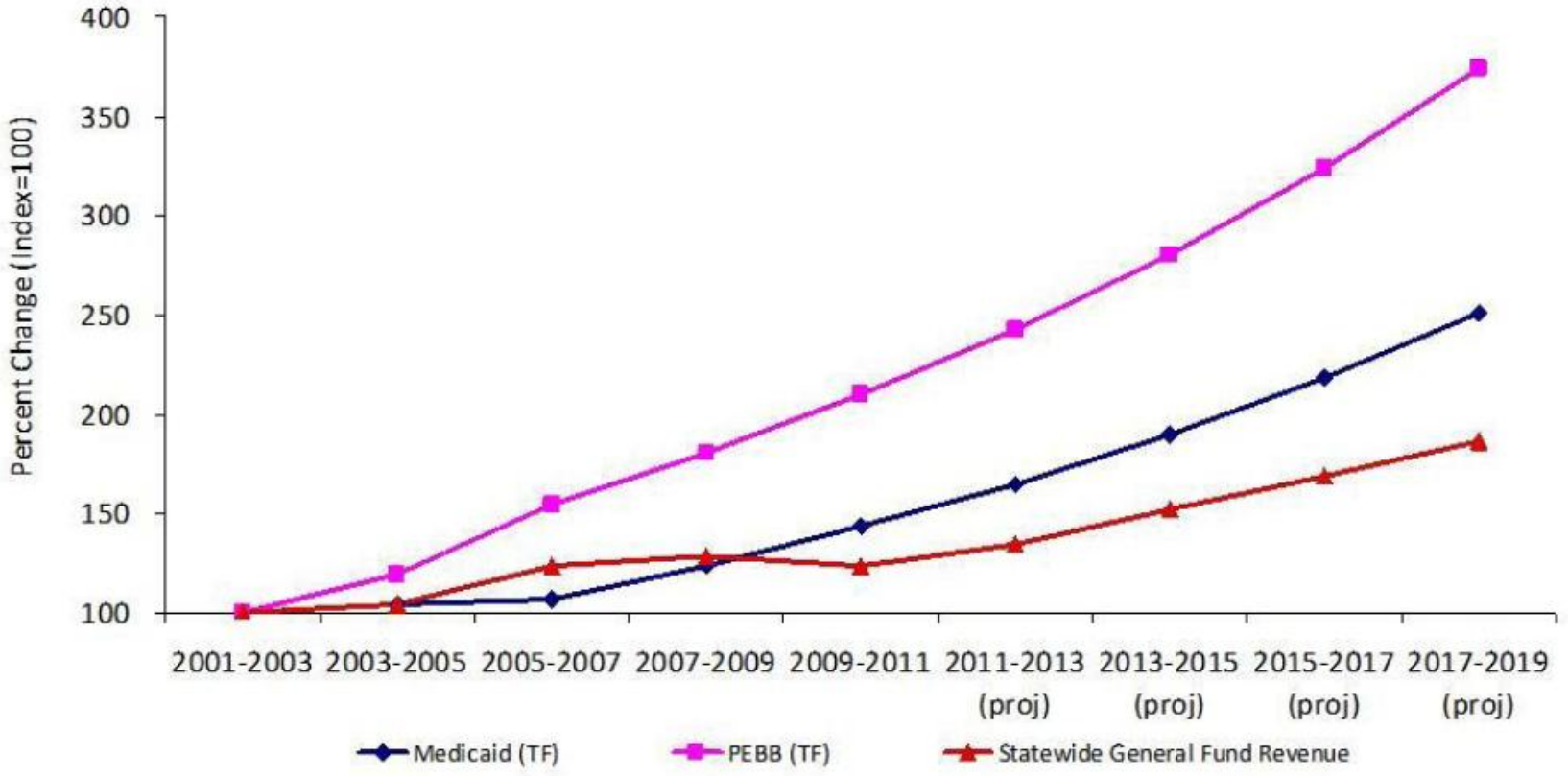
Oregon's Revenue vs. Expenditures

Projected costs / state revenue



Oregon's Cost of Health Care

State health expenditures vs. revenues



Oregon's Budget

State revenue **projections continue to decrease**, most recently revenue was down another $35.1 million – the 14th consecutive quarter of decline.

- In 2011, Oregon faced a **gap of over $550 million dollars in the Medicaid budget**
- Lawmakers **reduced provider reimbursement rates and increased the hospital provider tax**
- The **remaining savings came from *anticipated* Medicaid efficiencies** from health care transformation (HB 3650), expected to save $239 million in the budget

Oregon's budget

Oregon's constitution mandates a balanced budget.

- Mandate + dismal fiscal climate + uncontrolled Medicaid expenditures = a unique opportunity to quickly redesign Oregon's Medicaid system

The reality is:

- The expected **efficiency savings will be minimal** in the short run, and the state will not reach the $239 million
- **State has secured $1.9 billion NEW federal funds** - approximately $400 million per year for five years
- **Uncertainty remains**:
  - Federal requirements and strings attached to new funds?
  - State criteria for distribution of new federal funds? Based on population? Meeting CCO transformation objectives?
  - Can new CCOs deliver low cost, high quality care?

Oregon's 2012 legislative session

2012 legislative session

- **First official annual session** since Nov. 2010 vote to change the Oregon Constitution
  - 160 day session in odd-numbered years and 35 day session in even-numbered years
- **Session began Feb. 1** and adjourned *sine die* on March 5th
- Key issues during the session included:
  - **Education reform** – early learning through higher education
  - **State budget r**e-balancing
  - **Health care transformation** business plan approval
  - **Health insurance exchange** business plan approval

Oregon's health insurance exchange

Health insurance exchange

A health insurance exchange is a **“shopping center”** to help individuals and small employers purchase coverage.

- In **2014 each state will have an exchange**, as mandated by 2010 federal health care reform law
  - The purpose it to facilitate comparison and choice between benefit plans that meet coverage benchmarks
- Oregon passed legislation in 2010 (SB 99) to begin implementing a state health insurance exchange
- **Oregon’s exchange will be open to:**
  - Individuals and small groups (1-50) in 2014
  - Mid size groups (51-100) in 2016
  - Large groups in 2017

Federal requirements

The 2010 federal health care reform law:

- Provides subsidies through tax credits to **make insurance more affordable** for those individuals at133-400% of the federal poverty level.
- Sets **minimum benefit standards** for exchange plans:
  - Federal requirements for essential benefit plan are still being developed
  - No annual or lifetime limits in benefit plans
  - No cost sharing for preventive care

Oregon's Insurance Exchange

Functions of Oregon's Insurance Exchange include:

- Providing **comparative information** on costs, benefits, and providers
- Assistance facilitating enrollment with the **use of "navigators"**
- Administering **risk mediation** programs including reinsurance
- Ensuring **fair competition** for plans inside and outside the exchange
- Establishing criteria for **grading health plans**

Implementation timeline

Oregon's Health Insurance Exchange	
Mid 2012	• Exchange operation elements and benefit design • Release RFP for insurer participation
Late 2012	• Select health plans • Prepare for federal certification
January 2013	• Federal approval of exchange • Prepare for launch
October 2013	• Open enrollment begins for individual and small groups
January 2014	• Insurance coverage is issued through exchange
January 2015	• Exchange must be financially stable, federal funds end

Issues & questions

Exclusivity

- Oregon's Exchange will not be the exclusive marketplace for individual and small group purchasing
  - Parallel markets in/out of the Exchange

Selection of carriers

- All insurers meeting defined standards may participate
- Strong push to allow exchange to selectively contract – will be issue again in February 2013 legislature

Essential health benefits

- Will Oregon's benefits mirror federal standards?
  - Oregon must pay for additional benefits if it requires them

U.S. Supreme Court ruling

Background:

- 26 states have filed suit against federal government
- Conflicting decisions from federal appeals courts
- Supreme court decision expected June 2012

Primary issues

- Is the individual mandate to buy insurance constitutional?
- If *not* permissible, how much of the remaining law should be struck down with the mandate provision (referred to as “severability”)?

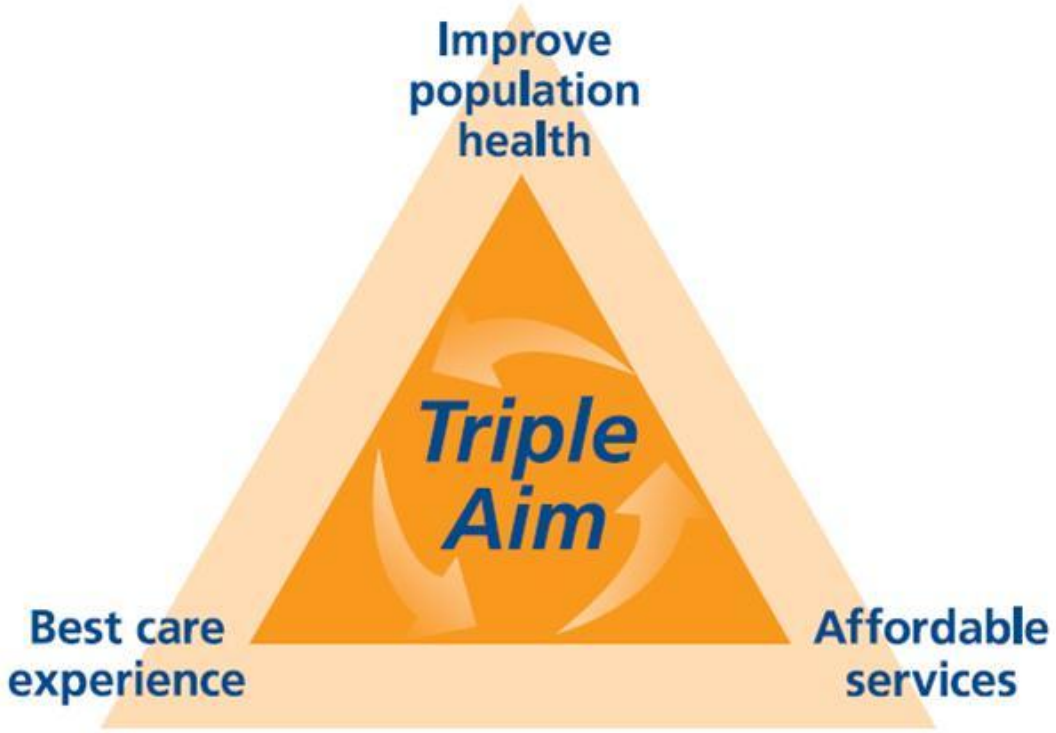
Oregon’s exchange

- Unlikely the decision will change Oregon’s work - too invested and headed in this direction prior to the federal law

Health care transformation and coordinated care organizations

Why transformation?

1. **Budget**
2. **The Triple Aim**



Health Care Transformation

Background on transformation:

- Transformation is expected to **lower the cost of health care** by restructuring the Oregon Health Plan (Medicaid)
  - Anticipated savings **$239M**
- **Coordinated Care Organizations (CCOs)** are the primary transformation tool
  - Health care transformation was **passed in 2011 (HB 3650**)
  - CCO implementation was **approved during the 2012 legislative session (SB 1580)**

What is a CCO?

- Community-based partnerships
  - Hospitals, physicians/clinicians, insurers, safety nets, counties
- Accountable to provide all needed services and coverage for physical, behavioral, dental health care, and the medical component of long-term care
- All CCOs share fundamental principles:
  - Operate in self-defined regions
  - Use a patient-centered primary care home model
  - Provide single point of accountability for care
  - Operate within a fixed, global budget
  - Maintain performance and outcome standards

What is a CCO?

- Involved in and accountable to their communities
  - Boards will include community members
- Will serve Oregon Health Plan members
  - In the future the state may offer CCO-based care to PEBB/OEBB and Oregon Health Insurance Exchange participants
- A different way of providing health care …

How CCOs might change health care…

CURRENT MODEL		CCO MODEL
Competition/ fragmentation	→	Collaboration / coordination and aligned incentives
Sickness/acute care focus	→	Health and overall wellness focus
Unpredictable costs	→	Predictable fixed, global budgets
Complexity/proprietary models	→	Simplification / standardization
Uncertainty/lack of clarity	→	Fully transparent
Inequity	→	Health equity for underserved populations
Individual business model	→	Community accountability

Recent issues

2012 legislation (SB 1580) further defined the following issues related to transformation:

- **Provider nondiscrimination** and dispute resolution/appeals process
- **Governance** will include majority risk takers but also clinical and community representation
  - Community Advisory Council major part of governance structure
- **Innovator agents** are specified – the agents are the single point of contact between CCOs and the OHA.
- **Defensive medicine and medical malpractice** reform group will continue work and propose legislation for the 2013.

CCO Implementation Timeline

Initial Application Schedule (Wave 1)	
Request for Applications Posted	March 19, 2012
Letter of Intent Due to OHA	April 2, 2012
Technical Application Due	April 30, 2012
Financial Application Due	May 14, 2012
Award of Certification and Contract	May 28, 2012
Medicaid Contract Signed	June 29, 2012
Medicaid Contract to CMS	July 3, 2012
Medicaid Contract Effective	August 1, 2012

A major CCO in Oregon

Tri-County Medicaid Collaborative will serve the Portland metro area

- Nearly 40 percent of state's Medicaid population
- On the fast track to start in August 2012
- 13 community health care and public health partners
- Thought to be first of its kind in the country

Common goals include:

- Reduce cost, improve efficiency
- Improve access while promoting culturally appropriate care
- Improve prevention, safety, continuity and coordination
- Evidence-based, patient and family-centered care

Tri-County Medicaid Collaborative

Who are they?

- Adventist Health
- CareOregon
- Clackamas County
- Kaiser Permanente
- Legacy Health
- Metro Area Community Health Centers
- Multnomah County
- Oregon Health & Science University
- Oregon Medical Association
- Oregon Nurses Association
- Providence Health & Services
- Tuality Healthcare
- Washington County

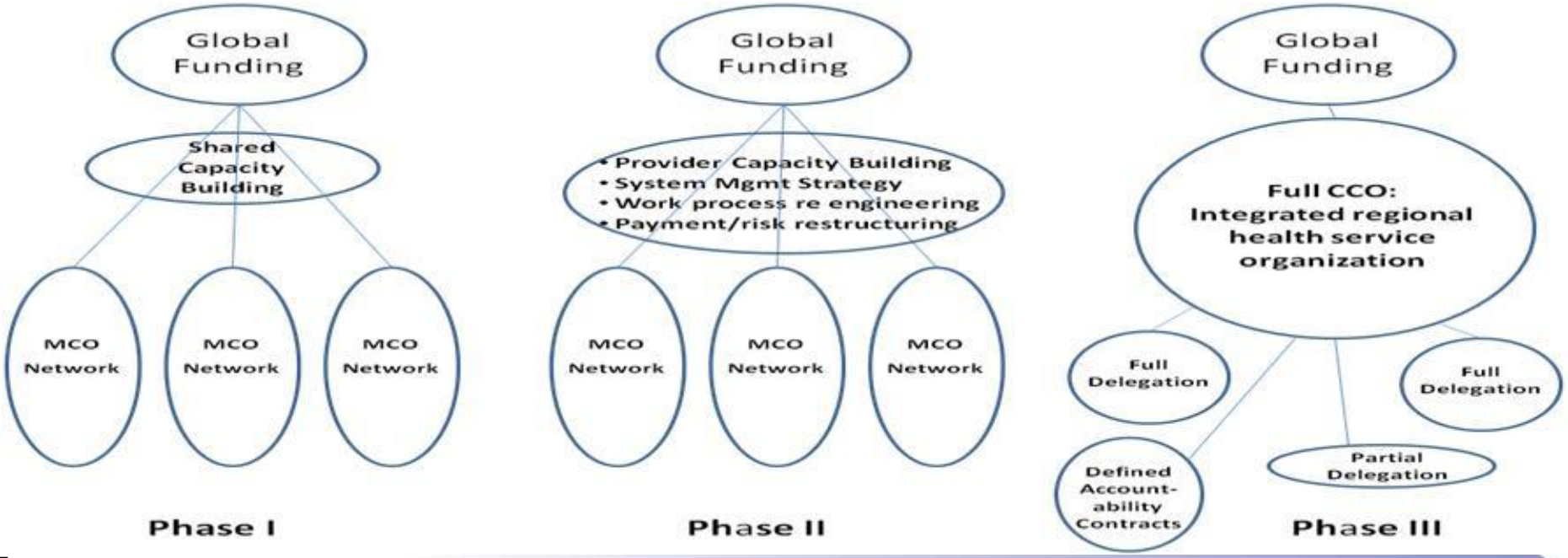
Change is part of process

- Family Care Health Plans departs

Tri-County Medicaid Collaborative

Implementation Plan:

- TCMC builds on the existing MCO structure and delivery systems
- Collaboration and consolidation of administration, enrollment, and services will occur over time



Funding for the collaborative

- Federal funding available through Centers for Medicare and Medicaid Innovation
- $30 million CMS innovation grant application submitted by collaborative
- High priority care issues grant would fund:
    1. Transitions of care
    2. High utilizers
    3. Emergency department services
    4. Health home
    5. Behavioral/physical integration
    6. Specialty care

2013 priority issues

2013 legislation?

Based on the legislation that didn't pass during the 2012 session - **priority legislation in 2013 may include:**

- Nurse Practitioner **reimbursement parity** (HB 4010)
- Health care worker **flu vaccination requirements** (SB 1503)
- Non-payment of **never events** and insurance rate filing notification requirements (HB 4135)
- **Oregon Prescription Drug Program** mandate for state (SB 1577)
- Required insurance coverage of **autism disorders** (SB 1568)

Hospital and premium tax

A priority focus in 2013 will include the **sunset of Oregon's hospital tax and health plan premium tax.**

- The hospital provider tax and the health plan premium tax **currently fund Oregon's Medicaid system and capture federal match**
- Both taxes **sunset in October 2013**
- Will Oregon **work to identify a broad-based, equitable funding stream** that recognizes the societal obligation to fund the care needs for Medicaid and the uninsured?

Type A and B hospitals

Oregon's health care transformation bill (HB 3650) outlines the following future changes to Type A and B hospital reimbursement:

- Until July 1, 2014, a CCO will **reimburse Type A and B hospitals at cost** for covered services
- After 2014 the health authority will conduct **actuarial analysis and evaluate on a case-by-case basis** if continued cost-based reimbursement is essential to a hospital financially
- A CCO and hospital can mutually agree to an individual **reimbursement schedule**
- Will legislature further **address these issues in 2013**?
  - Define "**essential**" to hospitals financial wellbeing?

Questions?