



December 15, 2017

The Honorable Governor Kate Brown
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RE: Oregon Health Authority Bi-Weekly Update on Ongoing and Emerging Issues

Dear Governor Brown,

This letter is the Oregon Health Authority's (OHA's) December 15, 2017 bi-weekly issue update. This update includes updates on two previously documented issues and one newly documented issue. The documented issues still require additional research and analysis to assess the cause, scope, impact, and next steps for resolution.

OHA is continuing its work to establish the formal issue resolution process, including development of a charter, governance structure, and meeting schedule for this work. We are also continuing ongoing research and analysis into previously documented issues and documenting new issues. As noted in our previous update, once we establish the final template for our internal issue log, we will change the format of these bi-weekly updates to include a brief cover memo and the most recent version of the issue log.

NEWLY DOCUMENTED ISSUES AND UPDATES ON PREVIOUSLY DOCUMENTED ISSUES

Below is an update on previously documented issues, followed by a preliminary summary of one newly documented issues since our last update. While we are continuing to add to the issue log and research known issues, we still note that this is likely not an exhaustive and final list of all known issues facing the agency. It is also likely that the details of these issues will evolve as we research them and consult in more detail with subject matter experts. This is not unexpected, given the complexity of OHA's programs and information systems and the lack of rigor and comprehensiveness in its research, analysis, resolution, and communication of significant operational issues.

Updates on Previously Documented Issues

This section is intended to provide an update on previously documented issues. We will continue to provide updates, as available, about documented issues in subsequent bi-weekly reports.

Dual Eligible Population

In the December 1, 2017 letter, we provided an estimate that OHA overpaid Coordinated Care Organizations (CCOs) and Dental Care Organizations (DCOs) \$46.4 million in incorrect capitation payments, including \$41.3 million that is still unresolved and \$5.1 million that had already been recouped from CCOs for 2016. To clarify, the \$5.1 million noted as having already been recouped from CCOs represents the total of all capitation adjustments made during the payment cycle that included the dual eligible capitation adjustments. The recoupment related to the 2016 overpaid capitation for dual eligible clients was approximately \$7.5 million. The following paragraph provides additional explanation of the difference between these two amounts.

OHA makes capitation payments at the beginning of each month, and some changes to eligibility and enrollment (an example would be retroactive reinstatement of benefits) lead to the need for retroactive adjustments and are part of our routine business practices to true up payments with enrollment and eligibility information. The data query from our financial system shows total capitation adjustments for a

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given payment cycle and does not isolate the reason for the adjustments. When we made the adjustments to retroactively correct the 2016 dual eligible capitation rates, other unrelated adjustments occurred during the same payment cycle. As noted above, the \$5.1 million figure, labeled as total recoupments from CCOs for 2016, shown in the December 1, 2017 letter represents the total net adjustment to CCOs and DCOs for that payment cycle. This includes other adjustments made during the same payment cycle, not just the duals adjustment. The total adjustment for 2016 overpaid capitation for dual eligible clients was approximately \$7.5 million.

In December 2016, OHA provided estimates to CCOs via email of the adjustments to correct the 2016 dual eligible capitation rates. The actual adjustments were finalized and processed in January 2017.

Additional research and analysis of this broader issue remains ongoing.

Prescription Drug Rebate Credits

As previously documented, a portion of prescription drug rebates OHA receives may be owed to a manufacturer (also called a labeler) and this information is not being captured in our financial systems to issue payment or post a credit against any outstanding invoices for labelers for its portion of the rebate. Our initial estimate of the impact of this issue was \$22.3 million. Additional research identified that \$7.7 million of this amount is not actually a rebate credit balance but rather billing corrections that were double counted in our system and incorrectly show as a credit balance. Additional research and analysis remains ongoing.

Newly Documented Issues

The following is a summary of one newly documented issue since our last update. This issue still requires additional research and analysis. As such, we expect our understanding of the cause, scope, and impact to evolve.

Eligibility Coding for Rate Development

Status: Not yet known; additional research and analysis required.

Estimated Impact: Not yet known; additional research and analysis required.

Summary: An error in the Program Eligibility Reporting Code (PERC) has led to incorrect codes being assigned to some members in the data used for capitation rate development purposes. Additional analysis is ongoing to determine whether this issue is material and whether adjustments are warranted. OHA will also analyze how to correct the coding issue to ensure the accuracy of PERC codes going forward.

Please don't hesitate to contact me with any questions you may have.

Sincerely,

/s/

Patrick M. Allen
Director
Oregon Health Authority

cc: Fariborz Pakseresht, Director, DHS