

Good morning Chair Monnes-Anderson and Committee members. For the record, my name is Carol Robinson and I'm Interim Director of Oregon Health Fund Board.

Building block #2 of the Board's plan, *Aim High: Building a Healthy Oregon*, calls for setting high standards for Oregon's health care, measuring and reporting. Gathering trusted information, setting high standards and then measuring and reporting on those standards are essential to driving quality improvement, cost containment and ultimately, more informed decision making by consumers, providers, purchasers, insurers and policy makers.

Senate Bill 454 is an important piece of legislation in several ways, and I'd like to outline those to you in a little more detail.

First, SB 454 will improve Oregon's ability to ascertain variation in health care pricing and insurance coverage at the community level and at the regional level. I'm sure you can think of several reasons why this would be important information to the state. First of all, cost trends in different health care markets can be compared. Why might it cost significantly more to have a certain procedure in one part of the state than in another?

Drilling down to the line of sight between provider price increases in a local market and the resulting changes in health insurance premiums will not only drive better contracting, it also can provide a window to evaluate health care facility and technology investments in a given community.

Extending the line of sight to track the link between premium cost changes and the loss of commercial insurance coverage by localities would further the ability of policy makers to spot a canary in the coal mine—or identify those communities having success in encouraging a vibrant competitive market.

In addition to tracking data by business lines and by zip code, SB 454 requires insurers and third party administrators to report their administrative rate increases to the Insurance Division on a per member, per month basis. The graph at the end of this testimony shows the escalating difference between the consumer price index and the medical consumer price index. The expectation of the Health Fund Board is that the administrative costs of health insurance should be tracking closely with the CPI, but unfortunately, they have been, on average, rising at a rate closer to medical CPI.

While the bill allows for some flexibility in the review of administrative rates, such as when a large scale investment in health information technology might be undertaken, there would indeed be scrutiny of rate increases in administrative costs, where justification of an increase above CPI would be evaluated.

The third area where SB 454 brings more transparency and accountability to health care is in section 8 of the bill. Community input for expansion of health care facilities and the purchase of expensive medical equipment does not always occur in Oregon. SB 454 would require hospitals and ambulatory surgery centers to post notice of a proposed

capital project in a major newspaper serving the region of the project, and also to host a public meeting to explain the proposal and solicit feedback from interested stakeholders.

Community input early in the deliberative process will help health care facilities proposing a new project to better understand the needs of the community and, at times, modify the project according to those needs. For example, many people have recently felt frustrated that the development of two tertiary pediatric hospitals in Portland was an ineffective use of health care resources. Without requirements in place, there was no public process available to voice these concerns.

Another example where the requirement for a community input process could have been useful was in the recent development process of the new hospital in the Eugene area. Many of the contentious issues surrounding a Certificate of Need for a new hospital were related to transportation and urban planning, and an earlier community feedback process could have provided earlier and better decision making tools to local government, as well as the state in the CON deliberations.

Localities are currently entitled to weigh in on new major expenditures by schools, libraries, road improvements and other local services that impact quality of life and community costs. Large expenditures by health facilities should be no different.

The final piece of the bill that could produce substantial cost savings for Oregon is the standardization of administrative functions across insurers doing business in the state of Oregon. Imagine the potential for a single claim form across all insurers to improve productivity, reduce errors and lower costs.

SB 454 would allow Oregon to change a paradigm where consumers have little voice in health care investments in their communities, and little ability to understand the driving factors in health care costs. In order to make these improvements, transparency must come first, and then system improvement will be driven by the information that transparency provides.. We know we can make a substantial difference in reducing cost variations between communities with this bill, improve community decision making at the place where the rubber hits the road, and simply save money by getting a handle of administrative costs and creating standardization of forms. The Oregon Health Fund Board encourages you to support the passage of SB 454.

CPI Compared to Medical CPI

Year	CPI	Pct change	Medical CPI	Pct change
1998	167.1		223.1	
1999	172.6	3.3%	229.8	3.0%
2000	178.0	3.1%	247.3	7.6%
2001	182.4	2.5%	270.2	9.3%
2002	183.8	0.8%	282.8	4.7%
2003	186.3	1.4%	293.1	3.6%
2004	191.1	2.6%	303.1	3.4%
2005	196.0	2.6%	319.7	5.5%
2006	201.1	2.6%	335.9	5.1%
2007	208.6	3.7%	378.6	12.7%
2008	215.4	3.3%	399.6	5.5%
Avg		2.6%		6.0%

