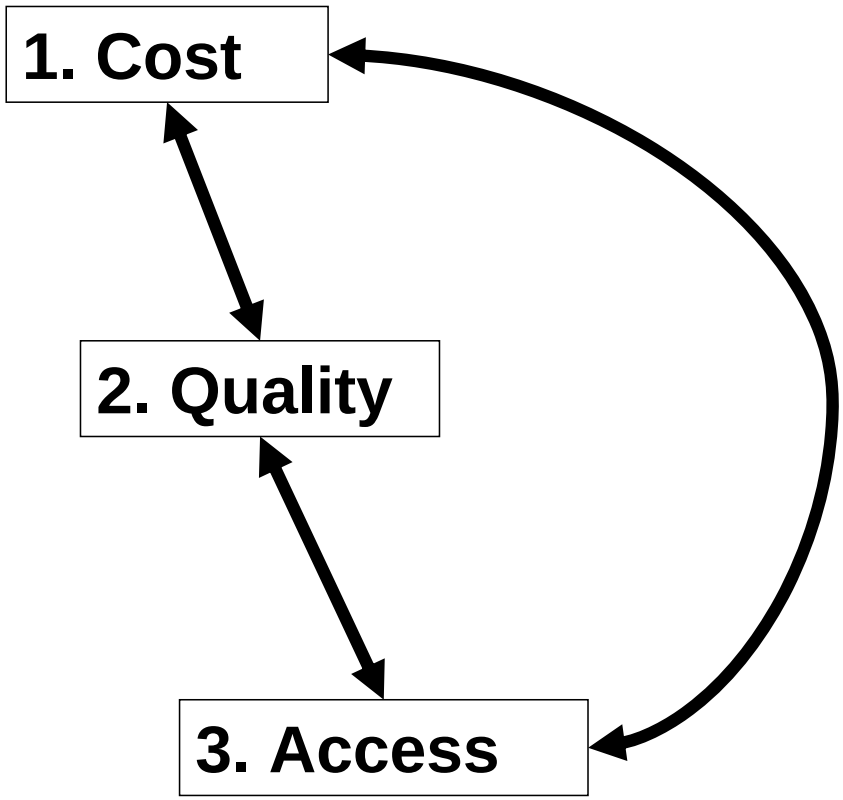
A Responsible Plan for a Sustainable Health Care System

Presentation to the Oregon Health Fund Board

October 30, 2007

The Journey



This is a Systemic Problem – We Must Address *All* Elements

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Our Vision

We support actions to give all Oregonians access to quality healthcare. This can best be accomplished by creating a fair market 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.

Principles

1. There are three essential issues to address: cost, quality and access.
2. The health care system is badly broken and needs fundamental change.
3. This is a systemic problem that requires collaborative problem-solving.
4. All stakeholders must accept their responsibilities for improving the system.

(cont.)

Principles

5. We believe that a system that is built on the private health care delivery system and uses market forces is most likely to achieve the goals of cost control and quality.
6. We need practical solutions that can be implemented.
7. Business leadership is needed to drive improvements in the health care system.

Value-Based Purchasing 1

Encourage a culture of wellness and personal responsibility.
Design benefits to improve health:

- *Preventive services*
- *Chronic condition management*
- *Protection from catastrophic costs*
- *Incentives for wellness*

Improved Health:

- Coverage for prevention and improved management of chronic conditions
- Healthier lifestyles

Value-Based Purchasing 2

Create an effective market:

- *Consumer choice of health plans*
- *Consumer information and decision support tools*
- *Defined contribution to monthly premium*
- *Consumer cost sharing at point of service*

A Consumer-Driven Market

- Consumers have choice of health plans
- Consumers have information and decision-support tools to help them make informed choices
- Consumers rewarded for choosing more cost-effective insurers or providers

Value-Based Purchasing 3

Develop expectations and incentives for health plans and providers:

- *Standardized RFI tools*
- *Quality standards*
- *Use of evidence-based care*
- *Alternatives to fee-for-service payment*

Encourage development of information infrastructure:

- *Electronic health records*
- *Secure exchange of health data among providers*
- *Transparent data on cost and quality*
- *Standardized measures of quality*

Providers have stronger incentives and better tools to improve value (quality/cost):

- Payments reward quality and efficiency, not just volume
- Evidence-based care

Using Value-based Purchasing to Improve Cost and Quality

Improved Health:
- Coverage for prevention and improved management of chronic conditions
- Healthier lifestyles

A Consumer-Driven Market
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Lower health care cost trends

Improved quality of care

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Breaking the Vicious Cycle

Expand Medicaid

Use state revenue to generate additional federal matching funds

Number of uninsured decreases

Increase payments to providers who serve Medicaid patients

Providers accept Medicaid patients

Providers and health plans commit to lower charges and premiums in exchange for expanded coverage and increased provider payments

Providers reduce cost shift to privately-insured patients

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Increase Access to Coverage for Individuals and Small Businesses

Require individuals to have health coverage

Subsidize low-income workers and individuals to enable them to afford coverage

Create insurance exchange for individuals and employees of small businesses

Lower health insurance premium trends (from lower cost trends and reduced cost shift

Employers maintain health benefits; individuals purchase coverage

Number of uninsured decreases

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Comments on OHFB Draft Design Principles

- ✓ Strengthen the foundational elements of the current system
- ✓ Shared responsibility and accountability to improve Oregon's health care system
- ✓ An effective health care system must operate on the basis of long-term financial sustainability
- ✓ Increased consumerism in the health care market is necessary and requires reliable information and choice
- ✓ Financial barriers to affordable coverage must be removed

Comments on Selected OHFB Draft Design Assumptions

- ✓ Employer-sponsored coverage will continue to be the primary source of coverage for most Oregonians
  - A pragmatic approach, supported by most employers. Will require effective value-based purchasing efforts.
- ✓ Financing will be broad-based, equitable and sustainable
  - Should look at a wide range of revenue options to support coverage for low-income Oregonians

Summary

- We have a *serious* problem – the status quo is unsustainable
- Must reduce cost trends – through Value-based Purchasing and the right incentives to improve the quality and efficiency of the health care delivery system
- Must improve access and reduce the cost shift
- All stakeholders must accept their responsibilities for improving the system and improving health.