
Oregon Health Authority 2011–2013 Budget Overview

Joint Ways and Means Committee
Human Services Subcommittee

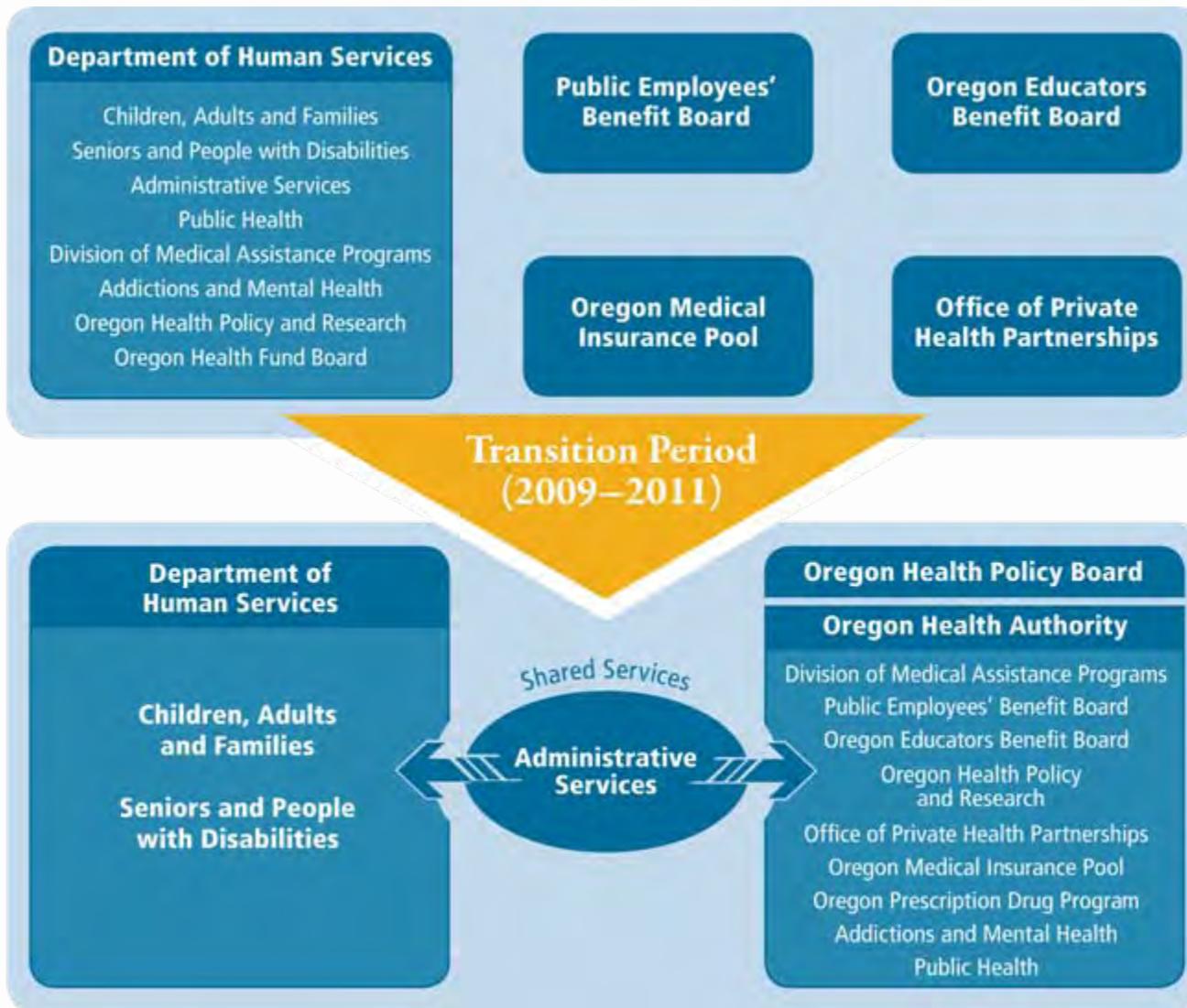
February 9, 2011
Bruce Goldberg, M.D.
John Swanson

The logo for the Oregon Health Authority. It features the word "Oregon" in a smaller, orange, serif font above the word "Health" in a larger, blue, serif font. Below "Health" is the word "Authority" in a smaller, orange, serif font. The entire logo is set against a light blue, curved background that resembles a stylized horizon or a wave.

Oregon
Health
Authority

Oregon Health Authority & Oregon Health Policy Board

- Created by the 2009 Oregon Legislature (HB 2009) as a single point of accountability of the state for health and health care costs.
- OHA goals are to improve the health of Oregonians, reduce health care costs, increase reliability and availability of health care services, and reform Oregon's health system.
- OHA was formed by bringing five state agencies into one.
- OHA was formed with existing budgeted resources.



Oregon Health Authority & Oregon Health Policy Board

- OHA: Five agencies relating to health and health care now under one agency.
 - Purchasing health care coverage for more than 850,000 people
 - Reducing duplications – agency formed within existing budget
 - Transforming government and health delivery system
- Board: Nine-member citizen-led, established to make policy and reform recommendations. Members appointed by the Governor and confirmed by the Senate.
 - Monthly public meetings. Last year more than 1,100 Oregonians engaged
 - Oregon's *Action Plan for Health*

Oregon Health Policy Board



Eric Parsons
Chair



Lillian Shirley
Vice-Chair



Mike Bonetto



Eileen Brady



Carlos Crespo



Felisa Hagins



Chuck Hofmann



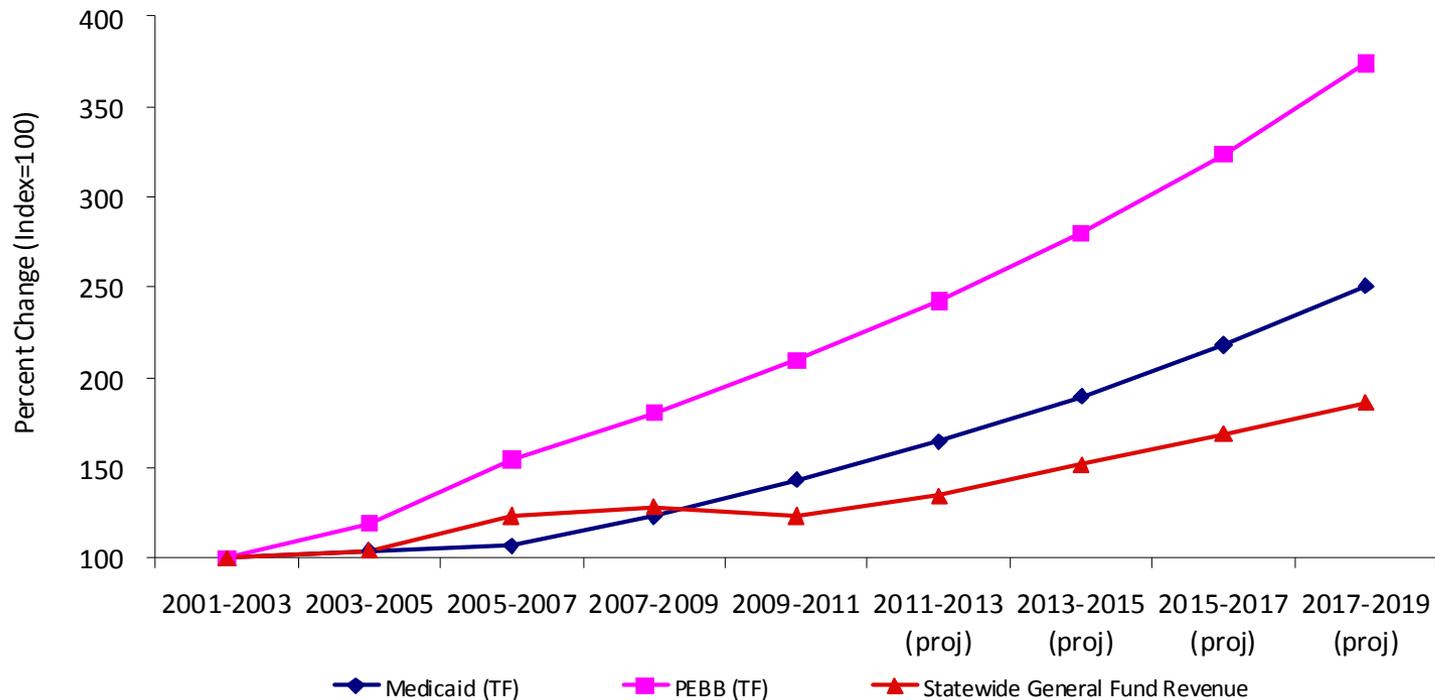
Joe Robertson



Nita Werner

The imperative and the opportunity

Comparing the rate of increase in Medicaid and PEBB health care expenditures vs rate of increase in state General Fund revenue



The imperative and the opportunity

- In addition
 - Recession has left Oregon with unprecedented demand for public services.
 - Federal dollars that helped meet need in 2009-2011 are gone.
 - The mission given to OHA by Legislature is more important than ever and we have less time to do it.

Oregon Health Authority mission

- Mission - help people and communities achieve optimum physical, mental and social well-being through partnerships, prevention, and access to quality, affordable health care.
- Triple Aim - Transform the health care system in Oregon to:
 1. Improve the lifelong health of Oregonians;
 2. Increase the quality, reliability and availability of care for all Oregonians;
 3. Lower or contain the cost of care so it is affordable to everyone.

The challenge before us

- There are too many uninsured in Oregon: 16.5 percent uninsured, or approximately 614,000 Oregonians, are without health insurance.
- Costs are unsustainable for individuals and families in Oregon:
 - Average family health insurance premiums in Oregon increased by 44 percent between 2003 and 2009.
 - Average premiums accounted for 15 percent of the median income in Oregon in 2003, by 2009 that increased to 19 percent.
 - The average deductible for family coverage increased by 94 percent between 2003 and 2009.

Source: Uninsured: 2008 American Community Survey.
Premium data: The Commonwealth Fund, December 2010.

Oregon's way to health reform

Goals:

- Supporting "Triple Aim"
- Focusing purchasing
- Stimulating innovation
- Supporting fundamental change through new structure
- Linking informal networks to provide comprehensive, coordinated care
- Keeping people healthy through local community, individual accountability and joint responsibility
- Using comprehensive performance measurement focusing on quality

BUDGET OVERVIEW

2011-2013 Governor's Balanced Budget (GBB)

Governor's budget build

Starts with today's funding – 2009-2011 LAB less allotments cuts

Plus: GF backfill of one-time revenues

Plus: Program caseload forecast cost changes at today's rates

= Net Budget Need

Provider Rate Reductions

Services & Benefits Reductions

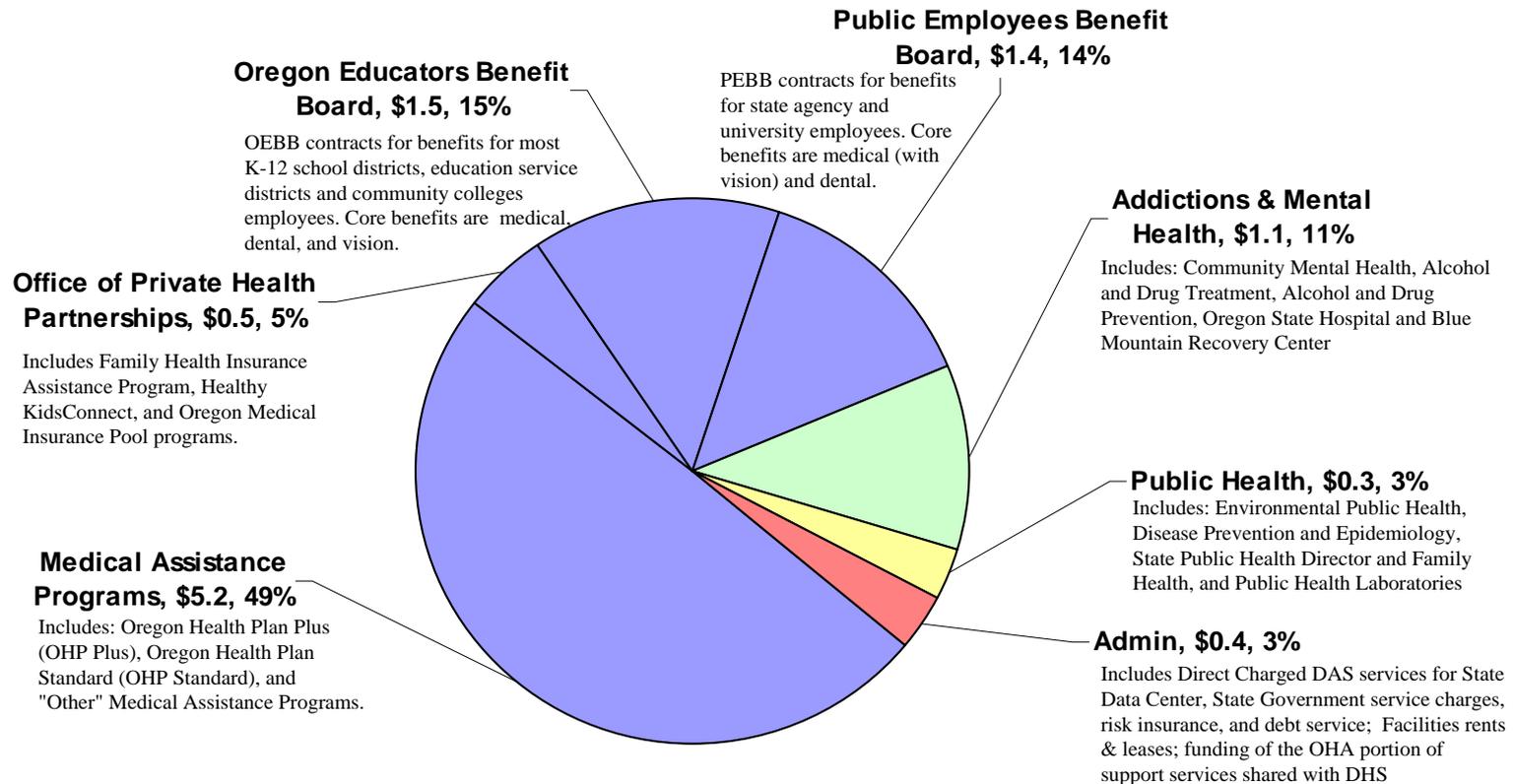
Administrative reductions / Efficiency improvements

Savings from Long Term Delivery System changes

Funding shifted to new Early Learning Council

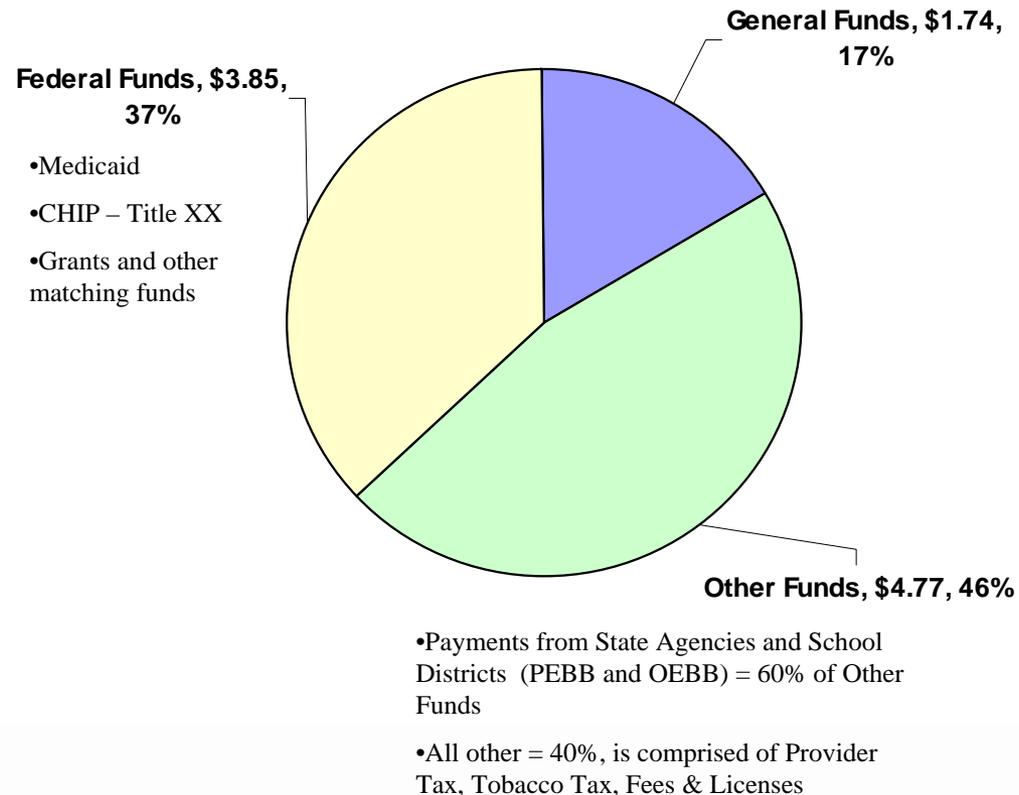
Governor's Balanced Budget

OHA Budget by program – \$10.4 billion Total Funds

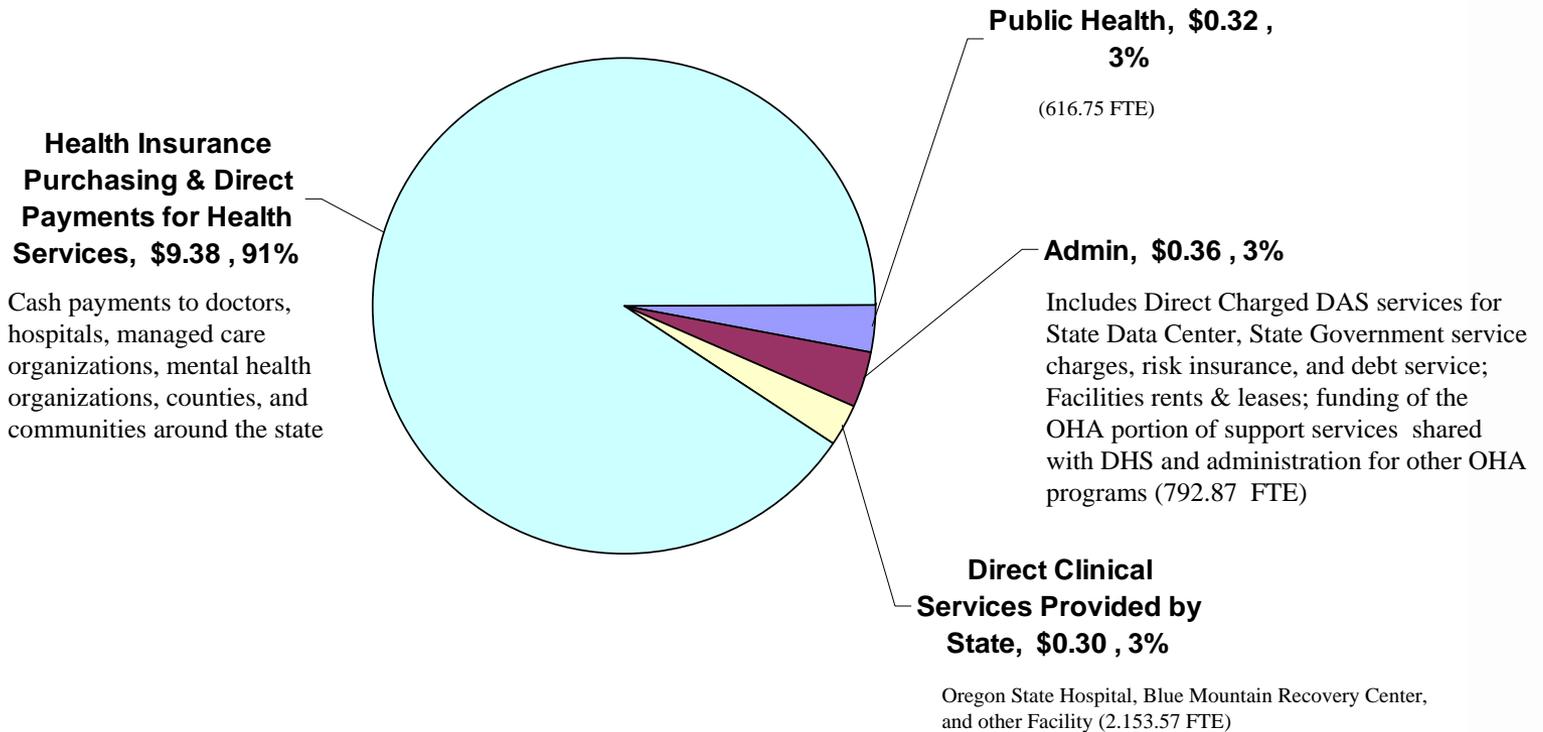


OHA is heavily Federal Fund leveraged and heavily Other Fund funded.

(Billions)



91% of OHA spending goes to purchase health insurance and to direct health care service providers (Billions)





What drives the OHA budget?

- Medical inflation and the underlying cost of medical care
- Economy/caseload: poverty, unemployment
- Social issues: untreated mental health and substance abuse; homelessness; disparities
- State and federal policy

2011-2013 funding challenges

One-time federal and other fund revenues that helped fund the 2009-2011 budget will not be available in 2011-2013:

	Millions
ARRA Stimulus – Enhanced Medicaid Match:	\$496
Provider tax ending 2007-2009 balance:	\$ 116
Tobacco settlement:	\$ 30

Budget reduction options are limited and challenging

Fundamentally, there are three options for reducing the OHA budget:

- Rates
- Benefits/services
- People

Federal requirements limit flexibility in reducing Medicare cost.

Reductions will require:

- Legislative changes
- Federal approval – waivers
- Regulatory changes

OHA GBB

2009-2011 General Fund \$1.475 billion

2009-2011 One Time:

 Federal stimulus \$.496 billion

 Provider tax tail \$.116 billion

 Tobacco settlement \$.030 billion

2011-2013 Caseload \$.357 billion

To account for caseload + one time money (no other inflators) = \$.999 billion

OHA GBB

- 2009-2011 General Fund = \$1.475 billion
- 2009-2011 One Time Money = \$.642 billion
- 2011-2013 Caseload growth = \$.357 billion
- Total of above = \$2.474 billion

- Amount proposed in GBB for 2011-2013 = \$1.777 billion

- Amount to make up with reductions in provider payments and provider benefits combined with the substantive system redesign is about \$697 million.

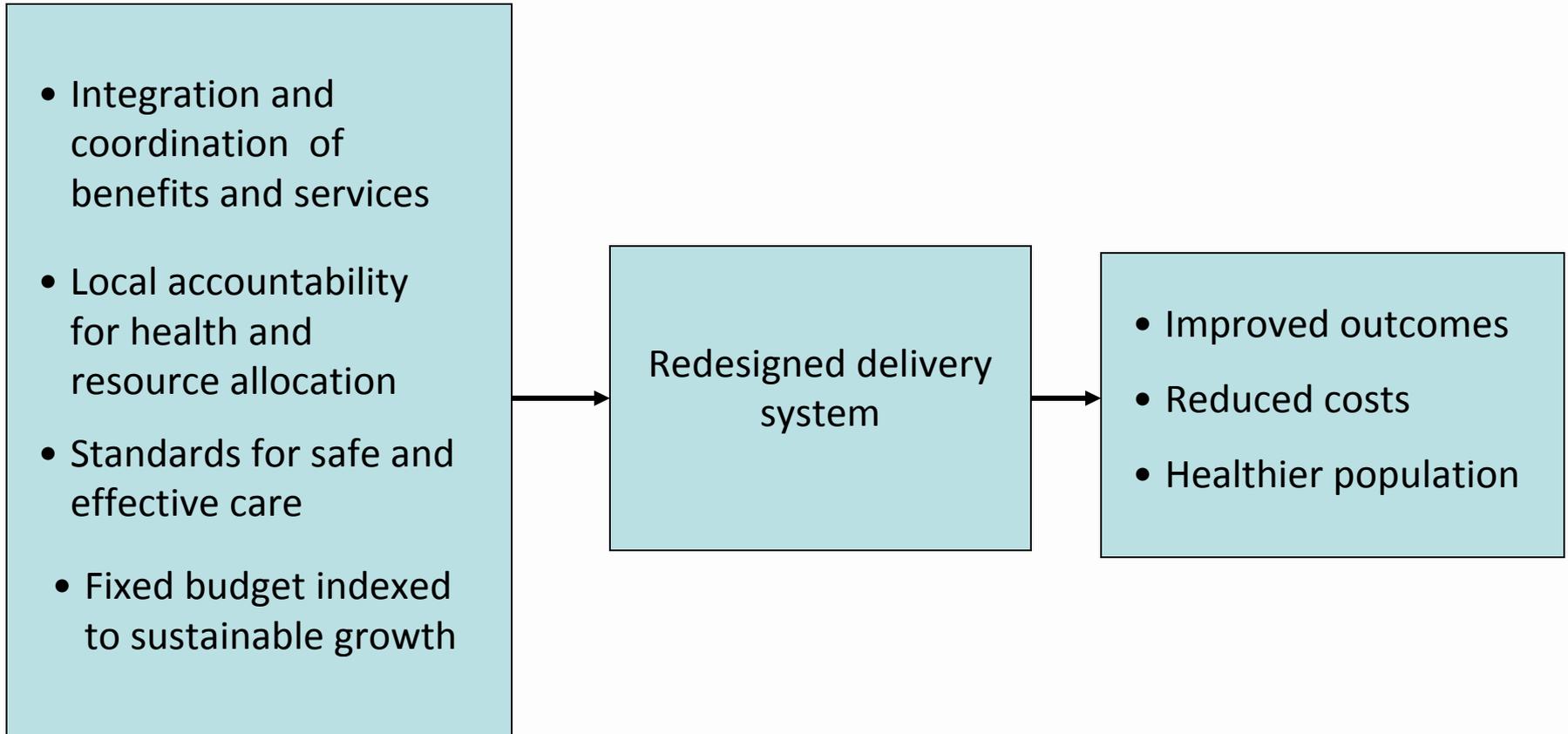
GBB Envisions

- Restructure our health care delivery system as an innovative model to deliver better health, better health care and lower costs (the Triple Aim).
- Begin with Medicaid and those with both Medicare and Medicaid funding – dual eligibles.
- Create local accountability for health of that population and for use of health services, their budget, mechanisms of payment.

Vision

- Establish metrics/outcomes for which health delivery system will be accountable.
- Align providers of care to better support individual's goals and needs.
- Align incentives – for both individuals and clinicians - to support outcomes, value and prevention.
- Reduce and simplify administration of and navigation through the health care system.

Concept



Concept

Multi-year plan to meet budgetary constraints and redesign system

- Year 1 - Reductions in payments and benefits to meet budget targets. Design changes to OHP delivery system and get necessary federal approvals to implement by July 1, 2012 (or sooner if possible) and avoid further cuts in payment and benefits.
- Year 2 – Implement OHP changes. Savings estimated at \$239 million – of the \$697 million reduction to budget. If that is not achieved, there will need to be additional reductions.

Concept

Year 2 changes to include:

- Coordination/integration of physical health, mental health, oral health and long-term care, elimination of fragmentation in system
- Federal approval to pool Medicare and Medicaid funds for those who have health care paid for by both (“dual” and “triple” eligibles) brings additional dollars into a now integrated system
- Organizations to manage to budgets fixed to growth in state revenue or some other standard
- Local community accountability and management to metrics, outcomes and resource allocation
- Build on best practices in state and local communities

Year 1 reductions

- OHP managed care and fee for service provider rate reductions of 19 percent
- Reductions in client benefits: move line in OHP by about 40 diagnoses
- Reductions in state administrative costs
- Maintain non-OHP community-based mental health and alcohol and drug treatment funding, 10 percent reductions in state hospital.

Year 2 savings

- Savings based on:
 - Ability to reduce preventable conditions
 - Widespread use of primary care medical homes
 - Improved outcomes due to enhanced care coordination and care delivered in most appropriate setting
 - Reducing errors and waste
 - Innovative payment strategies
 - Use of best practices and centers of excellence
 - Single point of accountability for achieving results

Year 3+

- Begin to use redesigned delivery system platform for other state contracts:
 - PEBB
 - OEBC
- Redesigned delivery system could be core component of health insurance exchange and an opportunity for private sector to participate.

Transition

- Establish common vision of better future
- Shared sacrifice among industry
- Flexibility at both state and federal level to allow organizations ability to better manage reductions in year 1
- Begin transition to newly designed system in year 2. Earlier transition will mean less of a rate and service reduction.

Risks/concerns

- Reductions based on 2009-2011 spending and medical inflation are not figured in, thus making them steeper
- Ability to make transformational system changes will be more difficult in context of rate reductions
- Access to care could suffer – how can we mitigate
- Will need federal approvals
- If reductions are too steep, infrastructure will be lost
- Need to guard against cost shift to private sector

OHA budget inside and out

- 97 percent goes to direct provision of health services:
 - 91 percent goes to insurance, etc.
 - 6 percent goes to direct services provided by the state in public health, Oregon state hospital.
- 3 percent goes to personnel, administration and other overhead costs.

Addressing our challenges, solutions for the future

- Health system transformation
- Transforming government

Making government work better: Transformation inside OHA

We are transforming our agency into a continuously improving organization focused on:

- Cutting red tape in our processes to deliver services better and faster to clients;
- Helping employees meet growing demands for services with fewer people and less funding;
- Engaging with our partners to increase the consistency and quality of services provided to Oregonians;
- Increasing transparency and accountability; and
- Saving money to strategically re-invest into high-priority agency needs.

Transformation inside OHA

Results:

- Benefits valued at \$49 million
- 20 completed improvement initiatives
- 26 active initiatives
- Helped to manage through increased caseloads and budget reductions
- Still much more to do

Things to keep in mind during budget development

- OHP budgets are based on historical caseload, and are not a true reflection of need in Oregon communities.
- Most resources are devoted to high-cost health care with limited investment in prevention or public health.
- Volatility of economy and caseload
 - no reserve funding
- Changes in federal policy
- Federal health reform

In conclusion

- Almost all of the OHA budget goes to the direct provision of health care services.
- There is limited state investment in public health, prevention and primary care.
- The continued rise of medical costs is causing ever-increasing amounts of state resources to be devoted to OHA and health care programs.
- State funded health care programs exist as a part of our larger health care system.
- If we are to truly manage the OHA budget, we need to focus on ways to transform our entire health care system.