

Health Care Cost Trends

State and Market-Level Cost Growth in Oregon, 2013-2019

July 2022



Executive Summary

Oregon is taking bold steps to control the rising cost of health care. As the fourth state to establish a health care cost growth target program, Oregon is shining a light on the key drivers of health care costs and setting the stage to hold both the public and private markets accountable for containing cost growth.



To provide historical context ahead of future publications, this report presents a detailed look at health care costs and cost growth in Oregon between calendar years 2013 and 2019. This is the first report looking at Oregon-specific cost growth trends by market: commercial, Medicaid and Medicare.

Chapter I explores health care cost growth in Oregon compared to inflation, income growth, and wage growth. This chapter also presents cost growth trends for commercial, Medicaid and Medicare markets. A summary of enrollment trends and a closer look at Medicaid cost growth offer important context for interpreting cost growth.

Chapter II presents cost and cost growth data for six major service categories: inpatient services, outpatient services, professional services, pharmacy, emergency department, and other. This chapter reports trends statewide and by market.

Chapter III identifies the primary drivers of health care costs in each market by highlighting what types of services are responsible for most of the cost growth.

Oregon's Sustainable Health Care Cost Growth Target Program

In 2019, the Oregon Legislature established the Sustainable Health Care Cost Growth Target Program, which sets a statewide target for the annual per person growth rate of total health care spending in the state. The program will also monitor and publish reports on health care cost increases and factors driving these trends.

For more information: <https://go.usa.gov/xzFpX>

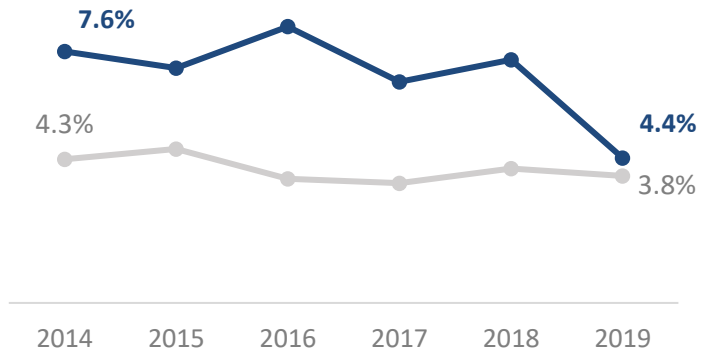
Key Findings

Between 2013 and 2019, **health care costs in Oregon grew faster than the national average**. Oregon’s health care costs also grew faster than income and inflation. However, in terms of a dollar amount, health care in Oregon in any given year is less expensive than the national average.

Per person health care costs in Oregon grew by **49 percent** from 2013 to 2019, which is an average of **6.9 percent annually**.

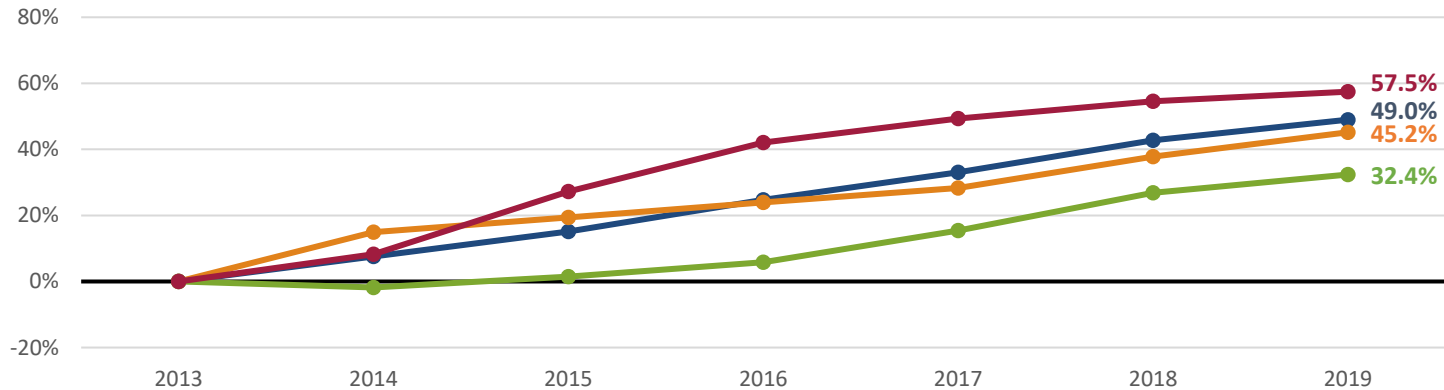
From 2013 to 2019, Medicare costs per person grew 58 percent, Commercial costs per person grew 45 percent, and Medicaid costs per person grew the least at 32 percent.

Per person annual health care cost growth **in Oregon** is higher than the national average



Cumulative growth in per person health care costs, by market

Statewide | **Commercial** | **Medicaid** | **Medicare**



Overall, **inpatient services** were the highest cost category, followed by **professional services**.

Pharmacy per person costs grew the most of any service category from 2013 to 2019, driven by a 20 percent annual growth in Medicare.

Per person costs presented in this report are determined by both the amount paid for services (also known as price) and the number of services delivered (also known as utilization). Future reports will present additional analyses about price and utilization to determine which was more responsible for cost growth.

By Market

- Medicaid costs were generally the lowest and Medicare costs were the highest.
- In the commercial market, per person costs in the professional service category were the highest cost at \$1,657 and contributed the most to overall cost growth between 2013 and 2019.
- In the Medicare market, inpatient per person costs were the highest cost category at \$3,489 in 2019 and pharmacy per person costs in Medicare grew the most at 185 percent over the six years.
- In the Medicaid market, inpatient per person costs were the highest cost category at \$1,250 in 2019 and professional services and pharmacy contributed the most to overall cost growth between 2013 and 2019.

Pharmacy and Emergency Department costs grew the most between 2013 and 2019

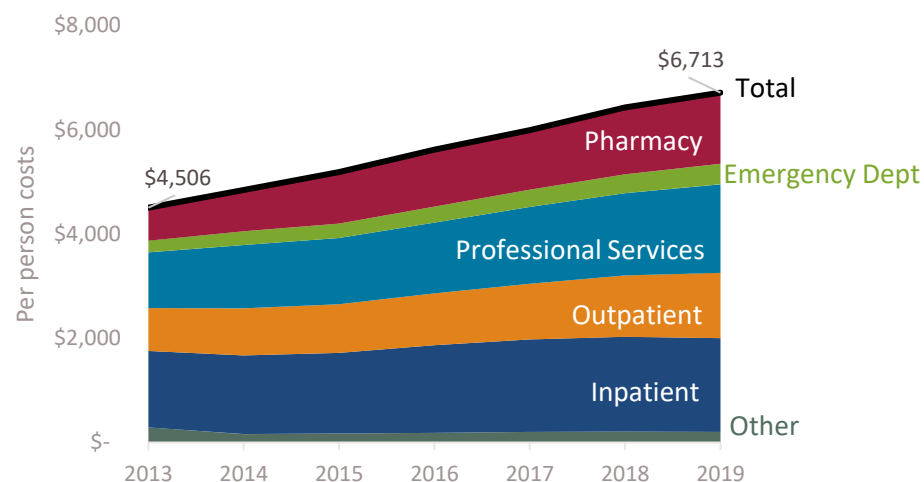


Table of Contents

Executive Summary.....	2
Key Findings	3
Table of Contents.....	5
Introduction	6
I. Cost Growth Trends	9
II. Cost Growth Trends by Service Category	20
III. Identifying Cost Growth Drivers.....	29
Cost Drivers in the Commercial Market.....	30
Cost Drivers in the Medicaid Market	31
Cost Drivers in the Medicare Market.....	32
Appendix 1. Data Tables	33
Appendix 2. Methodology	39
Oregon’s All Payer All Claims (APAC) database	39
Cost Trend Analysis Methodology	40
Appendix 3. Medicaid Cost Growth Measurements.....	43

Suggested Citation: Oregon Health Authority. Health Care Cost Trends: State and Market-Level Cost Growth in Oregon, 2013-2019. Portland, OR. July 2022.

For questions about this report, please contact: HealthCare.CostTarget@odhsoha.oregon.gov.

Introduction

Oregon is taking bold steps to control the rising cost of health care. As the fourth state to establish a health care cost growth target program, Oregon is beginning to shine a light on the key drivers of health care costs and setting the stage to hold both the public and private markets accountable for containing cost growth.

What's in this report?

This report provides a detailed look at health care cost growth in Oregon between calendar years 2013 and 2019 and for the first time, a look at cost growth trends by market (Medicaid, Medicare, and Commercial). Medicare includes both Medicare Advantage and traditional Medicare. Medicaid includes both Coordinated Care Organizations and Open Card. This report describes cost growth trends in health care claims in Oregon prior to the COVID-19 pandemic and provides a foundation for understanding cost growth prior to the launch of the Sustainable Health Care Cost Growth Target Program. In addition to presenting data by market, this report explores different types of health care services to show which services are higher cost and which are growing more than others.

This report is inspired by an analysis conducted by the Health Care Cost Institute (HCCI), which looks at trends in spending for individuals with employer-sponsored insurance.¹ HCCI found that Oregon had an 18.2 percent increase in commercial health care spending between 2014-2018, however HCCI only used claims data for four national health insurance plans – Aetna, Humana, Kaiser Permanente, and United Healthcare – which doesn't represent the full Oregon experience. Oregon Health Authority (OHA) used Oregon's All Payer All Claims (APAC) database, which includes data from roughly 90 health insurance providers to provide a more comprehensive look at spending across payers.

The impact of COVID-19

The COVID-19 pandemic has affected health care costs and may continue to have impacts in future years, although we don't know how much or to what extent. Some experts predict savings from fewer patient visits and postponed services, while others predict cost increases from COVID hospitalizations and costs for testing, vaccines, and future treatments, as well as policy changes (e.g., telehealth reimbursement). Provider closures, workforce shortages, premium rebate requirements, and the amount of pent-up demand that might drive future health care spending also create uncertainty. This report does not include data for 2020 or 2021; future reports will describe the impact of COVID-19 on health care costs, prices, and utilization.

¹ <https://healthcostinstitute.org/health-care-cost-and-utilization-report/annual-reports>

How does this report relate to Oregon’s cost growth target?

This report uses claims data from Oregon’s All Payer All Claims (APAC) database to understand cost growth trends. Cost growth refers to the change of the average per person cost of health care. For example, if the average cost of something is \$100 one year and \$115 the next year, the cost has grown by 15 percent.

This report does not include all health care cost data that will be submitted for Oregon’s Sustainable Health Care Cost Growth Target Program, such as pharmacy rebates, non-claims-based payments, and administrative costs. The data presented in this report can provide foundational context for health care cost growth in Oregon, however, these data will not be used for calculating payer and provider organizations’ performance relative to the cost growth target for 2021 and beyond.

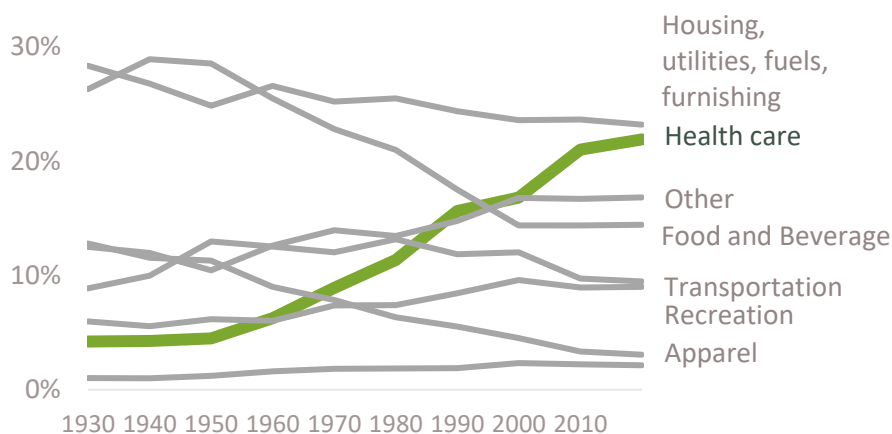
Oregon will produce similar reports under the Sustainable Health Care Cost Growth Target Program’s Data Use Strategy, leveraging the APAC database and other data sources. Future reports will provide additional granularity, exploring cost growth and key cost drivers such as price and utilization, as well as detail at the payer and provider organization level.

What does this report tell us about health equity?

Health care costs in Oregon are growing at a rate that is not sustainable. Health care costs are projected to continue growing faster than both the economy and wages in the state. When the cost of health care grows faster than the economy and wages, it means that people in Oregon spend a larger percentage of their income on health care.

Many struggle to afford their out-of-pocket costs and delay needed care because of costs. Rising health care costs also mean less money is invested in wages, retirement, critical public services, and programs that address equity.²

The percent of household income that goes toward **health care** continues to increase³



² Anand, Priyanka. “Health Insurance Costs and Employee Compensation: Evidence from the National Compensation Survey.” Health Economics, volume 26, issue 12, December 2017, pages 1601-1616. <https://onlinelibrary.wiley.com/doi/abs/10.1002/hec.3452>

Data and Methodology

This report uses data from Oregon’s APAC database for 2013-2019. APAC was established in 2009 and contains administrative health care data on topics such as insurance coverage, health service cost and utilization for Oregon’s insured populations. APAC provides access to timely and reliable data essential to assess the cost of health care, improve quality, reduce costs, and promote transparency. For more information about APAC: <https://www.oregon.gov/oha/HPA/ANALYTICS/Pages/All-Payer-All-Claims.aspx>

Cost growth trend data presented in this report was not adjusted for inflation. See Appendix 2 for additional information about the data and methodology.

This report presents data showing how much insurance companies and coordinated care organizations (CCOs) pay for their members’ health care. This report does not show how much insurance companies receive in the form of premiums nor how much CCOs receive from the Oregon Health Authority. In a given year, the amount that an insurance company or CCO receives and what it spends are two different things and are unlikely to exactly match.

Terminology

Cost Growth: Cost growth refers to the change of the average per person cost of health care. For example, if the average cost of something is \$100 one year and \$115 the next year, the cost has increased by 15 percent.

Market: This report uses “market” to refer to Commercial, Medicaid, and Medicare – also known as “line of business”.

Payer: This report uses “payer” to refer to an entity that pays for an individual’s health care, such as a health insurance company.

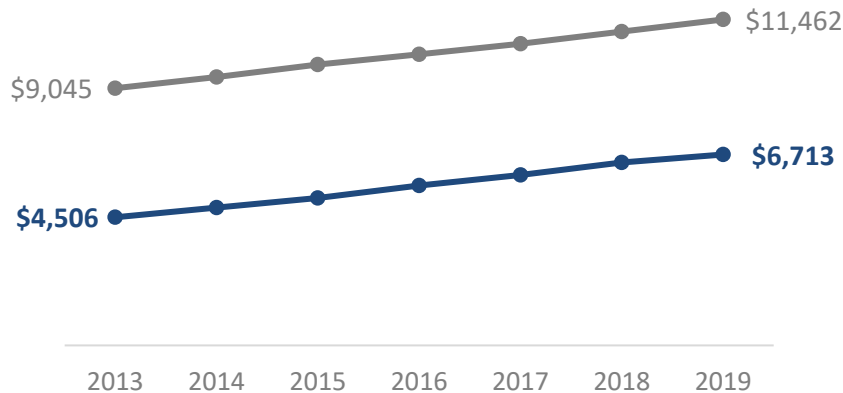
I. Cost Growth Trends

Annual Growth in Per Person Health Care Costs, Statewide

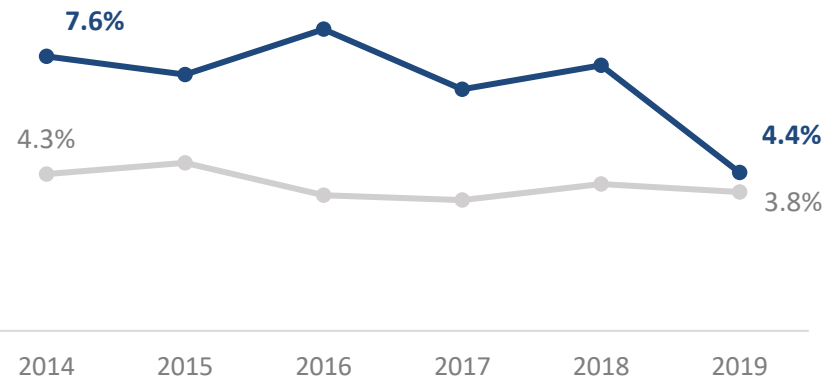
From 2013 to 2019 in Oregon, per person health care costs rose an average of 6.9 percent annually, faster than health care costs have grown nationally, which has averaged 4.0 percent annually.³ The largest annual increase in per person health care costs in Oregon was 8.3 percent in 2016. Even after including the change from 2012 to 2013, which was an overall cost reduction of health care costs in Oregon, the seven-year average growth was 5.4 percent, which is larger than the national average of 3.7 percent.

In 2019, Oregon’s per person health care cost was \$6,713, compared with \$11,462 nationally. See Appendix 1 for data tables.

\$ Per person health care costs **in Oregon** are lower than national average



% Per person annual health care cost growth **in Oregon** is higher than the national average

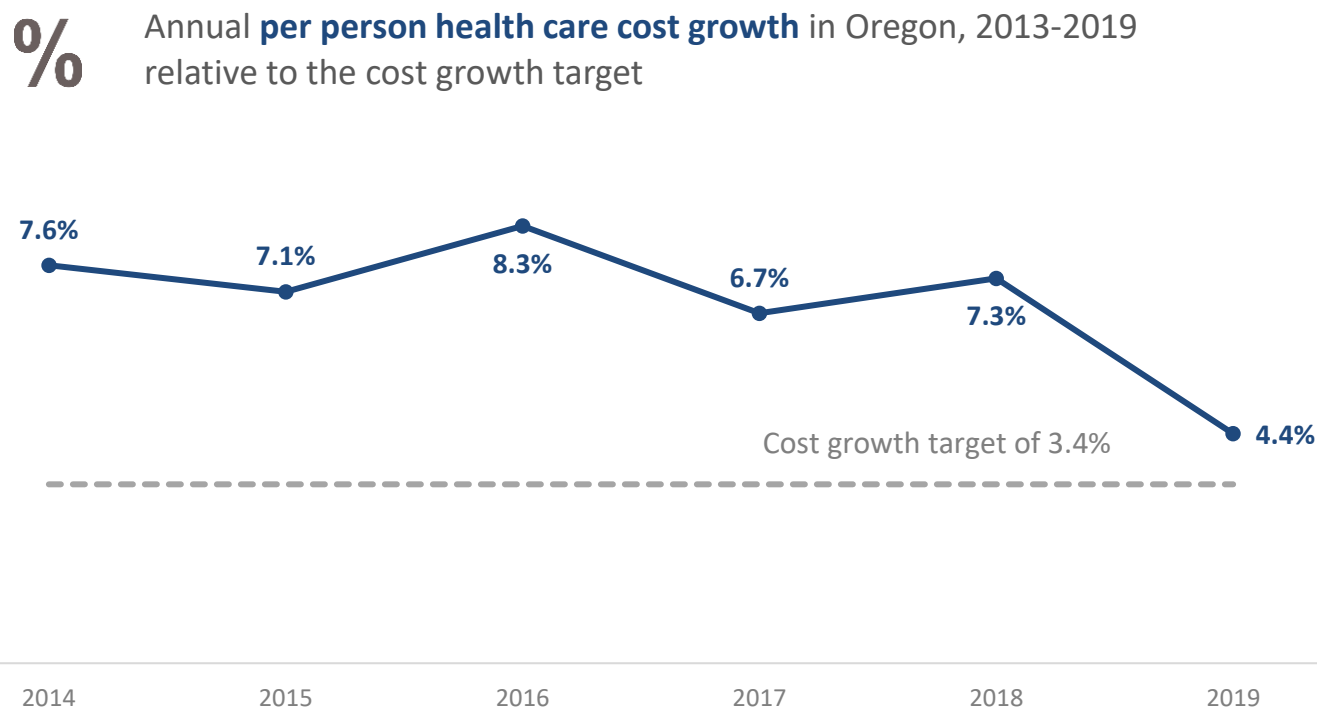


³ National Health Expenditure Data from CMS, Table 1, National Health Expenditures Per Capita. <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical>. Data last modified December 15, 2021.

Oregon's Cost Growth Relative to the Future Cost Growth Target

The analysis presented in this report is not a baseline for Oregon's new Sustainable Health Care Cost Growth Target Program. Oregon will not begin officially comparing annual health care cost growth performance to the target at the state and market level until the 2021 measurement year and at the payer and provider level until the 2022 measurement year.

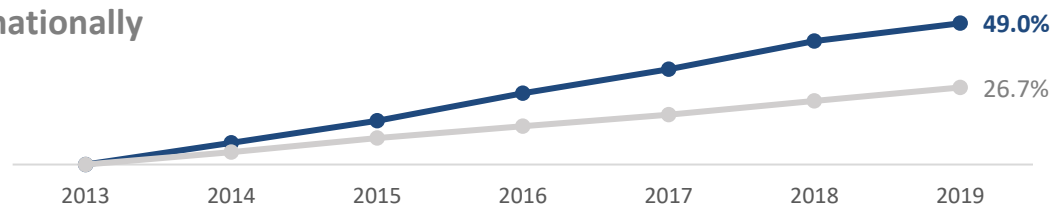
However, Oregon's historic annual per person health care cost growth can still be compared with the cost growth target value of 3.4 percent. Since 2013, Oregon's annual per person health care cost growth has been above 3.4 percent.



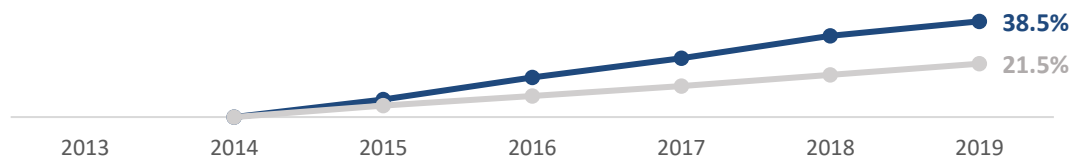
Cumulative Growth in Per Person Health Care Costs, Statewide

In addition to looking at annual health care cost growth, which might be influenced by specific factors like a new expensive drug entering the market, we can also look at cumulative health care cost growth over time. Cumulative growth shows the effect of compounding, which means the cost growth percentage in a given year is in addition to the growth in previous years. The cumulative per person health care cost growth varies depending on what year you use as the baseline, as illustrated below.

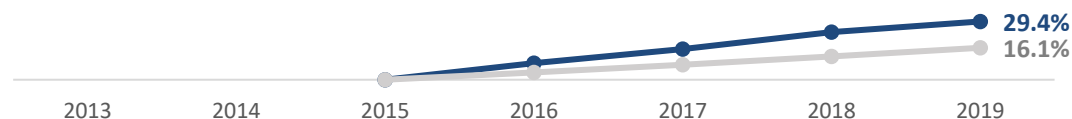
% **2013-2019:** per person health care costs increased by 49% in **Oregon**, compared with 27% nationally



2014-2019: Per person health care costs increased by 39% in **Oregon**, compared with 22% nationally



2015-2018: Per person health care costs increased by 29% in **Oregon**, compared with 16% nationally

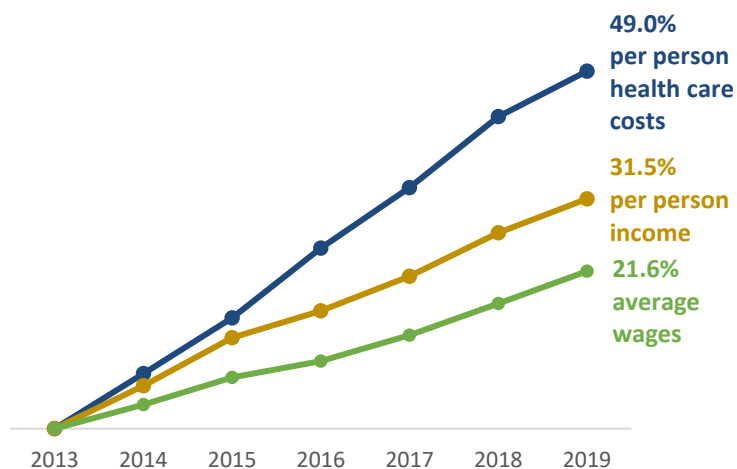


Regardless of what year is used as the baseline, per person increases in health care spending in Oregon are greater than the national average. The tables in this report use 2013 as the baseline. See Appendix 1 for data tables.

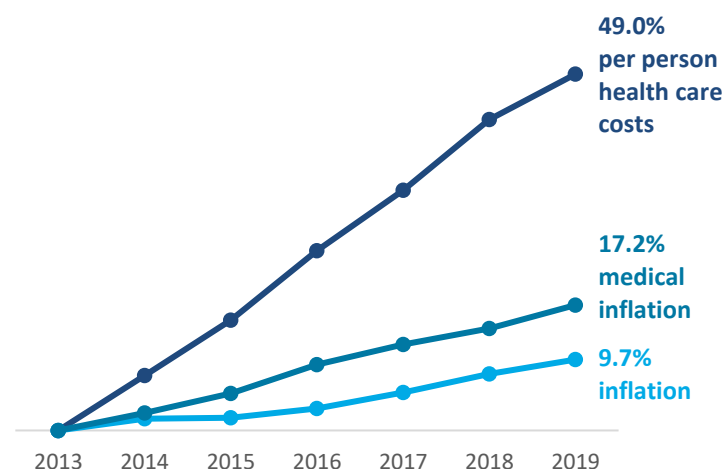
Cumulative Growth in Per Person Health Care Costs and Economic Indicators

While wages and per person income have both grown in Oregon between 2013 and 2019, per person health care cost grew faster. Health care cost growth also outpaced national inflation, and inflation specific to medical care.⁴

% 2013-2019: per person health care costs in Oregon grew faster than per person **income** and **average wages**



% 2013-2019: per person health care costs in Oregon grew faster than **inflation** and **inflation for medical care**



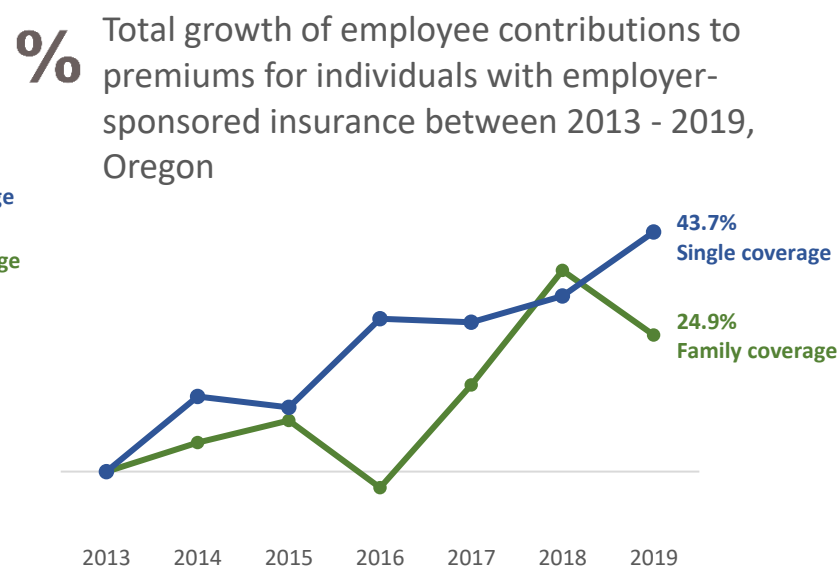
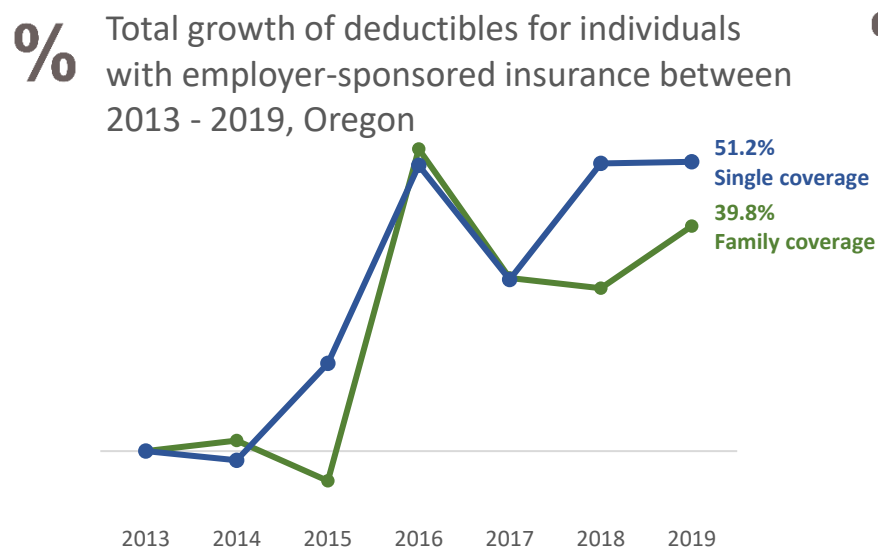
See Appendix 1 for data tables.

⁴ Per person income and average wage data from the Oregon Economic Forecast data tables. <https://www.oregon.gov/das/OEA/Pages/forecastecorev.aspx>. Inflation is reported as the consumer price index (CPI) – all urban consumers, and CPI- medical care. <https://fred.stlouisfed.org/series/CPIMEDSL#0>. Data pulled March 14, 2022.

Cumulative Growth in Commercial Insurance Deductibles and Premiums

As health care costs grow, the patient responsibility amounts are also increasing faster than inflation, income, and wages. Patient responsibility costs include deductibles and premiums, as well as co-payments and other out-of-pocket spending. The graphs below show the cumulative growth in annual premiums and deductibles for people in Oregon with employer-sponsored insurance coverage. Single coverage is a health insurance plan for one individual; family coverage is a health insurance plan for more than one person.

In 2019, the average annual deductible for family coverage in Oregon was \$3,634 (compared with \$3,655 nationally) and the average annual deductible for individual (single) coverage was \$1,958 (compared with \$1,931). The portion of insurance premiums paid by the employee for family coverage was \$5,404 in Oregon in 2019 (compared with \$5,726 nationally) and \$1,155 for single coverage (compared with \$1,489). When combined, these patient responsibility amounts for Oregonians in 2019 were 10.1 percent of median income.



Premium and deductible data from the Medical Expenditure Panel Survey (MEPS) Insurance Component. <https://meps.ahrq.gov/mepsweb/>
 Patient responsibility as share of median income from The Commonwealth Fund, State Trends in Employer and Premium Deductibles. Nov 2020. https://www.commonwealthfund.org/sites/default/files/2020-11/Collins_state_premium_trends_2020_db_1.pdf. Data pulled September 24, 2021.

Annual Growth in Per Person Health Care Costs, by Market

Looking only at health care costs trends at the statewide level can hide variations by market, as the Medicare, Medicaid, and commercially insured populations are very different in their health status, health care needs, and utilization patterns – all of which affect health care costs.

Enrollment data in APAC from 2019 shows 41 percent of individuals had commercial coverage, 34 percent had Medicaid and 24 percent had Medicare.

While Oregon’s statewide per person health care costs increased to \$6,713 by 2019, Medicare costs are two and three times as much as commercial and Medicaid costs, respectively.

Compared with the average annual increase in per person health care costs for all payers between 2013 and 2019 (6.9 percent), Medicare costs increased faster (6.1 percent annually) than commercial (4.4 percent annually) and Medicaid (4.4 percent annually).

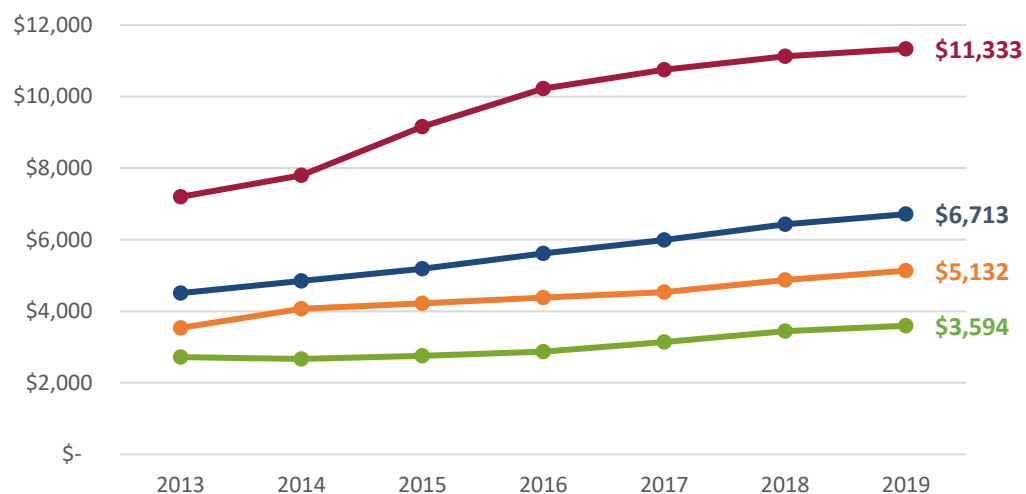
Notably, the costs reflected in the graphs do not include administration costs or profits.

See Appendix 1 for data tables.

\$

Per person health care costs, by market

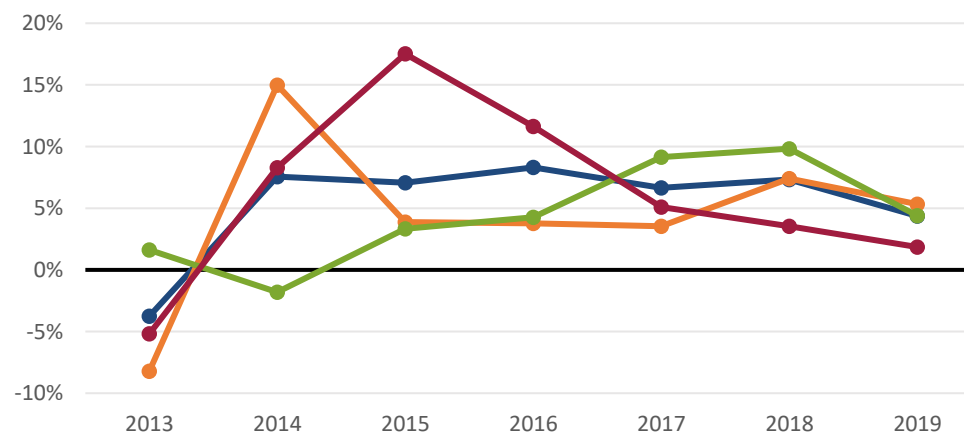
Statewide | Commercial | Medicaid | Medicare



%

Annual growth in per person health care costs

Statewide | Commercial | Medicaid | Medicare

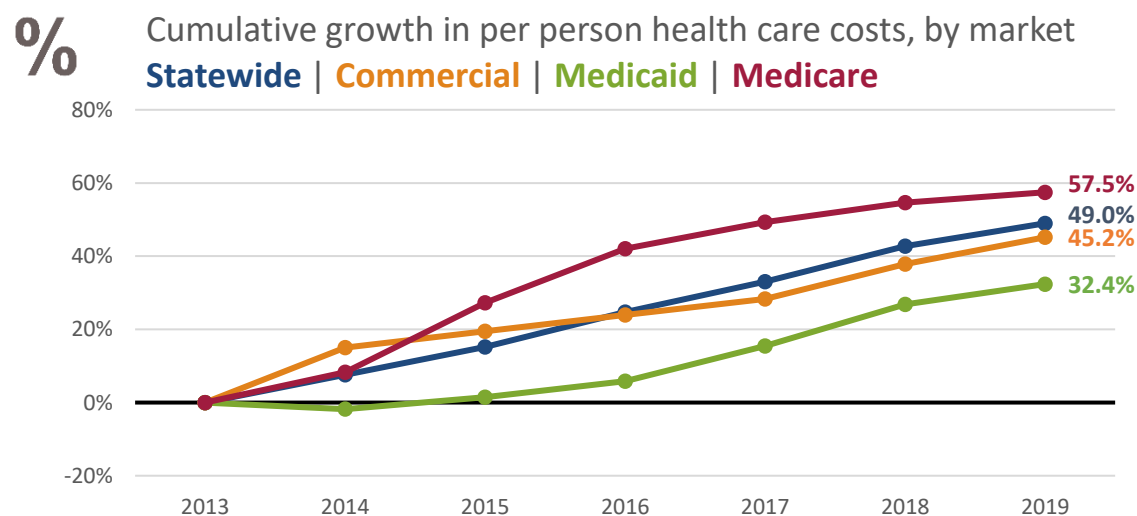


Cumulative Growth in Per Person Health Care Costs, by Market

Statewide, per person health care costs in Oregon have grown cumulatively by 49 percent between 2013 and 2019. Medicare per person health care costs have grown over 57 percent in that time, compared with just over 45 percent for commercial and 32 percent for Medicaid.

Between 2013 and 2014, health care costs increased substantially in the commercial and Medicare markets. Nationally, this was driven by the expansion of health insurance coverage under the Affordable Care Act, including enrollment in commercial Marketplace plans. There was also rapid growth in spending on retail drugs, including the introduction of new drug treatments for hepatitis C, and those used to treat cancer and multiple sclerosis.⁵

Medicaid cumulative per person health care costs initially lagged Medicare and Commercial growth, as new enrollees were added during the Medicaid expansion in 2014. The new Medicaid enrollees in 2014 tended to be healthier compared with the previously enrolled Medicaid participants. Medicaid experienced sharper growth between 2017 and 2019. See [A Closer Look at Enrollment](#) and [A Closer Look at Medicaid Cost Growth](#) sections for more detail.



⁵ Martin, Anne B. et al. "National Health Spending In 2014: Faster Growth Driven By Coverage Expansion And Prescription Drug Spending." Health Affairs Number 1 (2016): 150-160. <https://www.healthaffairs.org/doi/10.1377/hlthaff.2015.1194>

A Closer Look at Enrollment

Per person health care costs are calculated based on the number of people who are enrolled in each market. Changes in enrollment affect per person health care cost trends.

The graph to the right shows the cumulative change in enrollment, by market, between 2013 and 2019, as measured in member months, a common way to standardize health insurance enrollment. For example, Medicaid member months increased by 57 percent between 2013 and 2017.

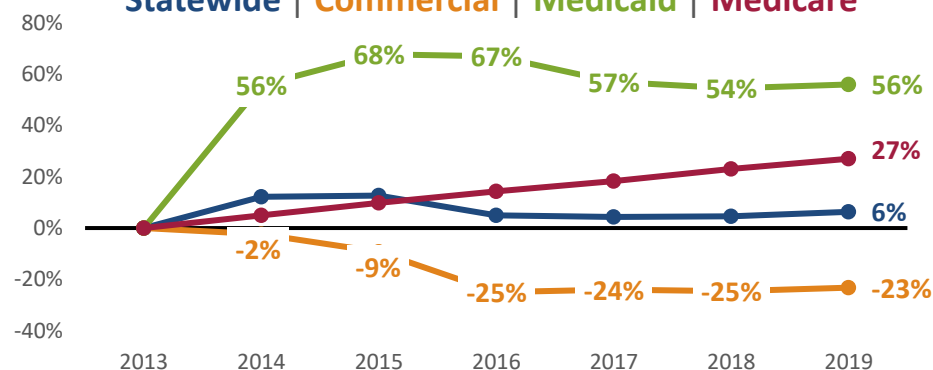
In 2014 and 2015, Medicaid enrollment in Oregon increased dramatically, due to the Affordable Care Act and the Medicaid expansion. There was a corresponding decline in the number of uninsured.⁶ Additionally, in 2017 and 2018, Medicaid completed a redetermination process, identifying individuals who no longer met income eligibility criteria, which resulted in a drop in Medicaid enrollment after the increased enrollment in 2014-2016.

The graph also shows commercial enrollment decreasing in 2015 and 2016. The decline is due to a March 2016 ruling by the U.S. Supreme Court titled *Gobeille v. Liberty Mutual Insurance Company*, after which self-insured plans regulated by the federal Employment Retirement Income Security Act of 1974 (ERISA) became exempt from mandatory data submission to APAC and other all payer claims databases across the country.

Lastly, Medicare enrollment continues to grow as more individuals become eligible for Medicare. Many of these individuals leave their commercial insurance when they become Medicare eligible.



Cumulative changes in member months, 2013-2019
Statewide | **Commercial** | **Medicaid** | **Medicare**



Methods: a member month represents one member enrolled for one month. For example, a person who is a member of a health plan for a full year generates 12 member months. Using member months helps account for people who may have multiple insurance types during a year, or who may only be insured for part of a year.

⁶ Oregon Health Insurance Survey, <https://go.usa.gov/xuPQZ>.

A Closer Look at Medicaid Cost Growth

Medicaid costs have seen two periods of notable changes. The first, in 2014, was due to approximately 400,000 individuals gaining Medicaid coverage because of the Affordable Care Act. The increase of enrollment resulted in a reduction in the per person cost because many of the new enrollees were relatively healthier and did not need as much medical care.

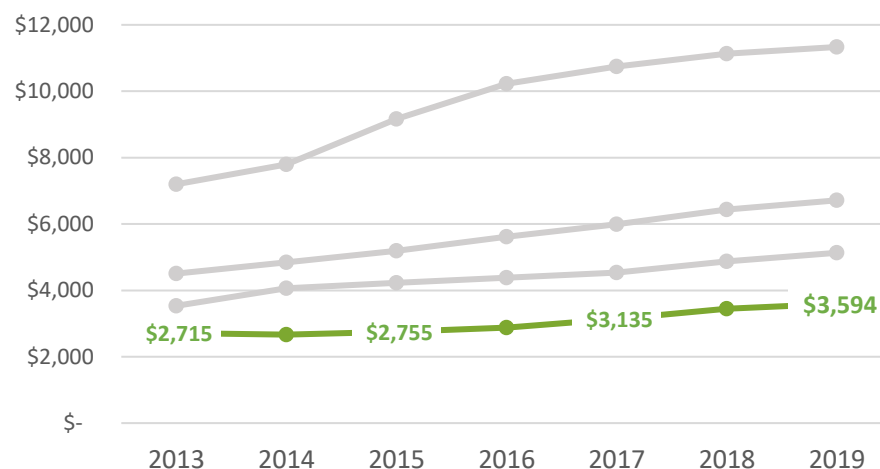
The second notable change in per person cost growth occurred in 2017 and 2018, when OHA conducted a thorough redetermination process for Medicaid enrollees. The number of Medicaid enrollees decreased by approximately 13 percentage points, but the average per person cost increased by 9.1 percent and 9.8 percent in 2017 and 2018, respectively, because the remaining Medicaid enrollees were relatively less healthy, and therefore more costly. In other words, Medicaid members' health care costs increased due to the effect of the redeterminations.⁷ The redetermination process in 2017 and 2018 shows that total program costs can decrease while per person costs are increasing.

Annual per person costs of Medicaid enrollees from 2013 to 2019 were lower than both commercial and Medicare Advantage. From 2013 to 2019, per person costs grew from \$2,715 to \$3,594.

See Appendix 1 for data tables.

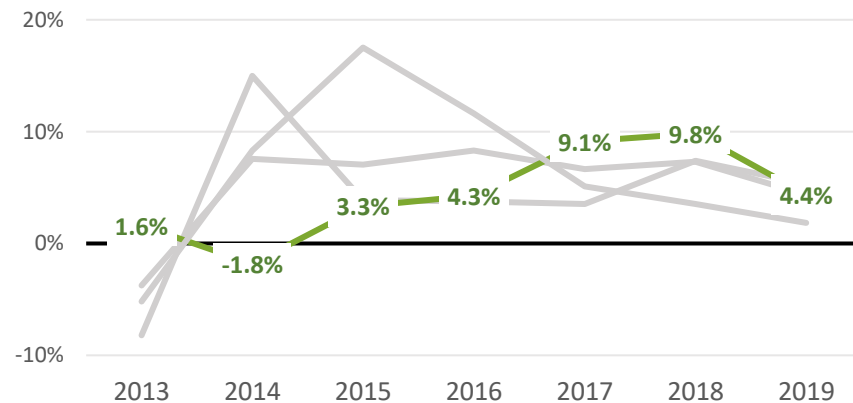
\$

Annual Per Person Medicaid Costs, 2013 - 2019
Statewide | Commercial | Medicaid | Medicare



%

Annual change in per person health care costs
Statewide | Commercial | Medicaid | Medicare

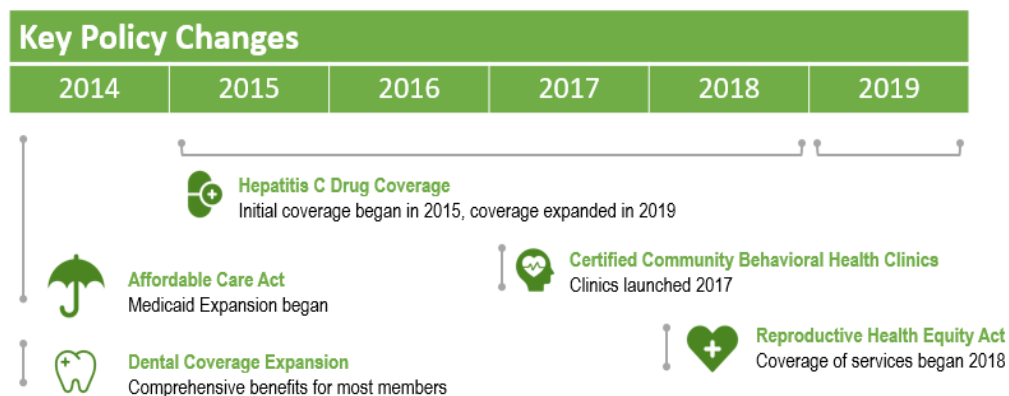


⁷ See OHA Rate Certification documents, Appendix I.E: Redetermination Factors, 2018 (<https://go.usa.gov/xuPn6>) and 2019 (<https://go.usa.gov/xuPnh>).

Multiple state and federal policy changes have led to Medicaid cost growth between 2013 and 2019. In addition to the Affordable Care Act in 2014, which resulted in many people becoming eligible for Medicaid, many of these policy changes resulted in **an expansion of benefits for Medicaid enrollees**, which translated to program cost growth.

Unlike in commercial health insurance, where costs from expanded benefits may be off-set by member cost-sharing such as copayments, Oregon Medicaid enrollees do not pay any cost-sharing. Some of the Medicaid cost growth drivers include:

- Expansion of **high-cost hepatitis C drug coverage**, particularly in 2017 and 2018⁸
- Implementation of **Certified Community Behavioral Health Clinics**
- Implementation of the **Reproductive Health Equity Act (RHEA)**
- **Adjusted reimbursement** for professional and hospital services



The Medicaid cost trends presented in this report include both CCO members and individuals not enrolled in a CCO, otherwise known as Open Card members. The underlying health risk and the cost trends of these two populations differ. The drivers of cost growth described above impact CCO and Open Card members differently. Future reports will explore spending trends across CCO and Open Card members.

Notably, this report excludes Qualified Directed Payments, which are Medicaid payments made to hospitals but are not reflected in the claims data.

⁸ OHA Coordinated Care Organization Rate Development Actuarial Certification. January 1, 2017 – December 31, 2017 Capitation Rates <https://go.usa.gov/xuPQ3> and OHA Coordinated Care Organization Rate Development Actuarial Certification. January 1, 2018 – December 31, 2018 Capitation Rates <https://go.usa.gov/xuPQc>.

This report uses claims data from the APAC database to measure per person cost growth for Medicaid; this is a different methodology from how Oregon has been held accountable to 3.4 percent cost growth under its 1115 Medicaid waiver with the federal government and its state statutory limits on Medicaid budget growth.







For example, the analysis presented in this report uses only medical claims payments and does not include, imputed amounts, dental costs or any payments that are not claims-based. Conversely, the 3.4 percent cost growth target specified in the 1115 Medicaid waiver exclude certain mental health drugs and costs associated with caring for individuals dually enrolled in Medicaid and Medicare.

See *Background – The Health Care Cost Trends Report & Measuring Medicaid Cost Growth* for a summary of some of the differences in how Oregon calculates cost growth for Medicaid. See Appendix 3 for a more detailed discussion of the different ways Oregon is required to calculate cost growth for Medicaid, and whether targets have been met for given measurement periods.

II. Cost Growth Trends by Service Category

This section of the report shows the cost growth of six mutually exclusive categories of health care services: inpatient care, outpatient care, professional services, pharmacy, emergency department, and other services. These categories are defined by the place of service and how the service is billed (also known as revenue codes). See Appendix 2 for additional details on the service category methodology.

Defining Service Categories

	Inpatient care	Hospital-based care after being admitted. Examples include childbirth and complex surgeries. Includes drugs that are administered to patients admitted in a hospital.
	Professional Services	Services provided by independent and hospital-affiliated physicians, nurse practitioners, physician's assistants and more. Includes costs associated with diagnosing and treating patients' medical issues.
	Outpatient care	Services provided in clinic settings; specifically excludes services that are rendered to patients admitted in a hospital.
	Pharmacy	Retail drugs obtained at a pharmacy, drug stores, or other location. This category does not include physician-administered medications.
	Emergency Department	Services provided in emergency departments. For hospital visits that started in the emergency department and resulted in an inpatient stay, costs are reflected in the inpatient care category.
	Other	All other services including ambulance rides, independent laboratories, and any service not categorized above.

Per Person Cost Growth by Service Category, Statewide

Total per person costs in Oregon grew from \$4,506 in 2013 to \$6,713 in 2019.

Most of the average per person health care cost consisted of inpatient services and professional services. Outpatient and pharmacy services were next most expensive.

Together, inpatient, professional services, outpatient, and pharmacy account for approximately 90 percent of per person costs. From 2013 to 2019, per person costs associated with these four categories grew 44 percent.

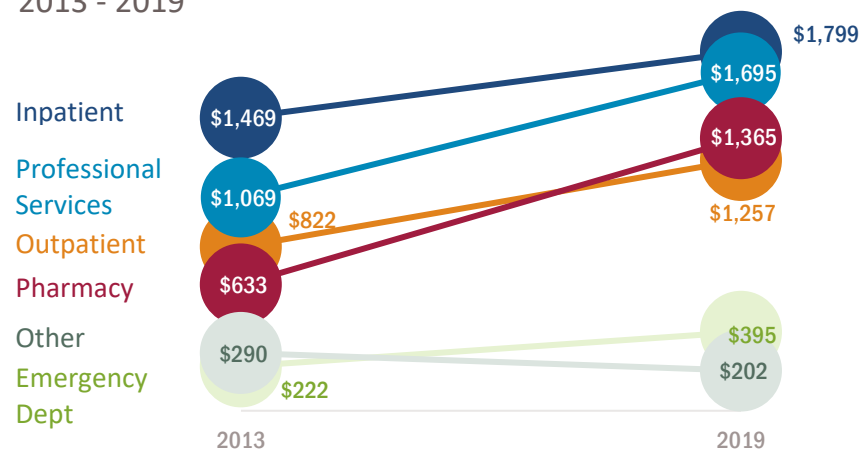
By 2018, per person costs for pharmacy exceeded outpatient costs for the first time, making pharmacy the third most costly service category.

The stacked colors on the second graph are ordered by highest growing service categories at the top and lowest growing service category at the bottom. Pharmacy and emergency department had the highest growth while inpatient and other services had the lowest growth.

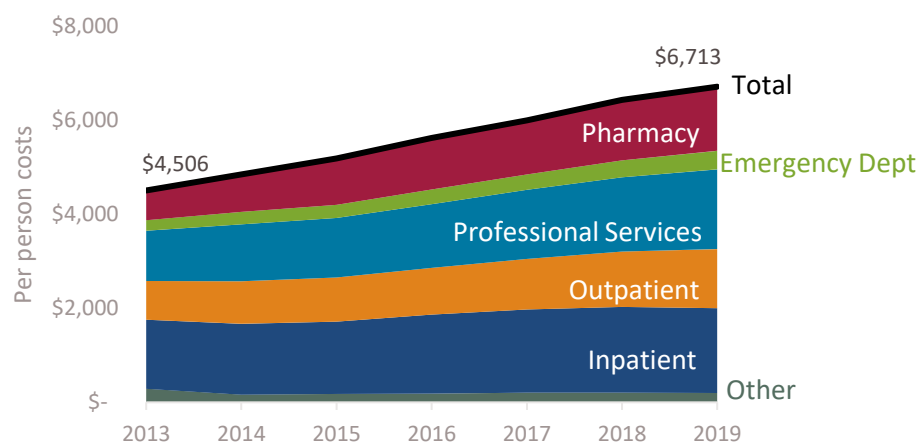
2013 and 2019, per person pharmacy costs and emergency department costs grew the most at 116 percent and 77 percent, respectively. Inpatient services grew by 22 percent over the six years.

This graph also shows which service categories are higher cost. The area for inpatient services is the largest because inpatient costs are the highest.

Per person health care costs by service category, 2013 - 2019



Pharmacy and Emergency Dept costs grew the most between 2013 and 2019

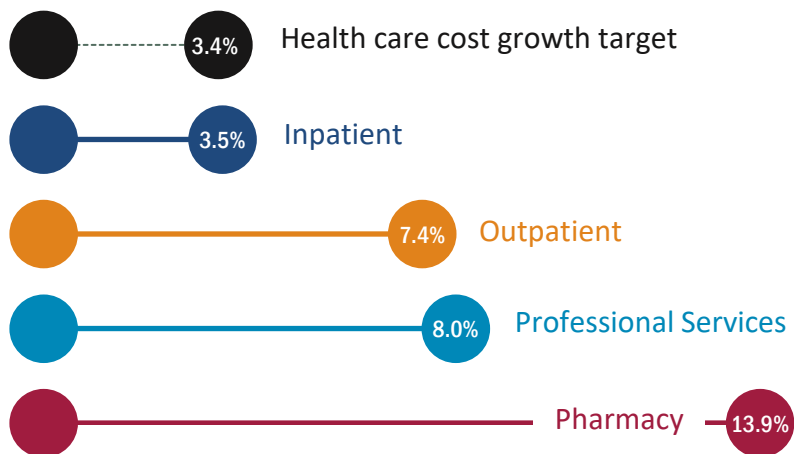


Statewide Service Category Cost Growth Relative to the Future Cost Growth Target

Oregon will not begin officially comparing and publishing annual health care cost growth performance to the target at the state and market level until later in 2022 and at the payer and provider level until 2023. However, Oregon’s historic health care cost growth by service category can still be compared with the cost growth target value of 3.4 percent as a reference point.

The four largest service categories – inpatient, professional services, outpatient, and pharmacy – grew faster than 3.4 percent on average from 2013 to 2019. Per person pharmacy costs grew the most at an annual average of nearly 14 percent. Emergency department and other per person costs (not shown) grew 10.1 and -3.6 percent, respectively.

The average annual growth of the four largest service categories exceeded the health care cost growth target of 3.4%



Per Person Cost Growth by Service Category and by Market

Inpatient Care

Inpatient services are those provided when a patient is admitted to a hospital. Childbirth (labor and delivery), surgeries that require hospitalization, overnight observations of patients and emergency visits that result in hospital admissions are all examples of inpatient services.

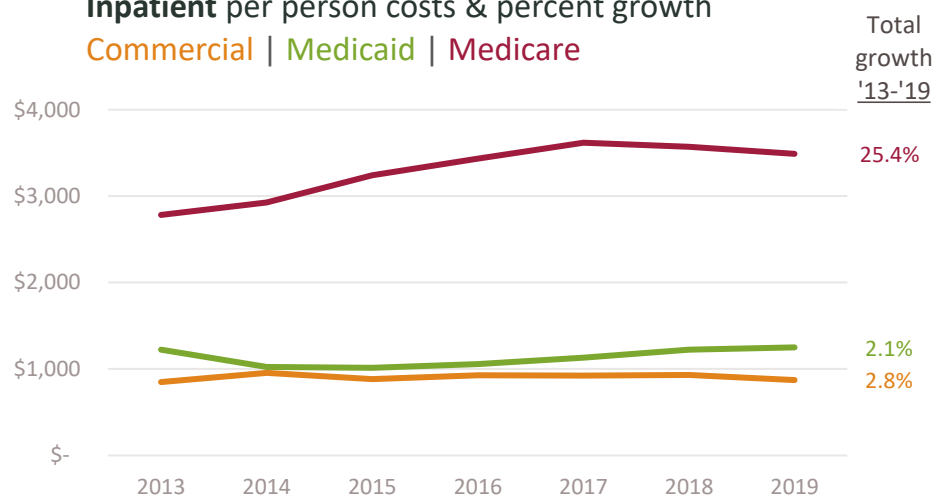
Cumulative per person cost growth of commercial and Medicaid payments for inpatient services were mostly flat from 2013 to 2019, at 2.8 percent for commercial and 2.1 percent for Medicaid.⁹ Over six years, Medicare per person costs for inpatient services grew by 25.4 percent. Inpatient costs of all three markets combined grew 22 percent.

The average annual per person cost growth for Medicare members' inpatient services was 3.9 percent. For both commercial and Medicaid, the average annual per person cost growth over six years was 0.7 percent.

Inpatient services are the highest cost category, so small percentage increases of per person costs translate to significant dollar amounts.

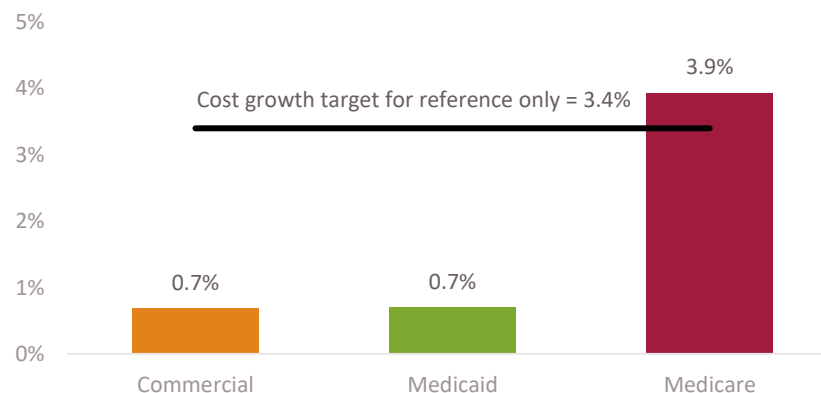
Inpatient per person costs & percent growth

Commercial | Medicaid | Medicare



Inpatient average annual per person cost growth

Commercial | Medicaid | Medicare



⁹ Qualified Directed Payments, which are Medicaid payments to hospitals, are not represented in these data.

Emergency Department

These costs reflect services provided in a hospital's emergency department (ED) that do not result in a patient being admitted into the hospital. Visits that result in patient being admitted are categorized as inpatient. Common reasons for ED visits include injuries, acute respiratory infections, urgent oral health issues, and many more.

The per person emergency department cost in 2013 for commercial coverage (\$185) was slightly more than Medicaid (\$155).

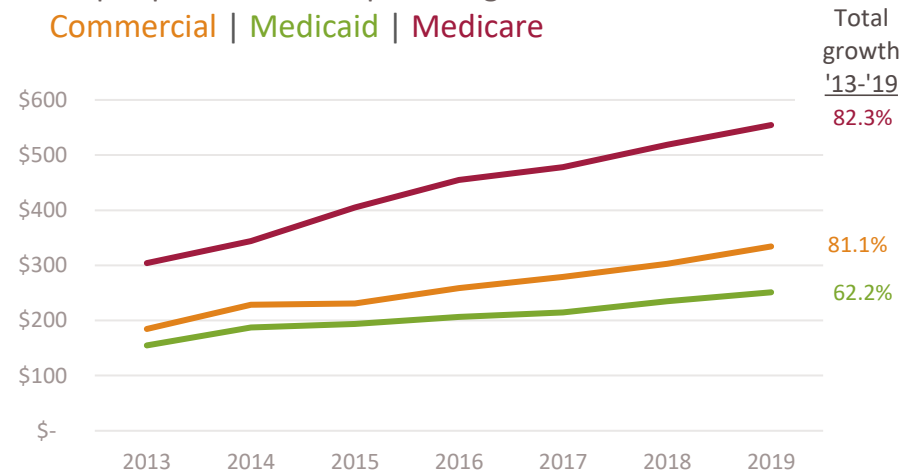
In 2019, the commercial per person cost was \$334, an 81% increase. Medicaid costs grew to \$251 in 2019, a 62% increase.

For Medicare, the per person cost in 2013 was highest at \$304 and grew approximately at the same rate as commercial (82%).

The average annual per person cost growth for emergency department ranged from 8.6 percent for Medicaid to 10.6 percent for commercial and Medicare.

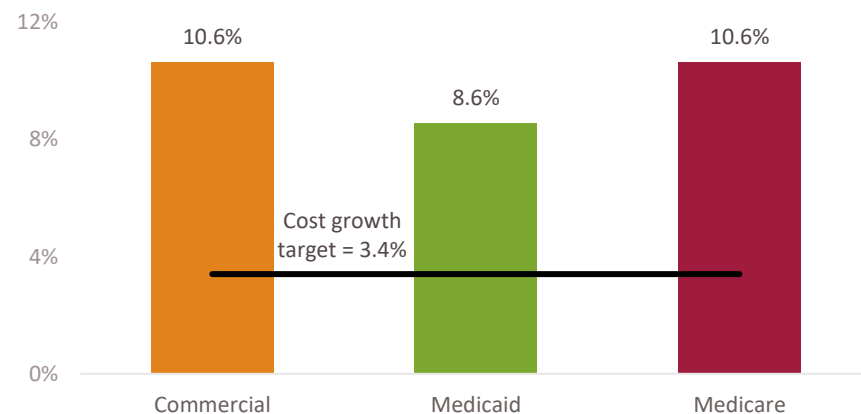
ED per person costs & percent growth

Commercial | Medicaid | Medicare



ED average annual per person cost growth

Commercial | Medicaid | Medicare



Outpatient

Outpatient services include a wide variety of different medical procedures. Many diagnostic procedures such as biopsies and colonoscopies are done in an outpatient setting. More intensive surgeries like the removal of an appendix and mastectomies can also be done as an outpatient service. As technologies advance and medical guidelines evolve, more of what was once an inpatient service can now be provided as an outpatient service.

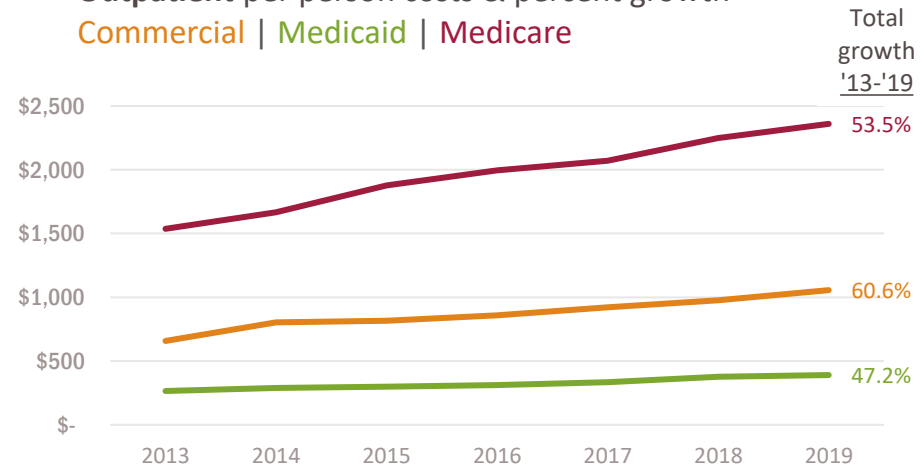
The Center for Medicare & Medicaid Services (CMS) influences outpatient cost trends because historically CMS has designated what procedures were allowed to be reimbursed as an outpatient service.¹⁰

From 2013 to 2019, commercial per person costs grew the most at nearly 61 percent, while Medicare per person costs grew by 54 percent and Medicaid per person costs grew by 47 percent.

The average annual per person cost growth for outpatient services ranged from 6.7 percent for Medicaid to 8.4 percent for commercial.

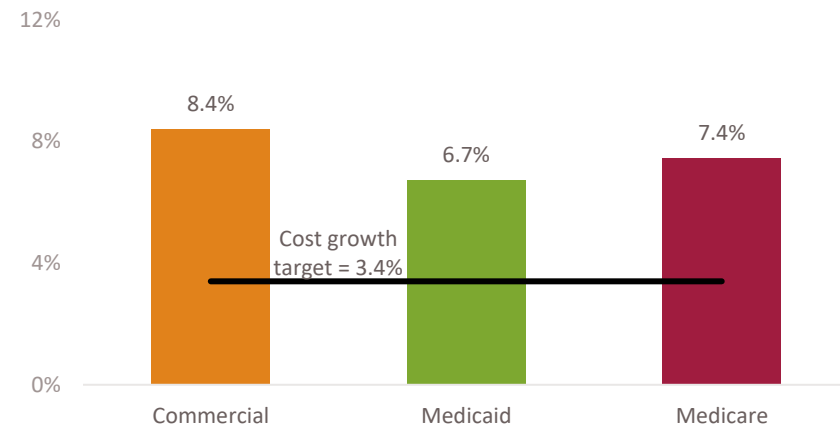
Outpatient per person costs & percent growth

Commercial | Medicaid | Medicare



Outpatient average annual per person cost growth

Commercial | Medicaid | Medicare



¹⁰ CMS Fact Sheet – Medicare Hospital Outpatient Prospective Payment System and Ambulatory Surgical Center Payment System Final Rule (CMS-1736-FC). December 2020. <https://go.usa.gov/xJHva>

Professional Services

Professional services are the costs associated with a provider’s office visit, diagnosis or treatment.

Costs associated with primary care office visits and in-office procedures are categorized as professional services. This category includes

- (1) hospital-affiliated medical providers such as primary care clinics owned and operated by a hospital, and
- (2) independent providers who are not hospital-affiliated, such as groups of physicians who own their own clinics.

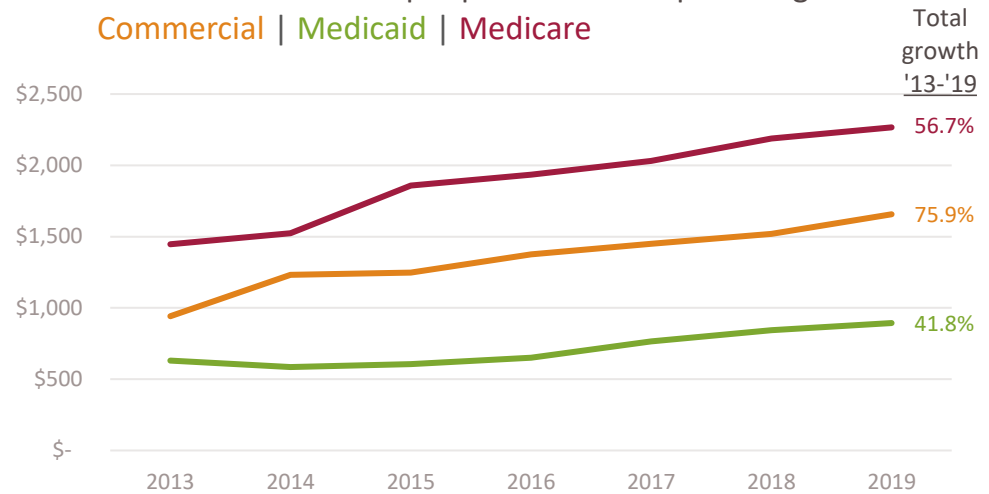
Commercial per person costs grew the most at 76 percent, followed by Medicare (57 percent), and Medicaid (42 percent).

The average annual per person cost growth ranged from 6.3 percent for Medicaid to 10.3 percent for commercial.

Professional services are the second highest cost service category, which means high annual percentage growth translates to significant cost increases.

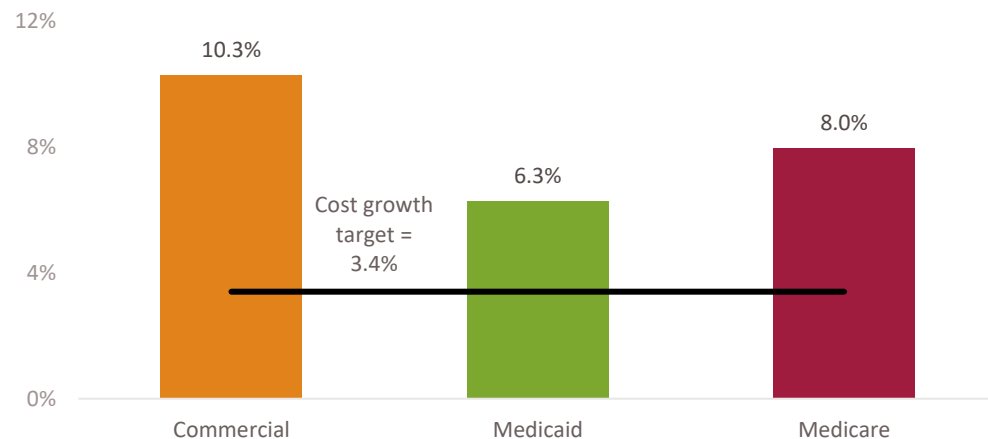
Professional Services per person costs & percent growth

Commercial | Medicaid | Medicare



Professional Services average annual per person cost growth

Commercial | Medicaid | Medicare



Pharmacy

The pharmacy service category includes retail prescription drugs obtained at a pharmacy, drug stores, or other locations. This category does not include physician-administered medications.

Out of all the categories of health care services in this report, pharmacy per person costs grew the most between 2013 and 2019.

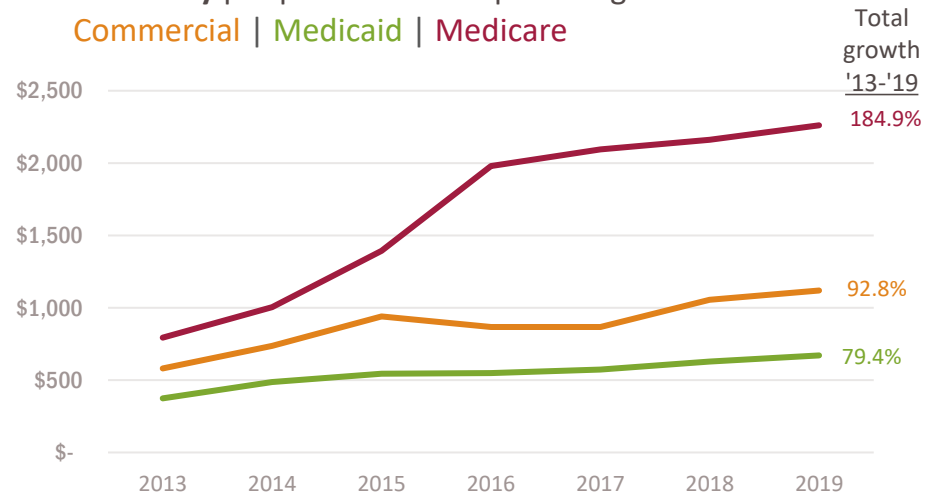
Pharmacy per person costs for Medicare grew by 185 percent, followed by commercial (93 percent) and Medicaid (79 percent).

In 2013, the per person cost for pharmacy was less than \$800 for Medicare and increased to more than \$2,200 in 2019. In Medicaid, however, the per person cost was \$374 in 2013 and increased to \$671 in 2019.

In Medicare, the average annual per person cost growth was more than 20 percent. The commercial market average annual per person cost growth was more than 12 percent.

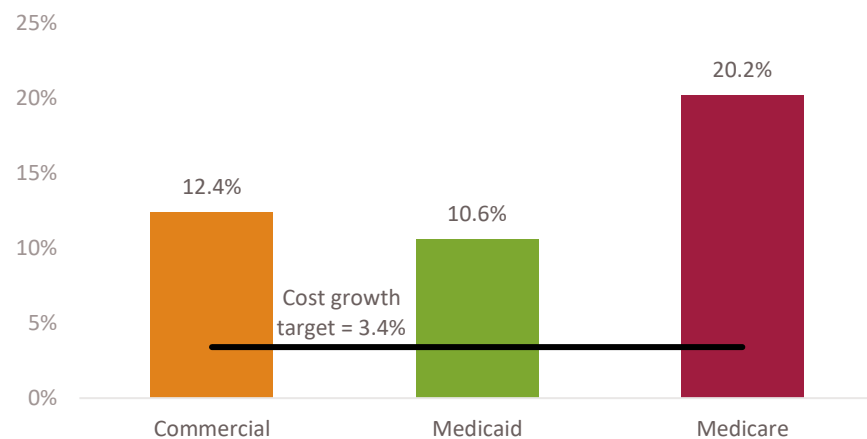
Pharmacy per person costs & percent growth

Commercial | Medicaid | Medicare



Pharmacy average annual per person cost growth

Commercial | Medicaid | Medicare



Other

This final service category is a catch-all for any service not included in the previous five categories. This includes services such as ambulance rides, independent laboratory services, telehealth, and many others.

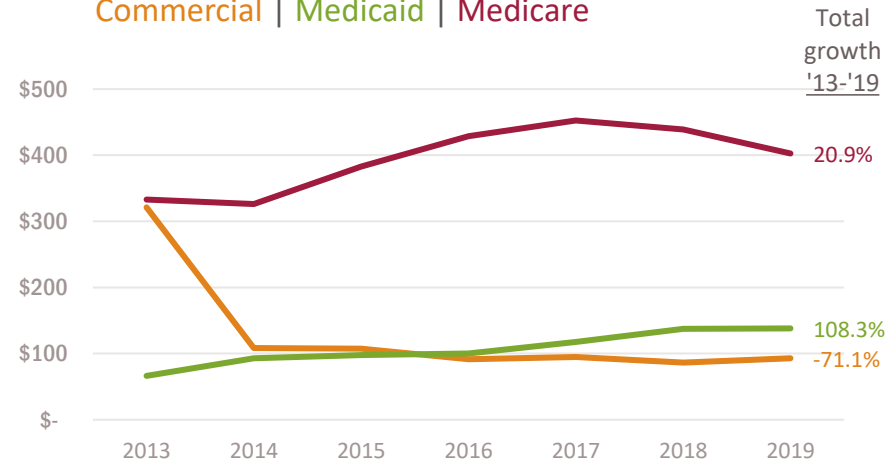
Per person spending in this category is smaller than any other service category in all three markets.

Per person costs declined for the commercial market by 71 percent over the six years, but most of the decline occurred in 2014. Additional analysis shows that commercial costs in this service category were anomalously high in 2013, which is why from 2014 to 2019 per person spending in commercial was mostly flat.

For Medicaid, per person cost growth from 2013 to 2019 grew 108 percent. One explanation for Medicaid growth outpacing Medicare and commercial is the different types of benefits available to Medicaid members. See *A Closer Look at Medicaid Cost Growth* on page 17 above.

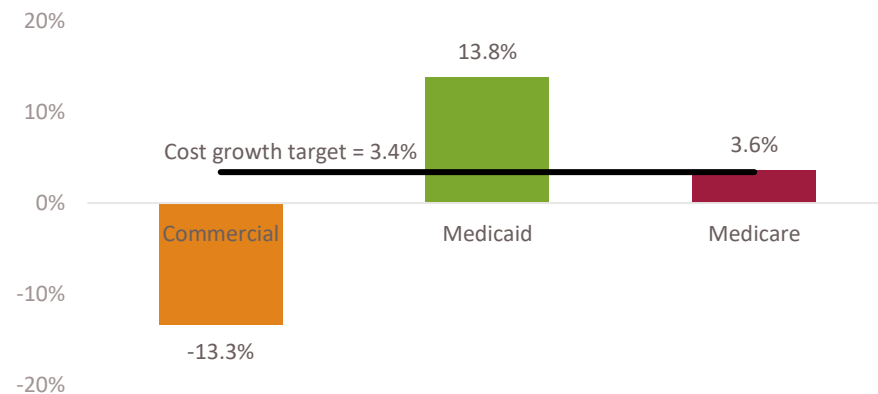
Other Services per person costs & percent growth

Commercial | Medicaid | Medicare



Other Services average annual per person cost growth

Commercial | Medicaid | Medicare



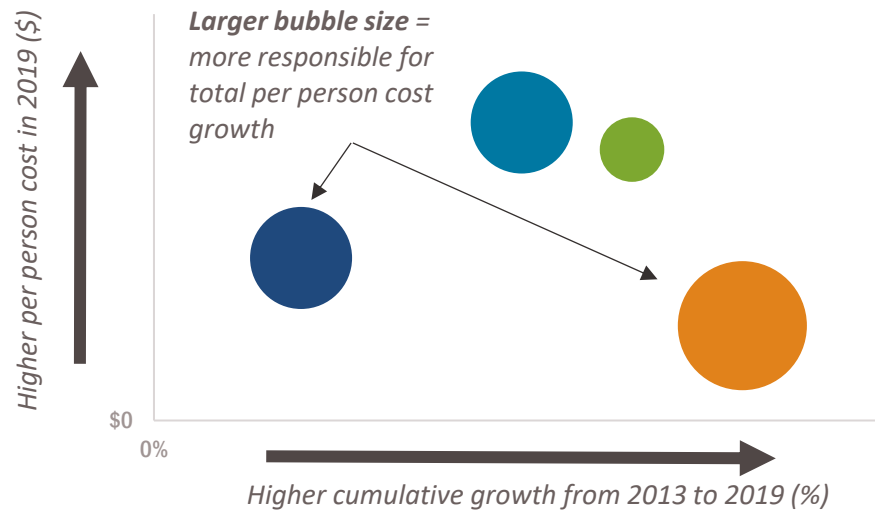
III. Identifying Cost Growth Drivers

The commercial, Medicaid and Medicare markets differ significantly in terms of the health needs of individuals, the services that are covered, and the amount of cost-sharing that people experience, such as copays. Although there are some similarities across the three markets (e.g., all experienced high per person cost growth for pharmacy services), there are differences.

This section of the report brings together several data points in a single chart to identify the different cost growth drivers in each market. That is, this section explores which service category is contributing the most to overall cost growth between 2013 and 2019 in each market. For example, the primary drivers of cost growth in the commercial market in this time period are professional services and pharmacy. For Medicare, pharmacy by far contributed the most to cost growth.

How to read these charts

- The left side of the graph - the vertical axis - shows the per person health care costs in 2019 as a dollar amount.
- The bottom of the graph - the horizontal axis - shows cumulative growth from 2013 to 2019 as a percentage.
- The bubble size indicates how much that service category is responsible for overall per person cost growth between 2013 and 2019. The largest bubble is the category most responsible for overall cost growth.



A service that is low cost and high growth would be on the lower right.
A service that is high cost and low growth would be in the upper left.

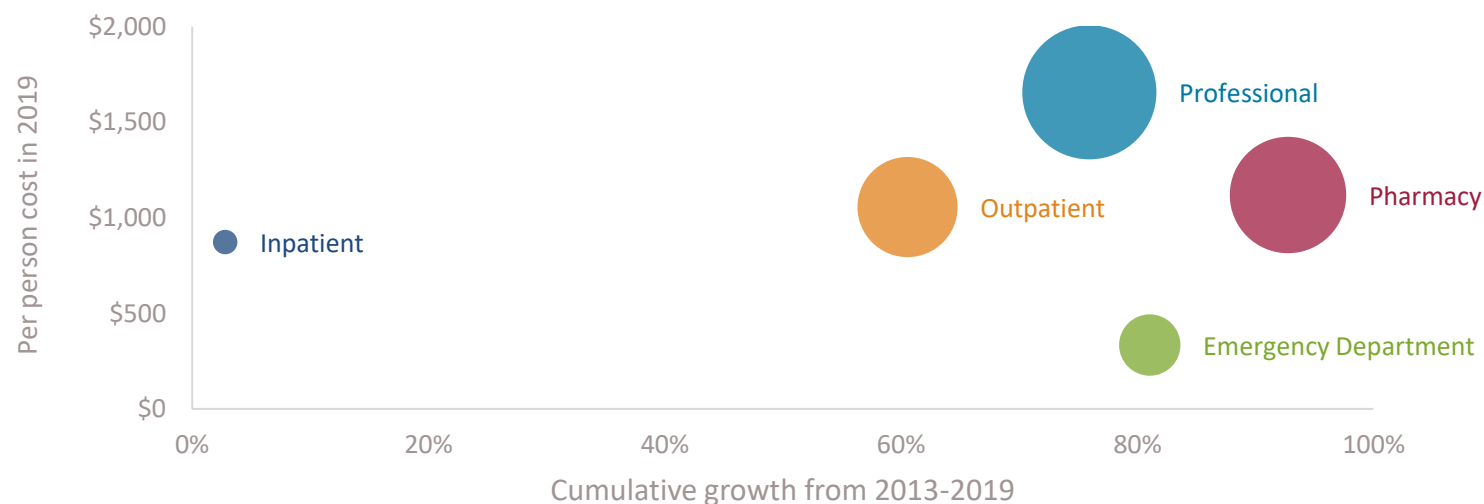
Cost Drivers in the Commercial Market

The increasing costs of professional services and pharmacy contributed the largest share of overall per person cost growth in the commercial market, indicated by the larger bubble size in the chart below. These were also the costliest services.

Pharmacy, emergency department, professional services and outpatient services grew by more than 60 percent from 2013 to 2019. Per person costs in professional services were the highest at \$1,657. Pharmacy costs grew the most at 93 percent from 2013 to 2019.

Inpatient services had little cost growth in the commercial market, only 3 percent total over the six years. And emergency department services had the lowest per person costs in the commercial market in 2019 at \$334.¹¹

Commercial: Professional Services had highest per person cost (\$1,657) and **Pharmacy** costs had largest percent growth (93%)



¹¹ Note: The Other service category is not presented in the commercial graph. Other services in the commercial market in 2013 were very high relative to future years. As such, per person costs for other services decreased by 71 percent from 2013 to 2019, and the 2019 cost was \$93.

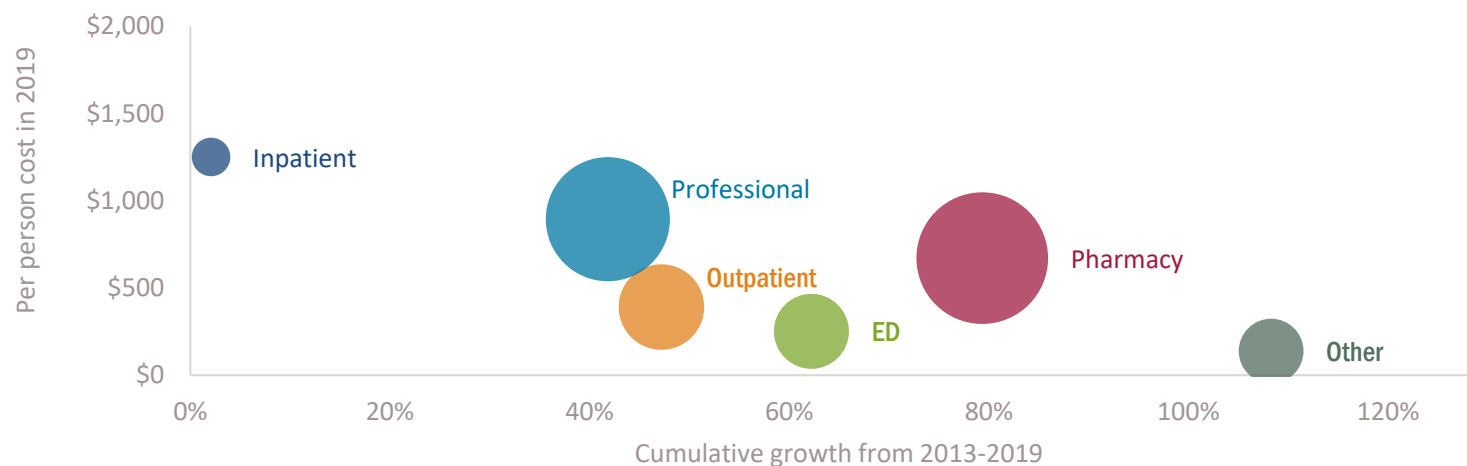
Cost Drivers in the Medicaid Market

The per person cost growth in the Medicaid market between 2013 and 2019 was driven mostly by professional services and pharmacy costs.

The Medicaid market saw less growth across service categories compared with the commercial market, except for other services. Service categories in the Medicaid market also had lower per person costs, except for inpatient services. All services categories other than inpatient were less than \$1,000 per person.

Most service categories in the Medicaid market grew less than 80 percent from 2013 to 2019. Inpatient services in the Medicaid market had the smallest growth at 2 percent. Other spending had the lowest per person costs in 2019 (\$138) yet had the largest growth at 108 percent.

Medicaid: Inpatient services had the highest per person cost (\$1,250), yet grew very little (3%) from 2013 to 2019. **Other** costs grew the most (119%) but had the lowest per person cost (\$138).

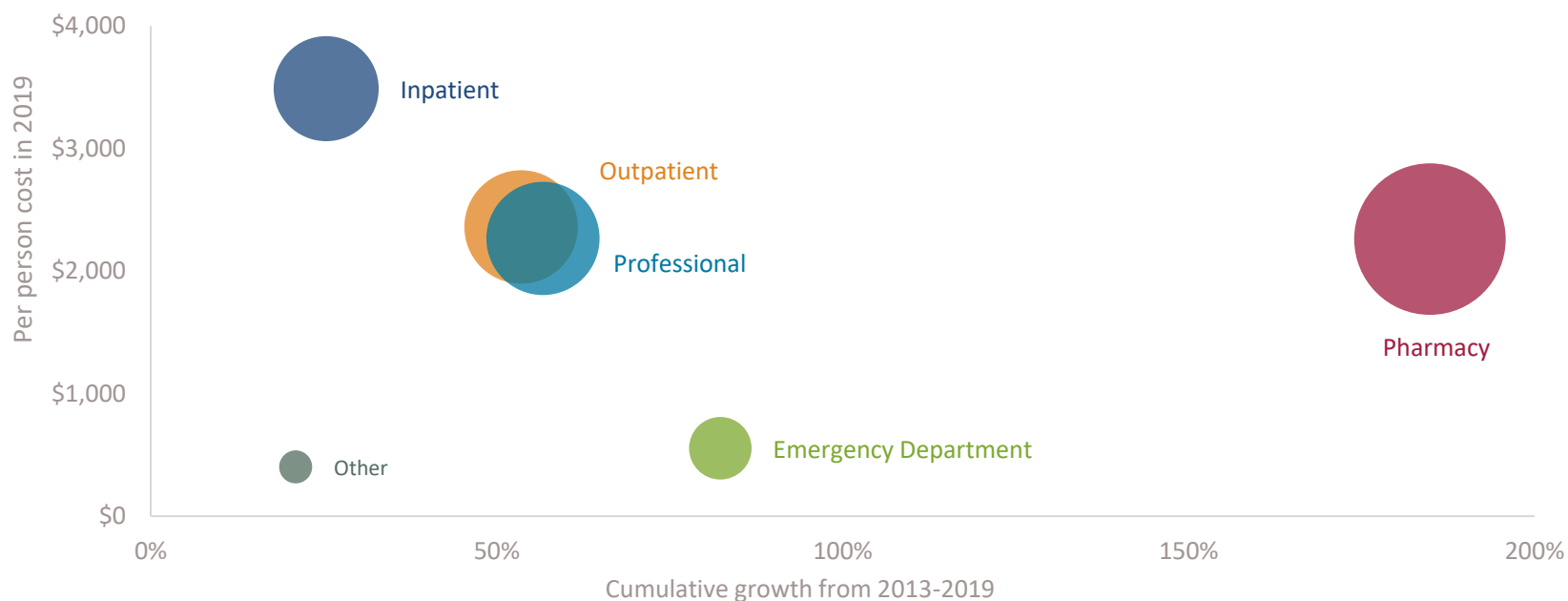


Cost Drivers in the Medicare Market

Medicare pharmacy costs grew by 185 percent from 2013 to 2019, far outpacing any other service category in any other market. Pharmacy costs were the main driver of overall per person costs from 2013 to 2019, increasing from \$794 to \$2,261.

Inpatient costs were the most expensive category in 2019 at \$3,489. Other and emergency department per person costs were the lowest categories at \$402 and \$554, respectively.

Medicare: Inpatient costs had highest per person cost (\$3,589) and lowest growth (25%). **Pharmacy** costs grew the most (185%)



Appendix 1. Data Tables

Chapter I

Per person health care costs, Oregon¹² and National¹³

	2013	2014	2015	2016	2017	2018	2019
Oregon	\$4,506	\$4,847	\$5,189	\$5,620	\$5,994	\$6,432	\$6,713
National	\$9,045	\$9,436	\$9,873	\$10,242	\$10,611	\$11,040	\$11,462

Change in per person health care costs, compared with prior year, Oregon and National

	2013	2014	2015	2016	2017	2018	2019
Oregon	-3.8%	7.6%	7.1%	8.3%	6.7%	7.3%	4.4%
National	1.9%	4.3%	4.6%	3.7%	3.6%	4.0%	3.8%

Cumulative growth in per person health care costs, Oregon and National

Oregon	2013	2014	2015	2016	2017	2018	2019
2013-2019	0.0%	7.6%	15.2%	24.7%	33.0%	42.8%	49.0%
2014-2019		0.0%	7.1%	16.0%	23.7%	32.7%	38.5%
2015-2019			0.0%	8.3%	15.5%	24.0%	29.4%
National	2013	2014	2015	2016	2017	2018	2019
2013-2019	0.0%	4.3%	9.2%	13.2%	17.3%	22.1%	26.7%
2014-2019		0.0%	4.6%	8.5%	12.5%	17.0%	21.5%
2015-2019			0.0%	3.7%	7.5%	11.8%	16.1%

¹² Oregon All Payer All Claims data extracted March 2022.

¹³ National Health Expenditure Data from CMS, Table 1, National Health Expenditures Per Capita. <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical>. Data last modified December 15, 2021.

Cumulative growth in per person health care costs and economic indicators, indexed to 2013¹⁴

Oregon	2013	2014	2015	2016	2017	2018	2019
per person health care costs	0.0%	7.6%	15.2%	24.7%	33.0%	42.8%	49.0%
per person income	0.0%	5.9%	12.4%	16.1%	20.9%	26.8%	31.5%
average wages	0.0%	3.3%	7.0%	9.2%	12.8%	17.2%	21.6%
National							
Inflation	0.0%	1.6%	1.7%	3.0%	5.2%	7.8%	9.7%
Inflation – medical	0.0%	2.4%	5.1%	9.1%	11.8%	14.0%	17.2%

Commercial insurance deductibles and premiums – average annual cost and cumulative growth, indexed to 2013¹⁵

Deductibles - Average deductibles for individuals with employer-sponsored insurance, Oregon

	2013	2014	2015	2016	2017	2018	2019
Family	\$2,599	\$2,647	\$2,462	\$3,988	\$3,395	\$3,348	\$3,634
<i>Family</i>	0.0%	1.8%	-5.3%	53.4%	30.6%	28.8%	39.8%
Single	\$1,295	\$1,274	\$1,496	\$1,950	\$1,688	\$1,954	\$1,958
<i>Single</i>	0.0%	-1.6%	15.5%	50.6%	30.3%	50.9%	51.2%

¹⁴ Per person income and average wage data from the Oregon Economic Forecast data tables. <https://www.oregon.gov/das/OEA/Pages/forecastecorev.aspx>. Inflation is reported as the consumer price index (CPI) – all urban consumers, and CPI- medical care. <https://fred.stlouisfed.org/series/CPIMEDSL#0>. Data pulled March 14, 2022.

¹⁵ Premium and deductible data from the Medical Expenditure Panel Survey (MEPS) Insurance Component. <https://meps.ahrq.gov/mepsweb/>. Patient responsibility as share of median income from The Commonwealth Fund, State Trends in Employer and Premium Deductibles. Nov 2020. https://www.commonwealthfund.org/sites/default/files/2020-11/Collins_state_premium_trends_2020_db_1.pdf. Data pulled September 24, 2021.

Health insurance premiums - Average employee contribution for individuals with employer-sponsored insurance, Oregon

	2013	2014	2015	2016	2017	2018	2019
Family	\$4,327	\$4,555	\$4,729	\$4,200	\$5,009	\$5,913	\$5,404
<i>Family</i>	<i>0.0%</i>	<i>5.3%</i>	<i>9.3%</i>	<i>-2.9%</i>	<i>15.8%</i>	<i>36.7%</i>	<i>24.9%</i>
Single	\$804	\$ 914	\$898	\$1,028	\$1,023	\$1,061	\$1,155
<i>Single</i>	<i>0.0%</i>	<i>13.7%</i>	<i>11.7%</i>	<i>27.9%</i>	<i>27.2%</i>	<i>32.0%</i>	<i>43.7%</i>

Annual growth in per person health care costs, by market¹⁶

	2013 to 2014	2014 to 2015	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019	Average Annual
Statewide	7.6%	7.1%	8.3%	6.7%	7.3%	4.4%	5.4%
Commercial	15.0%	3.9%	3.8%	3.5%	7.4%	5.3%	4.4%
Medicaid	-1.8%	3.3%	4.3%	9.1%	9.8%	4.4%	4.4%
Medicare	8.3%	17.5%	11.6%	5.1%	3.5%	1.9%	6.1%

Per person health care costs, by market

	2013	2014	2015	2016	2017	2018	2019
Statewide	\$4,506	\$4,847	\$5,189	\$5,620	\$5,994	\$6,432	\$6,713
Commercial	\$3,535	\$4,065	\$4,222	\$4,381	\$4,536	\$4,872	\$5,132
Medicaid	\$2,715	\$2,666	\$2,755	\$2,873	\$3,135	\$3,443	\$3,594
Medicare	\$7,197	\$7,794	\$9,159	\$10,225	\$10,746	\$11,127	\$11,333

¹⁶ Oregon's All Payer All Claims (APAC) Database

Cumulative growth in per person health care costs, by market, indexed to 2013

	2013	2014	2015	2016	2017	2018	2019
Statewide	0.0%	7.6%	15.2%	24.7%	33.0%	42.8%	49.0%
Commercial	0.0%	15.0%	19.4%	23.9%	28.3%	37.8%	45.2%
Medicaid	0.0%	-1.8%	1.5%	5.8%	15.5%	26.8%	32.4%
Medicare	0.0%	8.3%	27.3%	42.1%	49.3%	54.6%	57.5%

Cumulative growth in member months, indexed to 2013

	2013	2014	2015	2016	2017	2018	2019
Total	0%	12.2%	12.7%	5.0%	4.4%	4.6%	6.3%
Commercial	0%	-2.4%	-9.3%	-25.0%	-24.0%	-24.6%	-23.3%
Medicaid	0%	55.8%	67.7%	67.0%	57.0%	54.5%	56.0%
Medicare	0%	5.0%	9.8%	14.3%	18.3%	23.0%	27.0%

Annual cost growth in Medicaid, per person versus per member per month (PMPM)

	2013	2014	2015	2016	2017	2018	2019
Per person	1.6%	-1.8%	3.3%	4.3%	9.1%	9.8%	4.4%
PMPM	0.4%	-5.9%	7.4%	6.9%	11.3%	6.9%	3.9%

Chapter II

All markets and all service categories combined

	2013	2014	2015	2016	2017	2018	2019
Total per person spending	\$4,506	\$4,847	\$5,189	\$5,620	\$5,994	\$6,432	\$6,713

Per person spending by service category and market

Inpatient Services	2013	2014	2015	2016	2017	2018	2019
Commercial	\$849	\$955	\$883	\$929	\$923	\$933	\$873
Medicaid	\$1,225	\$1,025	\$1,014	\$1,057	\$1,132	\$1,223	\$1,250
Medicare	\$2,783	\$2,928	\$3,241	\$3,434	\$3,619	\$3,571	\$3,489
Emergency Department	2013	2014	2015	2016	2017	2018	2019
Commercial	\$185	\$229	\$231	\$259	\$279	\$303	\$334
Medicaid	\$155	\$187	\$194	\$206	\$214	\$235	\$251
Medicare	\$304	\$344	\$405	\$455	\$478	\$518	\$554
Outpatient Services	2013	2014	2015	2016	2017	2018	2019
Commercial	\$658	\$804	\$815	\$859	\$922	\$976	\$1,056
Medicaid	\$265	\$290	\$298	\$311	\$334	\$378	\$390
Medicare	\$1,537	\$1,667	\$1,879	\$1,995	\$2,072	\$2,249	\$2,360
Professional Services	2013	2014	2015	2016	2017	2018	2019
Commercial	\$942	\$1,231	\$1,248	\$1,376	\$1,450	\$1,519	\$1,657
Medicaid	\$630	\$585	\$607	\$650	\$765	\$843	\$894
Medicare	\$1,446	\$1,524	\$1,859	\$1,935	\$2,031	\$2,188	\$2,267

Pharmacy	2013	2014	2015	2016	2017	2018	2019
Commercial	\$581	\$737	\$939	\$866	\$867	\$1,055	\$1,119
Medicaid	\$374	\$486	\$545	\$549	\$572	\$628	\$671
Medicare	\$794	\$1,005	\$1,393	\$1,979	\$2,094	\$2,161	\$2,261
Other	2013	2014	2015	2016	2017	2018	2019
Commercial	\$321	\$109	\$107	\$92	\$95	\$86	\$93
Medicaid	\$66	\$93	\$98	\$100	\$118	\$137	\$138
Medicare	\$333	\$326	\$383	\$429	\$453	\$439	\$403

Appendix 2. Methodology

Oregon's All Payer All Claims (APAC) database

Data used in this report are from Oregon's All Payer All Claims database and represent claims-based and enrollment/eligibility data. The APAC database contains medical and pharmacy claims, demographic data, monthly eligibility data, billed premium data and provider data reported by commercial insurers, Medicaid, and Medicare. These data represent 5,891,642 people total or 3.4 to 3.9 million people annually, compared with the current state population of approximately 4.3 million people. About 1 percent of the people in APAC do not reside in Oregon but are included because they were insured by the Oregon Public Employee or Educator Benefit Board (PEBB or OEBB).

For 2018, APAC contains data representing 92 percent of Oregon residents. Those not in APAC are uninsured or covered by federal employee health benefit plans, Department of Defense, Indian Health Service, Tricare or Veterans Affairs, self-insured plans not reporting to APAC, commercial insurers or third-party administrators with fewer than 5,000 Oregon lives, departments of correction, or the Oregon State Hospital. APAC also excludes other lines of business such as workers compensation and long-term care.

APAC receives medical claims, dental claims, pharmacy claims, payment amounts, member demographics, billed premiums, and provider information. Data are received from insurance companies, third party administrators, and pharmacy benefits managers identified as mandatory reporters.

For more information about Oregon's APAC program, visit <https://www.oregon.gov/oha/HPA/ANALYTICS/Pages/All-Payer-All-Claims.aspx>.

Cost Trend Analysis Methodology

The analysis presented in this report is not a baseline for Oregon's Sustainable Health Care Cost Growth Target Program, but rather an assessment of cost drivers and the composition of cost growth by market. Data were extracted from APAC in March 2022.

The dollar amounts in this report include both member-paid cost sharing such as patients' copays and deductible payments as well as plan-paid amounts. The APAC data used in this report do not include administrative spending, profits, or non-claims spending such as value-based payments or alternative payment methodologies. The data used in this analysis also exclude outlier coordination of benefits (COBs), which are likely due to errors. The dollar amounts and trends presented in this report are not adjusted for inflation or risk-adjusted in any way.

The annual per person spending amounts are calculated by dividing all spending in a health insurance market (e.g., Medicaid, Commercial, Medicare) by the total number of unduplicated individuals who received care in that market. As such, an individual may be included in multiple markets if the individual either had simultaneous coverage under more than one market or had coverage in one market for part of the year and a different one for another part of the year.

Limitations and Market-Specific Notes

The Medicaid market excludes some eligibility categories for which the benefits package is limited. Individuals who received benefits, and the costs associated with those benefits, for these programs are excluded:

- Citizen Alien Waived Emergent Medical (CAWEM), which in APAC is represented as Program Eligibility Resource Code (PERC) codes CW, CS, CT, CU, and CW
- Qualified Medicare Beneficiary (QMB) and Specified Low-Income Medicare Beneficiary (SLMB), which in APAC are represented as PERC codes QB, QI, and SL.
- Cover All Kids, which in APAC is represented by PERC code CX

Furthermore, the Medicaid market includes both CCO members and individuals receiving Medicaid services outside of CCOs. The data presented in this report includes only data submitted to APAC; it does not, for example, include adult foster care which is paid for by the Medicaid program.

The Medicaid trends identified in this report do not necessarily align with the growth trends of CCOs' global budgets nor do they align with the state budget for the Medicaid program due to significant differences in calculation methodology, inclusion and exclusion criteria, and data sources. See Appendix 3 for additional details.

The Medicare data include both commercial Medicare Advantage plans (Part C) and Medicare fee-for-service (A, B, D).

The Commercial data in this report include fully-insured and PEBB/OEBB plans. This report includes many self-insured plans, as well.

Covered benefits, patient population risk profile, and cost and utilization patterns differ among Medicaid, Medicare and Commercial payers, and across years. No adjustments were made in this report to account for these differences.

Impact of Gobeille

In 2016, the U.S. Supreme Court decision in *Gobeille v. Liberty Mutual Insurance Company* prohibited states from requiring ERISA entities to report health care claims and administrative data. The Employee Retirement Income Security Act of 1974 (ERISA) is a federal law that sets minimum standards for most voluntarily established retirement and health plans in the private industry.

People covered by self-insured plans declined by more than 50 percent starting in 2016 in Oregon's APAC due to the decision. Some ERISA entities, however, continue to report data voluntarily.

Defining Service Categories

The service categories were defined by place of service, bill type and revenue codes. All spending was categorized as inpatient, emergency department, outpatient, professional service, and pharmacy. Then, any remaining costs were considered as other. These categories are mutually exclusive and exhaustive.

First, we identified inpatient claims by using the bill type (or type of service). All claims that had a facility value of hospital and a value for inpatient (including Medicare Part A and Medicare Part B), hospital intermediate care, as well as specialty facilities like hospital-based hospice were included. Inpatient was also defined using hospital revenue codes such as those associated with all-inclusive rates for room and board, private room, semi-private room, private deluxe room, room and board in the ward, other room and board, and nursery. Inpatient was also defined by place of service such as inpatient hospital, inpatient psychiatric facility, partial hospitalization in psychiatric facility, inpatient critical access hospital, residential substance abuse treatment facility, psychiatric residential treatment facility, and comprehensive inpatient rehabilitation facility. Any claims that contain values indicating inpatient services were classified as inpatient, regardless of any other services (such as emergency room) on the same claim; claims were not split.

Emergency department was defined by place of service of emergency department or when the revenue code equals emergency department. Claims that originated in the emergency department but resulted in an inpatient stay are classified as inpatient. Emergency department professional fees are captured in this category and not in the professional services category.

Outpatient services were defined by the bill type (or type of service) for claims that were outpatient, clinic-setting, home health, hospital referenced diagnostic service or home health that was not under a plan of treatment. Outpatient services were also defined by place of service as outpatient hospital.

Professional services were defined by place of service as school, office, walk-in retail clinic, urgent care, ambulatory surgical center, independent clinic, Federally Qualified Health Center, Community Mental Health Center, non-residential substance abuse treatment facility, mass immunization center, comprehensive outpatient rehabilitation facility, end-stage renal disease treatment facility, state or local public health clinic, and rural health clinic. Professional services were also defined when the place of service is home and when the bill type (or type of service) is not inpatient, outpatient, or other.

Pharmacy was defined by place of service of pharmacy or claim type of pharmacy. Notably, this category includes only retail pharmacy. Physician-administered drugs are not included in this service category; they are captured in the service categories corresponding to the setting where the drugs were administered. Pharmacy costs also do not include rebates because that information is not available in APAC.

The category titled other was defined by all the remaining claims left over after categorizing claims in the other groups. These claims include ambulance services, independent laboratories, and other miscellaneous services.

One important limitation of analyzing per person spending by service category is the range of services provided in a service category may change over time. For example, some surgeries are now commonly provided in an outpatient setting whereas twenty years ago they may have only been available as an inpatient service. This report does not control for any changes in the types of services provided in each setting.

Additionally, professional services can be billed separately from hospital claims for the same hospital visit. As such, inpatient costs and inpatient cost trends may not reflect all of the associated costs for hospital visits.

Appendix 3. Medicaid Cost Growth Measurements

Oregon's Medicaid program has many different types of cost growth measurements. Each focuses on slightly different areas of the Medicaid program and are therefore calculated using different methodologies, with certain benefits and segments of the Medicaid population included or excluded in the calculation.

1. Oregon Legislature requires that state funds used for the Medicaid program (prior to any expansions of benefits) can grow no more than 6.92 percent per biennium, which is equivalent to 3.4 percent per year after compounding. State funds support programs such as Cover All Kids and the state-share of payments to CCOs and for the Children's Health Insurance Program.
2. A 3.4 percent growth target is specified in the agreement between Oregon and the federal government in the form of the state's 1115 Medicaid waiver. This growth target is specific to most of the Medicaid program, but there are some components that are excluded such as mental health drugs, costs associated with individuals dually enrolled in Medicaid and Medicare, Certified Community Behavioral Health Clinics, and more.
3. The OHA has an internal benchmark of 3.4 percent growth for CCO capitation rates. This target includes only payments made to CCOs and excludes all costs associated with individuals who have Medicaid but are not enrolled in a CCO. This growth benchmark also excludes medical costs for individuals who are undocumented, direct payments to medical providers, and more. There have been years in which the CCO capitation rate exceeded 3.4 percent for justifiable reasons, including legislatively funded expansions of benefits. Going forward, OHA will also assess CCOs' risk adjusted rate of growth as per the Legislature's direction.¹⁷
4. The Oregon Sustainable Health Care Cost Growth Target is another cost growth measurement that applies to Medicaid. It will differ from the previous ways that the state has limited the cost growth of the Medicaid program.

The analysis presented in this report does not align with any of the abovementioned 3.4 percent growth measurements. See Appendix 2 for more details on the methodology.

¹⁷ Risk Adjusted Rate of Growth memo, 2020. <https://go.usa.gov/xuPQ2>

You can get this document in other languages, large print, braille, or a format you prefer. Contact the Sustainable Health Care Cost Growth Target Program at 503-385-5948 or email HealthCare.CostTarget@dhsosha.state.or.us.

