

Health system transformation in Oregon: lessons from the first five years

In 2012 Oregon embarked on a bold new plan to revamp its Medicaid program.

The state already had a history of health care innovation that started in the 1990s when Oregon moved its 240,000 Medicaid recipients into the newly formed Oregon Health Plan. Under this plan, Oregon contracted with managed care organizations to provide care for members. It was also able to expand enrollment and control costs using a prioritized list of covered services.

But the Medicaid reforms Oregon made in 2012 were even more ambitious. In exchange for \$1.9 billion in federal funding, Oregon promised to improve health care access and quality – and reduce health care spending – by focusing on prevention and primary care.

The state and its Medicaid administrator, the Oregon Health Authority (OHA), would accomplish this triple aim of better health, better quality and lower costs by forming [coordinated care organizations](#) (CCOs). They were a new type of health plan charged with coordinating the physical, behavioral and oral health needs of people on the Oregon Health Plan. Before CCOs these three systems of care were separated.

CCOs were expected to make these improvements in care while also living within a fixed global budget which could grow by no more than 3.4 percent per year. That was two percentage points below the projected growth rate in federal health care spending.

As long as they stayed within this budget, CCOs would have the flexibility to hire their own health care providers, conduct innovative quality improvement programs, and spend money on health-related services like transportation, housing and education.

The state also set up an incentive pool to reward CCOs for meeting or exceeding targets on [17 quality measures](#), including:

- Cigarette smoking prevalence
- Colorectal cancer screening
- Childhood immunization status
- Controlling high blood pressure
- Controlling blood sugar in people with diabetes
- Application of dental sealants for kids
- Depression screening and follow-up

Other states made adjustments to their Medicaid programs, but Oregon's efforts addressed the entire system, and were seen as a national model for health care reform.

Early reports show these efforts are paying off.

Five-year report card

Since 2012 Oregon's Medicaid reforms and the CCO model have saved taxpayers an estimated \$2.2 billion.

CCOs are also making progress on quality. The [latest metrics report](#) shows improvements in several areas including: effective contraceptive use, follow-up after hospitalization for mental illness, and in applying dental sealants for kids.

An [independent analysis](#) of Oregon's 2012-2017 Medicaid waiver supports these findings, showing that Oregon has spent less per Medicaid member than neighboring Washington, and that it has reduced emergency room visits and "low value" care.

John McConnell, PhD, directs OHSU's Center for Health Systems Effectiveness, and led the team that conducted the analysis.

"Oregon's Medicaid reforms were associated with significant reductions in health care spending, an important, but elusive goal for most health systems," says McConnell. "More work remains particularly in the integration of behavioral, oral and physical health, confronting the cost of prescription drugs, and increasing the use of value-based payments for CCOs and providers. However, the Oregon Health Authority and CCOs have created the infrastructure that may be well suited to address these issues over the next five years."

The next five-year CCO contract will start in January of 2020. Between now and then there is a lot of work to do to develop policies for CCO 2.0, the next phase of health system transformation in Oregon.

What's next for Oregon CCOs?

Governor Kate Brown has asked the Oregon Health Policy Board, which oversees OHA's work, to make improvements [in four areas](#):

- [Maintain sustainable cost growth](#)
- [Increase value-based payments that pay for performance](#)
- [Focus on social determinants of health and equity](#)
- [Improve the behavioral health system](#)

There are many questions to resolve in each of the areas.

Starting in March, OHA and the Health Policy Board will kick off a series of [public meetings](#) to gather your input on policy recommendations for CCO 2.0. Formal recommendations will be presented at the August Board meeting.