Final Report: Advisory Group to the Governor on Medicaid Sustainability

July 7, 2026

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Grounding

~1.4 million Oregonians rely on the Oregon Health Plan (OHP)

57% of Oregon children receive care through OHP

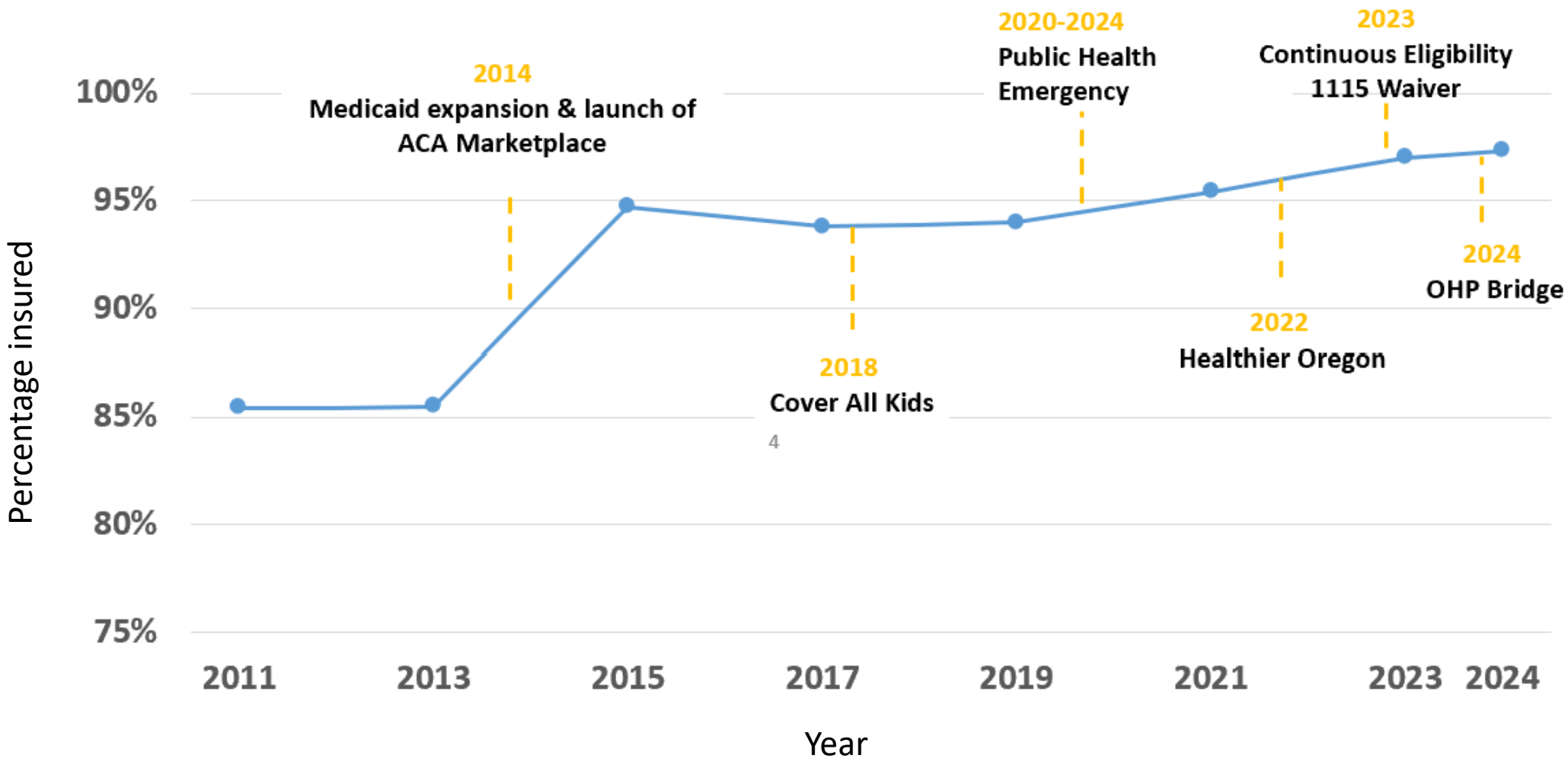
~ 200,000 low-income adults are estimated to lose Medicaid coverage because of H.R. 1

$9.41 billion state and federal funds revenue lost by 2031 due to H.R. 1 policies

Health Insurance Coverage Since 2011

Oregon achieved an overall coverage rate of 97.3% in 2024

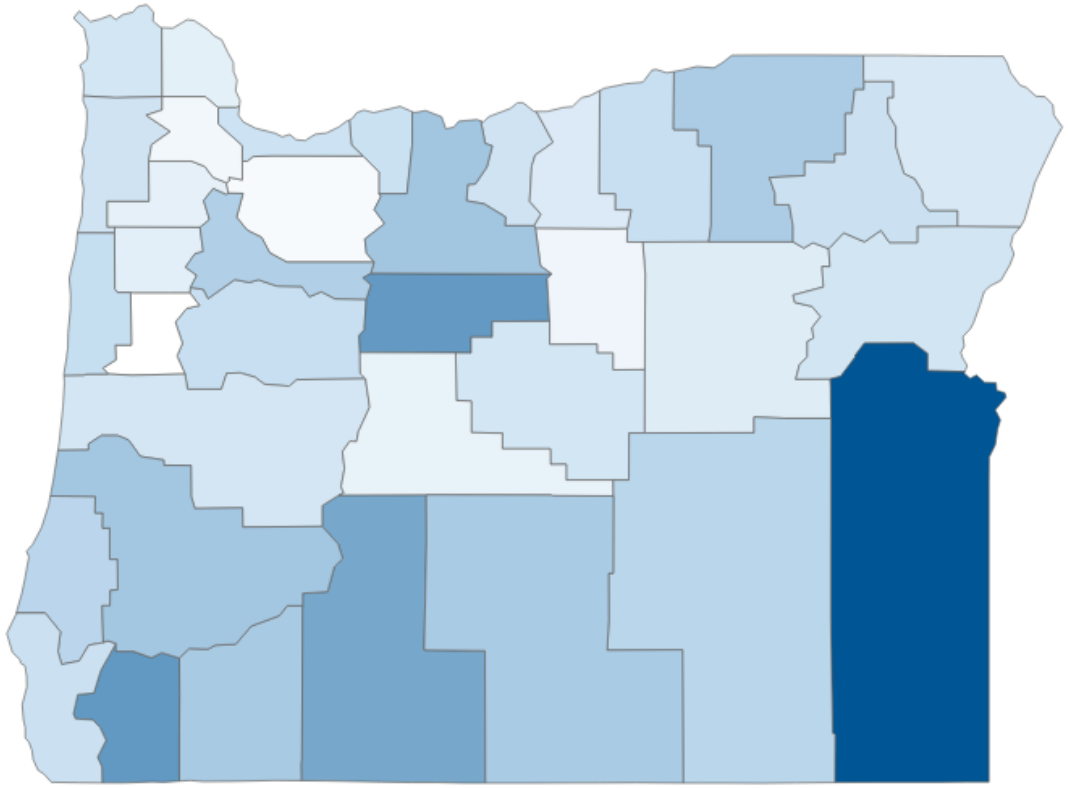
Notable changes in OHP enrollment



Statewide Concern

Percent of the population enrolled in OHP

Based on population estimates as of July 2025



County	County Color	# Enrolled	County Population	% Population Enrolled
Malheur		16,617	31,453	52.8%
Josephine		40,521	89,686	45.2%
Jefferson		11,629	25,768	45.1%
Klamath		30,096	69,135	43.5%
Wasco		10,615	26,403	40.2%
Douglas		44,228	110,355	40.1%
Jackson		87,854	221,471	39.7%
Lake		3,280	8,297	39.5%
Umatilla		32,237	81,784	39.4%
Marion		137,380	352,162	39.0%
Harney		2,839	7,401	38.4%
Coos		24,925	65,124	38.3%
Lincoln		18,774	50,428	37.2%
Linn		47,836	130,322	36.7%
Morrow		5,327	14,604	36.5%
Hood River		8,735	24,361	35.9%
Union		9,353	26,239	35.6%
Curry		8,327	23,375	35.6%
Multnomah		283,912	805,583	35.2%
Sherman		695	2,001	34.7%
Total		**1,421,622**	**4,301,164**	**33.1%**

Why are we here? H.R. 1 Changes

- Coverage Loss Elements:
  - New “work” or community engagement for some OHP members
  - More frequent eligibility checks
  - Certain lawfully present immigration exclusions
- An estimated 200,000 adults will lose coverage due to new administrative requirements

H.R. 1 Changes, cont.

- Federal funding cuts:
  - Provider assessment rate decline
    - New provider taxes and increases to existing taxes before 6/4/25 are prohibited.
    - The maximum tax rate on provider taxes must phase down from 6% to 3.5% by lowering the maximum tax rate by 0.5% per year beginning October 1, 2027.
  - Directed payment limits
    - New SDPs must limit the total payment rate to 100% of published Medicare payment rates.
    - Oregon's current SDPs are maintained but will need to reduce payment rates by 10 percentage points per year, beginning in 2028, until they are no greater than 100% of Medicare payment levels.
  - No new provider assessments (frozen in time)

H.R. 1 Impacts: People, Funding

DRAFT for discussion purposes 11/24/2025			Estimated Biennial Budget Impact (in Millions)								
			2025-27			2027-29			2029-31		
Provisions that reduce OHP Caseload, leading to budget savings *	Section	Effective Date	General Funds	Other Funds	Federal Funds	General Funds	Other Funds	Federal Funds	General Funds	Other Funds	Federal Funds
Qualified non citizen definition change	71109	10/1/2026									
Work Requirements	71119	12/31/2026									
Redeterminations	71107	12/31/2026									
OHA Program Budget Savings Estimate			**5**	**-**	**(70)**	**(412)**	**-**	**(2,540)**	**(630)**	**-**	**(3,214)**
Provisions that Create Budget Challenges	Section	Effective Date	General Funds	Other Funds	Federal Funds	General Funds	Other Funds	Federal Funds	General Funds	Other Funds	Federal Funds
Provider Tax Changes	71115	10/1/2027 on passage, reductions start 1/1/2028	-	-	-	233	(331)	(229)	599	(856)	(600)
State Directed Payment Changes - Hospitals	71116		-	-	-	66	(96)	(70)	20	(44)	(55)
State Directed Payment Changes - IGT	71116		106	(156)	(105)	473	(685)	(473)	814	(1,178)	(814)
Healthier Oregon Program Emergency 90% to Title XIX	71110	10/1/2026	22		(22)	61		(61)	65		(65)
OHA Program Budget Challenges Estimate **			**128**	**(156)**	**(127)**	**833**	**(1,112)**	**(833)**	**1,498**	**(2,078)**	**(1,534)**
Total Estimated Program Impacts			**133**	**(156)**	**(197)**	**421**	**(1,112)**	**(3,372)**	**868**	**(2,078)**	**(4,748)**
Total Estimated State Funds Need - OHA Program			**133**			**421**			**868**		
Percentage of 2025-27 OHA Medicaid Program State Funds Budget			**1%**			**5%**			**10%**		

*The caseload estimates are not based on the official caseload forecast. The official forecast will be updated at a later time. These estimates are for discussion and magnitude purposes only. Changes in the caseload estimates are highly variable.

**Insurer's Assessment Revenue impact has not been estimated.

Governor's Advisory Group on Medicaid Sustainability

Established by the Governor in November:

- To develop an understanding of H.R. 1's impact
- To accelerate planning and seek initial advice ahead of Governor's Recommended Budget process
- Identify ways to mitigate some of the harm and stabilize the core tenets of the Medicaid program
- The advisory group's focus was primarily on 2027 and beyond, but included any that could start during this biennium
- Protect health insurance coverage for Oregonians
- Maintain access and benefits to greatest extent possible

Group is Advisory in Nature

- The Governor is not obligated to adopt or otherwise pursue development of the options produced by the advisory group.

- The options presented in this report do not constitute decisions or opinions of the Governor.

Guiding Principles

- Invest in Oregonians: recommendations must support Oregonians' ability to thrive.
- Protect health care coverage to the greatest extent possible, consistent with Oregon Constitution.
- Aspire to maintain an adequate network of health providers and front-line workforce necessary to meet community health needs.
- Review recommendations with an equity lens, avoid deepening inequities and prioritize consumer affordability.
- Share and coordinate commitment to the Medicaid program across the health care sector and state leadership.

Principles, cont.

- Use data-driven insights to leverage the demonstrable strengths of the Coordinated Care Model, avoid anecdote, relying on strategies that are high-value, shown to improve quality, lower costs and maintain access to care.
- Identify and address underlying controllable factors that drive cost trends.
- Minimize administrative burden to ensure resources are directed to the provision of health care services.
- Preserve quality of care and prioritize prevention-based interventions.
- Understand system-wide impacts of recommendations, ensuring recommendations are broad-based and strive for alignment across market efforts.

Participants

Member	Organization	Member	Organization
Mindy Stadtlander	Health Share of Oregon	**Jennifer Burrows**	Providence Hospitals and Health Systems
Sean Jessup	Eastern Oregon Coordinated Care Organization (CCO)	**Jeremy Davis**	Grande Rhonde Hospital
Max Janasik	AllCare Health	**Becky Hultberg**	Hospital Association of Oregon
Brent Eichman	Umpqua Health Alliance	**Megan Haase**	Mosaic Community Health
Eric Hunter	CareOregon	**Carla McKelvey**	Oregon Medical Association
Felisa Hagins	Service Employees International Union	**Shereef Elnahal**	Oregon Health and Science University
Ann Tan Piazza	Oregon Nurses Association	**Olivia Quroz**	Oregon Latino Health Coalition
Sejal Hathi	Oregon Health Authority (OHA)	**Wendy Watson**	Kaiser Foundation Health Plan & Hospitals of the Northwest
TK Keen	Department of Consumer and Business Services (DCBS)	**Teri Barichello**	Delta Dental of Oregon

Scope

- In Scope:
  - Medicaid budget within the Oregon Health Authority.

- Out of Scope:
  - Budgets outside of the Oregon Health Authority.
  - Long term care and long-term services and supports administered by the Oregon Department of Human Services.
  - Programs within the Oregon Health Authority or Department of Consumer and Business Services that are outside of Medicaid, Marketplace or the Reinsurance Program.
  - Recommendations that affect collective bargaining agreements.

How the Group Worked

- Discussed guiding principles to anchor its work, including preserving coverage levels, protecting access to care to the extent possible, and advancing solutions that are operationally feasible within the state's delivery system.
- Performed a comprehensive review of Medicaid landscape, including enrollment trends, financing mechanisms, spending patterns, utilization patterns and key cost drivers.
- A focus on key categorical areas informed by the above.
- Developed a range of budget options which were analyzed by OHA and actuarial consultants.

How the Group Worked, cont.

- Participants brought different lenses to the discussion, including concerns about access to care, provider sustainability, administrative feasibility, and the long-term stability of the Medicaid program.
- The options identified by the advisory group span administrative, benefit scaling, operational, and financing approaches, reflecting the group's charge to balance program sustainability with continuity of coverage.
- Options did not include any reduction in enrollment.
- Options include short-term actions for 2027-29 and longer-term strategies and program advice.

Options

- The report contains 46 options.
- The options represent strategies informed by the data reviewed by the advisory group.
- Not everyone in the group endorses all of these options.
- The Governor is not obligated to pursue any option presented in the report; the Governor will be briefed on the analysis and discussion that led to the options over the course of the next few months.

Categories of Options Discussed

Since Fall 2025, the Advisory Group has reviewed and discussed several options to improve OHP program efficiencies, review Oregon's benefits, and adjust administration of the benefit to mitigate for H.R. 1 impacts.					
CCO Structure	Clinical Efficiency / Utilization Management	Provider Rates	Pharmacy	Benefit Changes	Across-the-Board Budget Changes
Options related to back-end administrative efficiencies, changes to the CCO/fee-for-service delivery/financing model	Options to improve efficiency in the delivery of services and reduce unnecessary utilization	Options that change rate of payment	Options to restructure the pharmacy benefit to capture maximum savings	Options where (1) scope is reduced for optional or mandatory benefits; and (2) coverage for optional benefits is removed	Options to reduce the OHA Medicaid (managed care and fee-for-service) by a target percentage.
Examples					
Single broker for non-emergent medical transportation; improved claims processing	Additional clinical efficiency criteria; utilization management for certain services	Normalize outpatient psychotherapy rates	Review pharmacy claims for inefficient spending; establish a single Preferred Drug List	Prior authorization or other service limits for optional benefits	Reduce Medicaid budget by 1%

Options: Adjusting CCO Structure

Key Question: What savings can be achieved by streamlining the number of actors in the overall administration of the physical and dental health benefit?

Options Identified:

- Administrative simplification to reduce admin costs 1%-3%
- Streamline the number of CCOs
- Changes to DCO contracting
  - Fee-for-service carve out
  - Single DCO

Options: Clinical Efficiency/Utilization Management

Key Question: Where does the data show high utilization of low value care or avoidable care, and how does Oregon's data compare to other states?

Options Identified:

- Increase "clinical efficiency" in capitation rates from 50%-75%
- HERC to identify clinical efficiencies and high-volume high-cost services
- Reduce neonatal intensive care unit days
- Expand Health Share of Oregon high acuity behavioral health model
- Changes to non-emergent medical transport contracting

Options: Normalize Provider Rates

Key Question: Where do outlier rates exist and how do they compare to rates across the system?

Options Identified:

- Normalize those provider rates where the rate exceeds Medicare and commercial rates.

Options: Pharmacy Administration

Key Question: What can we learn from other states who have employed different strategies to get better value for their pharmaceutical spend?

Options Identified:

- Review claims for inefficient spend
- Sunset “provider prevails” for select non-preferred drugs
- Implement a single Preferred Drug List
- Implement a combined single Preferred Drug List and Single Pharmacy Benefits Manager

Options: Scope of Optional Benefits

Key Question: How does Oregon's benefit package compare to other states?

Options Identified:

- Protect optional benefits by reviewing initial limits.
- Eliminate certain optional benefits.

Options: Across the Board Budget Changes

Key Question: Could an across-the-board reduction be more predictable for providers than multiple intervention and system changes?

Options Identified:

- Across the board OHA Medicaid budget reductions inclusive of provider rates and fee for service payments.
  - Ranges from 0.5% to 4%
  - Discussion about insulating preventative care

Main Themes, Takeaways

- A preference for looking at administrative efficiencies before rate or benefit cuts, including a focus on how to get better value in the state's pharmaceutical purchasing.
- A preference for clinical review of optional benefits, preserving them.
- A preference for maintaining adult dental services as an important part of a benefits package.
- The budget gap grows significantly in 2029-31.
  - Need to focus on ideas that will help assure long term sustainability.
- Caution that some of the "utilization" reductions can be a rate cut if not incentivized appropriately to achieve behavior change.

Next Steps

- Advisory group has concluded but budget process is just beginning
- Governor Kotek will review the report and be briefed by staff
- Budget figures and needs will change based on the overall enterprise environment, including but not limited to caseload forecasts (September)
- Governor's Recommended Budget by 12/1 (ORS 291.218)
- Legislative session begins
- Legislature to adopt the final budget