

Bruce Goldberg, MD, Director
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Submitted electronically

December 6, 2011

Dear Dr. Goldberg,

On behalf of Oregon's 58 hospitals, we want to thank you for the opportunity to participate in the Oregon Health Authority's recent series of Coordinated Care Organization interim work group meetings. Oregon hospitals are supportive of efforts to transform our health care system and truly appreciate your team's tremendous work in executing well organized and intellectually rigorous meetings to determine the future of Oregon's Medicaid system.

We, the hospital and health system representatives who served on the Global Budget and CCO Criteria work groups, wish to underscore and augment key comments offered during the four-month course of this process. The following are tenets we encourage you to include as you embark on the important work of fleshing out the final details of Oregon's Coordinated Care Organization model.

- **Funding streams:** When it comes to decisions about inclusion of Medicaid's varied funding streams, we advocate the inclusion of all programs (from list provided to workgroup members) during the course of development of these networks. We want CCOs to have flexibility to use the funds in ways that will maximize health outcomes for CCO enrollees.
- **Incentives:** We support the use of meaningful and significant incentives tied to quality, service and affordability outcomes to help align provider and patient incentives for health. The state and CCOs should share financial risk and financial gain for care of CCO patients. The state should consider structuring incentives in a multi-year format as the benefits of CCOs will accrue over many years.
- **Risk Adjustment:** We support use of current CDPS risk adjustment model and advocate the use of prescription drug data that is not included today. However, we recognize reliance on claims data will become less valid as we move care to alternative settings and services. Medical claims will be the first to go if we are successful in transformation.
- **Rural hospitals:** As rural communities enter into Coordinated Care Organizations, we are supportive of employing reduced risk sharing requirements for CCOs with modest enrollment numbers. In addition, we implore state leaders to not underestimate the challenges rural hospitals must overcome to survive and thrive in the midst of profound change. Today's operating environment is similar to the one present during the 1980s and 1990s when 11 of Oregon's rural hospitals closed as a result of sweeping reimbursement change under Medicare's Inpatient Prospective Payment System (IPPS).
- **Reserve requirements** must align with the state's intention regarding risk transfer. If the state is truly transferring the risk of care provision to these CCO's for the Medicaid population then reserve requirements should mirror those imposed by the Oregon Department of Consumer and Business Services' Insurance Division on the commercial insurance industry. If the state recognizes that it cannot step away from the ultimate responsibility of care to this population than current practices may be adequate.
- **Governance:** We support the language of HB 3560 pertaining to CCO governance. Governance must be driven by the stakeholders of financial risk in the CCO contract. Decisions governing the CCO should be made by those who must fund the decision and those who bear the financial risk. A measured amount of community involvement makes sense but cannot dilute the majority interest. The state should use its contract process to ensure its interests are being served.

Thank you again for your leadership on health care transformation and for your consideration regarding the inclusion our suggestions in CCO development.

Sincerely,



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