

HEALTH WEALTH CAREER

Attachment 5

OREGON PEBB BOARD MEETING
SB 1067 (HOSPITAL PAYMENTS)

JULY 16, 2019

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Principal



THE BILL

- Specifically targets hospital payments that are greater than 200% of Medicare prospective payment levels (185% for out-of-network).
- Exceptions for smaller rural hospitals, focus on larger DRG hospitals.
- Allows for alternative payment methods (non-FFS) but must remain within financial limits.
- Simple and direct approach to address level of hospital spending and reduce hospital payments from PEBB and OEBC.
- Focus is on the “Level of Payment”, not the “Method of Payment”
 - But the limits are based on Medicare Prospective Payment Systems (PPS).

NATIONAL CONTEXT

- Other state efforts
 - In North Carolina, intent to pay most hospitals Medicare rates plus 82 percent — saving the state more than \$258 million annually. (higher rates for rural hospitals)
 - In Montana, all hospitals in the state agreed to accept an average of 234 percent of Medicare's reimbursement rates.
 - The Alliance, a group of 240 private-sector, self-insured employers that directly contract with hospitals in Wisconsin, northern Illinois and eastern Iowa -- Targeting 200% of Medicare

RAND STUDY

- Claims for more than 4 million people
- Based on Employer/Commercial Price Levels
- 25 States – Colorado, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana, Massachusetts, Maine, Michigan, Missouri, Montana, North Carolina, New Hampshire, New Mexico, New York, Ohio, Pennsylvania, Tennessee, Texas, Vermont, Washington, Wisconsin, and Wyoming.
- If employers and health plans participating in the study had paid hospitals using Medicare's payment formulas, total payments over the 2015-2017 period would have been reduced by \$7 billion—a decline of more than 50%

RAND STUDY FINDINGS

- Relative prices, including all hospitals and states in the analysis, rose from 236 percent of Medicare prices in 2015 to 241 percent of Medicare prices in 2017
- Some states (Michigan, Pennsylvania, New York, and Kentucky) had relative prices in the 150 to 200 percent range of Medicare rates
- Other states (Colorado, Montana, Wisconsin, Maine, Wyoming, and Indiana) had relative prices in the 250- to 300-plus percent range
- Relative prices for hospital outpatient services were 293 percent of Medicare on average, far higher than the average relative price for inpatient care (204 percent of Medicare)

INNOVATION WORKGROUP FINANCIAL ANALYSIS

- Willis Towers Watson and Mercer collaborated with the health plans to ascertain the impact of the bill.
- All hospitals were estimated to be paid above the 200% of Medicare cap (average 260%).
- Prices for outpatient hospital were higher (284%) relative to Medicare than those for inpatient (235%).
- Savings estimated at \$82M have been built into financial modeling and forecasts.

RULE MAKING APPROACH

- Retrospective calculation by plans to ensure below caps.
- Refunds of amounts over caps.
- Alternative payment methods allowed but actuarial certification required to ensure aggregate spending within capped levels and to conform with the intent of the bill.



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