Health Reform Interrupted:
Lessons from Oregon’s Struggle to Cover the Uninsured

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Cycle of U.S. Health Reform

- Discover Crisis in Health System
- Identify and Debate Solutions
- Do Nothing or Not Much
- Ignore Issue
- Rediscover Crisis in Health System
Headlines from State Health Policy

- “Massachusetts Set to Offer Universal Health Insurance”
- “Illinois Law Offers Coverage for Uninsured Children”
- “Vermont Nears Historic Health Reform”
- “States Take a New Look at Health Reform”
Roadmap

I. Origins of Oregon Health Plan

II. What Went Wrong with the OHP?

III. Future of OHP & Implications for State Health Reform
I. Origins of Oregon Health Plan
Health Reform in Oregon

- Employer mandate + Medicaid expansion = universal coverage
- Rationing ("prioritization") and The List
- Public process: explicitness and accountability
- Managed Care
- Waiver Fight
# Current Prioritized List

| Diagnosis: | BREAST CYSTS AND OTHER DISORDERS OF THE BREAST (See Guideline Notes 64,65) |
| Treatment: | MEDICAL AND SURGICAL TREATMENT |
| ICD-9: | 610.611.0, 611.2, 611.5, 611.8 |
| CPT: | 10771, 19103, 19110-19126, 19295, 98966-98969, 99024, 99051, 99060, 99070, 99075, 99080, 99091, 99366, 99374-99375, 99379-99444, 99477, 99605-99607 |
| HCPCS: | S0270, S0271, S0272, S0273, S0274 |
| Line: | 501 |

| Diagnosis: | CERVICITIS, ENDOCERVICITIS, HERPATOMA OF VULVA, AND NONINFLAMMATORY DISORDERS VAGINA (See Guideline Notes 64,65) |
| Treatment: | MEDICAL AND SURGICAL TREATMENT |
| ICD-9: | 616.0, 623.6, 623.9-624.9 |
| CPT: | 56405, 56451, 56515, 57135, 57200, 57511-57512, 57520, 57530, 98966-98969, 99024, 99060, 99070, 99075, 99080, 99085, 99091, 99100-99101, 99201-99203, 99366, 99374-99376, 99379-99444, 99477, 99605-99607 |
| HCPCS: | S0270, S0271, S0272, S0273, S0274 |
| Line: | 502 |

| Diagnosis: | CYSTS OF BARTHOLIN'S GLAND AND VULVA (See Guideline Notes 64,65) |
| Treatment: | INCISION AND DRAINAGE, MEDICAL THERAPY |
| ICD-9: | 616.2, 616.5-616.9 |
| CPT: | 10660-10661, 11004, 56440, 56501, 56515, 56740, 57135, 98966-98969, 99024, 99051, 99060, 99070, 99075, 99080, 99085, 99091, 99100-99101, 99105-99106, 99201-99203, 99366, 99374-99376, 99379-99444, 99477, 99605-99607 |
| HCPCS: | S0270, S0271, S0272, S0273, S0274 |
| Line: | 503 |

| Diagnosis: | LICHEN PLANUS (See Guideline Notes 64,65) |
| Treatment: | MEDICAL THERAPY |
| ICD-9: | 697 |
| CPT: | 11900-11901, 99966-98969, 99024, 99051, 99060, 99070, 99075, 99080, 99085, 99091, 99100-99101, 99106-99107, 99366, 99374-99376, 99379-99444, 99477, 99605-99607 |
| HCPCS: | S0270, S0271, S0272, S0273, S0274 |
| Line: | 504 |

| Diagnosis: | DENTAL CONDITIONS (BG. BROKEN APPLIANCES) (See Guideline Notes 64,65) |
| Treatment: | PERIODONTICS AND COMPLEX PROSTHETICS |
| ICD-9: | V72.2 |
| CPT: | 90966-90969, 99051, 99060, 99201-99205, 99241-99245, 99366, 99441-99444, 99477, 99605-99607 |
| HCPCS: | D3347, D3348, D3430, D4320, D4321, D5800, D8581, D8586, D861, D6211, D6241, D6242, D6251, D6545, D6751, D6752, D6791, D6792, D6970, D6973, D6975, D7960, D7970, S0270, S0271, S0272, S0273, S0274 |
| Line: | 505 |

| Diagnosis: | RUPTURE OF SYNUVIUM |
| Treatment: | REMOVAL OF BAKER'S CYST |
| ICD-9: | 727.51 |
| CPT: | 27345 |
| Line: | 506 |

| Diagnosis: | ENOPHTHALMOS (See Guideline Notes 64,65) |
| Treatment: | ORBITAL IMPLANT |
| ICD-9: | 372.64, 376.85 |
| CPT: | 20302-21076-21077, 67550, 92002-92060, 92070-92353, 92358-92371, 98965-98969, 99024-99025, 99090, 99070, 99075, 99080, 99085, 99091, 99100-99101, 99105-99106, 99366, 99374-99376, 99379-99444, 99477, 99605-99607 |
| HCPCS: | D5915, D5928, S0270, S0271, S0272, S0273, S0274 |
| Line: | 507 |
Principles of Oregon Health Plan

1. Cover fewer benefits, more people
2. Treat all poor equally (below 100% FPL) and move away from old eligibility categories
3. Reduce cost-shifting and ER visits
4. Enhance access to care
5. Rationalize spending on medical care
OHP’s Implementation: A Success Story?

- Expanded Medicaid and reduced uninsured
- Not much rationing
- Generous benefit package
- Funding for expansion: general revenues, cigarette taxes and managed care savings
- Popular with public and politically
II. What Went Wrong?
As recently as 2002, optimism rained in Oregon

- Waiver to move OHP eligibility up to 185% FPL
- Add 45,000 enrollees to OHP
- Obtain federal match for FHIAP
But by 2004…

- “It’s all blown up”
- “Ugly. Can’t get much worse”
- “Health plan as we knew it is gone.”
- “Everything has been falling apart.”
- “Things are as bad as when OHP passed, if not worse”
Some Good News
(and evidence that humor is alive in state health policy)

“At least we’re not Tennessee”
The Unraveling of OHP

- Enrollment plunge (75% in two years); closed to new enrollment
- Benefit cuts (MH + CD)
- All state general funds for expansion population eliminated
- Rise in cost shifting and uninsured
- Retreat from central principles
Uninsured Rates in Oregon

1990: 16.4%
1992: 18.1%
1994: 13.6%
1996: 10.7%
1998: 11.0%
2000: 12.2%
2002: 14.0%
2004: 17.0%
Why did the OHP unravel?

1. Policy miscalculation: OHP II
2. Economic and fiscal environment
3. Rising health care costs: Medicaid as “canary in the coalmine”
4. Eroding political support
5. Measure 30
OHP II

- OHP Plus and OHP Standard
- Premium increases, nonpayment penalties, co-payments, benefit reduction (78%)
- OHP~Private insurance: “Skin in the game”
- Back to original philosophy: cut benefits, expand population covered
Oregon Health Plan Standard Population
Jan 2000 through Sep 2005 (Preliminary Data)

- **July 2001**: OHP application processing changed to explore eligibility in all medical programs.
- **April 2003**: Long-term care service levels reduced.
- **May 2003**: Disqualifications from OHP Standard began for nonpayment of premiums.
- **June 2004**: OHP Standard closed to new clients.
- **Spring-Summer 2004**: Active outreach by advocates prior to closure of OHP.
- **February 2003**: OHP2 implemented - Standard and Plus benefit packages adopted. Long-term care service levels reduced; Medically Needy Program eliminated.
- **January 2003**: Copays for fee-for-service outpatient visits and prescriptions began.
- **Spring 2001**: Food Stamp outreach increased awareness of medical assistance programs.
Oregon’s Medicaid Matching and Unemployment Rates: Out of Sync

- Unemployment Rate
- Regular Medicaid Matching Rate (FMAP)
- Temporary FMAP
GENERAL FUND REVENUE
(% CHANGE COMPARED TO PRECEDING BIENNIALM)

[Bar chart showing percentage change in general fund revenue from 1989-91 to 2009-11]
And the Kicker Is.....

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<th>Biennium</th>
<th>Tax Year</th>
<th>Surplus/Shortfall ($ million)</th>
<th>Credit/Refund (% of liability)</th>
<th>Surplus/Shortfall ($ million)</th>
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<td>17.2%</td>
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* December 2004 Forecast
Doonesbury Goes to Portland

Meanwhile, back in the homeland...

It's a sad day for Portland, boys and girls!

Budget pain in Portland, cont'd.

I hope you people realize how lucky you are to be here...

So I hope all you guys will talk to your parents about voting for the funding measure!
Measure 30 Fails, Child Learns Valuable Political Lesson

February 2004
Price-tag for Direct Democracy:
$800 Million

- 1999-01: $10.6 billion
- 2001-03: $11.2 billion
- 2003-05: $11.7 billion (if Measure 30 Approved)
- 2003-05: $10.9 billion (if Measure 30 Fails)

One-Time revenues, borrowing, increased cigarette tax

Measure 30

Figures reflect all discretionary spending
Source: Oregon Legislative Fiscal Office
*Estimate is statistically different from estimate for the previous year shown (p<.05). No statistical tests are conducted for years prior to 1999.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. The average premium increase is weighted by covered workers.

Health Care vs. The Budget

Figure 1
State Tax Revenue and Medicaid Spending Growth, 1997-2006

State Tax Revenue

Medicaid Spending Growth


NOTE: State Tax Revenue data is adjusted for inflation and legislative changes. Preliminary estimate for 2006.

“He is no John Kitzhaber”

Governor Ted Kulongoski
III. Future of OHP and Implications for State Health Reform
Reviving the OHP?

• Rainy Day fund
• Children’s Health Insurance and Measure 50
• OHP Lottery
• Broader Reform Initiatives: SB 329
Conclusions:
Implications for State Health Reform

• Sustainability is critical issue
• Cost control is Achilles Heel of state expansions
• Universal coverage requires federal action
• Federalism as Plan B (or Plan A?) in national health reform