

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: 19000-19103,19110-19126,19295,98966-98969,99024,99051,99060,99070,99078,99201-99366,99374-99375,99379-99444,99477,99605-99607
HCPCS: S0270,S0271,S0272,S0273,S0274
Line: 501

Diagnosis: CERVICITIS, ENDOCERVICITIS, HEMATOMA OF VULVA, AND NONINFLAMMATORY DISORDERS VAGINA (See Guideline Notes 64,65)
Treatment: MEDICAL AND SURGICAL TREATMENT
ICD-9: 616.0,623.6,623.8-623.9,624.5
CPT: 56405,56501,56515,57135,57200,57210,57511,57513,57520,57530,98966-98969,99024,99060,99070,99078,99201-99360,99366,99374-99375,99379-99444,99477,99605-99607
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: 10060-10061,11004,56440,56501,56515,56740,57135,98966-98969,99024,99051,99060,99078,99201-99360,99366,99374-99375,99379-99444,99477,99605-99607
HCPCS: S0270,S0271,S0272,S0273,S0274
Line: 503

Funding Level as of 1/1/08

Diagnosis: LICHEN PLANUS (See Guideline Notes 64,65)
Treatment: MEDICAL THERAPY
ICD-9: 697
CPT: 11900-11901,98966-98969,99024,99051,99060,99070,99078,99201-99360,99366,99374-99379-99444,99477,99605-99607
HCPCS: S0270,S0271,S0272,S0273,S0274
Line: 504

Diagnosis: DENTAL CONDITIONS (EG. BROKEN APPLIANCES) (See Guideline Notes 64,65)
Treatment: PERIODONTICS AND COMPLEX PROSTHETICS
ICD-9: V72.2
CPT: 98966-98969,99051,99060,99201-99215,99241-99255,99366,99441-99444,99477,99605-99607
HCPCS: D3347,D3348,D3430,D4320,D4321,D5850,D5851,D5860,D5861,D6211,D6241,D6242,D6251,D6545,D6751,D6752,D6791,D6792,D6970,D6973,D6975,D7960,D7970,S0270,S0271,S0272,S0274
Line: 505

Diagnosis: RUPTURE OF SYNOVIUM
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: 372.64,376.5
CPT: 20902,21076-21077,67550,92002-92060,92070-92353,92358-92371,98966-98969,99024,99060,99070,99078,99201-99360,99366,99374-99375,99379-99444,99477,99605-99607
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”

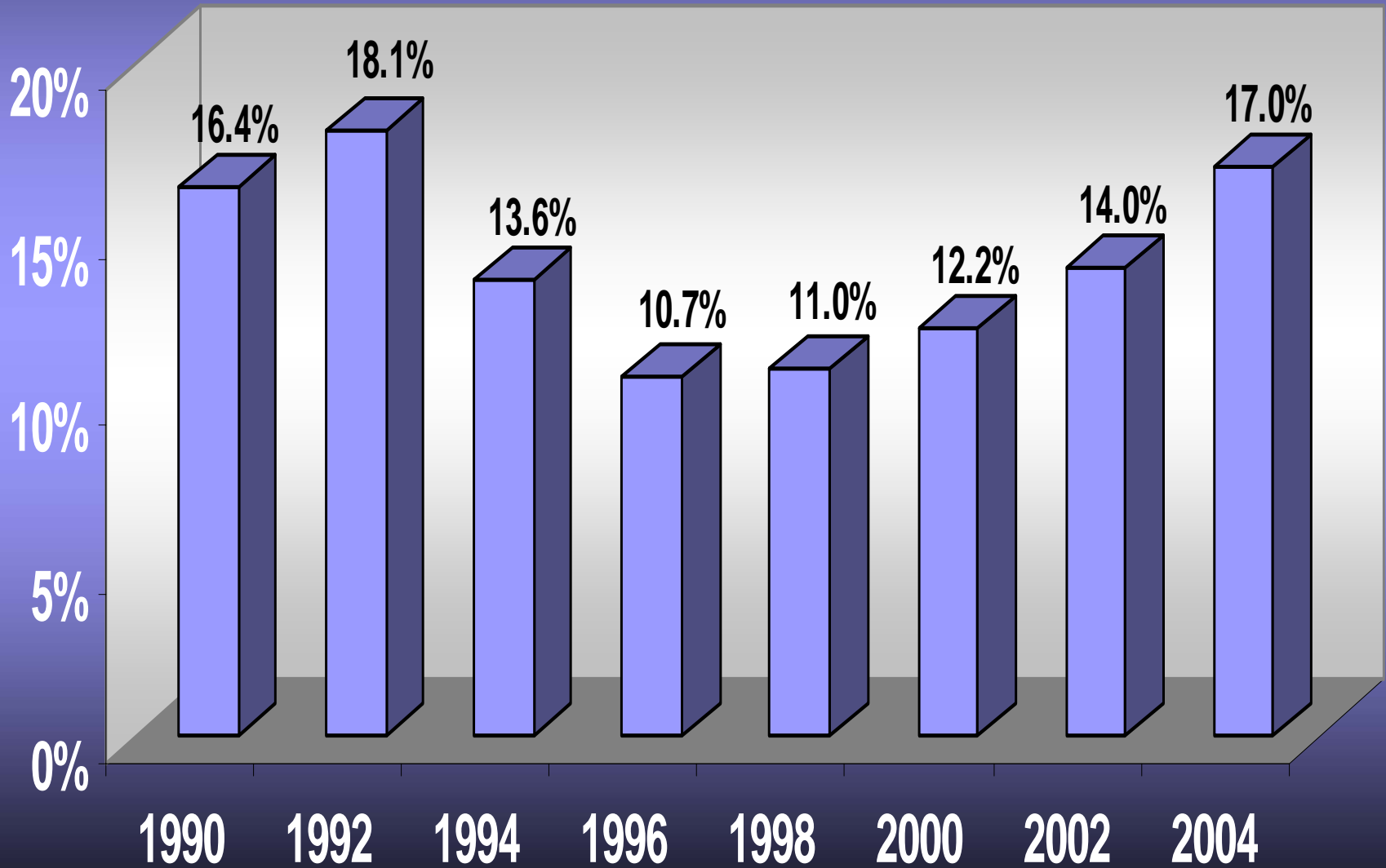
Some Good News
(and evidence that humor is alive in
state health policy)

“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



Why did the OHP unravel?

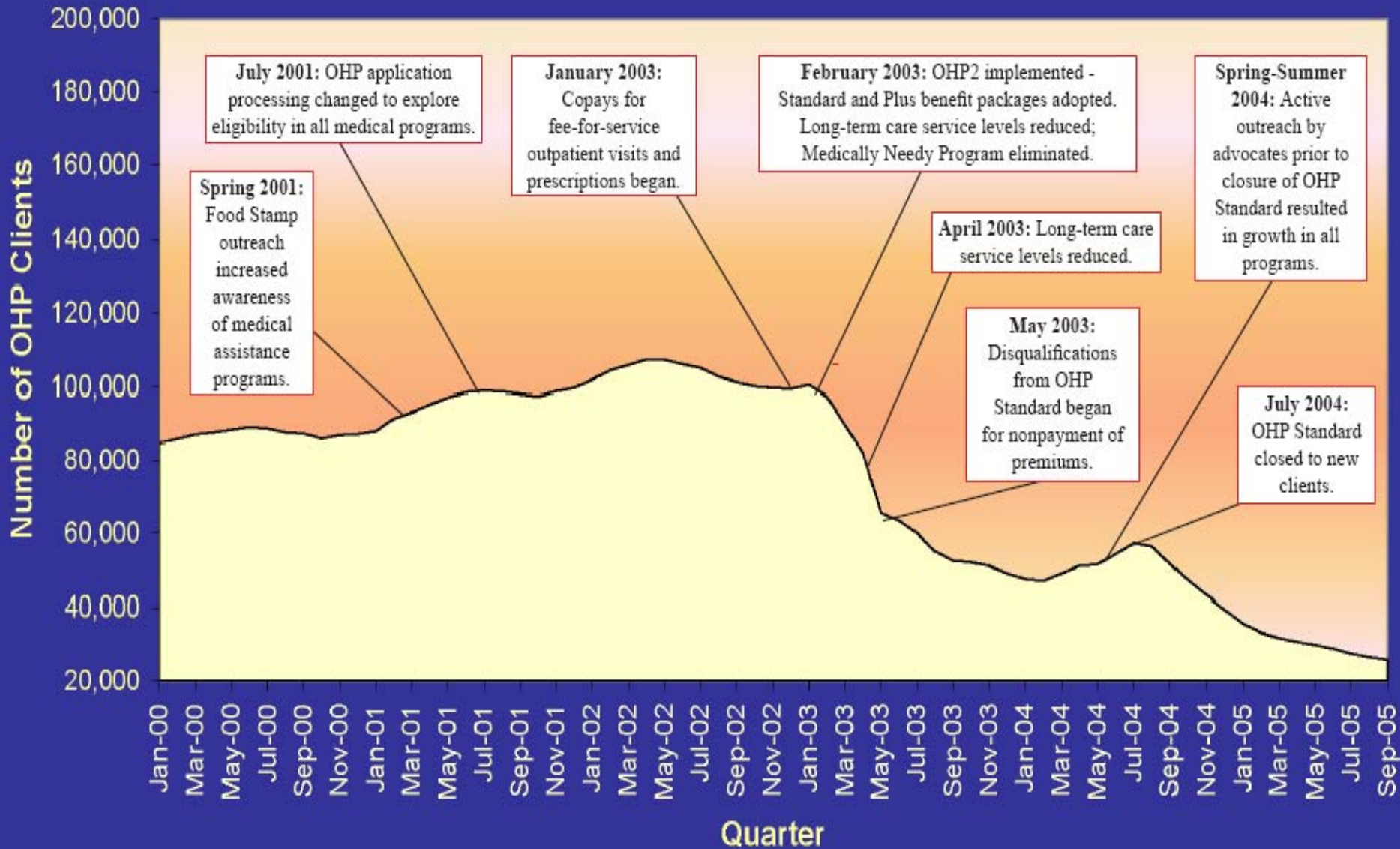
1. Policy miscalculation: OHP II
2. Economic and fiscal environment
3. Rising health care costs: Medicaid as “canary in the coalmine”
4. Eroding political support
5. Measure 30

OHP II

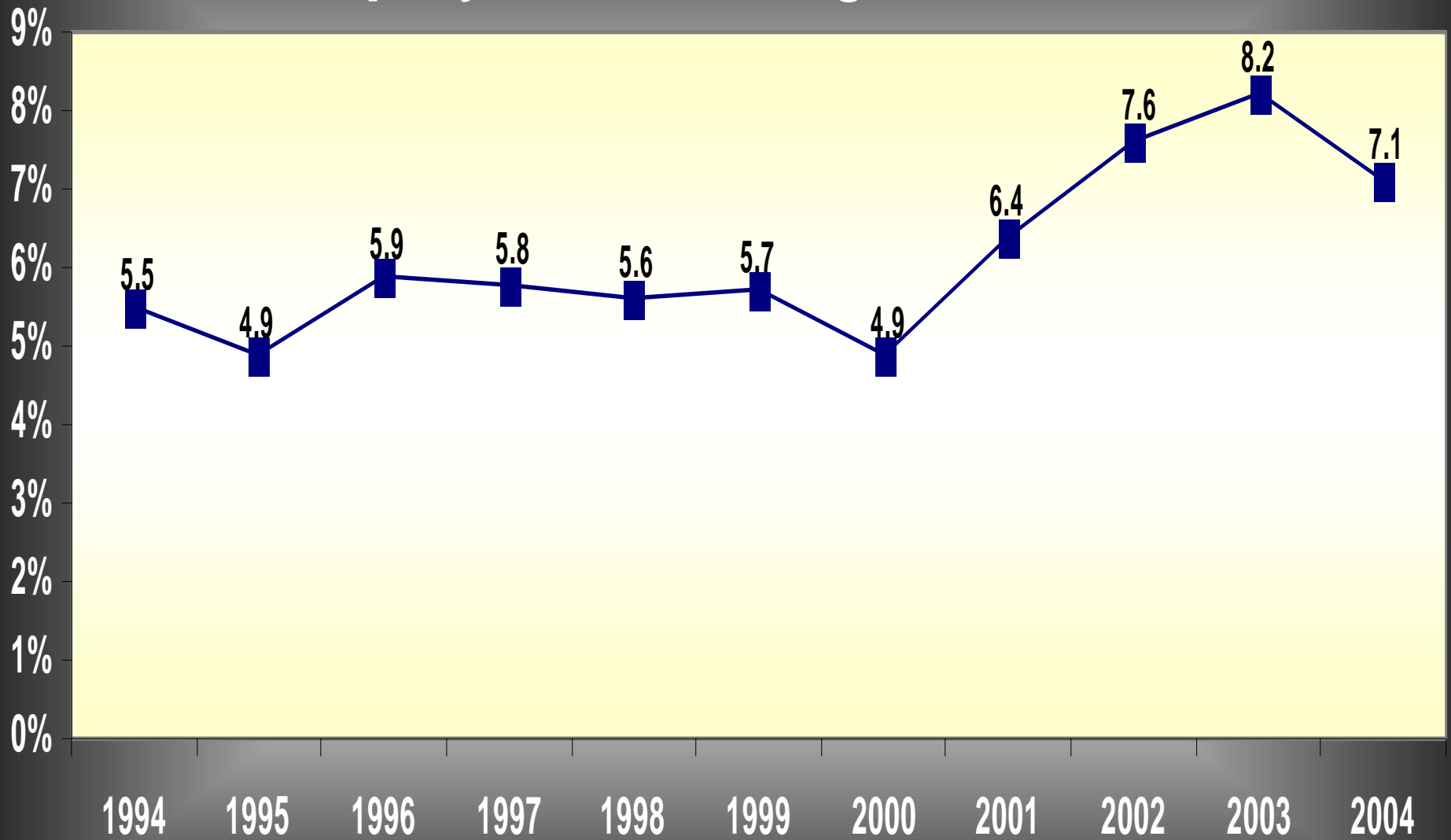
- OHP Plus and OHP Standard
- Premium increases, nonpayment penalties, co-payments, benefit reduction (78%)
- OHP~Private insurance: “Skin in the game”
- Back to original philosophy: cut benefits, expand population covered

Oregon Health Plan Standard Population

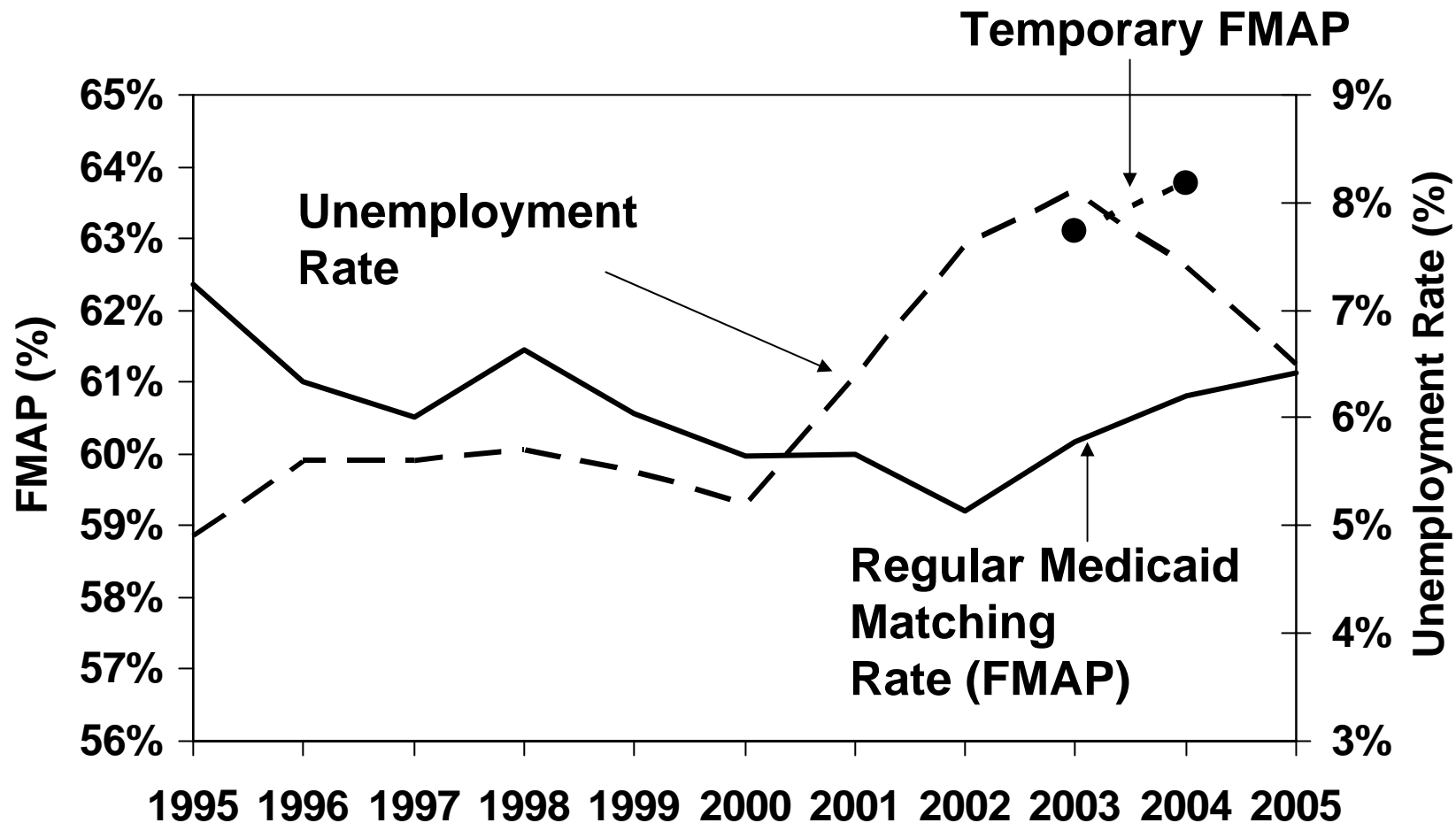
Jan 2000 through Sep 2005 (Preliminary Data)



Unemployment in Oregon, 1994-2004

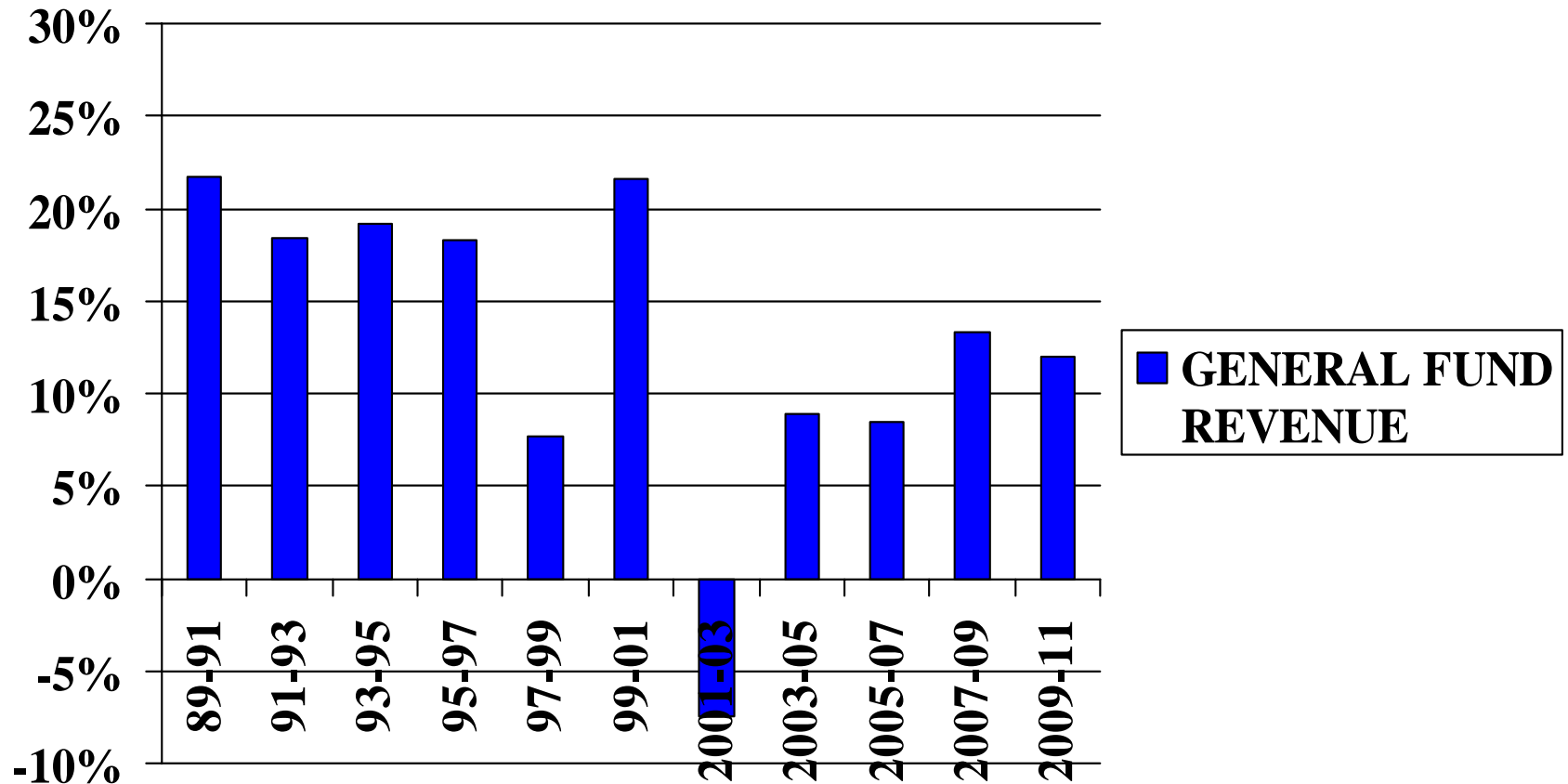


Oregon's Medicaid Matching and Unemployment Rates: Out of Sync



GENERAL FUND REVENUE

(% CHANGE COMPARED TO PRECEEDING BIENNIUM)



And the Kicker Is.....

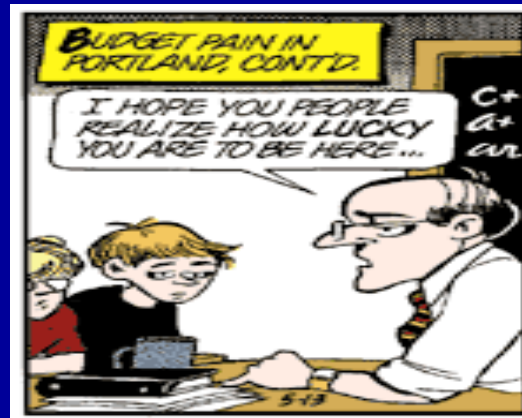
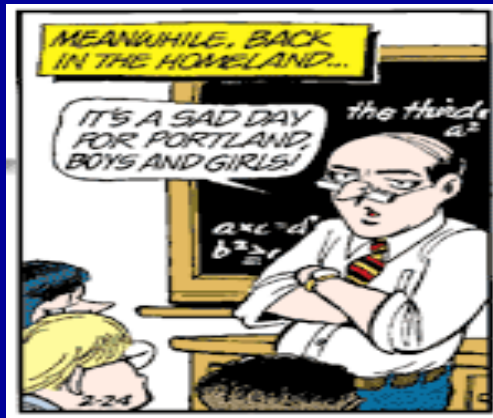
Table 9. 2% KICKER (1979/81 – 2003/05)

SURPLUS KICKER HISTORY

Biennium	Tax Year	Personal		Corporate	
		Surplus/ Shortfall (\$ million)	Credit/ Refund (% of liability)	Surplus/ Shortfall (\$ million)	Credit (% of liability)
1979-81	1981	-141	None	-25	None
1981-83	1983	-115	None	-110	None
1983-85	1985	89	7.7%	13	10.6%
1985-87	1987	221	16.6%	7	6.2%
1987-89	1989	175	9.8%	36	19.7%
1989-91	1991	186	Suspended	-23	None
1991-93	1993	60	None	18	Suspended
1993-95	1994/5	163	6.27%	167	50.1%
1995-97	1996/7	432	14.4%	203	42.2%
1997-99	1998/9	167	4.6%	-69	None
1999-01	2000/1	254	6.0%	-44	None
2001-03	2002/03	-1,249.5	None	-439	None
2003-05*	2004/05	-582.9	None	43.3	17.2%

* December 2004 Forecast

Doonsebury Goes to Portland



Measure 30 Fails, Child Learns Valuable Political Lesson



February 2004

Price-tag for Direct Democracy: \$800 Million

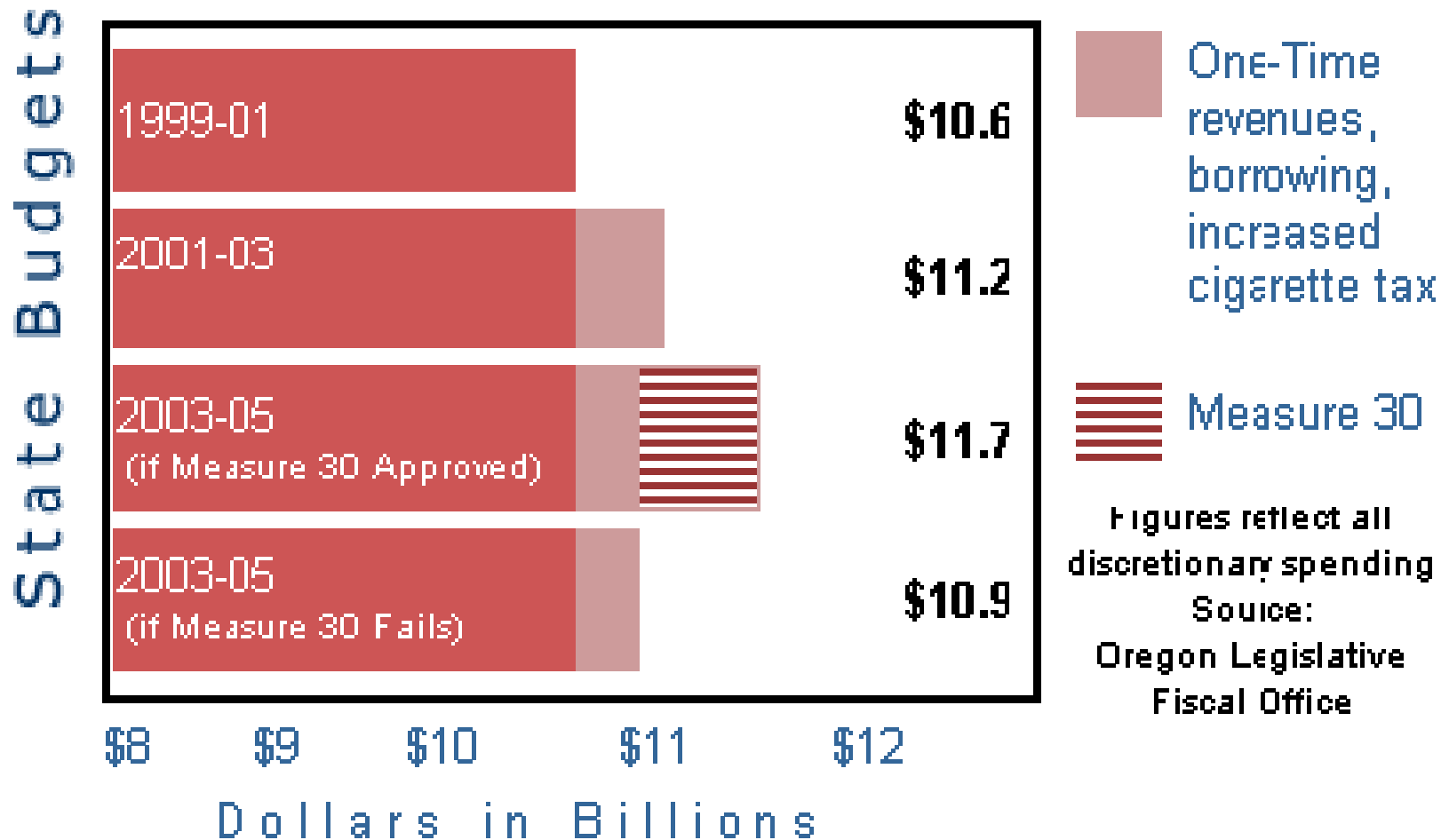
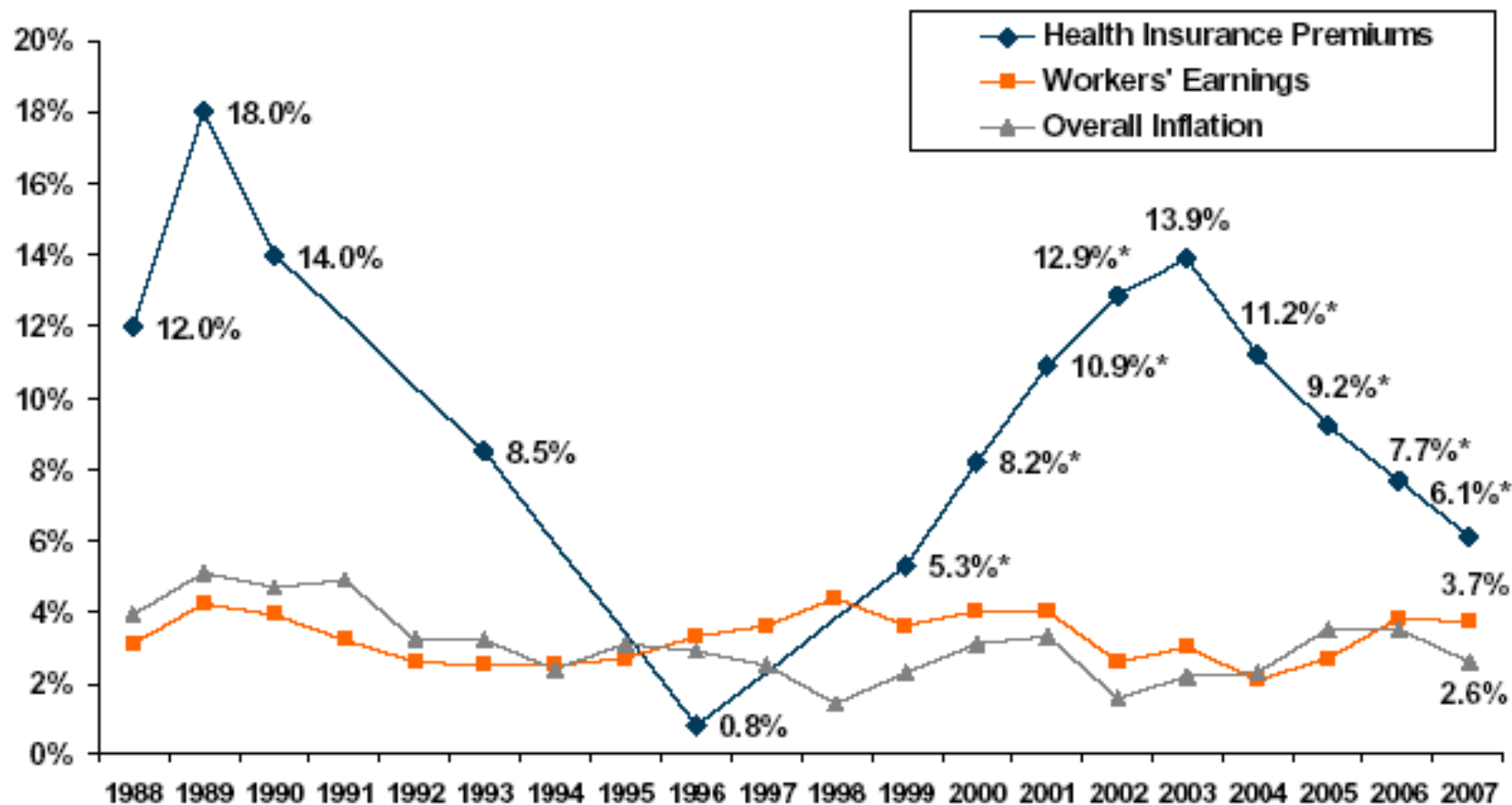


Exhibit 1: Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2007

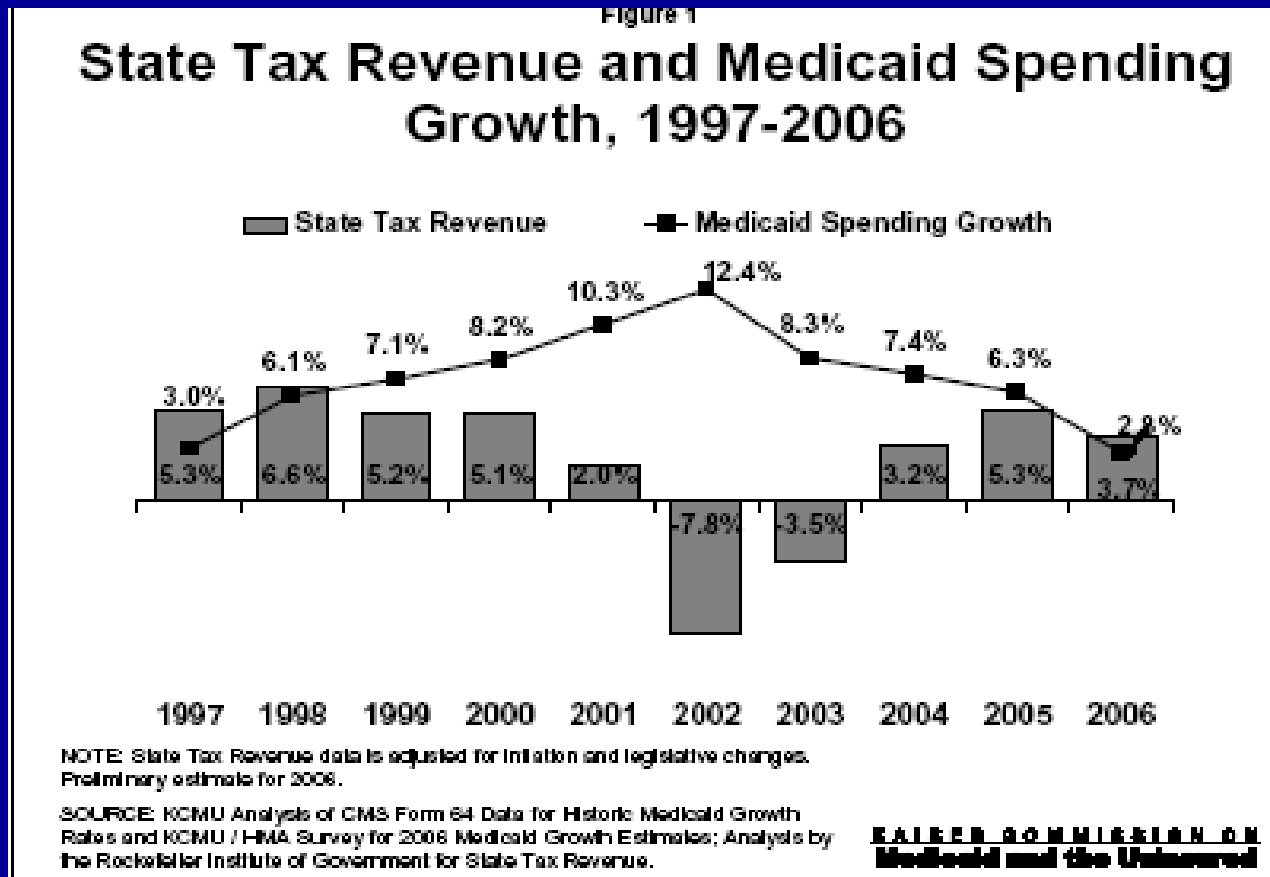


*Estimate is statistically different from estimate for the previous year shown ($p < .05$). No statistical tests are conducted for years prior to 1999.

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.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2007; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1988, 1989, 1990; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1988-2007; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1988-2007 (April to April).

Health Care vs. The Budget



“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