Pursuing Sustainable Costs Through Reference Pricing in Oregon's State Employee Health Plans

Who are OEBB and PEBB?

The Oregon Educators Benefit Board (OEBB) and Public Employees' Benefit Board (PEBB) are Oregon's public sector employee health benefit programs.

oebb Provides benefits for 240+ school districts & community colleges

pebb Public Employees' Benefit Board Provides benefits for 200+ state agencies & universities

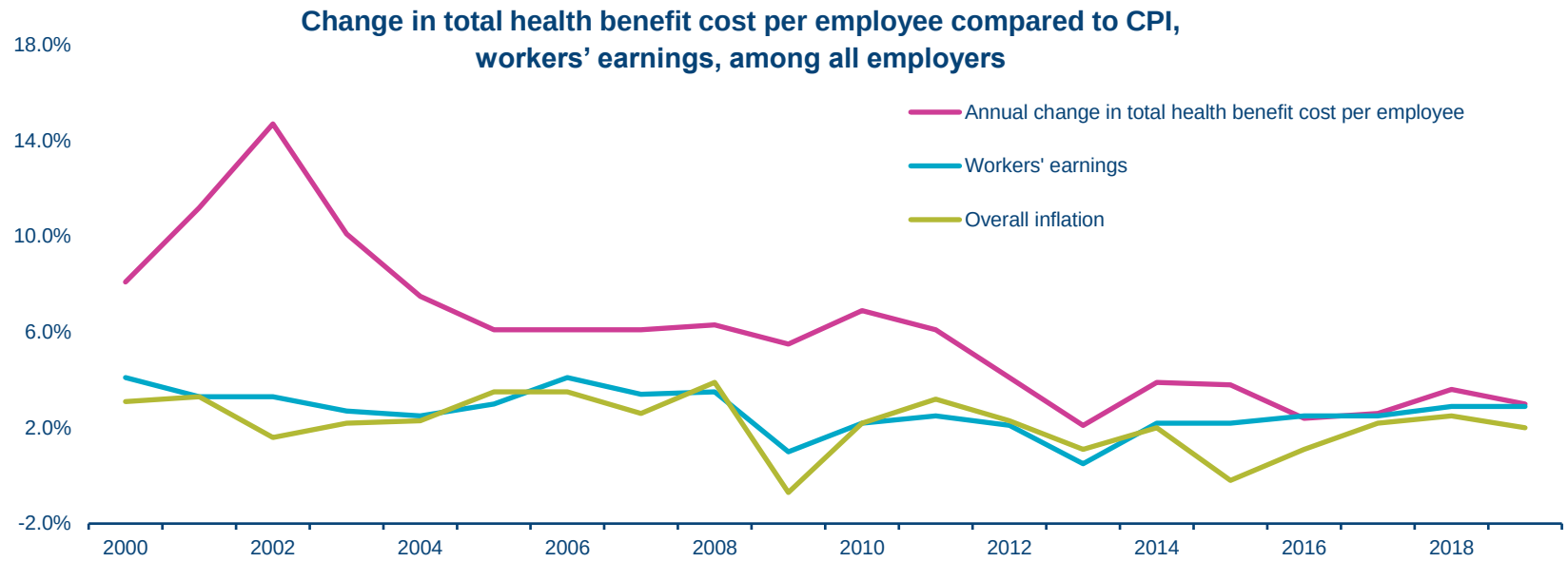
Together the programs cover 300,000 people – about 15% of Oregon's commercially insured.

OEBB and PEBB

- Provide comprehensive, high-quality benefit plans to the agencies, universities, and school districts that employ Oregon's state workers and teachers
- Ensure the benefit plans offered promote prevention, support employee health, and advance health equity
- Manage costs so that benefit plans are affordable to employers and employees

Problem: Health Benefit Cost Growth

- OEBB and PEBB wrestle with the same health benefit cost challenges experienced by virtually every employer

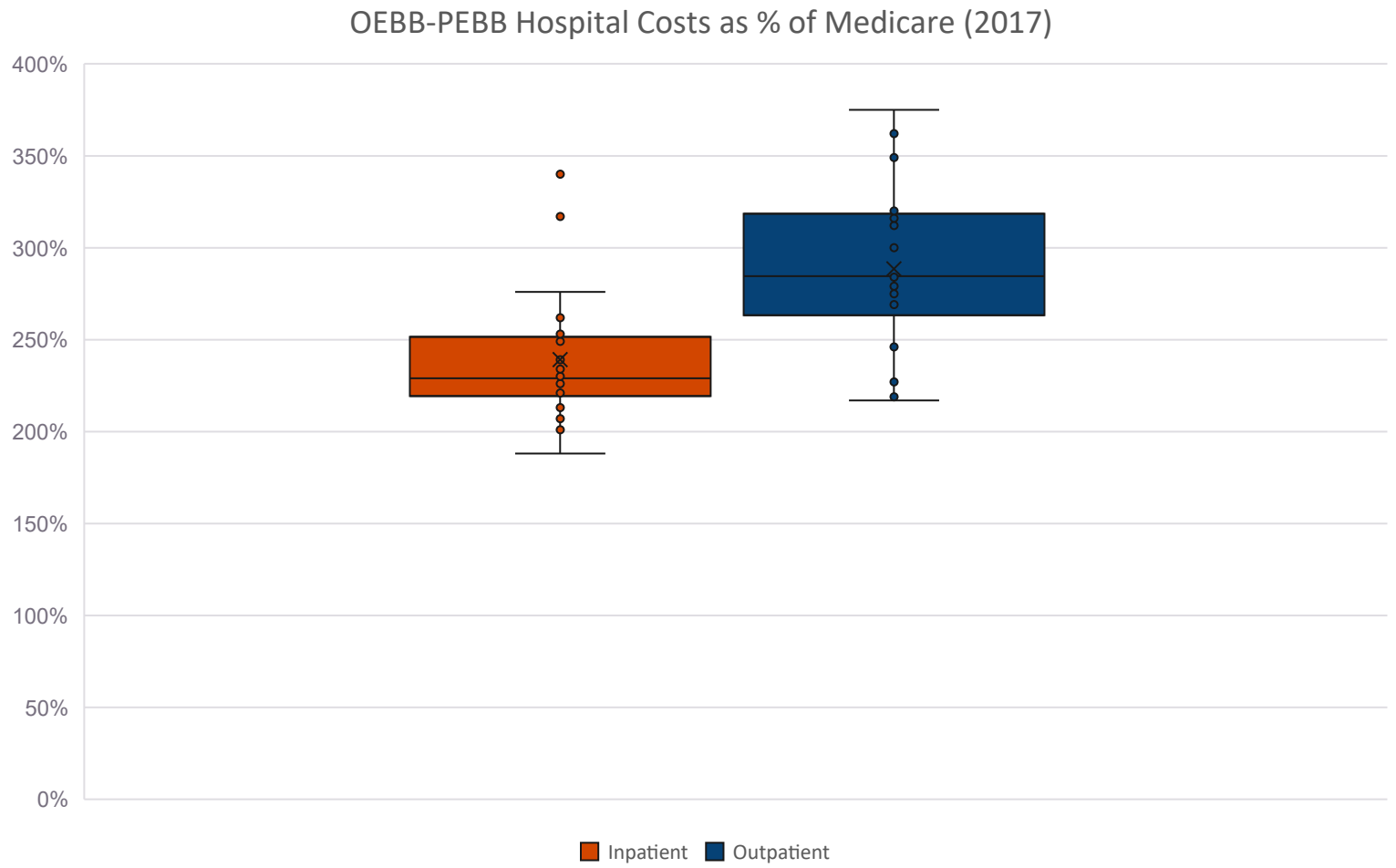


Source: Mercer's National Survey of Employer-Sponsored Health Plans; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April); Bureau of Labor Statistics, Seasonally Adjusted Weekly Earnings from the Current Employment Statistics Survey (April to April).

Problem: Payment Variation Across Providers

Like many commercial plans, OEBB and PEBB data showed payment levels relative to Medicare varied across hospitals.

Payment levels for large hospitals in Oregon ranged from 185% to 340% Medicare for inpatient services and from 215% to 375% Medicare for outpatient services.



Legislative Action – SB 1067

In 2017, Senate Bill 1067 included several provisions aimed at containing costs within public employee health benefit programs

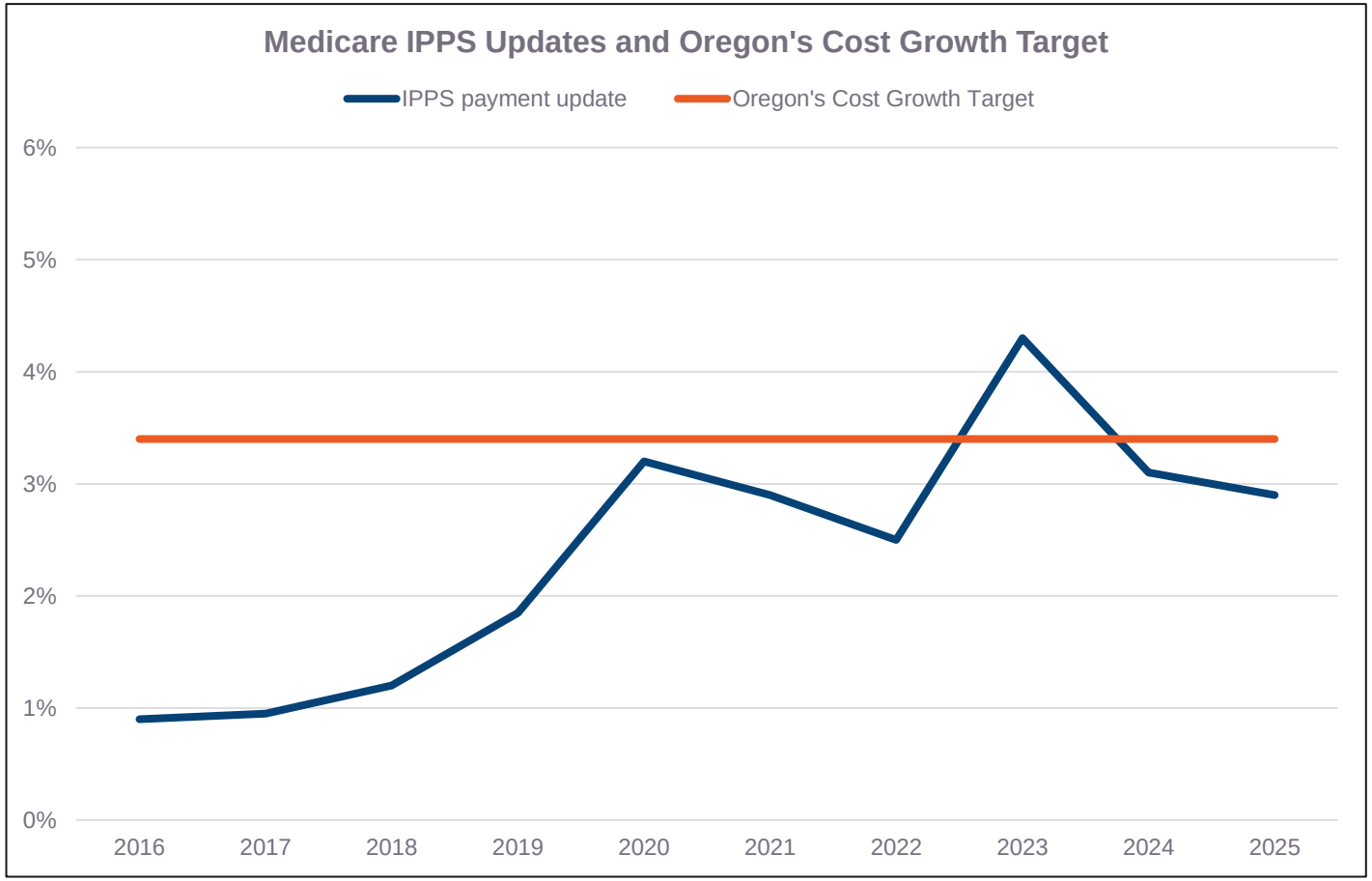
- 3.4% limit on OEBB & PEBB annual cost & premium growth
- Limit on inpatient and outpatient hospital payment rates for insurers and third-party administrators contracting with OEBB and PEBB

Goal: Sustainable Annual Rate of Cost Growth

3.4% is Oregon’s statewide target for annual health care cost growth.

SB 1067 established 3.4% as the limit on annual benefit program cost growth for state employee plans.

CMS annual rate updates for IPPS generally fall near or below 3.4%.



Payment Limit Parameters

Certain parameters for the hospital payment limit were established in SB 1067

- Limit is 200% of the amount Medicare would pay on each claim for network hospitals, 185% Medicare for non-network
- Limit applies to hospital services only, not professional fees
- Does not apply to hospital services provided outside Oregon
- Hospitals paid in accordance with the limit may not balance bill
- Certain hospitals are exempt, generally small/rural hospitals
    - 24 of the state's 62 hospitals are under the payment limit

Payment Limit Parameters

Agency Rules Specify Other Parameters

- CMS-designated children's hospitals excluded (only a few in the state)
- Actual payments are the lesser of billed charges, the insurer/TPA's contracted commercial rates, or the statutory payment limit
  - Medicare rates are not an ideal benchmark for certain types of care common in younger/commercial populations – for example, maternity, newborns
  - Payments at/near 200% Medicare on these services can result in payment levels far above typical commercial rates

Implementation

- Carriers and TPAs negotiate contracts with providers – OEBB and PEBB do not participate in these negotiations
- No contracted hospitals left the network due to payment cap implementation
- Hospitals expressed concerns about potential impact on their revenue
- Some indicators that hospitals sought increases up to the 200% Medicare limit on services that were previously paid below that level
- No evidence of inappropriate increases in service use

Savings

- Effective date 2019 for OEBB, 2020 for PEBB
- Almost 70% OEBB-PEBB hospital use occurs in capped facilities
- Savings during first two years estimated at over $160M

Year	Savings	Total Medical + Rx Costs
2020	$59 million, about 14% of claims subject to limit • Inpatient: ($5 million) • Outpatient: $64 million	$1.25 billion
2021	$112 million, about 30% of claims subject to limit • Inpatient: $38 million • Outpatient: $74 million	$1.60 billion

Savings

- Savings concentrated in outpatient - higher relative to Medicare prior to limit
  - Outpatient services at capped hospitals averaged ~285% Medicare at baseline
  - Inpatient services at capped hospitals averaged ~235% Medicare at baseline, with some hospitals below 200% Medicare for inpatient rates

- First year savings were lower than initial projection of $81M
  - Reduced utilization during Covid pandemic
  - Unintended higher payments on maternity/newborn services at launch cancelled out inpatient savings (addressed through updated rules)

Impact

- Carriers and TPAs contracted with OEBB and PEBB have maintained networks alongside reduced payment levels
- No concerns or disruption expressed by covered employees – majority of employees are likely unaware of this policy
- Inpatient payments at capped hospitals average roughly 165% Medicare
- Outpatient payments at capped hospitals average roughly 190% Medicare

Considerations

- Payment limits are one approach to support sustainable cost growth, but continued strategies needed to manage health care cost increases

- Medicare is a useful and broadly familiar price benchmark, however, carefully consider nuances in applying Medicare rates to commercial plans
  - May not be the most accurate price benchmark for services infrequently used by Medicare population (for example, maternity, neonates)
  - Consider how retroactive rate adjustments Medicare may provide may impact commercial plan administration

Considerations

- Payment ceilings absolutely impact contract negotiations, but the specifics of that impact vary by community.
  - May influence some providers to seek increases beyond current payment levels
  - May influence providers' perspectives on advancing Value-Based Payments (VBP) and transition away from fee for service

- Not fully clear how payment limits applied to a subset of the commercial market may impact the broader market

Thank You

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