

Testimony of

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**for the Subcommittees on Economic Growth, Job Creation, and Regulatory Affairs; and,
Energy Policy, Health Care, and Entitlements of the U.S. House of Representatives
Oversight and Government Reform Committee**

April 3, 2014

Good morning. Chairman Jordan, Chairman Lankford, Ranking Member Speier, Ranking Member Cartwright, and other members of the Oversight and Government Reform Committee, thank you for allowing me to speak before you today about Oregon's health reform efforts.

My name is Greg Van Pelt. I recently retired as Chief Executive Office of Providence Health in the Oregon region. Throughout my career I have had direct experience with the challenges of expanding access to quality health care while managing costs. Last year Governor Kitzhaber asked me to step in to help navigate the challenges around the launch of the state's health care exchange. Currently, I serve as the president of the Oregon Health Leadership Council. I also volunteer as an advisor to the Governor and Dr. Bruce Goldberg, Acting Director of Cover Oregon, for whom I am appearing today because he recently suffered a broken leg.

As we know, the fundamental problem in our health care system is the huge and rapidly growing discrepancy between the cost of health care and the resources available to pay for it and the fact, for all our health care-related expenditures, the poor population health statistics that result from this huge outlay of resources.

Three strategies have traditionally been employed by both public and private payers to address these problems: reducing what we pay for health care (cutting provider reimbursement); reducing

the number of people covered; and/or reducing the covered benefits. The first two strategies – cutting provider reimbursement rate and reducing the number of people who are covered – simply create barriers to access, leading people to delay seeking needed medical care and eventually driving many of them into the emergency department.

And while both strategies allow public and private payers to reduce their short-term exposure to medical inflation, they also serve as a kind of “pressure valve” that allows us to avoid confronting the real underlying problem, which is the cost of health care itself. As a result, neither of these strategies is effective because the uncompensated costs incurred by the uninsured or underinsured are simply shifted back to payers and reflected in increased premiums.

Unless our efforts at health care reform can break this cost-shifting cycle, we will not succeed in the long run. This is why all of our efforts in Oregon have been focused on improving health, improving care, and lowering the cost of care. Through this vision, we are fundamentally changing how care is delivered as we provide coverage for hundreds of thousands Oregonians, many of whom are receiving preventative care and wellness services for the first time.

Yet, the launch of the Oregon’s insurance exchange has been different than we hoped. As a result, Governor Kitzhaber took two important actions. He launched a hybrid electronic and paper application process using the pieces of the IT infrastructure that work, to ensure Oregonians could enroll. He also initiated an independent review to identify the problems that led to the broken website and the necessary steps to deliver on the state’s goal to get Oregonians the health coverage they need.



Governor Kitzhaber two weeks ago released the results of the independent assessment of Cover Oregon produced by the company First Data. The report was based on 67 interviews with stakeholders – from Cover Oregon and Oregon Health Authority employees, to the Governor and legislators from both sides of the aisle – and the review of more than 3,200 documents. It assesses the technical problems with the development and rollout our health insurance exchange website.

First Data's key findings focus on Cover Oregon's project management structure, communication issues, the lack of a system integrator, and contracting practices. The report also highlights the deficiencies of Oracle, which was hired as the primary website developer. First Data's assessment of Oracle reinforces a report completed in February by the Centers for Medicare and Medicaid Services. In March, the state announced that it is transitioning away from Oracle while maintaining its objective to enroll Oregonians in health care plans through the open enrollment period.

Members of the Committee, the Governor announced numerous steps he has taken or will take to improve performance, accountability, and oversight.

- The Governor signed into law three bills that were passed by the Oregon State Legislature in February 2014 to increase the accountability, oversight, and transparency of state technology investments; strengthen oversight of Cover Oregon; and seek additional assistance for those who have had problems enrolling in health care coverage.
- Governor Kitzhaber has directed the Oregon Department of Administrative Services to inventory all IT projects currently underway in the Executive branch. The inventory is the first step toward tracking IT-related investments and activities through a statewide portfolio. IT projects across all state agencies will be evaluated and monitored to help identify and resolve issues and improve communication and coordination.
- The Governor has written to Senators Ron Wyden and Jeff Merkley requesting that the pending review by the Government Accountability Office include a thorough appraisal of

Oracle's inability to properly estimate the amount of work necessary to complete the project, deliver on key deadlines, and adhere to industry standards. He also asked that the different risk status ratings of the project reported internally and externally be reviewed.

- Moreover, the Governor has met with Oregon Attorney General Ellen Rosenblum, who has received a copy of the First Data report. Lawyers for the State and Cover Oregon are reviewing the report along with additional information. They will consider the full range of legal avenues and options for protecting the state's investment and evaluating the work performed by Oracle and other technology vendors under contracts with the state.
- Governor Kitzhaber convened a team of information technology experts to advise Cover Oregon on IT options going forward. The team includes the Chief Information Officers of Legacy Health, Pacific Source, Kaiser Permanente, Providence, Moda, Bridgespan/Regence, and Oregon's Chief Information Officer, Alex Petit. Beyond that, Alex this week began serving as the Interim CIO at Cover Oregon.
- You may be aware that the Governor accepted Dr. Goldberg's resignation as Director of the Oregon Health Authority. Dr. Goldberg will continue his role as Acting Director of Cover Oregon until the new executive director is hired. Dr. George Brown, President and CEO of Legacy Health, and a Cover Oregon board member, is overseeing the search process for the new executive director.
- In addition to asking the Cover Oregon Board to change the top technology and operational leadership at the insurance exchange, our Governor requested the Board undertake a full assessment of Cover Oregon's current structure, staffing model, and governance.
- Last week, Governor Kitzhaber announced an agreement between Cover Oregon and participating insurance companies that will help small businesses access federal tax credits. Qualified small businesses that purchase a Cover Oregon-certified plan after

April 1st directly from an insurance company will be able to access tax credits for 2014. This is crucial for our small businesses and the Oregonians they employ. It is also evidence of the good working relationships that Cover Oregon has cultivated with participating insurance companies.

While all of the aforementioned steps are moving forward, Oregon is helping people access health insurance coverage and improving the care they receive once they are covered.

Governor Kitzhaber's goal is to ensure that every Oregonian who needs insurance coverage has the opportunity to enroll through Cover Oregon or directly with a health plan. To help meet this goal, and in light of the challenges with the Cover Oregon website, he called for an extended application period through April 30th. Oregonians are able to apply for coverage this month. At the same time, the Governor is committed to ensuring that the problems we have experienced with the website do not happen again. He made it plain that we must learn from this project and adopt whatever changes are necessary to improve project management and safeguard public investments in the future.

Members of the Committee, experience tells us that successful businesses develop as the result of a business model and an investment environment that fosters growth and prosperity. For decades the U.S. health care system has been built around a business model that assumes that the government and private employers will unquestioningly underwrite a medical inflation rate that grows much faster than the CPI; and that this system will continue to be financed notwithstanding the increasingly tenuous relationship between cost and improved health.

In June 2011, Oregon took the first step to develop a new business model with the passage of two significant pieces of legislation. The first, House Bill 3650, was an acknowledgement that we needed a new businesses model to transform our health care system.

This business model was built around the “coordinated care organizations” or CCOs – new, local delivery entities formed around “natural communities of care” like counties or hospital referral

areas. Each CCO would be unique and might look different in different parts of the state, but all would reflect six key elements:

1. Best practices to manage and coordinate care
2. Sharing responsibility for health between providers and consumers
3. Measuring performance
4. Paying for outcomes and health
5. Providing actionable information
6. Financially sustainable per member rate of growth

It is worth noting that this legislation – as well as the legislation establishing our state health insurance exchange – passed with overwhelming bipartisan majorities. Further, our health transformation initiative has been supported by all of Oregon’s major business organizations, by our largest companies, including Nike and Intel, by the small business community, and by AFL-CIO, SEIU, health care providers, and consumer advocates. Instead of using the crisis in our health care system as a political football, Oregon moved forward with clear goals and an intention to deliver better results for people across the state.

Oregon, in partnership with the Administration, has committed to reduce the Medicaid inflation trend by two percentage points per capita to 3.5 percent by the end of this year and to lock this rate going forward. This cost reduction will save both the federal and state government \$4.9 billion over 10 years while improving the quality of care delivered to Oregonians.

Oregon’s coordinated care organizations are starting to show results in containing costs, reducing unnecessary emergency department visits and increasing primary care. As we bring more than 230,000 new enrollees into Medicaid, these strategies will help offset increased utilization in many areas and help local providers manage the increased demand for services. And patients will receive better care.

If we can successfully implement what we are proving out in our Medicaid program to state employees, teachers, qualified health plans on the exchange, and private businesses, it will have

profound effects. Private business could save valuable resources to allow their businesses to grow. Local and state government can save precious resources or invest in critical areas like education, early learning, and public safety, to name a few.

In the years to come, our state will look fundamentally different than it does today for the simple reason that we have ended one of the most glaring inequities of our time; the era of the haves and have-nots when it comes to health insurance is over.

More than 300,000 Oregonians have enrolled in health care coverage since October thanks to Cover Oregon and the Oregon Health Authority.

We know that some things have worked well. We have a successful health insurance market. Eleven health insurance carriers and nine dental plans are participating in our exchange. There are more than 100 choices of health and dental plans. Competition between those carriers has helped to save Oregon families money by driving down premiums. In fact, a few of those carriers actually asked to reduce their premiums last year to ensure their competitiveness on the open market.

The Oregonian

May 9, 2013

On Thursday, a comparison of proposed 2014 health premiums became public online, causing two insurers to request do-overs to lower their rates even before the state determines whether they're justified.

The unusual development was sparked by a comparison that used to be impossible because plan benefits varied so widely. But under the federal reforms that take effect Jan. 1, health insurance is mandated and every insurer must offer certain standard plans.

The launch of Cover Oregon only reinforces this by allowing consumers to compare and shop for plans. As a result of this new transparency, for the first time, people can compare plans side by side. Oregonians can shop online and compare all available plans. We have a single place where individuals can be determined eligible for either private commercial coverage or Medicaid.

Medical Plan Options

Plan ID	Carrier	Plan Name	Max Out of Pocket (Individual / Family)	Deductible (Individual / Family)	Metal Tier	Total Monthly Premium
39424OR1050001-01	Moda Health	Be Savvy	\$6,350 / \$12,700	\$5,250 ^{mn} / \$10,500 ^{mn}	bronze	\$202.00
39424OR1030003-01	Moda Health	Oregon Standard Bronze	\$6,350 / \$12,700	\$5,000 ^{mn} / \$10,000 ^{mn}	bronze	\$203.00
96383OR0010001-01	Health Republic Insurance	Oregon Standard Bronze Plan	\$6,350 / \$12,700	\$5,000 ^{mn} / \$10,000 ^{mn}	bronze	\$205.04
39424OR1060003-01	Moda Health	Be Connected	\$6,350 / \$12,700	\$4,250 ^{mn} / \$8,500 ^{mn}	bronze	\$218.00
96383OR0030001-01	Health Republic Insurance	PrimaryCare Bronze Plan	\$6,350 / \$12,700	\$6,350 ^{mn} / \$12,700 ^{mn}	bronze	\$226.83
85804OR0280002-01	LifeWise Health Plan of Oregon	LifeWise Standard Bronze 5000	\$6,350 / \$12,700	\$5,000 ^{mn} / \$10,000 ^{mn}	bronze	\$241.00
10091OR0360006-01	PacificSource Health Plans	PacificSource OR Standard Bronze SHN Plan	\$6,350 / \$12,700	\$5,000 ^{mn} / \$10,000 ^{mn}	bronze	\$241.00
85804OR0270001-01	LifeWise Health Plan of Oregon	LifeWise Essential Bronze 5250 HSA	\$5,250 / \$10,500	\$5,250 ^{mn} / \$10,500 ^{mn}	bronze	\$245.00
71287OR0420009-01	Kaiser Permanente	KP OR Bronze 4500/50HSA	\$6,350 ^d / \$12,700 ^d	\$4,500 ^{mc} / \$9,000 ^{mc}	bronze	\$245.00
39424OR1060002-01	Moda Health	Be Aligned	\$6,000 / \$12,000	\$2,500 ^{mn} / \$5,000 ^{mn}	silver	\$246.00

67 total plans are available

Find an agent to assist you. It's free.

You can find certified health insurance agents and community partners throughout the state who can help you fill out your application and complete your enrollment.

Example

Consumers in Oregon can enroll online. But the website is only partially functioning. The process is only seamless for those who seek to enroll through agents and community partners. Individuals browsing and applying on their own will not be able to fully enroll in one sitting.

In short, applying and enrolling is not as easy as it will be in the future. But here is what we also know. More than 175,000 enrollments have been completed – over 55,000 for commercial coverage and 120,000 for Medicaid through our state-based market. An additional 125,000 people have enrolled in Medicaid directly through our Medicaid program. Those numbers grow every day.

This will change our state in ways we don't understand yet. Everyone from the homeless woman sleeping on the streets of Portland, to the rancher in Ontario, to the freelance designer with a

preexisting condition in Astoria, can get comprehensive health care coverage that includes preventive care and health screenings, prescription coverage, and mental health care. Every Oregonian now has the same chance for health.

Oregonians have more options than they had in the past. When they gain health insurance, their medical debt goes down. Families are not facing bankruptcy due to medical bills and providers do not have hundreds of thousands of dollars of unpaid debt. The reality of our former insurance system was that people got underwritten out and were forced into expensive high-risk plans. Now everyone pays the same price, everyone has the same option for coverage. That is what the Affordable Care Act means in our state.

Oregon is committed to health care reform that delivers better health, better care, and lower costs. We have begun that work in our Medicaid program and have enrolled hundreds of thousands Oregonians into quality, affordable health insurance. Our private health insurance market is competitive, transparent and saving families money while providing health and economic security. In time, our problems with our website will be resolved. We continue to be proud of the work we have done to improve Oregonians lives. We know that will endure.

I welcome your questions and the opportunity to discuss with you Oregon's ongoing health care transformation work, as well as the progress that we have made to secure the public trust and to make good on Cover Oregon's promise to enroll more Oregonians in affordable, high-quality health insurance.

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