



THEODORE R. KULONGOSKI
Governor

June 10, 2008

Oregon Health Fund Board
General Services Building
1225 Ferry St. SE, First Floor
Salem, OR 97301

Dear Board Members:

Thank you for the time and effort you are devoting to designing a high-quality health care system for all Oregonians.

I recognize that you are now at a critical point in your process. As you consider the recommendations of the more than 100 volunteers who have been serving on your key committees, you face important decisions not only on the best design for a high-quality, affordable health care system but on the best next steps to take to achieve such a system in the years ahead.

As you consider those next steps, I urge you to address the two central problems with our health system: It costs too much and covers too few.

These problems of rising costs and declining coverage are intertwined. Rising costs are making health care less affordable for those who have coverage. Declining coverage is shifting more costs for treating more uninsured to those with insurance. As costs increase, coverage declines. And, as job losses mount in a slowing economy, I am greatly concerned that this downward spiral will accelerate and overwhelm our efforts to bring affordable health care to all Oregonians.

The solutions to this two-pronged problem will not be easy. If we expand coverage without controlling costs, we will increase the cost of the system – and cause more employers, employees and individuals to abandon coverage. When that occurs, controlling costs will be increasingly more difficult as Oregonians are forced into the ranks of the uninsured.

This is your challenge and mine. We cannot expect to expand and sustain health care coverage if we don't control and reduce health care costs. We have to find ways to do both.

My conclusion is this: We cannot solve the health care crisis all at once. Nor can we solve it one step at a time. The key to success is taking two steps at a time: controlling costs and increasing coverage.

The next steps will begin with the budget that I will release in December and the legislation that your board and my office will submit to the legislature in January. I remind you of these dates because each has a lead time which imposes deadlines in the months ahead. As these deadlines approach, I look forward to working with you to align our priorities and coordinate our efforts.

Several months ago, I announced my priorities for the 2009 legislative session. Among those priorities is addressing what I believe are the most urgent and compelling needs for expanding coverage -- ensuring affordable health care for all children and continuing to expand the enrollment of low-income adults in the Oregon Health Plan. These goals are consistent with your charge under SB 329, which is another reason that I bring them to your attention and seek your cooperation in achieving them.

These goals represent one of those two next steps we must take in 2009.

To accomplish this first step, I intend to recommend the financing needed to bring affordable health care to all children in Oregon in my recommended budget for the 2009-11. In that budget, I will make use of both existing and new revenues to achieve this goal. I have suggested that the needed new revenues come, at least in part, from an increase in tobacco taxes. I would like you to consider this source of funding for children's health care and to hear your views on this and other potential sources of new revenues.

Also, I intend to address another issue that threatens the very future of the Oregon Health Plan. Changes in federal requirements that take effect next year will force us to discontinue or restructure one of the existing provider taxes that support 24,000 Oregonians in the Oregon Health Plan (OHP) Standard population. We cannot afford to let coverage for these Oregonians expire. Nor can we ignore the more than 90,000 additional Oregonians who have applied for this coverage but are now on waiting lists because of restricted funding for the OHP Standard population.

With this in mind, I urge you to consider a restructuring of our current provider taxes, not just to comply with the new federal requirements, but to enable us to secure more of the federal matching funds that we are now leaving on the table in Washington, D.C. This challenge could prove to be an opportunity to bring health coverage to hundreds of thousands of Oregonians, both children and working adults, who are currently uninsured.

To this end, I ask that you examine potential revenue sources and give me and legislative leadership your recommendations for the best ways to maximize state funding from tobacco taxes, provider taxes and any other sources you consider appropriate to achieve my goal of providing affordable health care for the children of Oregon and extending coverage to the low-income adults whom the Medicaid program was designed to serve.

But we will not be successful if we limit ourselves to initiatives to expand coverage. We need to take that important second step to control costs. An expansion of health coverage to those without insurance can be one key to controlling costs for those with insurance. If we cannot assure the employers, employees and individual purchasers of insurance that they will see reductions in costs when we invest more public funds to expand coverage, then we cannot expect to engage the three million Oregonians who have health coverage in our efforts.

I welcome your proposals for linking the expansion of coverage to a reduction of the cost shift that is making health care increasingly costly for those with insurance. But I ask that you not stop there. I ask that you give me your best ideas for controlling costs that can be implemented in the 2009 session. I would like to see at least five such ideas – or more, if you think they are achievable over the next two years.

Finally, I believe that rebuilding our system of mental health care and addiction treatment is another key to the affordability and sustainability of our larger health care system. I encourage you to address these components of our system as well.

In summary, I ask that you join me in designing the framework we will need to expand coverage to children and the working poor of Oregon and to connect that expansion of coverage to cost containment mechanisms that will provide dividends for all Oregonians who are struggling to afford the health insurance they have now.

By focusing, coordinating and synchronizing our efforts to extend coverage to children and our neediest adults and reduce costs in the system, I am confident that we can make significant progress toward the goals of SB 329 in the 2009 legislative session.

I thank you for your efforts and look forward to receiving your recommendations and your continued leadership in the days ahead.

Sincerely,



THEODORE R. KULONGOSKI
Governor

TRK:tn:jl

c: Barney Speight, Executive Director, Oregon Health Fund Board