



Oregon

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Potential Cost Savings Included in Proposed Health Reform Bills

Oregon Health Fund Board

Included in the proposed comprehensive health reform bills are recommendations of the Oregon Health Fund Board for strategies that will deliver direct cost savings to Oregonians. The Health Fund Board has calculated estimates for savings that could be realized from implementing the best first steps of reform, listed below. The additional market-driven savings that may also be realized from the transparency of costs as a result of an APAC Data Reporting Program or from a broader adoption of evidence-based guidelines in commercial purchasing has not been estimated, but could be substantial.

All-Payer All-Claims (APAC) Data Reporting Program

- The Health Fund Board determined that an all-payer, all-claims data reporting program is an essential part of the infrastructure needed to pursue comprehensive cost containment. Such a program will drive competition in the market by allowing consumers to compare providers based on quality and cost. However, an accurate estimate of the potential direct savings from this program could not be determined.

Clinical Improvement Assessment Project

- Policy Implementation: The Health Authority approves, publishes, and disseminates evidence-based guidelines and best practice clinical standards. The Authority requires health plans contracting with the state to utilize guidelines and best practices and to adhere to uniform contracting standards, with processes and procedures for justifying care that does not meet evidence-based guidelines or best practice clinical standards.
- Estimated Potential Savings: Up to \$650 million in 3 years; Up to \$4.2 billion in 10 years
- Main Sourceⁱ: The Commonwealth Fund's Bending the Curve report estimated that a national center of medical effectiveness could save \$18 billion in one year and over \$368 billion over ten years.ⁱⁱ

Patient-Centered Primary Care Homes and Healthy Communities

Promoting Patient-Centered Primary Care Homes

- Policy Implementation: Pursue policies that will lead to the Authority implementing patient-centered primary care homes into their contracting and benefit designs, with enhanced services for those with chronic diseases.
- Estimated Potential Savings: Up to \$44 million for 3 years; Up to \$190 million in 10 years
- Main Source: The Illinois Health Connect Program has saved the state's Medicaid program \$20 per-member-per-year by linking enrollees to primary care homes.ⁱⁱⁱ

*Further savings could be realized by expanding patient-centered primary care home initiatives to PEBB, OEBC and other publicly sponsored health programs.

Community-Based Prevention and Investments in Population Health

- Policy Implementation: The Authority provides grants to communities for evidence-based public health initiatives and invests in tobacco cessation, obesity prevention, and wellness.
- Estimated Potential Savings: Up to \$36 million in 3 years; Up to \$450 million in 10 years (This estimate reflects the realities of the current budget; if \$10 per person per year was invested in public health, it is estimated the state could save \$103 million in 3 years and \$1.3 billion in ten years).^{iv}
- Main Source: A report released by The Trust for America's Health estimated Oregon's potential savings from investing \$10 per person per year on cost-effective public health efforts.^v

Maximize Electronic Health Record Adoption

- Policy Implementation: The Authority's Health Information Technology Oversight Council establishes policies that will lead to the widespread adoption of interoperable health information technology systems.
- Estimated Potential Savings: Up to \$990 million in 10 years (Note: Investment in the initial three years is likely to be greater than savings during this time)
- Main Source: The Commonwealth Fund's Bending the Curve report estimated that a widespread adoption of interoperable health records would take significant upfront investment, but could save the nation \$88 billion over ten years.^{vi}

Healthcare Workforce Initiative

- The Health Fund Board determined that an appropriately trained robust workforce is needed to support the delivery reforms necessary for delivery system reform that will translate into cost savings. However, an accurate estimate of the potential direct savings from this program could not be determined.

Improved Transparency in Healthcare Reporting

Limiting Increases in the Administrative Portion of Premiums

- Policy Implementation: The Authority and the Department of Consumer and Business Services (DCBS) implement policies to hold increases in the administrative portion of insurance premiums to a measure of general inflation.
- Estimated Potential Savings: Up to \$110 million in 3 years; Up to \$1.4 billion in 10 years
- Main Source: These estimates were based on current and projected levels of premium growth from DCBS^{vii} and the Kaiser Family Foundation/Health Research and Educational Trust.^{viii}

Standardizing Forms and Processes for Health Care Administrative Transactions

- Policy Implementation: The Authority develops uniform forms and processes for administrative transactions which all licensed health plans are required to use.
 - Estimated Potential Savings: Up to \$42 million in 3 years; Up to \$350 million in 10 years
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- Main Source: These estimates were based on work of the Minnesota Department of Health conducted when the state strengthened its Administrative Simplification Act to require all health insurers to use standard forms and processes for health care administrative transactions.^{ix}

ⁱ For full methodology for this and all cost estimates included in this document, see Appendix C of: The Oregon Health Fund Board, November 2009, *Aim High: Building a Healthy Oregon*. Available at: http://www.oregon.gov/OHPPR/HFB/docs/Final_Report_12_2008.pdf

ⁱⁱ Schoen, C., Guterman, S., Shih, A., Lau, J., Kasimow, S., Gauthier, A., & Davis, K. (2007, December). *Bending the Curve: Options for Achieving Savings and Improving Value in U.S. Health Spending*. The Commonwealth Fund. Available:

http://www.commonwealthfund.org/publications/publications_show.htm?doc_id=620087

ⁱⁱⁱ Press release from the Office of Illinois Governor Rod Blagojevich. (2008, April 28).

Available:

<http://illinois.gov/PressReleases/ShowPressRelease.cfm?SubjectID=19&RecNum=6784>

^{iv} This estimate is based on the assumption that \$10 per person per year is invested in community-based public health efforts. Since it is likely that significantly less funding will be available to support such efforts, the expected cost savings

^v Trust for America's Health, *Prevention for a Healthier America: Investments in Disease Prevention Yield Significant Savings, Stronger Communities*, July 2008. Available:

<http://healthyamericans.org/reports/prevention08/Prevention08.pdf>.

^{vi} Schoen, C., et al. 2007..

^{vii} Oregon Department of Consumer and Business Services. (2008, May). *Health Insurance in Oregon*. Available: http://www.cbs.state.or.us/external/ins/health_report/3458-health_report-2008.pdf

^{viii} Kaiser Family Foundation/Health Research and Educational Trust. *Employer Health Benefits Surveys* (<http://www.kff.org/insurance/ehbs-archives.cfm>), compiled by the Commonwealth Fund in Davis, K. (2008, September 23). *Shifting Health Care Financial Risk to Families Is Not a Sound Strategy: The Changes Needed to Ensure Americans' Health Security*. Invited Testimony, House Committee on Ways and Means, Subcommittee on Health, Hearing on "Health of the Private Health Insurance Market." Washington D.C. Available:

http://www.commonwealthfund.org/usr_doc/Davis_shifting_financial_risk_families.pdf?section=4039

Minnesota Department of Health Staff. (2007, November 13). *Administrative Efficiency Background Information Prepared for the Health Care Transformation Task Force*.