



OREGON
HEALTH
AUTHORITY

Oregon's Sustainable Health Care Cost Growth Target

Universal Health Plan Governance Board Meeting
September 19, 2024

Agenda

Oregon's Health Care Cost Growth Target Program

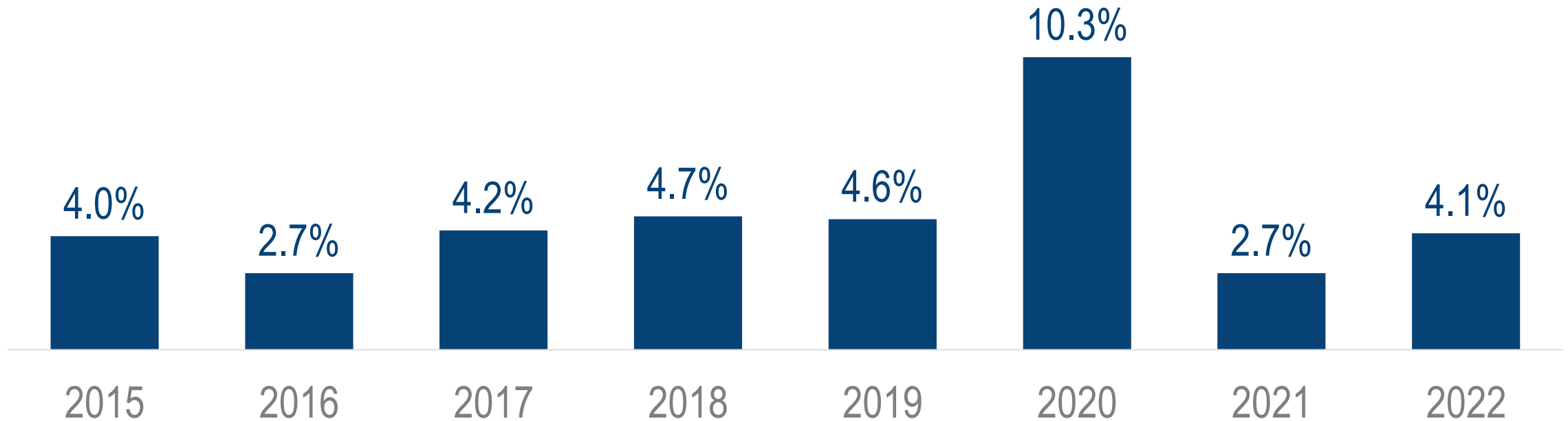
- What it is
- Who it applies to
- How it works
- How are we doing

HEALTH CARE
COST GROWTH
TARGET



Health care costs are growing

Annual increase in national health care spending, reported as the percent increase from the previous year

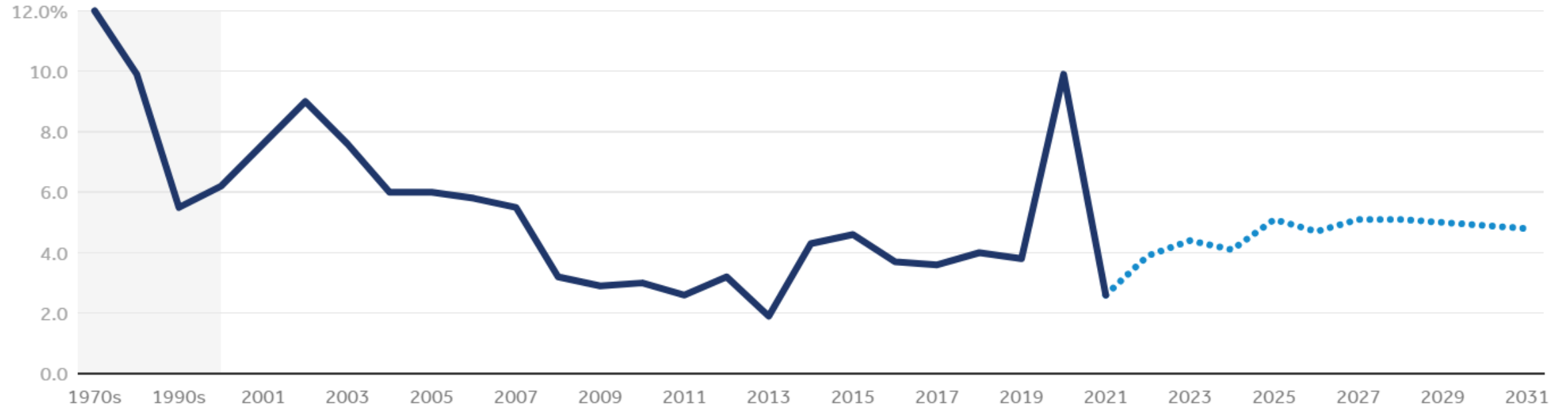


Source: CMS National Health Expenditures

Nationally, cost growth is projected at ~4.8% per year

Annual change in per capita health spending, 1970s - 2021; projected 2022 - 2031

— Actual Health Spending •• Projected Health Spending

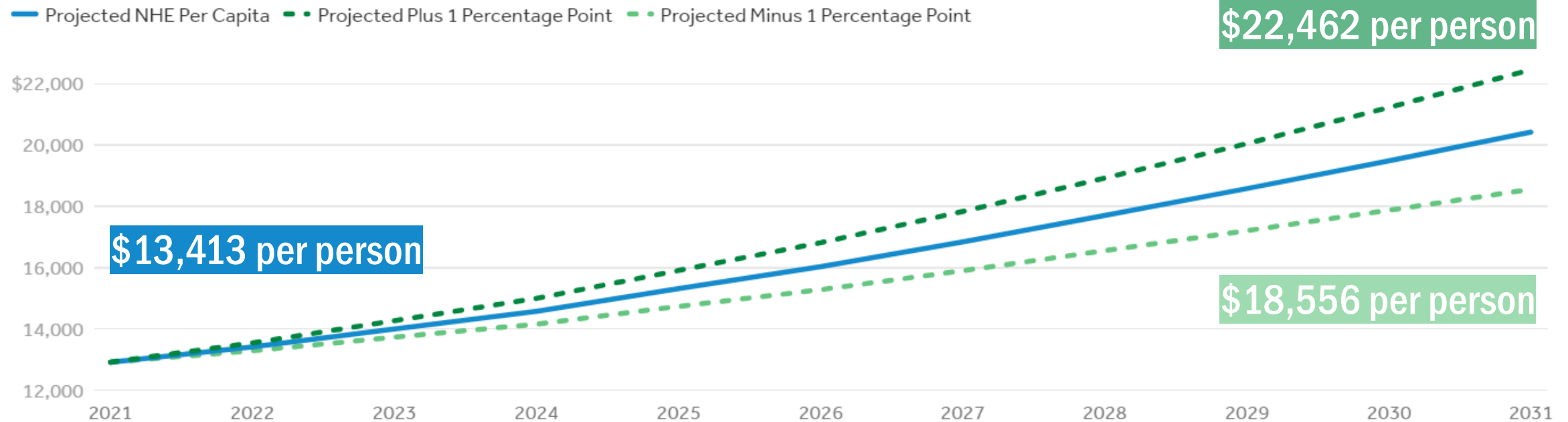


Note: Grey region represents average growth within decade.

Source: [KFF analysis of National Health Expenditure \(NHE\) data](#) • [Get the data](#) • [PNG](#)

Small differences in spending growth add up

Projected annual change in U.S. per capita health spending and alternative scenarios, 2021 - 2031

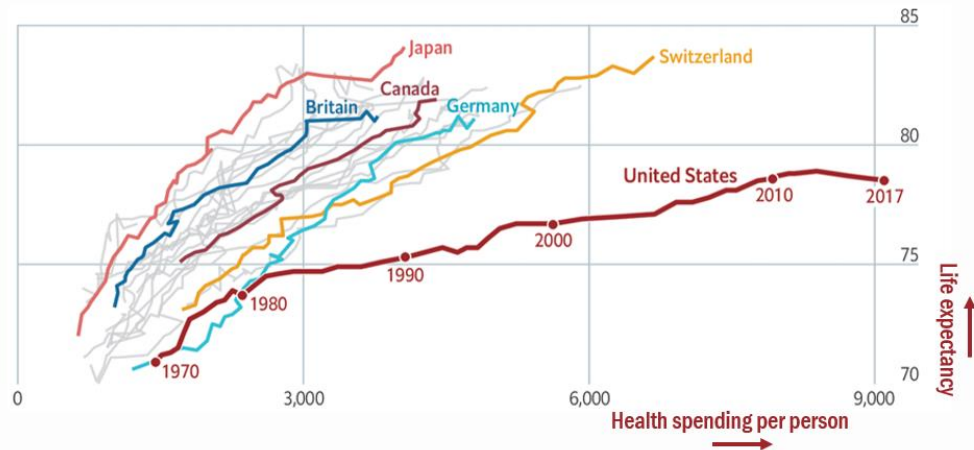


Note: NHE stands for national health expenditures.

Source: [KFF analysis of National Health Expenditure \(NHE\) data](#) • [Get the data](#) • [PNG](#)

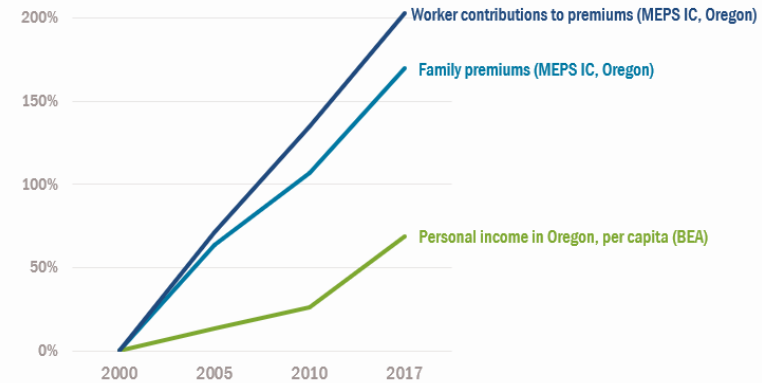
U.S. health care costs twice the average of others countries

But life expectancy is lower



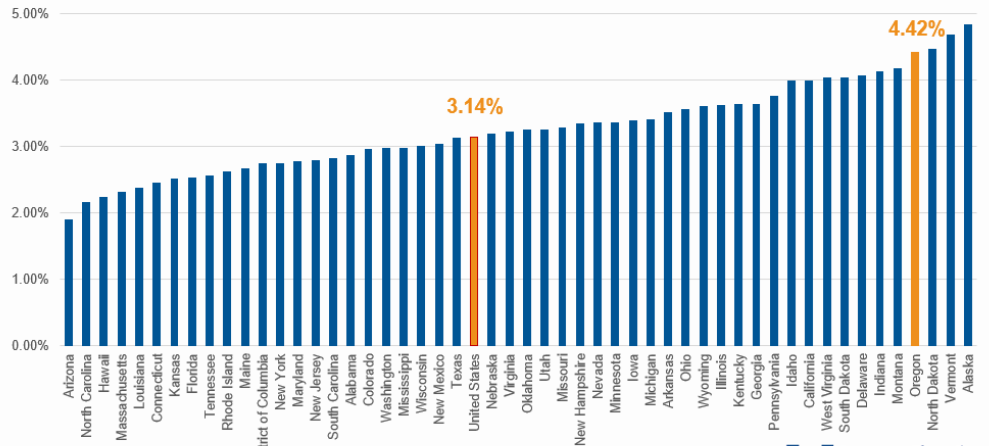
Private sector cost growth is unsustainable

Since 2000, Oregon employer-sponsored insurance premiums have grown three times faster than personal income.



Oregon healthcare spending grew at the 4th highest rate from 2009-2014

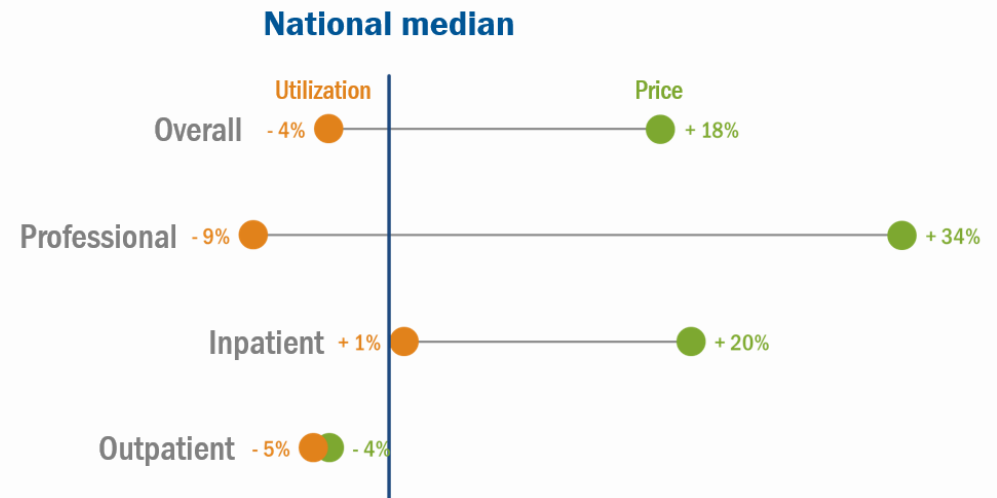
Average Annual Healthcare Spending Growth Rate Per Capita (2009 - 2014)



Sources: U.S. Census Bureau; and Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

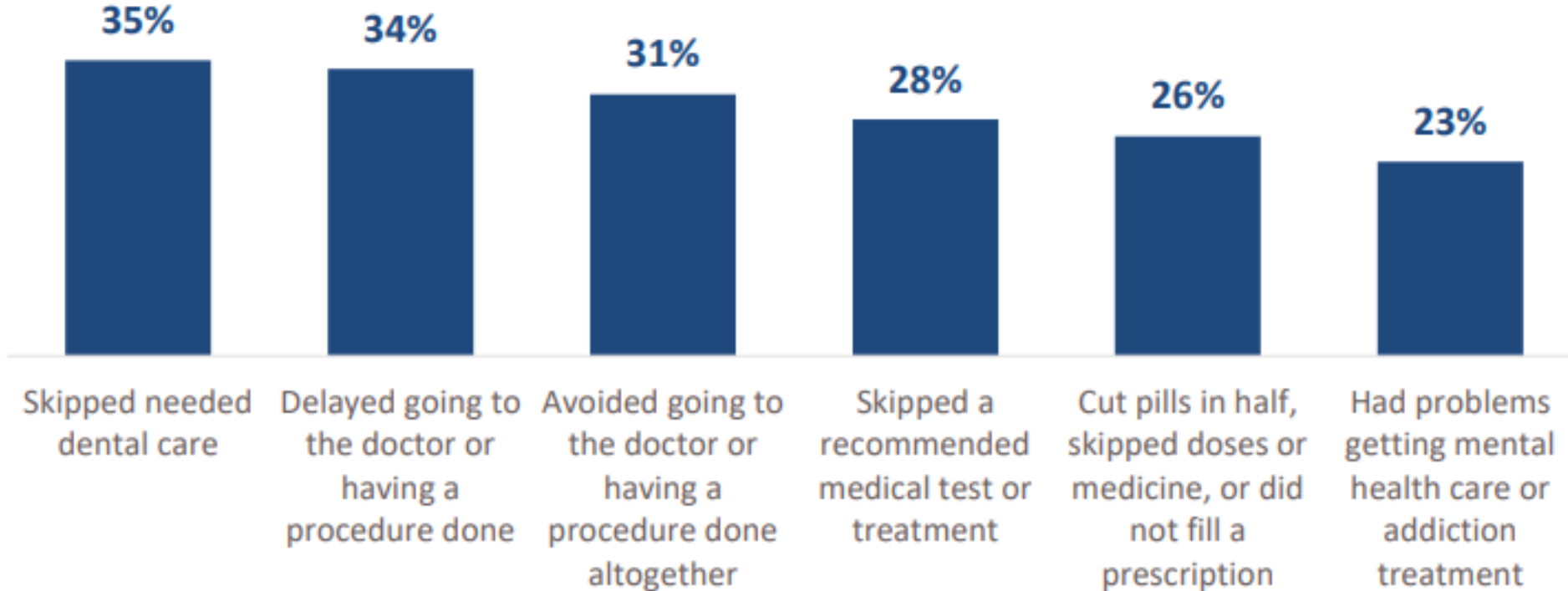
Overall prices in the Portland metro area are 18 percent above the national median.

These high prices are not offset by low utilization.



A third of Oregon adults reported delaying or foregoing care due to costs

Percent of Oregon adults reporting delaying or foregoing health care due to cost, 2021



Source: Altarum's Consumer Healthcare Experience Survey, 2021

People in Oregon reporting they were unable to pay medical bills, by race/ethnicity

High health care costs worsen health and wealth inequities.



*Estimates have small sample sizes and are statistically unreliable; interpret with caution.

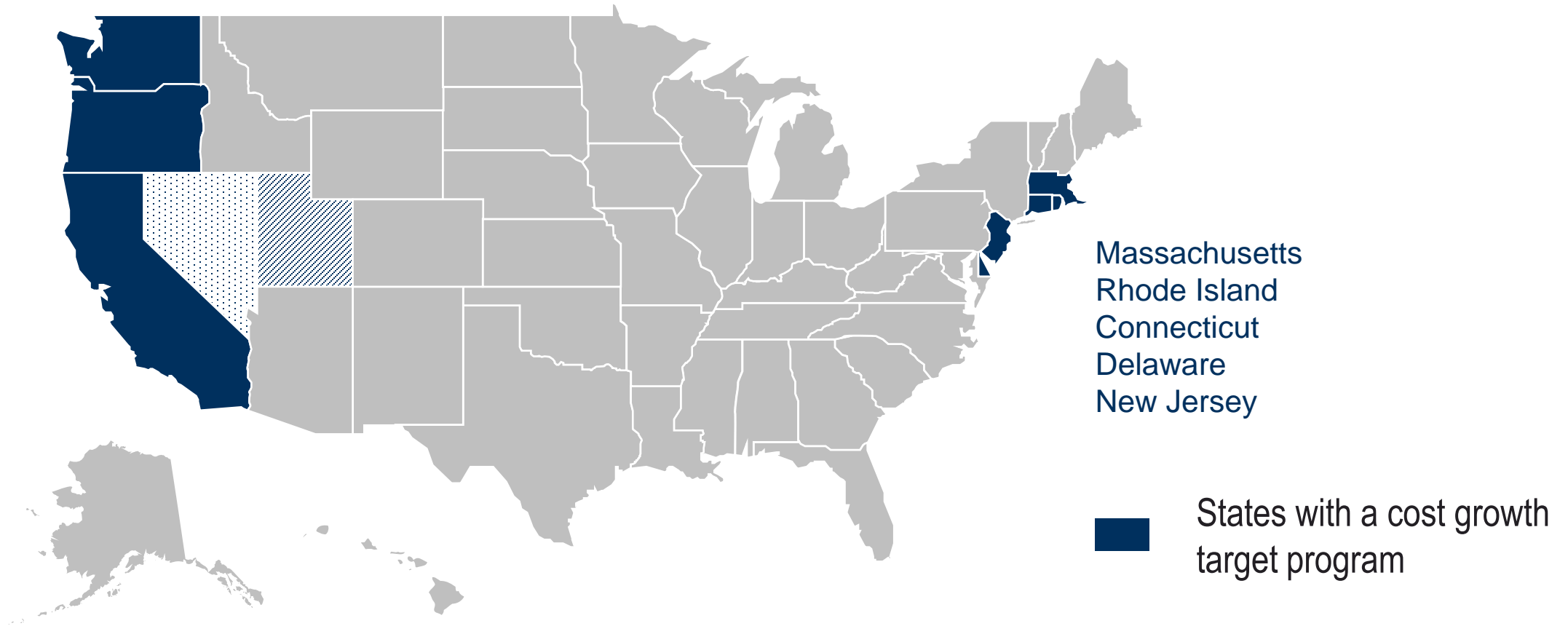
Source: Oregon Health Insurance Survey, 2021

Containing growing health care costs is an Oregon priority

- 📍 **2017:** SB 419 Legislative Task Force considered a hospital rate-setting model; recommended cost growth target program.
- 📍 **2019:** SB 889 established Cost Growth Target program and Implementation Committee



Nine states are using a cost growth target approach to address health care affordability

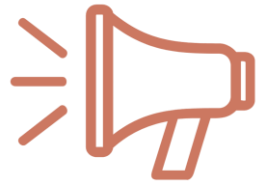


What is Oregon's Cost Growth Target?



Oregon's cost growth target says that total health care spending should not grow more than 3.4% each year.

A statewide health care cost growth target ensures a more sustainable rate of cost growth



Transparency

Sustainable
Target

Total Cost of
Care
Approach

A Common
Goal

Annual Cycle



**Who does the Cost Growth Target
apply to?**

Oregon's Cost Growth Target applies at four levels

Statewide



Market Level



Payer Level

At least 1,000 covered lives in Oregon

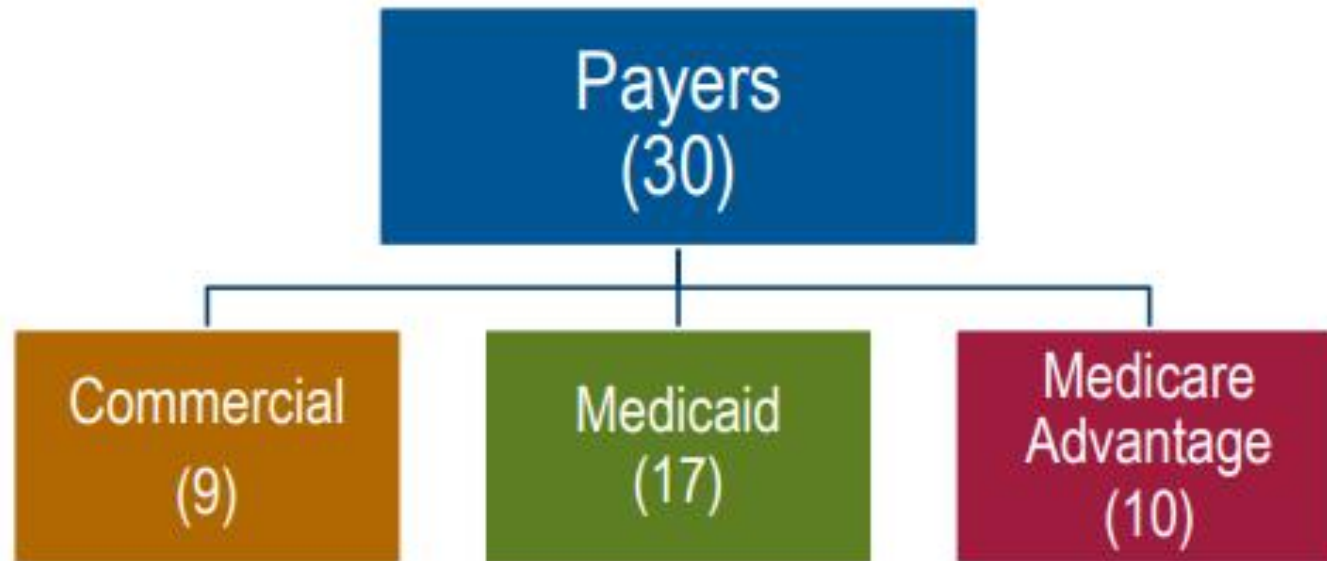


Provider Level



30 payers are currently included in CGT reporting

Number of payers meeting the reporting threshold for 2021-2022, by market



* UHC Company includes all UHC Medicare entities due to novated contracts during the measurement period

Data Submission:

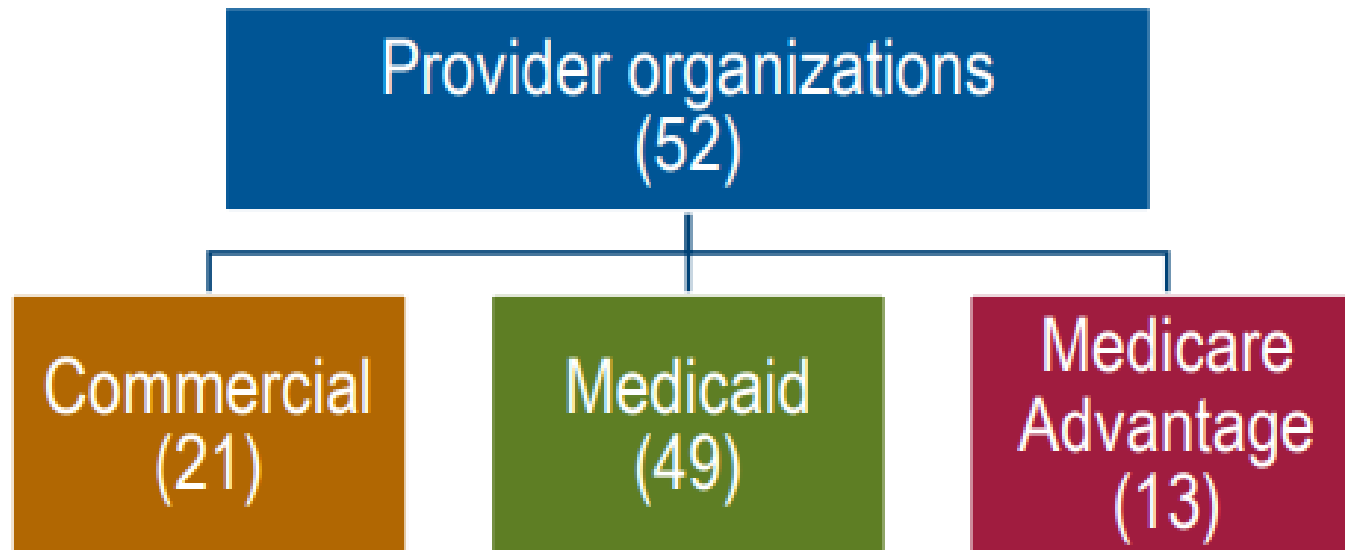
Payers with at least 1,000 members in Oregon

Public Reporting:

Payers with at least 5,000 lives in a market

52 provider organizations are currently included in CGT reporting

Number of provider organizations meeting the threshold for 2021-2022, by market



Provider Org Inclusion:

- Must include primary care providers
- Must have at least 10,000 attributed patients across all markets, or at least 5,000 attributed patients in any one market

How it works

OHA measures cost growth relative to the target each year and identifies cost growth drivers

Measure cost growth relative to the target

Identify cost growth drivers

Determine if the payer or provider org has a good reason for exceeding the target

Public reporting & other accountability mechanisms (if applicable)

Cost Growth Target Accountability



1. Transparency

public reporting and public hearings



2. Performance Improvement Plans (PIPs) for

payers and provider organizations who exceed the cost growth target with statistical certainty and without good reason



3. Financial Penalties

for payers and provider organizations who exceed the cost growth target with statistical certainty and without good reason in any 3 of 5 years

- Only payers and provider organizations that exceed the cost growth target **with statistical certainty** may be held accountable.
- Only payers and provider organizations that exceed the cost growth target **without a good reason** may be held accountable.

Changes in federal or state law

Changes in mandated benefits

New pharmaceuticals or treatments

Changes in taxes (or other admin)

“Acts of God”

Investments to improve health/ health equity

Macro-economic factors

Frontline workforce costs (as per HB 2045)

**Acceptable
reasons for
cost growth**

The Cost Growth Target Program is designed to ramp up slowly, allowing time for change

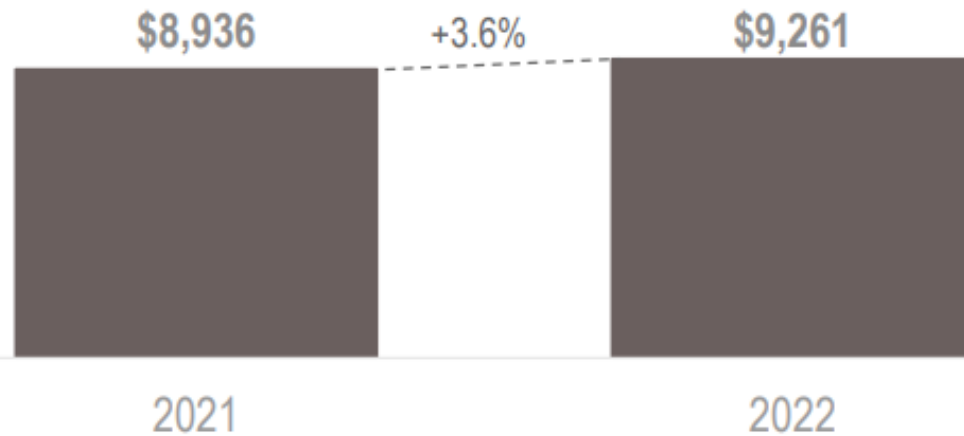
CGT Year	0	1	2	3	4	5
Cost growth between	2018 – 20	2020 – 21	2021 – 22	2022 – 23	2023 –24	2024 – 25
Data submitted in	2021	2022	2023	2024	2025	2026
Report published in	2022	2023	2024	2025	2026	2027
Are payers/providers publicly identified?	No	Yes	Yes	Yes	Yes	Yes
Do PIPs apply?	No	No	No	Yes	Yes	Yes
Does \$ penalty apply?	No	No	No	No	No	Yes

We are here

What does the cost growth target measure?

Total Health Care Expenditures

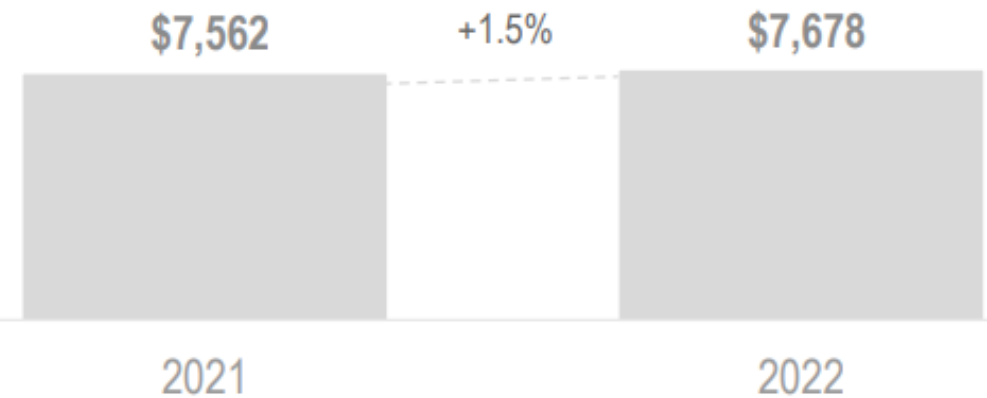
THCE spending grew 3.6% between 2021-2022



THCE

Total Medical Expenditures

TME spending grew 1.5% between 2021-2022



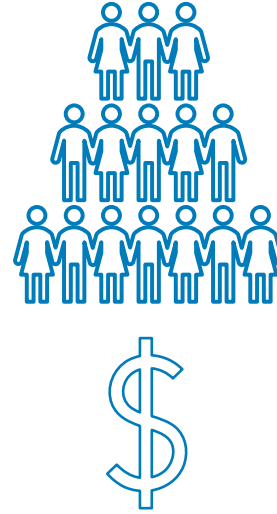
TME

State and market level: claims, non-claims, net cost of private health insurance (admin), other

What does the cost growth target measure?

Other Revenue
(as applicable to line of business)

- Medicare capitation
- Medicaid capitation
- Medicare sweep payments
- Reinsurance



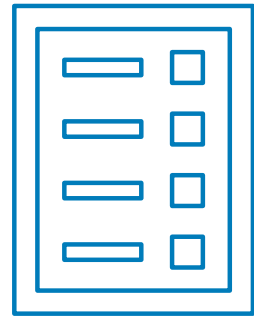
Premium Revenue
(as applicable)

Provider Revenue
Member out-of-pocket costs
(as applicable)

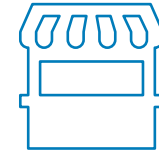
Provider Payments

Vendor Cap
(Provider Payment + Admin Fee)

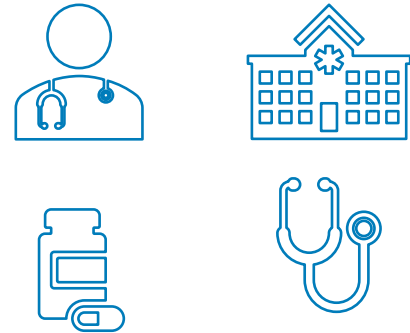
Provider Payments



Insurer/Payer



**Vendor of
Covered Services**



Health care providers
Operating costs

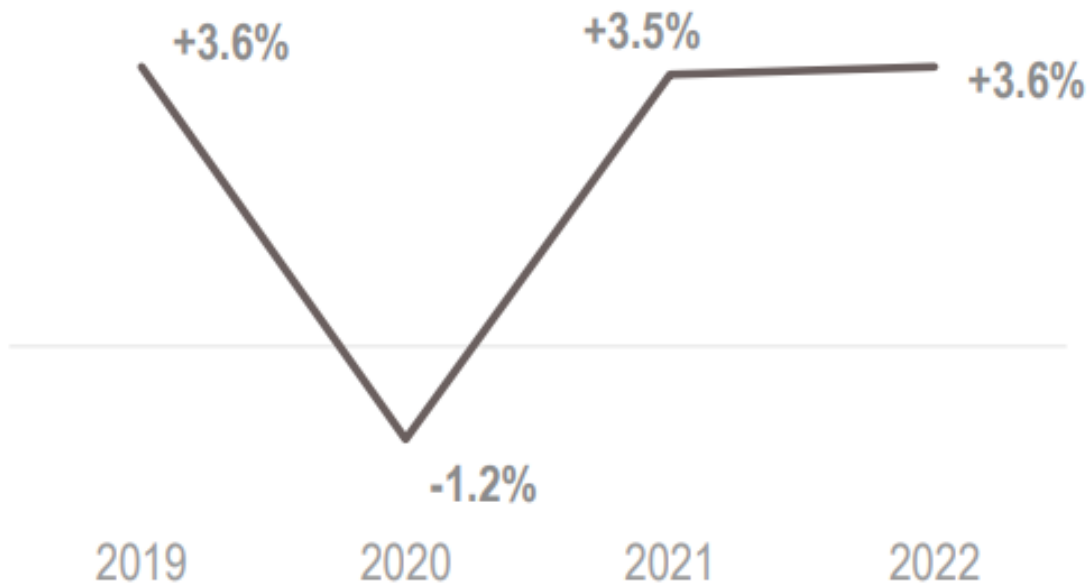
Net Cost of Private Health Insurance

- Including other vendor services (e.g., management of quality incentive program)
- Marketing
- Paying bills
- Profit

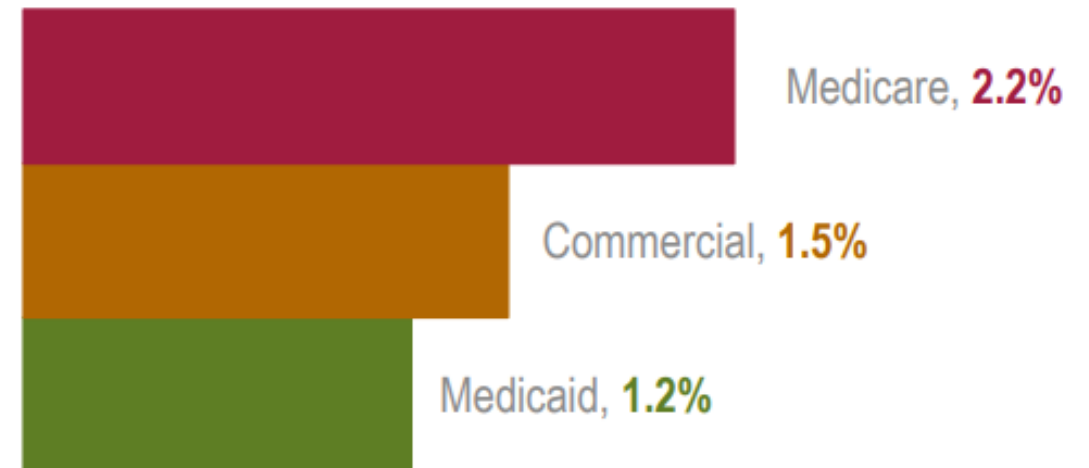
How are we doing

Total Health Care Expenditures grew 3.6% in 2022, but with different experiences by market

Growth in Total Health Care Expenditures, 2018-2022
Years are year 2 of a 2-year period, e.g. "2022" represents 2021-2022



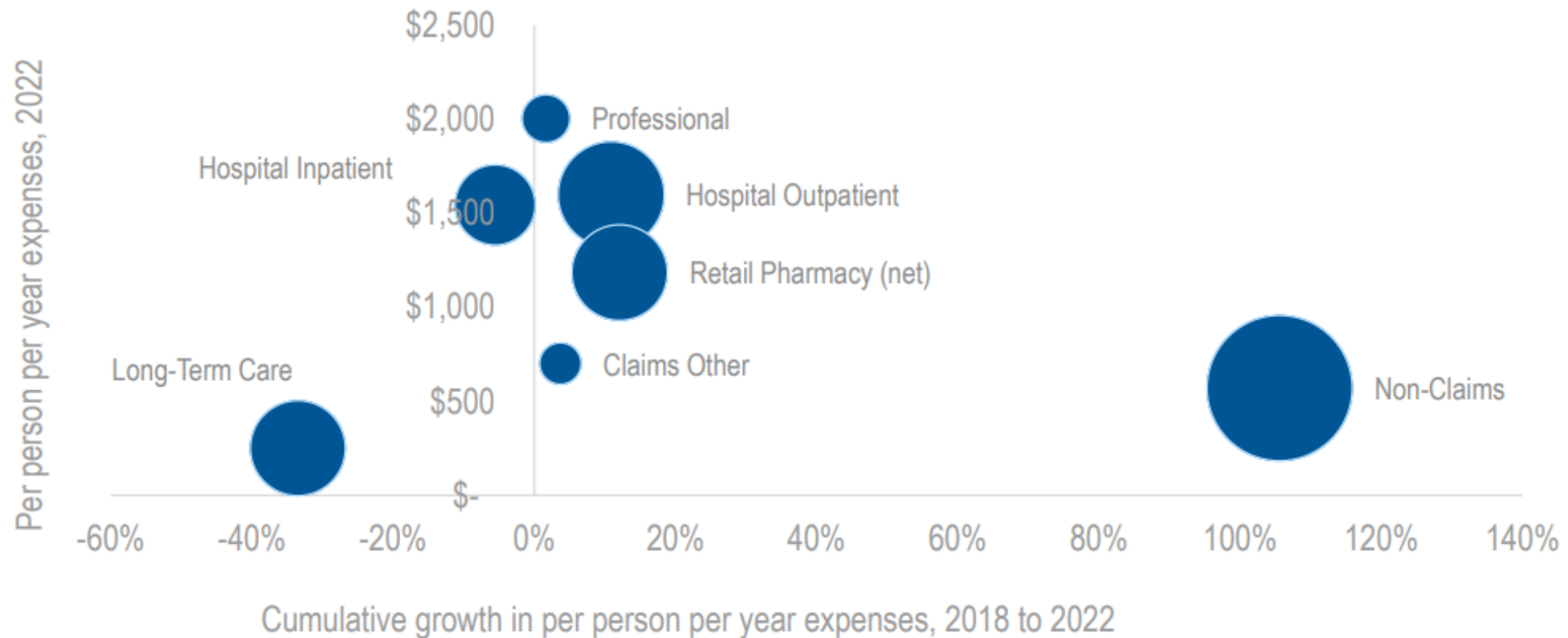
Percent change in total health care expenditures, by market, 2021-2022



<https://www.oregon.gov/oha/HPA/HP/Cost%20Growth%20Target%20documents/2024-Oregon-Cost-Growth-Target-Annual-Report.pdf>

Since 2018, statewide cost growth has been driven by hospital outpatient and retail pharmacy spending.

Total Medical Expenses – Cumulative growth in spending per person per year from 2018-2022 and spending in 2022 with absolute dollar change (bubble size) from 2018-2022, by service category, Statewide*

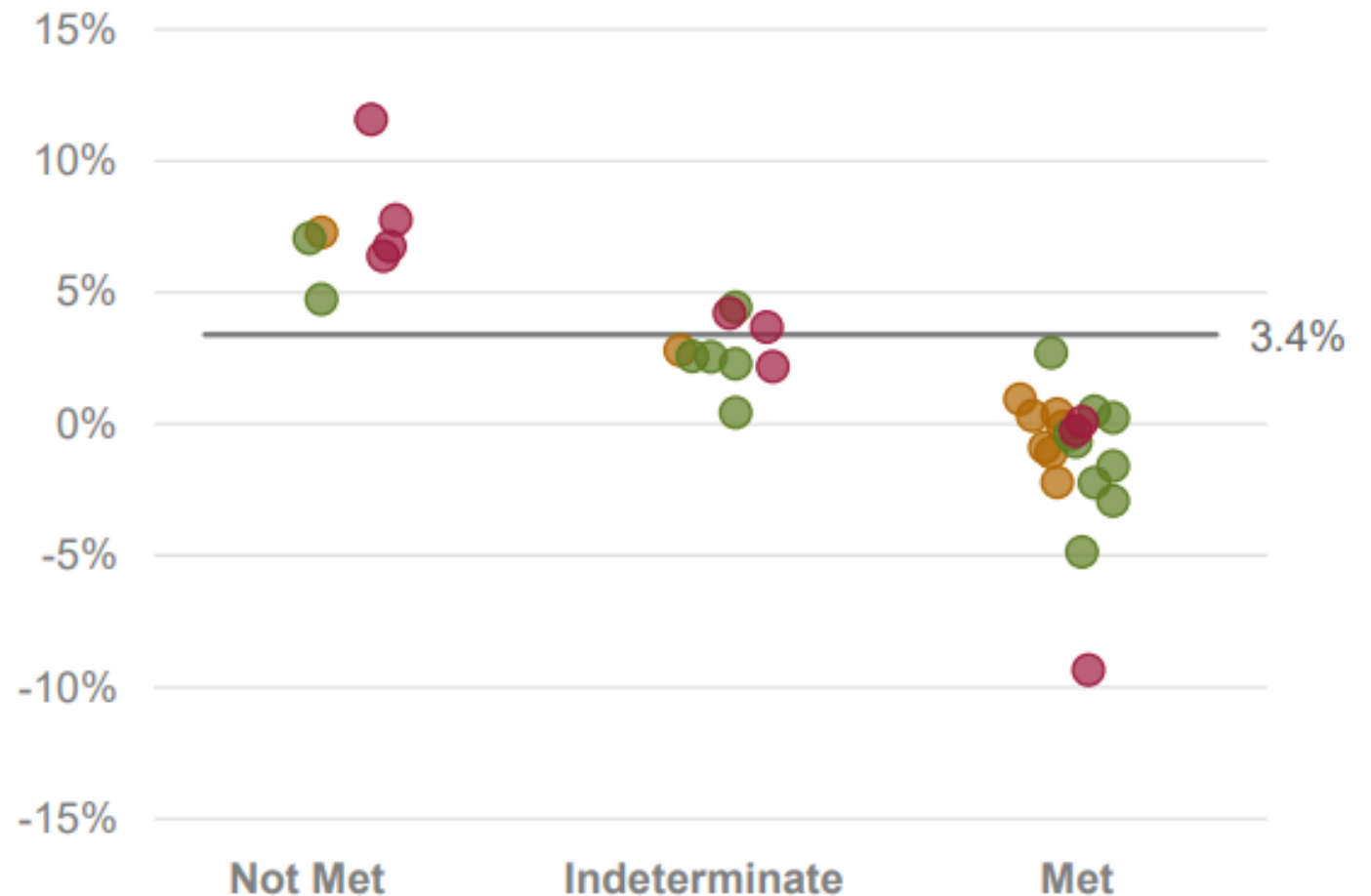


Overall cost growth for payers in 2022 was 1.9%

- Commercial payers: **1.6%**
- Medicare Advantage: **4.9%**
- Medicaid: **1.3%**

Of the 30 payers, 19 met the cost growth target for at least one market.

Payer performance relative to the cost growth target for **Commercial**, **Medicare Advantage**, and **Medicaid**, 2021-2022.

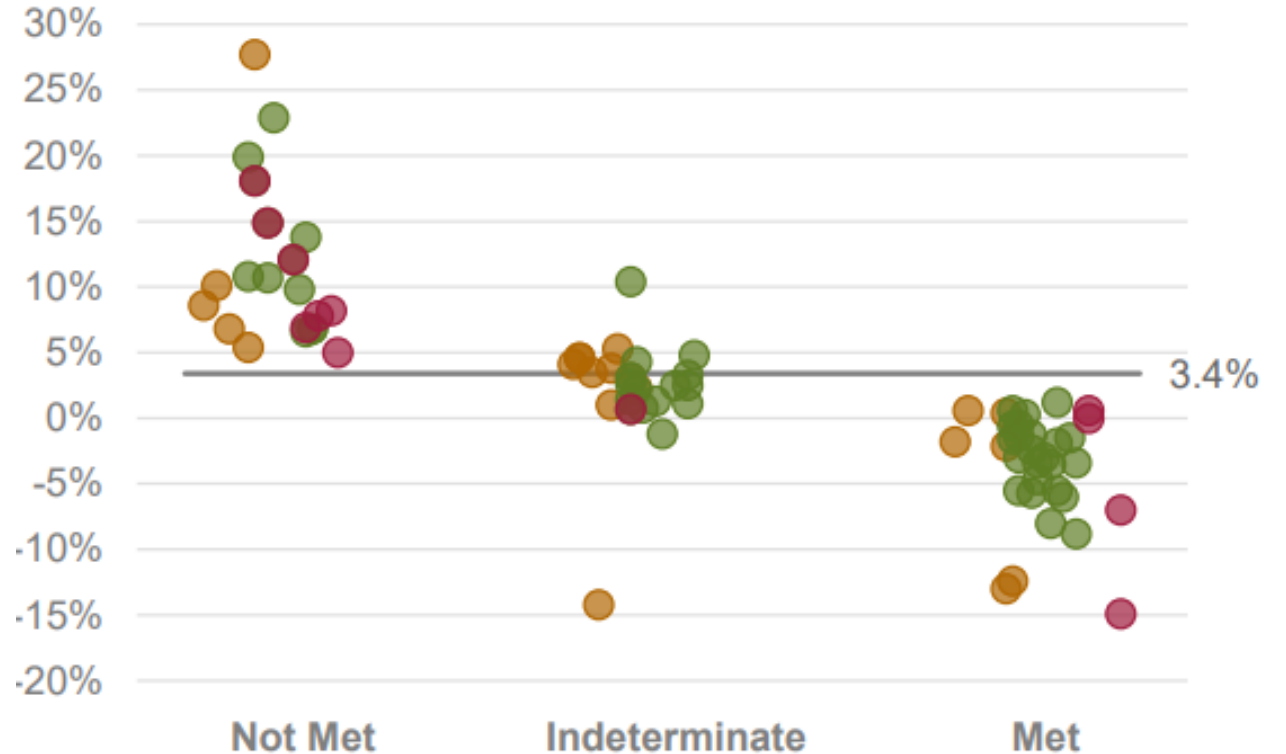


Overall cost growth for provider organizations in 2022 was 1.7%

- Commercial payers: **3.0%**
- Medicare Advantage: **4.4%**
- Medicaid: **0.9%**

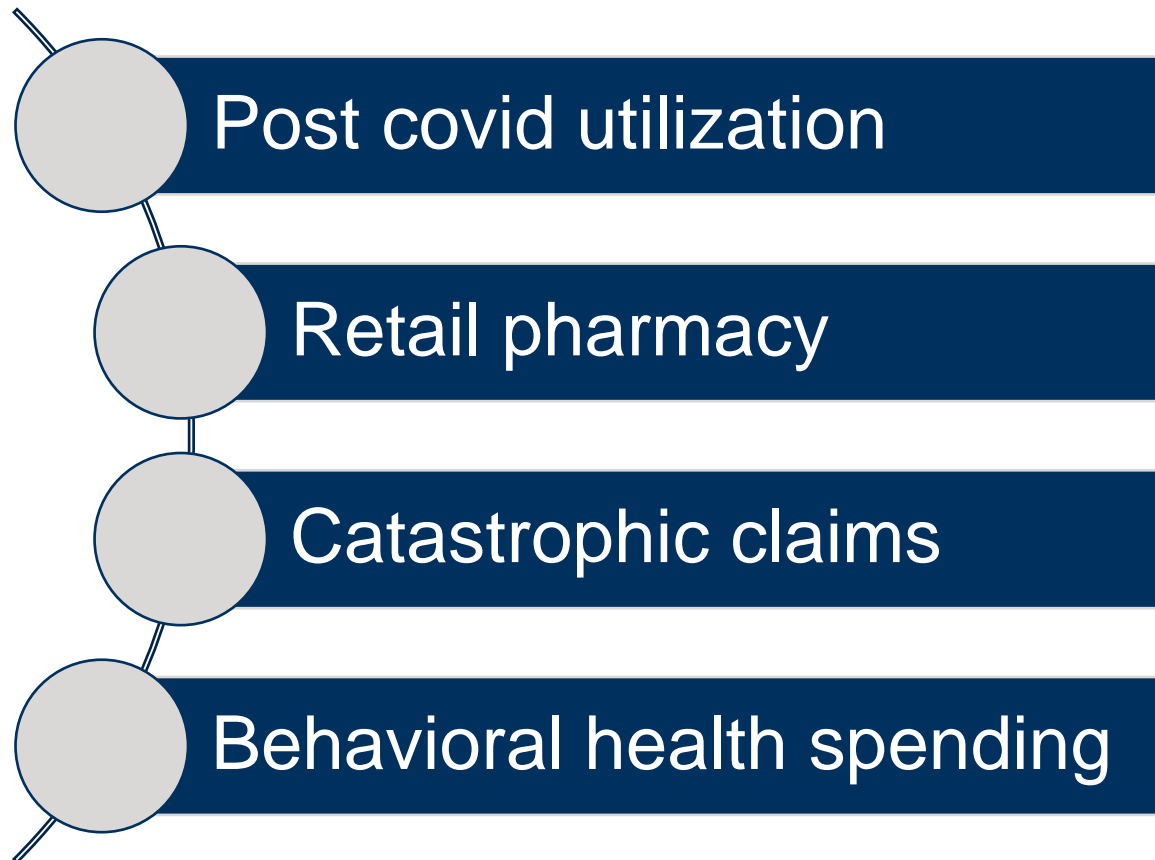
Of the 52 provider organizations, 29 met the cost growth target for at least one market.

Distribution of provider organization performance in relation to the cost growth target for **Commercial**, **Medicare Advantage**, and **Medicaid** markets, 2021-2022.

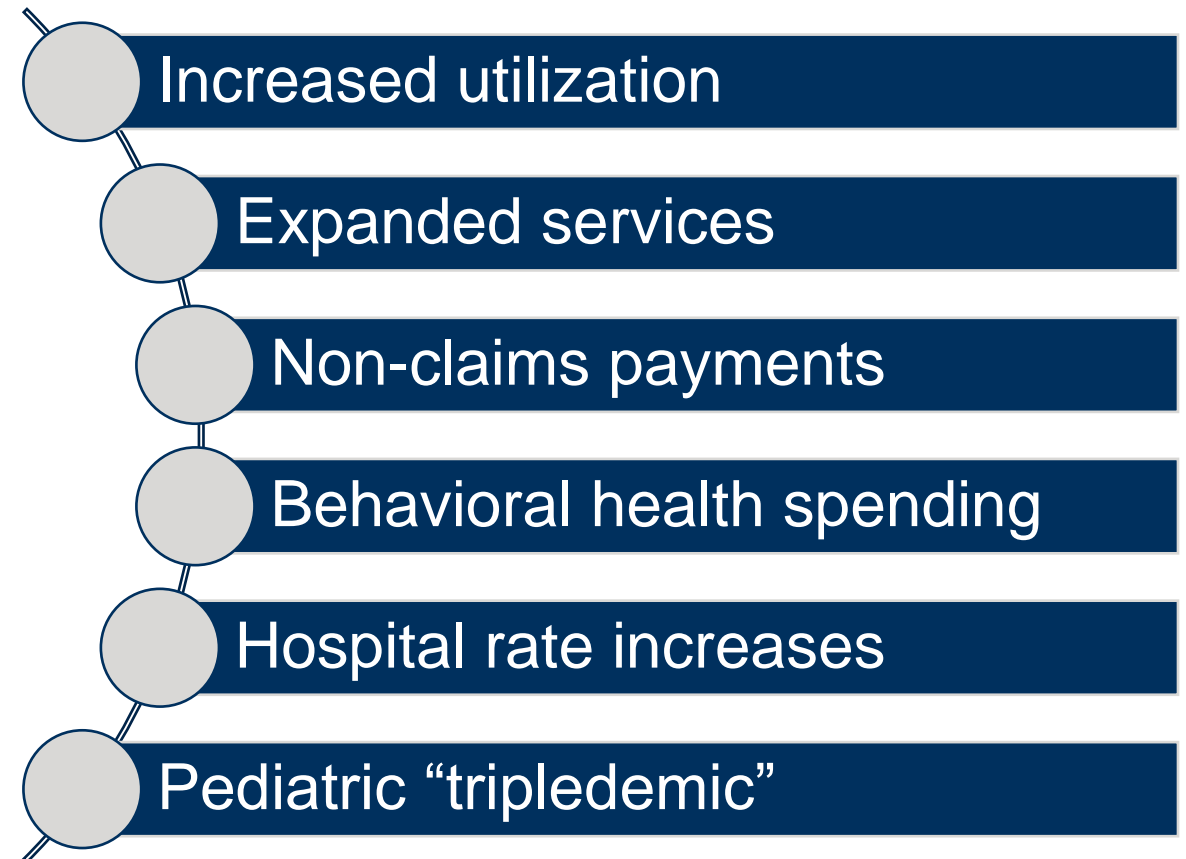


Perspectives on Cost Growth Drivers, 2022

Payers

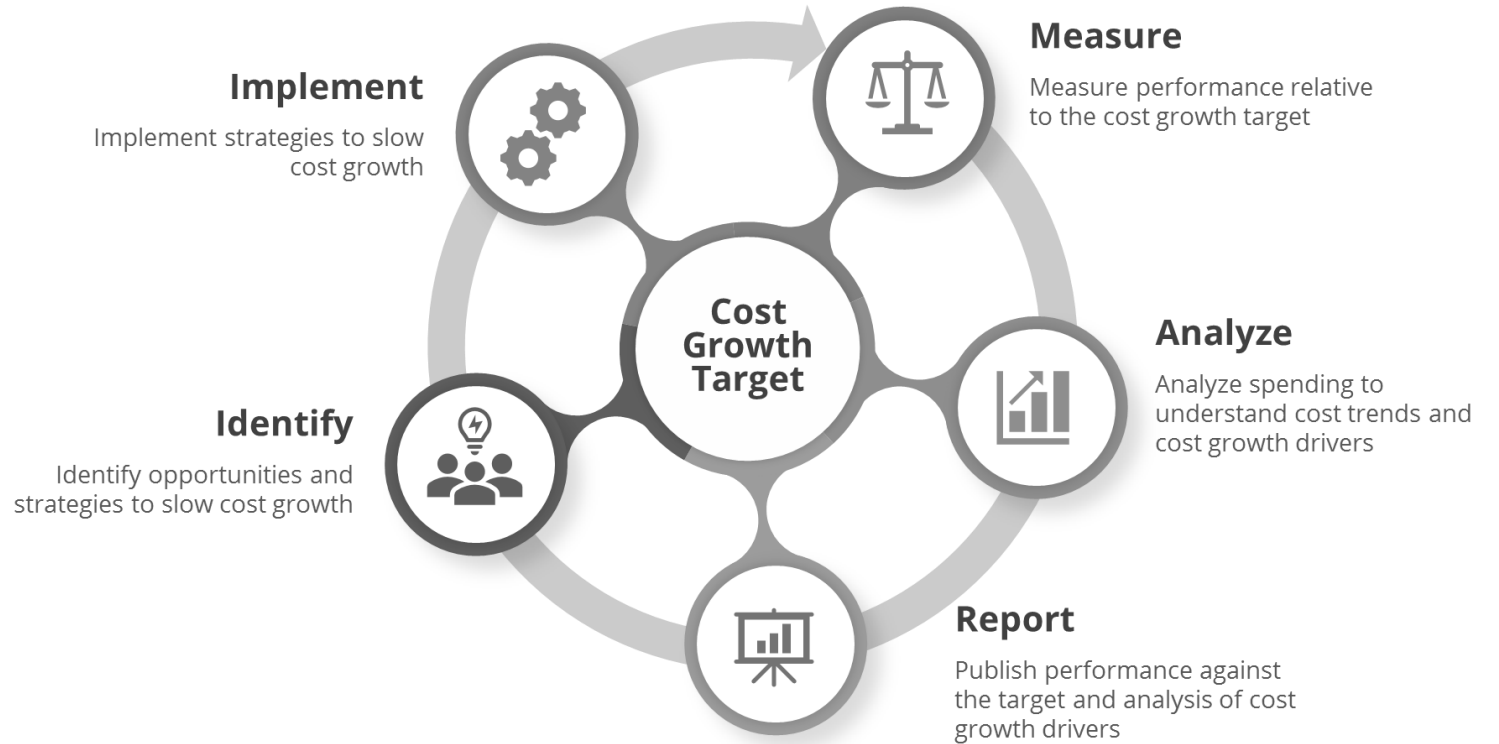


Provider Organizations



Setting a cost growth target will not slow the rate of growth by itself.

A cost growth target is a **catalyst** for implementing cost growth mitigation strategies.



For more Information

- **Cost Growth Target Website**

- <https://www.oregon.gov/oha/HPA/HP/Pages/Sustainable-Health-Care-Cost-Growth-Target.aspx>

- **Cost Growth Target Reports**

- <https://www.oregon.gov/oha/HPA/HP/Pages/cost-growth-target-reports.aspx>

- **Contact Us:**

- HealthCare.CostTarget@oha.Oregon.gov