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Memorandum

To: Universal Health Plan Governance Board

From: Office of Health Policy - Cost Growth Target Program

Date: July 3, 2024

Subject: RE OHA May Presentation Questions

At the May 2024 Universal Health Plan Governance Board (UHPGB) meeting, Oregon Health Authority's (OHA) Office of Health Policy, provided a high-level overview of health care coverage in the state. From the presentation the board had multiple follow up questions, specifically around the Cost Growth Target Program and health care spending in the state. Below are those questions and answers.

1. **Cost Growth Target Program**
    a. **Does the Cost Growth Target Program only apply to OHP, or does it apply across all businesses?**

The Cost Growth Target program applies statewide, across Medicaid, Medicare, and Commercial markets. The Cost Growth Target applies to all health plans that have at least 5,000 covered lives in at least one market and to all provider organizations that have at least 5,000 attributed patients in at least one market. See pages 38 and 49 in this year's Cost Growth Target Annual Report for more information about included payers and provider organizations.

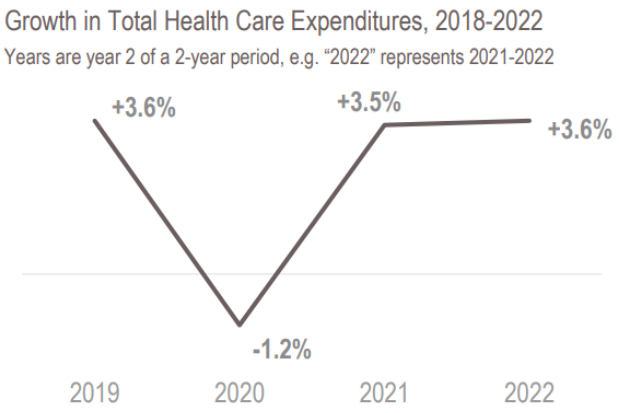
    b. **Was the 3.4% growth rate part of the CCO waiver?**

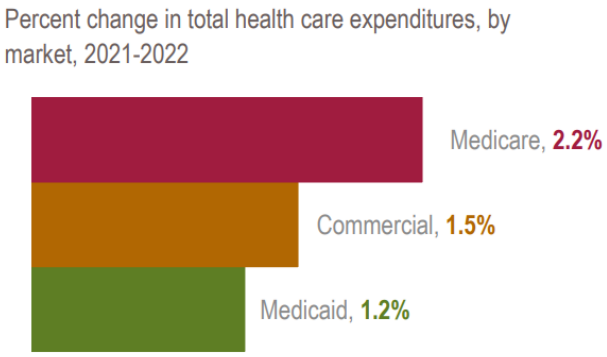
In the 2012 1115 waiver, Oregon committed to reducing the Oregon Health Plan's per person medical expenditure trend by 2 percentage points over three years in the demonstration period. The 2 percentage point reduction was from what the Office of Management and Budget (OMB) projected cost growth trend would be, which was 5.4% at the time, resulting in Oregon committing to a 3.4% medical expenditure trend during this time period for Medicaid. This was also called the "2 percent test."

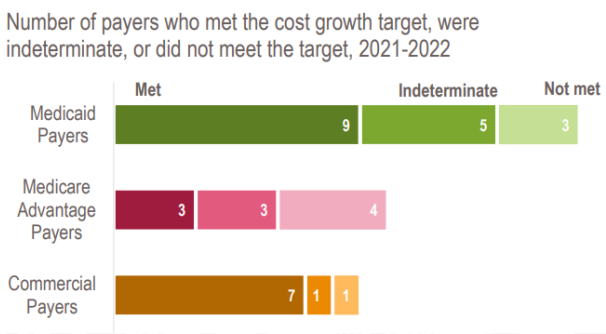
For more information, see page 2 here and the full 2012 waiver special terms and conditions here. Please note that the 2 percent test was calculated differently from the current statewide Cost Growth Target.

c. **How are we doing in terms of meeting that target?**

In the most recent Cost Growth Target Annual Report looking at cost growth trends in Oregon between 2021-2022, statewide, on a per person per year basis, total health care expenditures grew 3.6%, just above the target of 3.4%. This is similar to the last few years, except 2020 when costs decreased in the midst of the covid-19 pandemic. There is variation across markets and by payer and provider organizations.







2. Total Cost Burden

a. **In response to the "Total Cost Burden" numbers, what makes up that average? Interest is in the financial burden by income groups. Is there a breakdown by income groups, to know the detailed story of people in the bottom 20% vs top 20%?**

The "Total Cost Burden" data presented shows the percentage of household income that people in Oregon pay for their share of health insurance premiums and deductibles. This is a measure developed by the Leonard Davis Institute of Health Economics and updated with Oregon data. Read more about the total cost burden measure in this Penn LDI brief.

The numerator (commercial insurance premiums and deductibles for people with employer sponsored insurance) comes from the Medical Expenditure Panel Survey (MEPS) Insurance Component. The denominator (median household income) comes from the American Community Survey (ACS) one year estimates.

It may be possible to do some further stratification (e.g., MEPS data is reported by wage quartile) but

it would be difficult to be more precise, as the cost burden measure is designed to be a high-level indicator at the state level.

There are other measures of the health care affordability burden that are more easily stratified by income. For example, Oregon reports on the percent of people reporting they delayed medical care due to cost and percent of people who report using up savings to pay medical bills by income groups. See more details in the Impacts of Health Care Costs on People in Oregon 2021 report.

3. **Expenditures**
    a. **The estimated $31 billion is quite short of the national estimated for health care expenditures in Oregon, which is about $12,000 – $13,000 per person, why is there a difference from national estimates and CGT estimates?**

Short answer: Oregon's Cost Growth Target is measuring total dollars spent in the state, as reported by health plans and other supplemental data sources. The national estimated health care expenditures are an estimate. The methodology, included spending, and underlying data sources are different; we would not expect these measures to exactly align. For example, the national data includes spending for residential care facilities; the Cost Growth Target data does not.

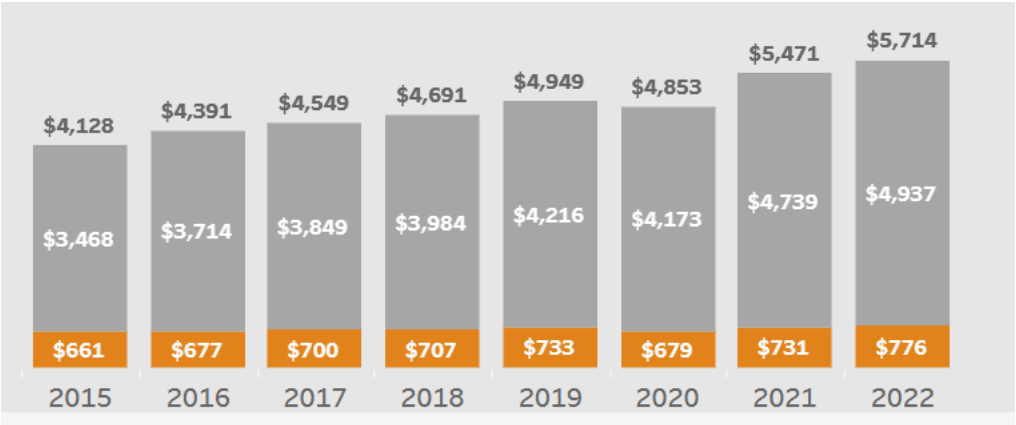
To clarify, the $31 billion in total health care spending referenced is not an estimate – it is the total of reported spending under the Cost Growth Target Program submitted by health plans and collected from other state programs. In this year's Cost Growth Target Report (data for 2021-2022), total health care spending in the state has increased to $34.7 billion. See page 15 here. When reported on a per person basis, total health care expenditures in Oregon in 2022 totaled $9,261 (see page 16).

The CMS Office of the Actuary produces Health Expenditures by state of residence every 5 years. Last reported for 2020, per person health expenditures in Oregon were $10,071 (source). These expenditures are an estimate of personal health care spending extrapolated from a variety of national data sources and assigned to states based on a variety of factors (including the flow of residents between states to consumer health care services). See CMS' detailed methodology paper for more information.

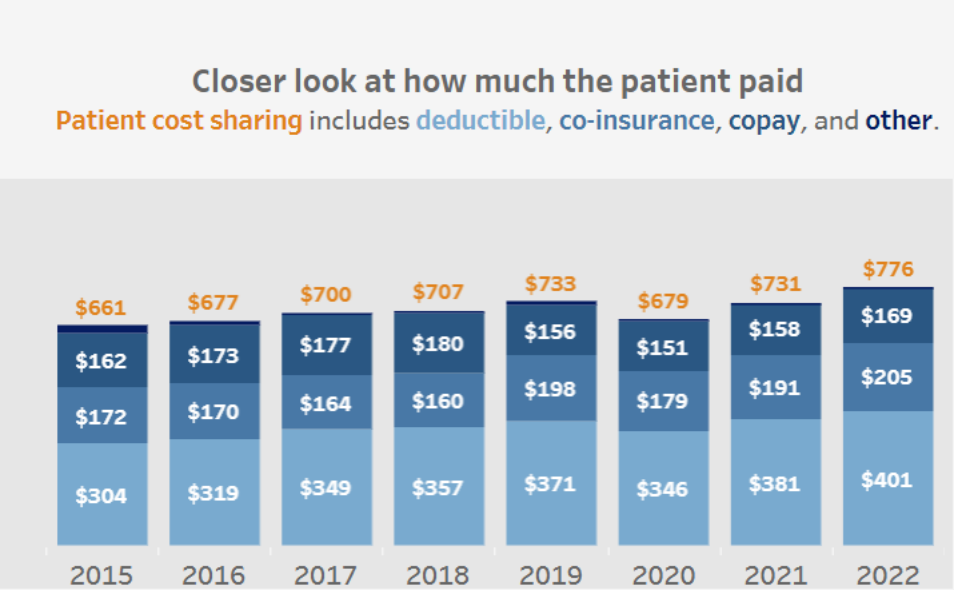
4. **Out of Pocket Costs**
    a. **What is the out-of-pocket costs for Oregonians and how have they grown over the last 10 years in the commercial market?**
    b. **What is CGT doing around individual out of pocket costs?**

The out of pocket costs reported include deductibles, copayments, and co-insurance. For more details on these categories and their definitions, please see page 8 here.

OHA recently completed an analysis of out-of-pocket costs / patient cost sharing between 2015-2022 and found that since 2015, cost sharing for people in Oregon with commercial health insurance grew 17.4% (from $661 per person per year to $776). OHA's new dashboard shows how much the patient paid in cost sharing over time (in orange) compared to how much the employer paid.



The dashboard also shows how these payments were broken down by type:



The dashboard also provides the opportunity to explore the data by service category, plan type, and more.

Oregon's cost growth target does not specifically apply to patient out of pocket costs (i.e. if out of pocket costs grew for one health plan's members by more than 3.4% in a given year, they would not be out of compliance with the cost growth target). However, patient cost sharing dollars are included in part in the measures of total health care expenditures and total medical expenditures that are subject to the target. Oregon's goal is to constrain the overall growth in health care costs, which may also help constrain growth in patient cost sharing.