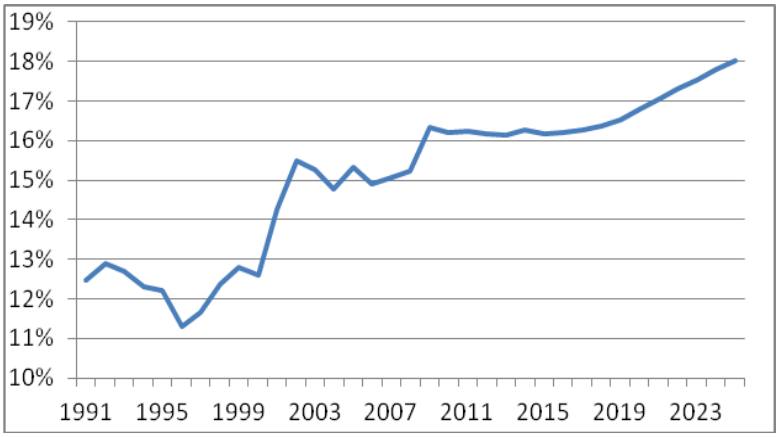
SB 631 – the Health Care for All Oregon Act

The purpose of SB 631 is to "(a) ensure access to comprehensive, quality, patient-centered and affordable, publicly funded health care for all individuals living or working in Oregon to; (b) improve the public's health; and (c) control the cost of health care for the benefit of individuals, families, business and society."

The major problem addressed by the Act is that health care costs have been rising rapidly for a long time.

The plot to the right shows health care expenditures in Oregon from 1991-2025 as share of gross state product. Data after 2010 are Oregon's share of projections from the Centers for Medicare and Medicaid Services. All categories of health care expenditures have risen much faster than inflation, wages, or per capita income, with prescription drug and health care administration expenditures rising substantially faster than everything else.



The rise in health care costs has led to hardships and disasters for individuals and families. Estimates are that at least 500 Oregonians die each year due to economic barriers to accessing health care, and that at least 8,000 Oregonians annually suffer from bankruptcy due to medical costs, even though 75% of them have insurance when their medical crisis begins. Both governments and businesses have been adversely affected – with so much of Oregon's economic resources going to health care, too little remains for everything else.

SB631 primarily attacks these problems by simplifying health care financial administration. The proposed publicly financed system will be universal (it will cover all residents), comprehensive (it will cover all medically necessary services), single-payer (only one set of rules for provider billing to follow), all patients will be covered the same (unlike current differences among those covered by Medicaid, Medicare, private insurance, or nothing), and there will be no deductibles and copays.

In Oregon, administrative overhead for private health insurers averages 12%, Medicaid overhead is 6%, and nationally, Medicare overhead is 2%. The efficiency gained by switching to single-payer public financing is sufficient to extend necessary services everybody in Oregon. An even larger savings is expected from the simplification of provider health care billing. Equity will be greatly improved, since providers will be able to treat all patients the same and know that their services are covered.

Another significant savings that results from a single-payer system is fraud reduction. When studying the economic effects of a single-payer system, Hsiao, Gosline, Knight, and Kappel wrote "We estimated that a single-payer system could save 5 percent of health spending from reduced fraud and abuse, which is consistent with estimates from the Federal Bureau of Investigation and experience in other countries."

SB 631 also includes a directive to investigate alternative methods for reimbursing health care providers, including global budgeting, capitation payments and fee-for-service payments, to determine the best method for reimbursing providers to assure implementation of the policies and principles of the Act. Large provider organizations will likely operate with global budgets, with fee for service likely used for independent providers.

Those who are designing and administering the system envisioned in SB 631 will be covered by the system, so they will have an incentive to make sure it covers people well, and they will also be paying for the system, so they will have an incentive to make sure it is efficient.

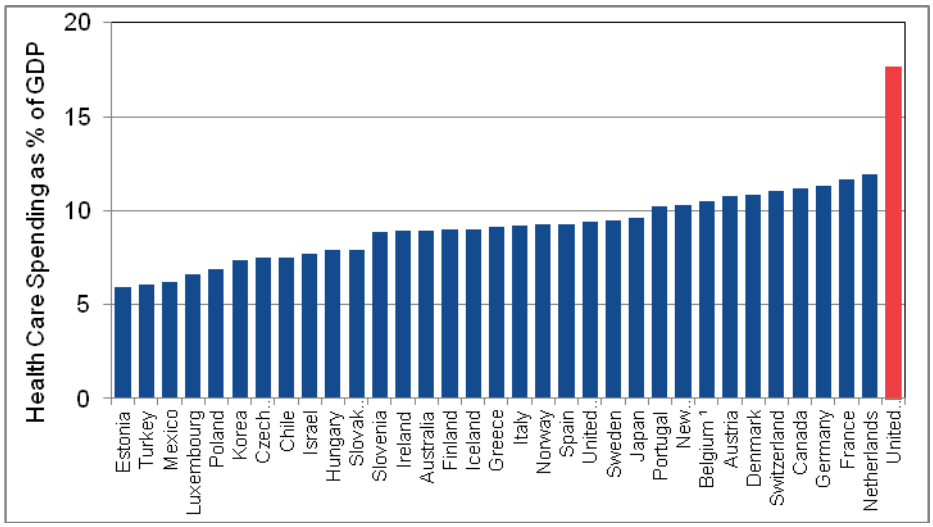
SB 631 defines regional planning boards to continually address the conflict between providing sufficient services in rural areas, and controlling system costs. The system is authorized to fund capital improvements in health care delivery as needed, and will replace the Certificates of Need program for covered services. Regional planning boards may also be able to address other geographically related health care issues.

In moving to a universal system, Oregon will join with all other developed countries of the world, and many other states that are pursuing a single-payer system at the state level.

In the 2015 session, the most important step to moving towards controlling health care costs is to fund the study of health care financing that was authorized in the 2013 session – in particular, to pass HB 2828 with sufficient funding to carry out a thorough study. The results will provide essential guidance to improving and completing the plan that is presented in SB 631. Together with engagement from stakeholders and experts, using the best ideas from HB2828 and HB3650, the 2011 bill that established coordinated care organizations and those from successful systems worldwide, the state should be able to craft a system that saves society money, improves health care for Oregonians, and slows the growth in health care expenditures to a sustainable rate.

.

What can we learn from other countries? All other countries spend less - a lot less, as the chart to the right shows.



Most developed countries have systems that are better liked by participants in the system – a smaller percentage of people say the system needs major changes.

Most developed countries get better results – longer life expectancy, lower rates of child mortality & women's death during child birth, and many other measures.

What are the benefits of the system described in this bill? The biggest cost savings comes from administrative simplification. Other cost savings come from fraud reduction and greater market power when dealing with financially powerful providers. The Oregon Prescription Drug Program would be expanded to all drug purchases in Oregon – partly addressing the portion of health care with the largest cost increases. The increased competitiveness of Oregon businesses is projected to lead to 50,000 new jobs outside of health care, more than offsetting the job loss in health care administration. The system will allow us to choose provider payment systems that can create the best incentives for improving the quality and efficiency of health care, including shifting the focus of care toward health promotion, primary care, and prevention, away from more expensive, less effective later stage treatments.

Of course the greatest benefit of the system will be to eliminate deaths and adverse health results due to economic barriers to health care, as well as eliminating medical cost induced bankruptcies and other severe economic hardships related to medical expenses, and slowing growth of health care expenditures.

How will the system be financed? The health care financing study authorized by HB 3260 in 2013, and extended and funded with the expected passage of HB 2828 in 2015 (our highest priority in the 2015 session), will help to determine that. Financing details will need input from the state and many other stakeholders. We expect that the study will show that there is a better financing scheme than currently exists in Oregon, and that most people will pay less when a universal plan is implemented than they would without such a plan.

Besides passing HB 2828 with sufficient funding, we ask that the state and other stakeholders will continue to help with planning beyond the study. There could be explorations of negotiations for federal waivers, certifications, and permissions, and refinements to the Regional Planning Board concept. Once the study is completed, help will be needed to outline a tax structure to finance a universal system that is both fair and provides sufficient funding. As we move toward the enactment of a single-payer plan, it is worthwhile to explore incremental steps that are in line with what we expect an eventual plan to include – expansion of the prescription drug program to those paying with insurance, broadening Oregon Health Plan eligibility, health care for all children (as in HB 3517), and there are probably other ideas.