

Healthcare in Oregon

A Conservative's View

By Representative Jeff Kruse



I was asked by *Oregon's Future* to give a conservative perspective on Oregon's healthcare system. I have always considered myself to be a pragmatist who looks for common sense solutions to problems, so I will let the reader put me in such a category if that is, indeed, necessary.

What follows is my view of a healthcare system that is clearly in trouble. First let me say that the issue is not one of access to healthcare, but of where and how healthcare is delivered. Hospital emergency rooms must serve everyone; people have always been able to use that method of access as a last resort. Over the years ER healthcare has become the first and only option for many people. This is an expensive way of delivering primary healthcare and does nothing to deliver preventative healthcare. The issue has become one of which services we should deliver and the form that delivery should take.

We created the Oregon Health Plan in the '90s upon the premise that we can't do all things for all people, but we should attempt to provide a rea-

sonable level of services to as many people as possible within the constraints of our budget. In less than a decade the state's management of OHP has devolved to attempting to do all things for all people. Costs have spiraled to an unsustainable level.

One front-end promise we made, as we put together the OHP, was that we would do a better job of reaching true cost-reimbursement for providers than we were achieving with the Medicaid system. We have failed to live up to that promise and now providers are continually leaving the system. The traditional fee-for-service model of healthcare served us well until the massive involvement of the federal government in the system. With the federal government paying 44% of healthcare costs in 1999, the cost-shift to the private sector has

become too great for fee-for-service to handle. Consequently we have moved into the universe of managed care.

The two major problems I have with managed care are that the system has become more important than the patients and that the patients are no longer accountable or responsible in any significant way for the financing of their own healthcare. I think that the time has come for another cultural shift in our healthcare delivery system.

A proposal like November's Ballot Measure 23 would turn all healthcare over to the government. The theoretical upside to this brand of proposal is that all people would have equal access. The downside is huge. First, the tax increases proposed to pay for such a plan would, in all likelihood, lengthen the current state

recession and would ultimately not be nearly enough to cover the costs. Secondly, the studies I have made of other nations show that going to this type of system diminishes both access and quality of care (*Please see Michael McCally's article for an opposing view. -ed*).

A good example close to home is British Columbia, where it takes up to ten years or longer than it does in Oregon for doctors and patients to gain access to new generation drugs. In Great Britain people sometimes have to wait six months to a year for covered procedures. Measure 23 and similar proposals are a larger, more global example of managed care where the only way to manage costs is to deny or delay access to either treatment or medication or both. The resulting delays and red tape of moving to this system would make standing in line at the DMV seem like a picnic.

Another option is to go to a system that relies on patient choice and patient responsibility for cost containment. I would begin with the Oregon Health Plan. What I am proposing is a true public/private partnership in

The OHP's Prioritized List

The list is the revolutionary heart of the Oregon Health Plan. It embodies the shift from a strategy of managing costs solely through limiting enrollment to one that attempts to concentrate spending on services that are likely to have the greatest effect on health. This leads to cutting some services. Through a long process of expert analyses and public hearings, the state created a list of more than 700 pairs of medical conditions and treatments. At the top are interventions that can immediately save a life; other priorities include preventive care, public health, children and maternal services. Number one is medical/surgical treatment for a head injury that causes swelling or bleeding within the skull, because quick action can lead to full recovery, but lack of action can lead to death or permanent (and expensive) disability. Lack of medical effectiveness, cosmetic conditions, and "self-limiting" conditions (those that get better on their own) are pushed farther down the list. Radial keratotomy is number 736 because it treats nearsightedness for which glasses work just fine.

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healthcare, something that has never been achieved in any meaningful way. This would involve taking some bold steps, the first of which would be to abandon the prioritized list of health services and drugs approved for OHP. Remember that our goal is to provide access to healthcare for as many people as we can within the constraints of our budget. Mandated Medicaid benefits are comprehensive in basic healthcare needs and the additional drugs and procedures included in the list make the plan unaffordable from a global perspective. The insurance industry can offer bene-

fit packages that match Medicaid; they cannot offer benefit packages that match OHP without a significant cost shift to the private sector. The dynamic we have seen in Oregon over the last few years is that, because of cost-shifting, when we add people to public sector coverage, we make healthcare unaffordable for some in the private sector. The people who have suffered the most in this dynamic have been the working poor.

My plan calls for a basic benefit package that would be available to all Oregonians. We would design a basic benefits package of services actuarially equivalent to

Medicaid that would use vouchers to draw Medicaid and general fund dollars to help pay insurance premiums. At the lowest levels of income, government dollars would pay the entire premium.

Each participant's contribution to the premium would increase according to his or her income. This would not only remove the divide between OHP and the private sector, it would also give people more control over their own healthcare options because they could choose a benefits package that best met their needs. This system would not penalize a person who chooses



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to augment their basic benefit package out of their disposable income. We already have a limited model of this plan in Oregon; it is called the Family Health Insurance Assistance Program (FHIAP). FHIAP, created in 1997, is currently funded completely with state general funds, and serves over four thousand people. This is a true public/private partnership and has a four-year track record of success.

(FHIAP has a waiting list of 40,000 people. At this time the Federal Government provides no matching funds. -ed.)

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My public/private sector approach would simplify the healthcare system to the point where it could be understandable to the average citizen. This level of understanding would make it possible for people to make more informed choices in relation to their healthcare and would ultimately lead to a higher level of preventive healthcare. This can be accomplished in many ways. Federal Medicaid dollars will have to be used. I am waiting for a response on our proposal from the federal government. If we could add to this model some form of medical savings accounts, in which employers would also set aside money for coverage beyond an acceptable level of basic care, we would actually give people an incentive to adopt a healthier lifestyle.

My approach would also eliminate a lot of the bureaucracy and the associated delays to access. The other aspect of my plan would be in the area of provider reimbursement. Currently, Medicaid reimburses providers at rates as low as forty cents on the dollar. One of the effects has been that there are not enough providers to handle the caseload, especially in parts of the state with a high percentage of OHP clients. A perfect healthcare system is of no value if no one is available to provide services. Increasing rates would ensure that

the people who choose to be in the system would have access to the services they expect. My approach would also mitigate some of the costs now shifted to the private sector and these costs would not spiral upward as fast. A side issue we are currently investigating in the Legislature is fraud and abuse in the current health plan. The massive bureaucracy and administrative rules that currently exist make these types of violations not only easy to commit but also hard to track. A simplified system would allow us to deliver subsidized services to those who are eligible and exclude those who are not.

I know that my plan does not create the perfect healthcare system. That is just not possible. But our current plan has health-

care competing with education for general fund dollars. That is not acceptable. Passage of Measure 23 could have some long-term harmful effects on Oregon's economy. My plan may be the best way we have of not only achieving our goal of affordable/accessible healthcare for all Oregonians, but also finding a way to put the public and private sectors together in a way that works.

I have been developing this concept over the last four years, during which I have been the chair of the House Health and Human Services Committee. I have had many meetings with representatives from every sector of the healthcare industry. Most are generally supportive of the concept. I have also had conversations at the federal level with Tommy Thompson, the Secretary of Health and Human Services. He, too, is generally supportive of this concept. Clearly there will be a large number of details to be worked out. It is my intention to devote a great deal of time during the 2003 legislative session to resolving them. I agree with those who say something needs to be done. I firmly believe that this proposal is that something.

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Rep. Jeff Kruse, House District 7 has served in the State Legislature since 1997, and has been the Chair of the House Health & Human Services Committee since 1999. Jeff is co-owner of Kruse Farms, has an economics degree from Willamette University. His other committee assignments include water and environment, salmon recovery and stream restoration, agency performance, agriculture, and natural resources.