

## **Initial Testimony of**

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**for the Subcommittees on Economic Growth, Job Creation, and Regulatory Affairs; and,  
Energy Policy, Health Care, and Entitlements of the U.S. House of Representatives  
Oversight and Government Reform Committee**

**April 3, 2014**

Good morning. Chairman Jordan, Chairman Lankford, Ranking Member Speier, Ranking Member Cartwright, and other members of the Oversight and Government Reform Committee, thank you for allowing me to speak before you today about Oregon's health reform efforts.

My name is Greg Van Pelt. I am currently the president of the Oregon Health Leadership Council and advisor to Governor John Kitzhaber and Dr. Bruce Goldberg, Acting Director of Cover Oregon. Previously, I served as the Chief Executive, in the region that includes Oregon, for Providence Health and Services, which includes hospitals and medical groups that serve individuals and families in Oregon.

As we know, the fundamental problem in our health care system is the huge and rapidly growing discrepancy between the cost of health care and the resources available to pay for it and the fact, for all our health care-related expenditures, the poor population health statistics that result from this huge outlay of resources.

Three strategies have traditionally been employed by both public and private payers to address these problems: reducing what we pay for health care (cutting provider reimbursement); reducing the number of people covered; and/or reducing the covered benefits. The first two strategies – cutting provider reimbursement rate and reducing the number of people who are covered – simply create barriers to access, leading people to delay seeking needed medical care and eventually driving many of them into the emergency department.

And while both strategies allow public and private payers to reduce their short-term exposure to medical inflation, they also serve as a kind of “pressure valve” that allows us to avoid confronting the real underlying problem, which is the cost of health care itself. As a result, neither of these strategies is effective because the uncompensated costs incurred by the uninsured or underinsured are simply shifted back to payers and reflected in increased premiums.

Unless our efforts at health care reform can break this cost-shifting cycle, we will not succeed in the long run. This is why all of our efforts in Oregon have been focused on improving health, improving care, and lowering the cost of care. Through this vision, we are fundamentally changing how care is delivered as we provide coverage for hundreds of thousands Oregonians, many of whom are receiving preventative care and wellness services for the first time.

Oregon embraced the provisions in the Affordable Care Act and has been leveraging its success into allowing us to reform the delivery of care for Oregonians.

Successful businesses develop as the result of a business model and an investment environment that fosters growth and prosperity.

For decades the U.S. health care system has been built around a business model that assumes that the government and private employers will unquestioningly underwrite a medical inflation rate that grows much faster than the CPI; and that this system will continue to be financed notwithstanding the increasingly tenuous relationship between cost and improved health.

In June 2011, Oregon took the first step to develop a new business model with the passage of two significant pieces of legislation. The first, HB 3650, was an acknowledgement that we needed a new businesses model to transform our health care system.

This business model was built around the “coordinated care organizations” or CCOs – new, local delivery entities formed around “natural communities of care” like a counties or hospital referral areas. Each CCO would be unique and might look different in different parts of the state, but all would reflect six key elements:

1. Best practices to manage and coordinate care
2. Sharing responsibility for health between providers and consumers
3. Measuring performance
4. Paying for outcomes and health
5. Providing actionable information
6. Financially sustainable per member rate of growth

It is worth noting that this legislation – as well as the legislation establishing our state health insurance exchange – passed with overwhelming bipartisan majorities. Further, our health transformation initiative has been supported by all of Oregon’s major business organizations, by our largest companies, including Nike and Intel, by the small business community, AFL-CIO-SEIU, health care providers, and consumer advocates. Instead of using the crisis in our health care system as a political football, Oregon moved forward with clear goals and an intention to deliver better results for people across the state.

Oregon, in partnership with the Administration, has committed to reduce the Medicaid inflation trend by two percentage points per capita to 3.5 percent by the end of the this year and lock this rate going forward. This cost reduction will save both the federal and state government \$4.9 billion over 10 years while improving the quality of care delivered to Oregonians.

Oregon’s coordinated care organizations are starting to show results in containing costs, reducing unnecessary emergency department visits and increasing primary care. As we bring more than 230,000 new enrollees into Medicaid, these strategies will help offset increased utilization in many areas and help local providers manage the increased demand for services. And patients will receive better care.

If we can successfully implement what we are proving out in our Medicaid program to state employees, teachers, qualified health plans on the exchange, and private businesses, it has profound effects. Private business could save valuable resources to allow their businesses to grow. Local and state government can save precious resources or invest in critical areas like education, early learning, and public safety, to name a few.

In the years to come, our state will look fundamentally different than it does today for the simple reason that we have ended one of the most glaring inequities of our time: the era of the haves and have-nots when it comes to health insurance is over.

More than 300,000 Oregonians have enrolled in health care coverage since October thanks to Cover Oregon, our state's health insurance exchange, and the Oregon Health Authority.

The launch of the ACA in Oregon has been bumpy. Some things have worked well. We have a successful health insurance market. Eleven health insurance carriers are participating in our exchange. There are more than 100 choices of health plans and dental plans. Competition between those carriers has helped to save Oregon families money by driving down premiums. In fact, a few of those carriers actually asked to reduce their premiums last year to ensure their competitiveness on the open market. The launch of Cover Oregon only reinforces this by allowing consumers to compare and shop for plans. As a result of this new transparency, for the first time, people can compare plans side by side.

Oregonians can shop online and compare all available plans. We have a single place where individuals can be determined eligible for either private commercial coverage or Medicaid. And they can enroll online. But the website is only partially functioning. The process is only seamless for those who seek to enroll with agents and community partners. Individuals browsing and applying on their own will not be able to fully enroll in one sitting.

In short, applying and enrolling is not as easy as it will be in the future. But here is what we also know. More than 175,000 enrollments have been completed – over 55,000 for commercial coverage and 120,000 for Medicaid through our state-based market. An additional 125,000

people have enrolled in Medicaid directly through our Medicaid program. Those numbers grow every day.

This will change our state in ways we don't understand yet. Everyone from the homeless woman sleeping on the streets of Portland to the rancher in Ontario to the freelance designer with a preexisting condition in Astoria can get comprehensive health care coverage that includes preventive care and health screenings, prescription coverage, and mental health care. Everyone now has the same chance for health.

Oregonians have more options than they had in the past. When they gain health insurance, their medical debt goes down. Families aren't facing bankruptcy due to medical bills and providers don't have hundreds of thousands of dollars of unpaid debt. The reality of our former insurance system was that people got underwritten out and were forced into expensive high-risk plans. Now everyone pays the same price, everyone has the same option for coverage. That is what the Affordable Care Act means in our state.

Oregon is committed to health care reform that delivers better health, better care, and lower costs. We have begun that work in our Medicaid program and have enrolled hundreds of thousands Oregonians into quality, affordable health insurance. Our private health insurance market is competitive, transparent and saving families money while providing health and economic security. In time, our problems with our website will be resolved. We continue to be proud of the work we have done to improve Oregonians lives, and we know that will endure.

I welcome your questions and the opportunity to discuss with you Oregon's ongoing health care transformation work, as well as the progress that we have made to secure the public trust and to make good on Cover Oregon's promise to enroll more Oregonians in affordable, high-quality health insurance.

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## **Brief Biography of Greg Van Pelt**

Mr. Van Pelt since November has served as special advisor to Governor John Kitzhaber and Interim Executive Director Dr. Bruce Goldberg for Cover Oregon, Oregon's health insurance exchange. In his capacity, Mr. Van Pelt volunteers his expertise and provides an independent view of Cover Oregon, with a focus on making sure that the exchange is dedicating appropriate resources to improve its system and secure health coverage for Oregonians. Mr. Van Pelt is also currently the president of Oregon Health Leadership Council in Portland, Oregon. The Oregon Health Leadership Council is a collaborative organization of health plans, hospital, health systems and businesses working to develop practical solutions that reduce the rate of increase in health care costs and premiums so health care and insurance is more affordable to people and employers in the state.

Mr. Van Pelt has over 40 years of experience including System Executive Vice President of Providence Health and Services, Renton, Washington; Chief Executive of Providence Health and Services-Washington Region; Chief Executive of Providence Health & Service-Oregon Region; Chief Executive, Providence Health Plan and Chief Executive, Providence-St. Vincent Hospital and Medical Center, both in Portland, Oregon. He has served as a Director of First Choice Health Network-Seattle, Washington, and as a Director of Sisters Of Mercy Health System, St. Louis. Mr. Van Pelt is a Fellow of the American College of Health Care Executives.

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