

**Oregon Health Authority  
2011-13 Governor's Balanced Budget  
Description of Budget Reductions**

These are reductions from the 2009-11 budget that included allotment reductions and other changes.

<b>Oregon Health Plan</b>	<b>GF&amp;LF (In Millions)</b>	<b>TF (In Millions)</b>
<b>Provider Rates:</b>		
Managed Care - Reduce capitation rates by 19%	-\$203.3	-\$651.7
Fee For Services - Reduce provider reimbursement by 19%	-\$108.3	-\$355.9
Type B hospitals - Reduce reimbursement to Type B hospitals by 19%.	-\$12.8	-\$14.9
<b>Benefit changes:</b>		
Eliminate lowest 38 conditions from priority list.	-\$29.1	-\$80.5
Streamline prior authorization (PA) process and expand use for effective management of services. Streamlining activities include reduced paper processes and additional centralization of PA functions. Expanded use of PA includes using decision support software for authorization decisions related to imaging, increasing the number of evidenced-based practice guidelines and utilizing PA to ensure appropriate use, and using PA to avoid payment for certain drugs administered in physician offices that are for non-covered conditions.	-\$1.9	-\$5.3
New reimbursement methodology to pharmacies. The department is in the process of changing reimbursement methodologies to pharmacies. Currently, reimbursement for prescription drugs is based on average wholesale price (AWP). The department is evaluating other reimbursement methodologies that more accurately reflect the cost of the drugs and the cost for dispensing the drugs. This reduction option is a continuation of an item from the division's 2009-2011 allotment reduction list.	-\$2.5	-\$8.6
Implement Oregon Health Plan (OHP) Plus co-payments for clients enrolled in managed care. The department would implement co-payments for clients receiving the OHP Plus benefit package and enrolled in managed care. The co-payments would mirror those currently imposed under the fee-for-service delivery system. This reduction option is a continuation of an item from the division's 2009-2011 allotment reduction list.	-\$0.9	-\$2.4
Add diabetic supplies to the preferred drug list (PDL) and allow pharmacists to dispense to fee-for-service (FFS) clients. The department would add diabetic supplies (e.g., blood glucose/reagent strips and blood glucose monitors) to the PDL and allow pharmacists to dispense the supplies to FFS clients. By adding the supplies to the PDL, the department gains additional revenue from the supplemental rebate program. By allowing pharmacists to dispense diabetic supplies, clients are able to obtain medications and related diabetic supplies at the same time.	-\$0.3	\$0.8
Improved contracting for durable medical equipment (DME) supplies. The department would solicit bids from suppliers and attempt to contract for three or four DME items or supplies. The division would choose the items for sole sourcing based on quality, cost and access, with quality for the client being the most important component. The division anticipates a saving of 10 percent on those items. As an alternative, the division will work with the industry to achieve the savings through other DME reduction options.	-\$0.5	-\$1.1
Make the mental health preferred drug list (PDL) enforceable. Prescribers of mental health medications would be required to adhere to the PDL. Exceptions to the PDL would be administered by prior authorization. An enforceable PDL for mental health medications would increase usage of preferred drugs. There would be no limitation on access to prescriptions under this reduction. Before being placed on the PDL, drugs are subjected to rigorous evidence review.	-\$6.4	-\$17.8
Limit utilization of non-preferred drugs. This reduction requires the elimination of the statutory provision allowing a prescriber to order a non-preferred medication and have it paid for by the Oregon Health Plan when a preferred medication for the treatment is on the Preferred Drug List (PDL).	-\$1.6	-\$5.4
Implement more restrictive selection criteria for medications on the preferred drug list (PDL). The department would require that to get on the PDL medications would have to be among the 25 percent least expensive in their class, as opposed to being among the 50 percent least expensive in their class.	-\$0.1	-\$0.2
<b>Administrative Reductions/Efficiency Improvements:</b>		
The Oregon Health Authority will continue the Non-program/Administrative cost reduction measures that have been implemented during the 2009-11 biennium and prior. These measures include targeted reductions of all Service & Supply expenditure budgets.	-\$1.2	-\$2.1
Program integrity continuous improvement initiatives. Initiatives focus on: 1) Targeted medical program case reviews with information used to provide caseworker feedback, to identify branch office training needs and to report statewide eligibility accuracy data; 2) Increased review of medical claims, using algorithms to target individual providers or classes of providers for review; 3) Increased recoveries from the work of federal Medicaid integrity contractors; and, 4) Recoveries resulting from federal health care reform mandated use of Recovery Audit Contractors (RACs) paid on a contingency basis.	-\$2.6	-\$5.7
Additional savings from Third Party Liability (TPL) initiative beyond CSL amount of \$33 million TF. The department would build upon the current efforts to identify sources of third party liability to generate additional savings.	-\$2.6	-\$7.0
Implement Medicare correct coding initiative. The Centers for Medicare and Medicaid Services (CMS) developed the National Correct Coding Initiative to promote accurate coding and payment of claims submitted for Medicare services. By implementing this initiative, the department avoids paying for claims rejected by Medicare because of inaccurate coding and similarly avoids paying for such claims for all Medicaid clients.	-\$0.7	-\$1.8
Net savings attributable to national health care reform drug rebate changes. National health reform law changes drug rebate policies to increase rebate revenue for the federal government. Physician administered drugs are also included in this reduction. The policy changes affecting fee-for-service drugs will cause the department to lose drug rebate revenue. The policy changes affecting drugs provided under managed care will cause the department to gain drug rebate revenue. The net impact will be more revenue to the state.	-\$0.7	\$0.0
Electronic transaction initiative. The division would encourage fee-for-service providers to submit medical claims electronically, which provides more timely and accurate payments, by introducing a disincentive.	-\$0.8	-\$1.9
Medicare claim denials for dually eligible clients. For clients dually eligible for Medicaid and Medicare, the department would review claims denied by Medicare to determine if Medicaid should also deny the claim. In general, Medicaid currently pays these	-\$0.5	-\$1.3
<b>Long-term Delivery System Changes in Oregon Health Plan (to be implemented in second year of budget):</b>		

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<b>Prevention, care coordination</b> - Coordinate all benefits and achieve best practices to stop unnecessary hospitalizations, avoidable ED visits, medication errors, etc. Assumes 18% of estimated waste in these areas can be saved for 18 months of the 2011-13 biennium	-\$27.1	-\$73.2
<b>Provider inefficiency/errors</b> - Align incentives and eliminate system fragmentation to avoid unnecessary one-day hospital stays, over-utilization of hospitalized patients, over-utilization of ICUs, inefficient use of extenders, low utilization of facilities, avoiding medical errors. Assumes 18% (Not 10%) of estimated waste in these areas can be saved (18 months of the 2011-13 biennium).	-\$27.1	-\$73.2
<b>Unwarranted Use</b> - Incent providers to use best practices and efficient use of resources through integrated care to reduce unnecessary use of brand name drugs, inappropriate use of antibiotics, unnecessary or high cost use of diagnostic testing. Assumes 38% (not 25%) of estimated waste in these areas can be saved (18 months of the 2011-13 biennium).	-\$185.0	-\$500.0
<b>Non-Oregon Health Plan</b>		
<b>ADMINISTRATIVE REDUCTIONS - OHA Wide</b>		
Reductions in all OHA Administrative budget areas	-\$16.0	-\$32.0
<b>Additions and Mental Health</b>		
Targeted reductions of the Oregon State Hospital budget.	-\$36.0	-\$40.8
Community Mental Health - Eliminate the budget for 2 State Secured Residential Treatment Facility's that were not opened as planned	-\$5.1	-\$5.1
Community Mental Health - Eliminate the personal care 20 program.	-\$1.4	-\$1.4
AMH Community service provider administrative reduction target	-\$5.0	-\$10.0
<b>Private health Partnerships:</b>		
Assumes closure of FHIAP enrollment January 2011, but allow current eligibles to continue.	-\$8.0	-\$21.6
<b>Public Health:</b>		
The Oregon Health Authority will continue the Non-program/Administrative cost reduction measures that have been implemented during the 2009-11 biennium and prior. These measures include targeted reductions of all Service & Supply expenditure budgets.	-\$1.0	-\$1.0
OFH - Eliminates GF support to Women, Infants, and Children (WIC) and Seniors Farm Direct Nutrition Program. The Oregon WIC program currently administers the WIC and Seniors Farm Direct Nutrition Program (FDNP) which allows low-income seniors and current WIC participants to purchase fresh fruits and vegetables. These dollars are used by the program to provide \$20 in coupons for eligible WIC families and \$32 in coupons for low-income seniors to spend at local farmers' markets and farm stands from June to October of each year	-\$0.3	-\$0.3
Reduces amounts available for current base awards to School Based Health Centers (SBHCs)	-\$0.5	-\$0.5
Reduces general fund (GF) support in the State Immunization Program: Eliminates Immunization awards to the local county Public Health Departments. These state funded dollars leverage a match with Title XIX at a rate of 2:1. The State Immunization Program provides state funding awards to meet program Element 43 requirements to provide infrastructure, primarily salaries, to local county health partners. Funds are then used to offer on-going immunization clinics in each county, report data to the ALERT Registry, provide case-management services to Perinatal Hepatitis B cases, tracking and recall, WIC/Immunization integration, surveillance and outbreak control for vaccine preventable diseases, ensure reporting for adverse events following immunizations, maintaining School Immunization Law, and meeting key performance measures. This is approximately a 12% reduction to the 2009-11 Immunization Total Fund Budget.	-\$1.2	-\$2.4
Target GF reductions of FPEP program	-\$2.0	-\$20.0
Establish Fees within Safe Drinking Water and Emergency Medical Services to reduce GF need within these programs.	-\$5.0	\$0.0
<b>Total OHA Reductions in Governor's Balanced budget</b>	<b>-\$697.4</b>	<b>-\$1,944.3</b>

**Long-Term Care for Aged & Physically Disabled:**

The Governor envisions improved coordination and integration of health care and long term care services provided to seniors. A group of Legislators and Stakeholders has been gathered to outline the details. See the DHS budget display for the monetary details.