Oregon is pursuing varying solutions to deal with its uninsured population and budget-breaking prescription drug costs. But legislators realize that changing the system can be a rough road. BY BONNIE DARVES

Rallying for Reform

Troubling numbers of uninsured. Prescription drug spending that is breaking the bank at many Oregon medical assistance programs. And last but not least, a perceived lack of interest—especially at the federal level—in dealing with these issues.

This triple threat has lead the state of Oregon to devise its own remedies, as state health officials conclude that waiting for a federal government Band-Aid may be hazardous to Oregon’s health.

Among the states working on these issues, Oregon is considered by many to be ahead of the field. More than a decade ago, the state conceived the much-praised and widely modeled Medicaid Demonstration experiment—known as the Oregon Health Plan. And this year with two bills, one enacted in July 2001 and a Medicaid waiver currently awaiting federal review, state legislators decided the time was ripe to begin addressing prescription drug spending and make forward movement on universal access.

“If we made no changes to policy, we were looking at an $885 million budget for prescription drugs alone—32 percent of the Oregon Health Plan’s budget,” says Hersh Crawford, Oregon’s Medicaid director and administrator of the state’s Medical Assistance Programs. “Something had to be done.”

The fear, in Oregon and in other states, is that rising prescription drug costs in Medicaid programs threaten to break the budget for even basic medical services.

Oregon, with an uninsured rate of 12.2 percent, down from 14 percent a decade ago, is faring better than states such as Texas, where the rate is a whopping 23 percent. But Oregon Gov. John Kitzhaber says reducing the numbers of uninsured is a priority in his final term, even though Oregon falls below the national average of 14.1 percent, according to a recent CDC-sponsored survey.

The state’s reform efforts are expressed in two pieces of legislation: House Bill 2519 and Senate Bill 819. Grassroots healthcare activists are also busy gathering signatures for a single-payer ballot initiative crafted by the group Health Care for All-Oregon. If campaign organizers are successful in gathering the required signatures, the initiative will appear on the November ballot.

Oregon legislators are attempting a multi-pronged attack to shrink the state’s uninsured population. One element in their arsenal is HB 2519. Through a proposed federal waiver, the bill would...
expand enrollment in the Oregon Health Plan and increase access to basic services by creating two categories of enrollees.

The first is the "categorically eligible"—pregnant women, children and persons with disabilities. A second category of Medicaid patients, adults without disabilities, would receive a substantially reduced benefit package—one that excluded vision and dental coverage, and non-emergency medical transport—and that requires higher copays and coinsurance. That scheme is controversial, however, as some consumer advocates are concerned the higher copays would prevent people from accessing services altogether. The hope is to provide at least some coverage to approximately 40,000 Oregon residents who are now uninsured or underinsured.

And to tackle the state's prescription drug dilemma, SB 819 is now in the process of being implemented. The goal: to control state prescription drug prices. State officials say that without a radical change in policy they expect spending on high-usage pharmaceuticals by state assistance programs to increase 61 percent between 2001 and next year, or more than 20 percent per year. The bill allows the Oregon Health Resources Commission to select "benchmark" drugs in four drug classes—drugs that have proved clinically equivalent or even superior to higher-priced alternatives—for inclusion in a managed prescription drug plan.

While legislators have focused on issues of access and drug costs, the activists behind Health Care for All-Oregon, the ballot initiative making its way through Oregon's referendum process, hope to fund a single-payer system through progressive payroll and income taxes. Such a system would largely do away with the current commercial insurance industry in the state, as is operated today.

The initiative, whose proponents have obtained 38,000 signatures—more than 57 percent of those required—is certain to garner substantial opposition from the insurance industry and business groups.

But Tim Hibbitts, a principal in the Portland-based public opinion and polling firm Davis, Hibbitts & McCaig Inc., calls the group's progress to date "reason for optimism" about its potential for passage next November.

Of the three endeavors, SB 819 is perhaps the most progressive, according to John Santa, M.D., administrator of the Office for Oregon Health Policy and Research. The law strives to do something no other state Medicaid program has attempted. It charges the Oregon Health Resources Commission with employing evidence-based approaches to choose drugs that are deemed by the commission to be clinically effective and cost-effective.

"The significance of this is that the FDA tells American consumers that drugs are safe or effective for something, but they don't tell them how effective a drug is compared to anything else. We're going to do that," says Santa.

The HRC is studying four initial classes of drugs that, because they are widely prescribed, represent a substantial portion of the state's prescription drug expense. Those under consideration: proton pump inhibitors, non-steroidal anti-inflammatory drugs, opioid analgesics and cholesterol-lowering drugs—to determine which one or ones in the class will be deemed the preferred drugs covered by the plan.

Decisions on the first batch of drugs are expected in April—with initial savings estimated at $7 million over the two-year budget period, 2001-2003. "That's a conservative estimate—one we felt we could be confident in reaching," says Mark Gibson, a healthcare, human services and labor policy advisor to Gov. Kitzhaber.

Santa says the state's approach isn't like the reference-drug pricing systems now being adopted in the commercial insurance sector. These systems—in which drugs deemed clinically effective are chosen partly due to their preferential pricing—are gaining popularity in some parts. Comparable drugs in the class that aren't the "reference" drug require a larger out-of-pocket expense, however. Michigan, for example, has proposed that patients pay the difference between the price of a reference drug and the drug they elect to use.

"I think what we're doing does break some new ground, especially for a state, for a government entity," Santa says.

Meanwhile, HB 2519 faces a more formidable battle, at least on the state level. In its attempts to provide insurance coverage to a greater number of Oregonians, the proposed Medicaid waiver would entail a comprehensive restructuring of the Oregon Health Plan. Such a change would lead to reduced benefits for some residents, officials say. "The principle behind HB 2519 is that it's more important to cover as many people as possible than it is to have the same benefit plan for everyone—or a very rich benefit plan for all," Santa explains.

But Ellen Pinney, director of the long-established advocacy group Oregon Health Action Campaign, says she has serious concerns about the bill, particularly its stricter premium-payment and copayment requirements.

"Under the proposed version, enrollees must pay premiums monthly or be dumped from the plan without the chance of reimbursement for up to six months," Pinney says. "And there are copays for doctor's visits, drugs and hospitalization, which can be upward of $100 to $300 a month."

Pinney says many individuals who
would be placed into the higher out-of-pocket-cost plan would likely be unable to make the payments. "We could lose coverage for thousands of people, and with the recession, it's only going to get worse."

Meanwhile, Health Care for All-Oregon is pushing hard for the success of its ballot initiative. The initiative is based on a premise gaining widespread national recognition, according to proponents: That commercial health plans' administrative costs and profits are eating up a disproportionate and unacceptable percentage of the healthcare dollar, and that a simplified single-payer structure could preserve more money for actual healthcare services.

Mark Lindgren, the initiative campaign's chairman, cites several studies, including one by the U.S. General Accounting Office, which show potential savings in a single-payer system compared with multi-payer systems. His group's projections claim that Portland, for example, would save about $9 million annually under a single-payer setup and that the overhead costs for area hospitals would drop to about 11 percent from the current 21 percent.

While Oregon contemplates its future under a reformed system, other states face a similar climate—complete with unsettling rates of uninsured and skyrocketing pharmacy prices in state Medicaid programs. Maine, Tennessee, Maryland and Florida are employing a variety of approaches, some similar to those in Oregon, to address their problems.

Whether reform comes first from Oregon, or other states, legislators are coming to similar conclusions: Take the initiative on the prescription drug and healthcare cost front, or take your chances in Congress.

Alan Sager, Ph.D., and Deborah Socolar, M.P.H., co-directors of the Health Reform Program at the Boston University School of Public Health, have conducted extensive research into drug pricing. Sager recently testified before Congress that the United States would save $38 billion annually if it paid prevailing Canadian prices for prescription drugs.

"We have been suggesting states take the lead because the politics in Congress would make it harder to pass something targeting price cuts," Socolar says. "The states are confronted with the cost problem much more acutely than the feds."

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