

Feds to put up \$1.9B for Oregon health overhaul

May 4 2012, By JONATHAN J. COOPER , Associated Press

(AP) -- The Obama administration is buying into an ambitious health care initiative in Oregon, announcing Thursday it has tentatively agreed to chip in \$1.9 billion over five years to help get the program off the ground.

Oregon hopes to prove that states can save billions on Medicaid without sacrificing the quality of health care. Gov. John Kitzhaber's plan would invest in preventive care to keep patients healthy so they don't need expensive hospitalizations.

"If this works, I think other states are going to be looking at this as a way to manage that patient population," said Kitzhaber, a Democrat and former emergency room physician who has worked for decades on reforming the [health care system](#).

The federal government could save \$1.5 trillion over the next 10 years if all 50 states adopted Oregon's approach, the governor has said.

Medicaid, which provides health coverage for low-income Americans, is jointly funded by the state and federal governments. Federal officials have not yet agreed to grant Oregon a waiver from standard Medicaid regulations, which is needed for the program to be implemented and the money to be spent.

The financial commitment from the U.S. Department of Health and Human Services, while still not final, is a clear public endorsement of

the concept and an indication that the administration believes the initiative holds promise to save money. The state anticipates savings of \$11 billion to state and federal budgets over the next decade by reducing duplicated treatments and avoidable hospitalizations.

Finding ways to slow the growth in [health care costs](#) is a critical challenge as baby boomers age and President Barack Obama's health care overhaul extends coverage to millions more Americans, many of whom will join Medicaid in 2014. Under Obama's Affordable Care Act, the federal government will pay most of the costs for the new patients.

The Oregon plan would create "coordinated care organizations" to manage all mental, physical and dental care for 600,000 low-income patients on the Oregon Health Plan, the state's Medicaid program. It would focus particularly on the sickest patients with the highest costs, especially people with chronic conditions such as diabetes and asthma or with mental health concerns.

The care organizations would have to work within fixed budgets, with broad leeway to spend the way they think is best. The ones that are most successful at lowering costs would see the largest profits.

The model makes it possible to pay for services that keep people healthy but don't get much funding - such as paying caseworkers to make sure patients go to medical appointments and take their medications. The state Legislature overwhelmingly endorsed the idea this year and last, though some Republicans complained that it would increase the government's role in health care.

In a statement, Health and Human Services Secretary Kathleen Sebelius said Oregon's plan "mirrors our plan at the national level under the Affordable Care Act."

"This is another example of how we are collaborating successfully with states in their efforts to find innovative [health care](#) solutions that work for their communities," Sebelius said.

Kitzhaber cleared his schedule at the last minute this week to fly to Washington, D.C., and finalize the deal for the money.

The federal money will lessen the impact of payment cuts to providers and help them pay the upfront costs of the new initiative before the savings can kick in. Oregon, facing a budget shortfall, planned to severely cut payments to doctors, hospitals and other care providers beginning this summer.

Potential coordinated care organizations, which had been working to comply with proposed requirements, were eager to find out how much federal money would be available. Many will have to upgrade their computer systems so patient records can be shared, or hire new staff to manage patient care. They face a May 14 deadline to submit financial proposals to the state.

The changes will initially apply only to Medicaid patients, but Kitzhaber wants to eventually extend it to government workers and the general public.

State and federal officials are still negotiating the final details and hope to finish in time to make the first payment, \$620 million, on July 1. About 50 groups have applied to become coordinated care organizations, with some hoping to begin operating on Aug. 1.

Federal money is a "transformational achievement" but there are still significant challenges looming, said Joe Robertson, president of Oregon Health & Science University in Portland, a hospital and medical school.

"There is a lot of hard work ahead of us to achieve \$11 billion in savings," Robertson said. "Today's news is encouraging, but we must always focus on long-term solutions."

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