

Emergency Payments Keep the System Afloat: An Initial Analysis of COVID-19's Effect on Oregon's Hospitals, CCOs, Health Care Providers and Health Insurance Carriers January-June 2020

November 23, 2020

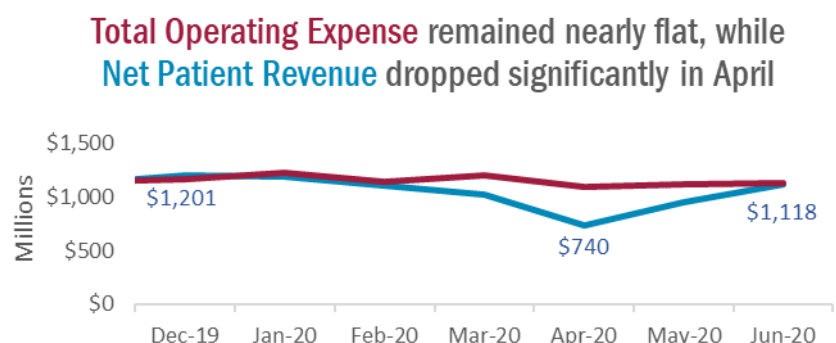
The COVID-19 public health emergency affected Oregon's entire health care system. In March and April 2020, patient visits decreased dramatically, then rebounded to near normal levels in May and June. Federal funding supports helped fill the revenue gaps caused by the March and April declines, with a smaller boost from state funding. This brief highlights how the COVID-19 public health emergency financially impacted health care providers and payers in the first half of 2020.

Comparing January through June 2020 to the same time period from 2019 shows:

- Hospitals and hospital systems experienced a significant drop in patient visits and an associated drop in revenue, but operational funds provided by the federal CARES Act dollars resulted in a May and June financial rebound.
- Coordinated care organizations (CCOs) that serve Oregon Health Plan members saw increased revenue and increased costs but experienced an overall profit by the end of June 2020.
- Commercial health insurance carriers saw increased revenue and spent less on medical services.
- Other health care providers experienced significant disruption and saw decreased revenue.

Oregon's hospitals – both large and small – experienced significant drops in revenue in March and April but visits and revenue began to rebound in May and June, buoyed by federal CARES Act funding.

Hospitals in Oregon saw a steep decline of patient-derived (or net patient) revenue due to cancellation of elective procedures and other services. Overall, hospitals received 38%



less revenue and saw 75% fewer outpatient surgery visits in April 2020 as compared to December 2019.

Meanwhile, the total operating expenses did not change much, despite the significant decline in net patient revenue.

By June 2020, both hospital revenues and operating margins climbed back up to normal levels, due mostly to the federal CARES Act, which infused an estimated \$436 million into Oregon's hospitals.

The median hospital's operating margin fell to -2.5% in January-March 2020, but then rebounded to +2.4% in April-June 2020.

For more information on Oregon's hospital finances over this time period, see [OHA's Hospital Financial Report for Q2 2020](#).

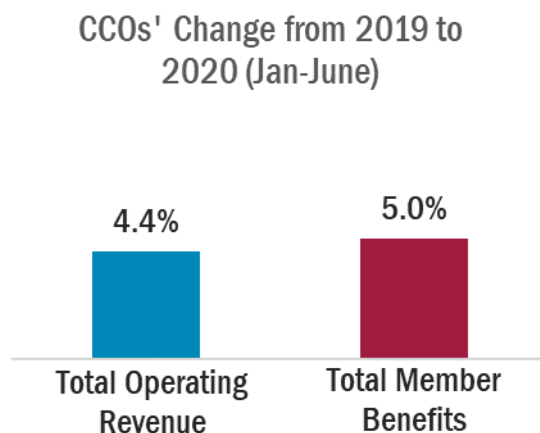
CCOs saw higher revenue as more individuals stayed enrolled in the Oregon Health Plan. Like CCOs' revenue, CCOs' spending on individuals' health care also increased.

CCOs were also affected by the cancellation of elective medical procedures and the economic shutdown. In April 2020 CCOs' total payments for services decreased 25%, but by June 2020 the decline in payments rebounded to within 10% of the pre-COVID-19 average. As a result, CCOs collectively went from an approximate \$10.8 million dollar loss and -1.0% operating margin in January-March 2020 statewide, to a \$9.7 million dollar profit and +2.2% operating margin in April-June 2020.

Overall, from January to June 2020, both CCO revenues and medical spending grew in the aggregate by 4.4% and 5.0%¹ respectively, as compared to the same period in 2019. This growth led to a year-to-date operating margin of 0.6% for CCOs statewide.

One important reason for the quick rebound of spending on individuals' health care services was CCOs' stabilization payments to providers, which OHA allowed and encouraged. The stability payments helped ensure providers' cash-flow and otherwise shore up the delivery system's finances. Sub-capitated arrangements and other value-based payments between CCOs and providers also provided some payment stability.

Since the federal public health emergency declaration on March 8, 2020, total Oregon Health Plan enrollment grew by 7%² as members were no longer allowed to be disenrolled from OHP in most circumstances and more people became eligible for coverage. Increased enrollment



¹ CCO total member benefits include hospital services (inpatient, outpatient, and emergency room), physician and professional services, substance use disorder services, mental health (inpatient, residential, other non-inpatient), dental, prescription drugs, transportation (emergency and non-emergency), durable medical goods and supplies, and other member service expenses.

² Medicaid weekly enrollment report, July 6, 2020.

resulted in CCOs' increased operating revenue and played a role in increased medical spending.

Although overall CCO medical spending increased 5% from 2019 to 2020, some categories of spending decreased while others increased. For example, from March to June 2020 hospital-based spending decreased by 31% while mental health care spending increased by 7%.

Commercial Health Insurance Carriers' revenue increased while their payments to hospitals and clinics decreased.

From January to June 2020, the Oregon Department of Consumer and Business Services reported a significant drop in hospital and medical spending across commercial carriers. This is unsurprising given the cancellation of elective medical procedures and reduced demand for medical services as Oregon residents complied with the stay-home recommendation.

Carriers' net premium income increased 6%, and medical spending decreased nearly 4% as compared to January to June 2019.³

If more individuals access health care in the second half of 2020, carriers might see an uptick in hospital and medical spending.

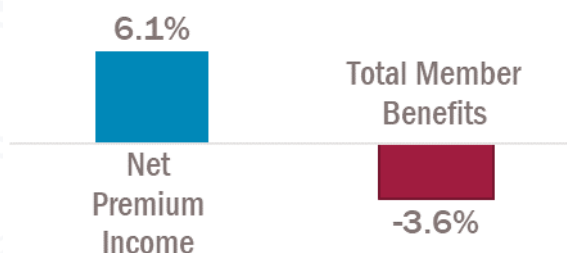
Insurers were generally not eligible for CARES Act funding unless an insurer-owned provider group accessed a CARES Act grant.

Health care providers struggled financially as the public health emergency continued into the middle of 2020.

Health care providers in Oregon have experienced significant disruption due to the public health emergency. The drastic reduction in patient visits financially stressed much of the health care delivery system. According to a survey fielded weekly since March 2020 by the Larry A. Green Center in partnership with the Primary Care Collaborative, roughly 70% of primary care providers in Oregon saw patient volume decrease by more than half; at one point nearly half of primary care providers surveyed in Oregon were laying off or furloughing staff.⁴

According to the same survey, in April and May 2020 more than a third of surveyed primary care providers in Oregon did not have enough cash to stay open during the following month, while only 30% felt that their clinic had stabilized into a "comfortable new normal."

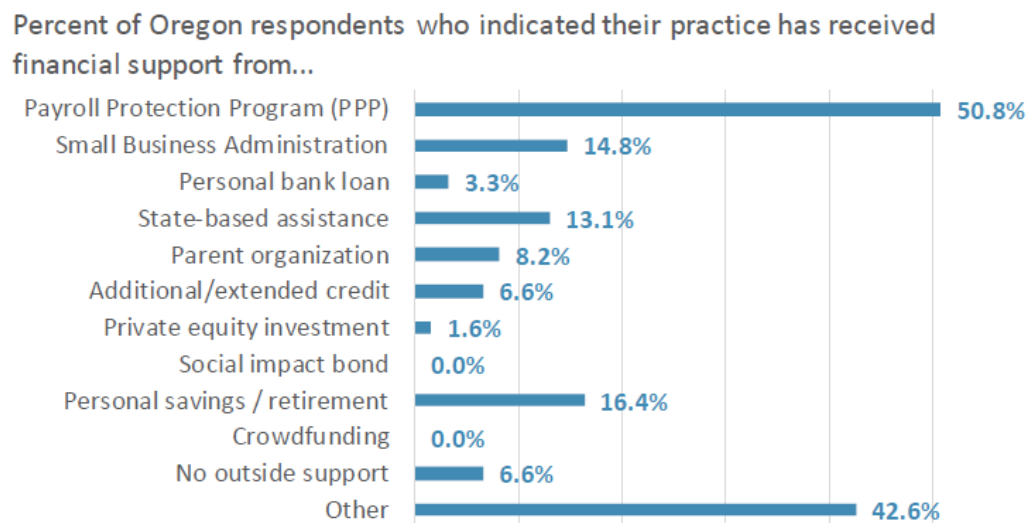
**Commercial Carriers Change
from 2019 to 2020 (Jan-June)**



³ Financial reporting from commercial carriers includes all business including products sold in other states. Therefore, the net premium revenue and hospital and medical spending data are not exclusive to only Oregon. Total member benefits include the following expenditures: hospital/medical benefits; other professional services; outside referrals; emergency room and out-of-area; prescription drugs; aggregate write-ins for other hospital and medical; incentive pool, withhold adjustments and bonus amounts; minus net reinsurance recoveries.

⁴ Impacts of COVID-19 on Oregon Primary Care Providers: Survey Highlights.
<https://www.oregon.gov/oha/FOD/Documents/PCP-Survey-Summary.pdf>

A detailed question in the survey indicated that “half of Oregon primary care providers received support from the Payroll Protection Program, and more than 40% reported “other” financial support, which may reflect Provider Relief Funds from the CARES Act.”



Despite some level of federal funding support, Oregon primary care practices reported trepidation about another potential surge in COVID-19 cases in June 2020. Only 11% responded they were ready for another surge, while 58% replied they were somewhat ready but nervous. Nearly 31% replied they are not ready.

Pediatric primary care providers experienced similar reductions in clinic visits as their hospital and other provider peers. Both the number of well-child visits and the number of children receiving vaccines decreased drastically. According to the Children’s Health Alliance and Children’s Health Foundation, the immunization rate for the Measles Mumps Rubella vaccine was down by 33% in Multnomah County alone.⁵

Dental practices also saw major reductions in patient volume, particularly in the early months of the public health emergency. The Oregon-specific data in the American Dental Association’s Health Policy Institute’s bi-weekly survey of dental practices shows that in April 2020 nearly all practices (97%) were either completely closed or closed but seeing emergency patients. By June 2020 that number was down to only 2% as nearly all practices had re-opened, albeit with lower patient volumes.⁶

A survey administered by the Oregon Council for Behavioral Health in June 2020 shows that behavioral health providers also struggled financially. Over one-third (35%) of respondents said they laid off staff in the first two months of the public health emergency. Two-thirds of (67%) behavioral health providers reported that they had to reduce access or close programs as a result of decreased revenue or the rise in COVID-19 cases.

⁵ Letter from Children’s Health Alliance to Metrics and Scoring Committee.

[https://www.oregon.gov/oha/HPA/ANALYTICS/MetricsScoringMeetingDocuments/5-Measure-Selection-Packet-\(includes-public-testimony\).pdf](https://www.oregon.gov/oha/HPA/ANALYTICS/MetricsScoringMeetingDocuments/5-Measure-Selection-Packet-(includes-public-testimony).pdf). See page 17

⁶ COVID-19 Economic Impact on Dental Practices: Survey Highlights.

<https://www.oregon.gov/oha/FOD/Documents/Dentist-Survey-Summary.pdf>

Despite these challenges Oregon's health care providers are finding ways to persevere. Most primary care providers surveyed (87%) had the staffing needed to stay open and nearly two-thirds (64%) had a sufficient level of patient volume to remain open. Many health care providers received federal stimulus dollars from the Payroll Protection Program.

Looking ahead:

As the Oregon Health Authority (OHA) continues to assess how the public health emergency affects Oregon's health care sector, Governor Brown's recent announcement of the 2-week statewide freeze will play a role in this changing landscape. OHA will continue to monitor and report on the unique circumstances for different parts of Oregon's health care sector.

In the coming months OHA will publish hospital and CCO financial reports for the second half of 2020, and other data as they become available. In 2021, OHA will also publish a more complete look-back analysis for 2020 after data for the full year are available.

Additional reports on health system finances:

Q2 2020 Hospital Financial Reporting:

<https://www.oregon.gov/oha/HPA/ANALYTICS/Pages/Hospital-Reporting.aspx>

Q2 2020 CCO financial update:

https://www.oregon.gov/oha/OHPB/MtgDocs/2.%20Directors%20Update_CCO%20Financial%20and%20COVID%20Updates.pdf