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## Summary:

The Oregon Health Plan was a “bold experiment” that never delivered on the promises of its promoters. Widely studied but never imitated, it serves as a warning to those with ambitious goals of simultaneously expanding coverage, controlling costs and keeping providers.

Word Count 745

*“...[L]ike the experimental drug that performs no better than a placebo, Oregon’s bold experiment has produced results that are not significantly different from the outcomes seen by the U.S. as a whole. In this way, the experiment has failed.”*

## The Oregon Health Plan: A Policy Placebo

By Eric Fruits, Ph. D

Oregon Health Plan has been called a “bold experiment” designed to expand health insurance to Oregon’s low-income residents. Initially, the experiment had bipartisan support. The plan’s chief architect was John Kitzhaber, a Democratic state senator turned governor who is currently running for a third term as governor. The plan’s chief advocate in Washington, D.C. was Republican Senator Bob Packwood. Its promoters promised the impossible: To expand health insurance coverage while simultaneously controlling costs and fostering provider participation. These promises would be met by the explicit rationing of care through a prioritized list of conditions and treatments. The rationing plan generated international headlines, and the rollout of the plan prompted physicians and politicians from around the world to visit Oregon to see the bold experiment in action. However, like the experimental drug that performs no better than a placebo, Oregon’s bold experiment has produced results that are not significantly different from the outcomes seen by the U.S. as a whole. In this way, the experiment has failed.

**Expanding coverage:** When John Kitzhaber first proposed the Oregon Health Plan in the late 1980s, he claimed that nearly 20 percent of Oregonians did not have health insurance, a claim that state agencies have echoed ever since. It turns out that Kitzhaber and the state were relying on faulty data. Research coming out in the late 1980s found that many estimates of the number of uninsured were incorrect and tended to overstate the number of uninsured by a large amount. In fact, today we know that between 1987 and 1989, only 14.5 percent of Oregonians were uninsured, a percentage that was not much different from the U.S. as a whole. By this measure, the Oregon Health Plan may have been a solution in search of a problem.

After the plan was rolled out, the state commissioned its own surveys to estimate the number of uninsured under the Oregon Health Plan. Even though the U.S. Census Bureau had been conducting similar surveys for a much longer time, state bureaucrats thought Oregon could do a better job. It should come as no surprise that the state’s survey showed that the Oregon Health Plan was wildly successful in covering the uninsured. By 2008, however, the state dropped its own survey of health insurance coverage because of what it called “data inconsistencies.” Meanwhile, census data showed that the rate of uninsured during the life of the Oregon Health Plan was no different from the U.S. as a whole. In the end, one cannot confidently conclude that the Oregon Health Plan had any significant impact on reducing the number of uninsured as a share of Oregon’s population.

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**Controlling cost:** The architects of the Oregon Health Plan recognized that costs had to be contained. Rationing via the prioritized list was one way the plan would contain costs. A requirement that beneficiaries enroll in managed care plans was another. Despite the hype and controversy, the prioritized list did little to ration health care services. For example, one researcher found that in many ways, the Oregon Health Plan's coverage of mental health and dental care was superior to commercial insurance coverage in Oregon. On top of that, some providers found ways to get around the limits imposed by the prioritized list. For example, one study found that the plan pays for all diagnostic visits and procedures even if the associated treatment is not covered. Physicians have used this provision as a loophole to provide medical services under the guise of diagnostics.

**Fostering provider participation:** Initial hopes for broad participation by providers have been dashed by the pullout of larger managed care providers and a shrinking pool of providers willing to accept Oregon Health Plan enrollees as new patients. With the pullout of many managed care providers, some of the promised cost savings vanished.

Anyone who has taken a science class knows that some experiments succeed and some experiments fail. The Oregon Health Plan was a bold experiment that never delivered on the promises of its promoters. For this reason, the Oregon Health Plan now shares the same fate as the state's bold experiment with urban growth restrictions: widely studied, but never imitated. Today, the Oregon Health Plan serves as a warning to those with ambitious goals of simultaneously expanding coverage, controlling costs and keeping providers. The lessons are all the more important with gubernatorial candidate John Kitzhaber's announcement that he wants to apply the Oregon Health Plan's rationing approach to provision of other state social services.\*

\*See Harry Esteve, "John Kitzhaber's budget plan would put brakes on social service, prison spending," *The Oregonian*, September 8, 2010.

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