

**Oregon Health Fund Board  
Finance Committee Charter  
Approved by OHFB on:**

**I. Objective**

The Finance Committee (“Committee”) is chartered to develop recommendations to the Board on:

- > Strategies to finance a comprehensive plan to expand health care access to uninsured Oregonians; and
- > Necessary and appropriate changes to the regulation of Oregon’s individual (non-group) health insurance market assuming a legal requirement that Oregonians must maintain health insurance coverage (i.e., an individual mandate). The recommendations will include a model for an Insurance Exchange (“Exchange”).

**> Financing a Comprehensive Plan for the Uninsured**

**II. Scope**

**A. Assumptions**

In addition to the Board’s *“Design Principles & Assumptions,”* the Committee’s work should be framed by the following assumptions:

1. Expanding coverage to the estimated 600,000 uninsured Oregonians will require new revenue.
2. The demographic characteristics of uninsured Oregonians will be provided by staff using analysis of current state and federal population surveys.
3. The insurance exchange will, at minimum, serve Oregonians receiving public subsidies for premiums.
4. In developing various financing scenarios and models for consideration by the Committee, staff will obtain necessary data and consultation from other state agencies such as the Department of Revenue, the Employment Department, and the Legislative Revenue Office.
5. Initially the Committee will use proxy estimates for variables such as enrollment by program, per member per month (PMPM) benefit cost, etc. The recommendations of the Eligibility & Enrollment Committee and Benefits Committee will be integrated into the Committee’s financing scenarios and models.
6. The Committee will use conservative estimates for annual increases in revenue based upon historical patterns of growth.

7. The Committee will evaluate projected annual revenues against projected annual expenses using two approaches: a) current out-year estimates of expense growth; and b) current out-year estimates reduced by the cost containment strategies recommended by the Delivery System Committee.
8. The Committee will evaluate approaches that optimize the use of federal matching funds. In doing so, the Committee should seek input from appropriate informed sources, including the Federal Laws Committee, concerning the risks of possible changes in federal policy.
9. The following concepts are of priority interest to the Board:

- **Payroll Tax**

Starting from the recommendations of the Oregon Health Policy Commission's "Roadmap for Health Care Reform," the Committee will evaluate approaches to an employer "Pay or Play" system which (a) recognizes the financial contribution of employers that provide group coverage, and (b) requires employers not offering coverage to pay, in some manner, toward the cost of health care for all Oregonians.

- **Health Services Transaction Tax**

The Committee will evaluate various health services transaction tax strategies (e.g., the states of Minnesota and Washington) to fund coverage expansions and provider reimbursement adjustments.

- **Other Financing Strategies**

The Committee may develop recommendations based on alternative financing strategies, such as:

- > Individual or corporate income tax surcharge
- > Taxes on tobacco products, beer, wine, or other similar commodities
- > Other

10. Recovery of the "Cost Shift"

Expansion of health insurance coverage to the uninsured should reduce the shifting of unreimbursed costs to private payers and purchasers. The Committee's work should include recommendations on how to monitor the potential diminution of the "cost shift" and the consequent theoretical impact on provider prices and insurer premiums.

## **B. Criteria**

The Committee should utilize the following criteria to evaluate proposed recommendations:

1. Is the financing strategy broad-based, equitable, and progressive? Who pays directly or indirectly? Knowing that tax proposals are the most difficult public policy issues, is the financing political feasible, and what are the political implications of the strategy?
2. What impact, if any, does the strategy have on employers currently providing employer sponsored coverage (“crowd out”)?
3. How difficult is it for those who will pay to calculate the tax obligation? What is the administrative impact on the state agency responsible for collecting the tax? Is tax avoidance easy or difficult?
4. Is the revenue source permitted under federal law for federal matching funds?

## **C. Deliverables**

Recommendations for strategic financing strategies shall include:

1. A complete description of the proposed financing mechanism with supporting taxation and health policy rationales. Projections over a five-year period of annual revenue generated at different tax rates.
2. Comparisons of annual and aggregate revenue projections over a five-year period with:
  - a. Projected annual and aggregate costs over the same time period using current estimates of cost trends; and
  - b. Projected annual and aggregate costs over the same time period using cost trends that include the cost containment strategies recommended by the Delivery System Committee.
3. An evaluation (including appropriate tables and charts) projecting over a 5-year time frame:
  - a. Status quo environment (current estimates of public and private cost increases, change in the number of uninsured, etc.)
  - b. Comparison with scenarios at 2, above
4. Projections, by program, of State spending (with source of funds), federal matching funds and total funds over 5-year period.
5. Evaluations of the macro-economic impact of all recommended financing strategies on Oregon’s overall economic vitality.

**III. Timing**

The final recommendations of the Committee on “Financing a Comprehensive Plan” shall be delivered to the Board on or before April 30, 2008.

**IV. Committee Membership**

The Finance Committee appointed by the Board will work as a committee-of-the-whole on “Financing a Comprehensive Plan.” The Chair of the Committee may invite others with content expertise to participate with the Committee in its work. Members of the committee include:

<b>Name</b>	<b>Affiliation</b>	<b>City</b>
Kerry Barnett, Chair	The Regence Group	Portland
John Worcester, Vice-Chair	Evraz Oregon Steel Mills	Portland
Andy Anderson	Cascade Corporation	Portland
Peter Bernardo, MD	Physician	Salem
Aelea Christensen	Owner, ATL Communications, Inc.	Sunriver
Fred Bremner, DMD	Dentist in private practice	Portland
Terry Coplin	Lane Individual Practice Association, Inc.	Eugene
Lynn-Marie Crider	SEIU	Portland
Jim Diegel	Cascade Healthcare	Bend
Steve Doty	Northwest Employee Benefits	Portland
Laura Etherton	Advocate Oregon State Public Interest Research Group	Portland
Cherry Harris	International Union of Operating Engineers	Portland
Denise Honzel	Health Policy Commission	Portland
David Hooff	Northwest Health Foundation	Portland
John Lee	Consultant	Portland
Scott Sadler	Owner, The Arbor Café	Salem
Judy Muschamp	Tribal Health Director, Confederated Tribes of Siletz	Siletz
Steve Sharp	Chairman, TriQuint Semiconductor	Hillsboro

## > Individual Health Insurance Market & Insurance Exchange

### II. Scope

#### A. Assumptions

The Board's "Design Principles & Assumptions" suggest significant modification to the regulatory framework of Oregon's individual (non-group) market. While over 200,000 Oregonians currently obtain coverage through the individual market, tens of thousands of uninsured individuals will be required to seek coverage under an individual mandate. Some will be eligible for premium assistance subsidies.

The Committee (through a work group described below) is tasked to evaluate options and develop recommendations on how the individual market should be organized and regulated within a Comprehensive Plan for reform ("the new market"). The recommendations should include the role an "insurance exchange" would play in such an environment.

#### B. Criteria

1. Will there be choice of plan design in the "new market"?
2. Does the "new market" provide ease of access to information about choice of coverage and enrollment?
3. Will rates in the new market be equitable and affordable? To individuals and families paying the full premium? To individuals and families receiving premium subsidies? To the state program funding the premium subsidies?
4. Will the new market provide rate stability over time?
5. Will the new market permit/encourage wide participation by Oregon carriers?
6. What about administrative costs in the new market?
7. Can carriers in the new market be protected from adverse risk selection? Is there a preferred financing or risk adjustment approach to assure continued carrier participation?
8. What will be the impact of the new market on those currently purchasing individual coverage?
9. Will the exchange be stable and sustainable, offering a desirable service to a large number of participants, and funded with diverse revenue sources?

#### C. Deliverables

1. A comprehensive set of recommendations on how the new market should be organized and regulated in an environment of: a) an individual mandate to have

health insurance, b) a mechanism for funding and administering premium subsidies for defined populations requiring financial assistance (individual or family affordability); and c) a choice of benefit plans provided by multiple insurers. Issues include but are not limited to:

- Guaranteed issue? Medical underwriting with alternative high risk pool or other mechanism for persons with significant health status risk?
  - Single risk pool or parallel risk pools?
  - Rules (regulations) to mitigate or address adverse selection (between pools, if applicable; between carriers, etc).
  - Enforcement mechanisms and penalties to maximize participation under individual mandate? Exception standards and processes, if applicable.
  - Permitted rating methodologies?
2. The role of an insurance exchange in a “new market”.
- What consumers must use the exchange?
  - Is the exchange open to others on a voluntary basis?
  - How is the exchange organized, governed and financed?
  - What is the range of authority of the exchange? (Plan designs, carrier selection, rate negotiation, etc).
3. Recommendations on implementation; i.e. moving from the current market structure to a new market structure. Is implementation staged over time?

### **III. Timing**

The recommendations of the Work Group on Insurance Market Changes shall be delivered to the Finance Committee on or before March 15, 2008. The Finance Committee shall consider the recommendations of the Work Group and forward final recommendations to the Board on or before April 30, 2008.

### **IV. Work Group Membership**

A Work Group on Insurance Market Changes will be comprised of select members of the Finance Committee with expertise and interest in this topic. The Chair of the Committee may appoint additional members to the Work Group.

## **V. Staff Resources**

The work outlined above will be supported by:

- Nora Leibowitz, Senior Policy Analyst, Office for Oregon Health Policy and Research – [Nora.Leibowitz@state.or.us](mailto:Nora.Leibowitz@state.or.us); 503-385-5561 (Co-lead)
- Gretchen Morley, Director, Oregon Health Policy Commission, Office for Oregon Health Policy and Research – [Gretchen.Morley@state.or.us](mailto:Gretchen.Morley@state.or.us); 503-373-1641 (Co-lead)
- Susan Otter, Policy Analyst, Office for Oregon Health Policy and Research – [Susan.Otter@state.or.us](mailto:Susan.Otter@state.or.us); 503-373-0859
- Alyssa Holmgren, Policy Analyst, Office for Oregon Health Policy and Research – [Alyssa.Holmgren@state.or.us](mailto:Alyssa.Holmgren@state.or.us); 503-302-0070
- Zarie Haverkate, Communications Coordinator, Oregon Health Policy Commission, Office for Oregon Health Policy and Research – [Zarie.Haverkate@state.or.us](mailto:Zarie.Haverkate@state.or.us); 503-373-1574
- Local and national consultants retained by the Board or Office for Oregon Health Policy and Research