OREGON HEALTH FUND BOARD – Finance Committee

April 17, 2008
3:00 to 5:00 pm
(Digitally Recorded)

General Services Bldg., Neahkahnie Room, 1st Fl.
1225 Ferry Street SE
Salem, OR

MEMBERS PRESENT:
(ALL BY PHONE)

Kerry Barnett, Chair
John Wocester, Vice Chair
Andy Anderson
Peter Bernardo, MD
Fred Bremner, DMD
Aelea Christofferson
Terry Coplin
Jim Diegel
Cherry Harris
Denise Honzel
John Lee
Laura Etherton
Lynn-Marie Crider

MEMBERS EXCUSED:

Fred Bremner
Jim Diegel
Steve Doty
Laura Etherton
David Hooff
Judy Muschamp
Scott Sadler
Steve Sharp

OTHERS ATTENDING:

John Britton, LFO (by phone)
Rick Curtis, Consultant
Ed Neuschler, Consultant (by phone)
Ree Sailors, Governor's Office

STAFF PRESENT:

Gretchen Morley, Director, Oregon Health Policy Commission
Nora Leibowitz, Senior Policy Analyst
Barney Speight, Executive Director, OHFB
Sean Kolmer, Data and Research Manager, OHPR
Alyssa Holmgren, Policy Analyst
Tami Breitenstein, Executive Assistant

ISSUES HEARD:

- **Call to Order**
- **Initial Reform Modeling Results**

(Digitally Recorded)

Chair Barnett **I. Call to Order**

Chair Barnett called the meeting to order at approximately 3:00 p.m.

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Rick Curtis / Ed Neuschler

IV. Initial Reform Modeling Results

The Finance Committee met via conference call with Rick Curtis and Ed Neuschler, modeling consultants, to continue discussions from the April 16 meeting.

Discussion:

- Concern voiced that modeling numbers might be too low. Massachusetts model assumed all covered people have equal access to care and yet it has shown a bottleneck to care and overwhelmed the system. Also, insurance premiums rose sharply which was not predicted and expected system savings around free care didn't occur. State also made large Medicaid payment increases to hospitals which increased Medicaid costs. Have these factors been taken into account in Oregon's initial modeling to reflect the whole picture?
- Discussion of concerns with consultant: In Massachusetts, there were large Medicaid provider payment increases which were costly to free up charity care fund. It is true that enrollment for the subsidized population has been running ahead of projections, more so than non-subsidized enrollment. Enforcement for mandates doesn't take effect until this year. Premium increases in individual market and non-subsidized premiums went up slightly but still within projected amounts. Massachusetts did undercount the uninsured, and not sure if projections were based on CPS. Did not include estimate for changes in provider payments under Oregon Health Plan in the current modeling.
- Is Delivery Committee modeling/considering provider access?
- Governor's office is aware of this and working with Senator Morse and the Workforce Institute to create database on healthcare workforce, to require survey be filled out with certification, and are working with community colleges and the education systems, to increase healthcare workforce (doctors, pharmacy, nurses, etc.).
- Reminded that data provided yesterday is very "preliminary" especially PMPM. Ed Neuschler stated that model estimates are conservative.

Discussed new numbers related to Payroll Tax based on yesterday's Finance Committee request:

- Modeling question: How many employees will be newly covered by their employers when the payroll tax is raised from 5% to 6%, 7%, or 8%? With a 5% payroll tax, 20,000 more employees and their dependents will be newly offered coverage. With a 6% tax, 23,000 additional employees will be offered coverage. At 7% - 30,000; and at 8%, 36,000 employees and dependents will be newly offered coverage from their employers.
- State costs decrease by going to 8%, but 72% of the decrease from the 5% scenario to the 8% scenario comes from increased employer contributions, not changes in firms' behavior.
- Difficult politically to sell an 8% payroll tax. Chair suggested need to push forward with most rational plan and state reality of how to pay for reform.
- Staff will send numbers out to full committee.

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- What variables should be adjusted for next iteration of model, i.e., which lever to move the bottom line?
  - Premium assumptions,
  - Affordability assumptions, and
  - Moving the upper eligibility threshold for sliding-scale subsidies to 250% FPL from 300% FPL and moving those from 250% to 300% to the tax credit approach (250% to 400%). This will save a considerable amount.
- Premium assumptions: The big expenditures are for the sliding-scale population for whom it's not safe to assume the federal match dollars. If assume less generous benefit plan, a slightly lower administrative loading factor, and a network-based reimbursement level to physicians rather than the highest level broad network, this could bring the premium down for a 42-year-old from $355 to $300. Would be realistic and would generate considerable savings.
- Would also reduce crowd out.
- Straw Plan A1 version of the model proposed to show the other end of the cost spectrum.
  - Set the premium inside the exchange (non-OHP) at $300 for sliding-scale population.
  - Change sliding-scale contribution schedule: Instead of contributing a maximum of 5% of family income, those from 200-250% FPL would contribute up to 6% of their incomes. Those from 150-200% FPL would contribute a maximum of 3%. Those from 100-150% FPL would still contribute 0%.
  - Tax credit eligibility would then be 250-400% FPL with a sliding maximum of 6% of income spent.
  - Consultants to model this.
- Two Tier Approach: Scenario B of model was discussed earlier by this group but hasn't been modeled yet. A two-tier idea which has employers' spending on health services tested against a 5% payroll tax as well as a per-worker/per-hour tax. This would address part-time workers. Rick Curtis stated that this approach has been challenged in California; however, it was a higher amount than the 50 to 75 cents being proposed here. Oregon Department of Labor does have hourly data so could model this.

Chair **X. Adjournment**

The chair adjourned the meeting at approximately 5:00 p.m.

Next meeting: May 1, 2008, 11 am – 5 pm, Wilsonville Training Center, Room 111-112, Wilsonville, OR

Submitted By:
Zarie Haverkate

Reviewed By:
Gretchen Morley, OHPC Director

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