OREGON HEALTH FUND BOARD – Finance Committee

February 13, 2008 **Wilsonville Training Center, Rooms 111/112**
1:00pm (Digitally Recorded) **Wilsonville, OR**

MEMBERS PRESENT: **Kerry Barnett, Chair**
John Wocester, Vice Chair
Andy Anderson
Peter Bernardo, MD
Fred Bremmer, DMD
Aelea Christofferson
Lynn-Marie Crider
Jim Diegel
Steve Doty
Laura Etherton
Cherry Harris
David Hooff
Denise Honzel
John Lee
Judy Mushcamp
Scott Sadler
Steve Sharp

MEMBERS EXCUSED: **Terry Coplin**

OTHERS ATTENDING: **Rick Curtis, Institute for Health Policy Solutions (by phone)**
Ed Neuschler, Institute for Health Policy Solutions (by phone)
Ree Sailors, Governor's Office (by phone)

STAFF PRESENT: **Nora Leibowitz, Senior Policy Analyst**
Gretchen Morley, Director, Oregon Health Policy Commission
Barney Speight, Executive Director, Oregon Health Fund Board
Sean Kolmer, Research and Data Manager, OHPR
Alyssa Holmgren. Policy Analyst
Zarie Haverkate, Communications Specialist

ISSUES HEARD:

- **Call to Order**
- **SB 329 Update**
- **Exchange Workgroup Update**
- **Health Reform Data Fact Sheet**
- **SB 329 Modeling**
- **Framework for Making recommendations: Financing principles and strategic policy questions**
- **Tax Option Discussion**
- **Public Testimony**

(Digitally Recorded)

Chair Barnett **I.** **Call to Order**

Chair Barnett called the meeting to order at approximately 1:00 p.m. Chair welcomed Dr. Fred Bremner, periodontist, as a new committee member.

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Chair Barnett **II. Approval of Agenda and Minutes**

Motion to approve minutes from January 9, 2008, is seconded. **Motion passed unanimously.**

Barney Speight **III. SB 329 Update**

- Barney Speight reported that he testified before legislative committees over the past week.
- A contract with James Matthison, retired senior actuary from Washington State, who also assisted with Oregon's Healthy Kids proposal is in the process of being signed. He will be a resource for Benefits Committee and this committee.
- Contracts with Rick Curtis and Ed Neuschler of the Institute for Health Policy Solutions (participating by phone), and Jonathan Gruber, MIT, health care reform modeler, are underway. Their modeling for the California plan was noted.
- Committee Updates:
  - Enrollment and Eligibility Committee will share affordability recommendations with the HFB at the 02/19/08 meeting. A copy of the report will be provided to the Finance Committee, and will provide information for modeling including public contribution ranges expressed by the Federal Poverty Level (FPL).
  - Benefits Committee cancelled a meeting to hold a workgroup to develop a matrix of the Oregon Health Plan (OHP) Prioritized List and the more commercial approach of benefit structure in relation to service category.
  - Delivery System Committee is working on medical home and cost containment strategies.
  - Health Equities Committee The Health Equities Committee will be presenting recommendations on OHF program eligibility to the Oregon Health Fund Board on 2/19/08.
  - Federal Laws Committee looking at federal policies for Medicaid and Medicare and ERISA.
  - Clarification that the report to the legislature will be submitted late October/early November allowing town hall meetings in September/early October.
- A communications specialist to help with public communication will be hired with grant money from RWJ and Northwest Health Foundation.
- Finance Committee and Delivery Systems Committee updates to OHFB are scheduled for March 20.
- HFB will be moving toward more dialogue with committee leaderships.

Discussion

- Goals for this Committee were discussed including evaluating various revenue and tax strategies to help expand coverage; the importance of public input was stated.
- In response to a question concerning preserving safety net efforts, collaboratives were discussed. Presentations at the January HFB meeting included current strength and future of safety net and partnerships present within communities. It was noted that HFB Chair William Thorndike serves on the Safety Net Advisory Council (SNAC).
- James Matthison will play a role in pricing of benefit designs.
- Discussion on Benefits Committee and federal matching funds.

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Denise Honzel **IV. Exchange Work Group Update**

- Discussion on individual mandate, incentives and penalties, the individual market, and the influence of Benefits Committee and modeling on Exchange Workgroup.
- Exchange Committee report submitted to the legislature **(See Exhibit Materials 4)**.
- Evaluating functions (identifying pros and cons) of an exchange arriving at three basic levels:
  - Information, enrollment and administration
  - Performance standards and benchmarks for carrier compliance
  - Collective contract bidding
- Laura Etherton and Denise Honzel met with Enrollment and Eligibility group to identify interfaces between the two groups, e.g. groups receiving subsidies.
- Exchange to provide report to Finance Committee on February 29.
- The Exchange Workgroup will selectively send information to Finance Committee members with the understanding that things are changing.

Gretchen Morley **V. Health Reform Data Fact Sheet (See Exhibit Materials 5)**

- Reviewed OHPC pricing assumptions fact sheet.
- New model will have updated data and input from committees.
- Discussion on whether hospital spending on uncompensated care is captured in data, part of employer spending and the cost-shift issue related to premiums.

Sean Kolmer **VI. SB 329 Modeling**

Discussed what the model does and doesn't include and what decisions are needed first to move the modeling forward.

- Gruber model includes the following broad policy options:
  - individual mandate
  - payroll tax and pay or play scenarios for employers
  - exchange purchase tool
  - Section 125 plan
  - tax treatment based on FPL
- Taxes external to the model include provider tax, cigarette tax, etc.
- It will provide informed idea but will not be the definitive end number.
- Discussion on policy decisions made by the Committee in creating scenarios for model.
- Gruber model will relate where people will go based on incentives (population flow) and the cost.
- Staff is currently gathering Oregon-specific data for the model.
- Gathering and inputting model information will take approximately one month.
- Clarification on pay or play structure and payroll tax variations adjustable within model.
- Effect of enforced individual mandate on the model was discussed. Final estimate of California's rates of compliance for overall coverage was about 87%. This was the full uninsured populations, not just subsidized. Total population: 98% covered minus undocumented individuals.
- What was it in Massachusetts? Enrolling more than anticipated, Discussion of Commonwealth Care and reports from carriers outside the exchange.

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- Model does not currently offer information on relative tax burden comparisons between states. Model does not estimate cost shift.
- A Staff Review Panel will be formed to bring back two straw models Committee on 2/29. Will be working with "plugs" until benefit package has more definition. Plugs of reasonable premium amounts will be determined with input from James Matthison.
- Staff review panel to develop scenarios for model: Denise Honzel, Steve Sharp, John Lee, Cherry Harris, Scott Sadler, Kerry Barnett.

Chair Barnett **VII. Framework for making recommendations: Financing principles and strategic policy questions (See Exhibit Materials 7 and 8).**

- Financing principles discussed. **(Exhibit Materials 7)**
- Does it reduce cost shift to commercial payers?
- Revenue sources and cost control incentives discussed.
- Discussion on Strategic Policy Questions sheet as a beginning of a "decision roadmap."
- The Financing Principles and Strategic Financing Policy questions are to be used to facilitate discussions.

Chair Barnett **VIII. Tax Option Discussion**

The Committee began the discussion by reviewing the Tax Assessment Criteria Matrix **(see Exhibit Materials 9).** Discussion on whether any of the listed options should be eliminated because the amount raised is too small, the effect on and perception by small businesses, uncompensated care costs being integrated into health care expenses. There was a suggestion that these be divided into two categories, and the form of the recommendations to the OHFB.

- **Payroll Tax** – Staff provided overview of OHPC Payroll Assessment Scenarios. Rick Curtis addressed the committee.
  - Percentage of payroll, flat percentage, sliding scale, exempting smallest employers (distinction by size more workable if done by payroll amount rather than number of workers).
  - Considerations of dollars spent by employers for health insurance on a dollar for dollar ratio.
  - Minimum per worker approach.
  - Employers who are already offering coverage are discussed.
  - Employers who do not offer coverage tend to be smaller, low wage employer groups.
  - Percentage of payroll approach that wouldn't force increase on employers who are already offering coverage. Dialogue on employees that are covered by spouses coverage.
  - Ingredients for adverse selection problem.
  - Employer payroll tax, subsidize cost for low income workers discussed.
  - Discussion of Oregon demographics, e.g., areas of concentration of low wage workers.
  - Payroll tax alone would not be adequate because of self-employed. Not a stand alone revenue source.
  - Incentive for employers not to cover employees in subsidized range.
    - Massachusetts did not have this problem to the degree that Oregon does as their proportion of people with employer coverage under 250-300% of FPL is negligible compared to Oregon.

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        - Future consideration - Recognizing current employer expenditures as an offset.
    - Social Security Wage Base cap of $100,000 and issues involved economic and political implications is discussed.
    - Is the Social Security wage base cap integrated into the data? Estimates can be modeled with and without.
    - Implications for higher wage workers and lower wage workers for the employer.
    - Results in two sources of revenue, employer fees and federal matching funds on employer fees
    - Further discussion on employer actions of shifting coverage.
        - Minimum per worker per hour amount test and other approach apply across all employer percentage payroll approaches overviewed. Gives options for lower workers and employers and avoids firewalls.
        - Employer contribution is aggregate. (employee covered, family covered, etc.) Conditions where state program may be preferable to employer covered program.
        - Discussion of small employers that don't offer coverage and cost to them and cannot raise additional money for coverage.
        - Discussion of California plans effects on various industries.
        - Committee asked for input Washington's Business and Operation (B & O) tax, gross receipts tax, more progressive than payroll tax, any input? Response is that it would be disproportionate for some industries.
    - Committee may not come up with specific recommendation but analysis, "scale of recommendations."
- Scott Leitz from Minnesota was not able to join group by phone to answer questions regarding provider tax. Will ask him to join by phone at next meeting.
- Rick Curtis and Ed Neuschler will be out here personally.

Chair Barnett **IX. Public Testimony**

Michael Tripp, M.D. testified regarding innovation and redesign of health care delivery through financing. Recommend financing through Health Transition Tax as has solid base. Written testimony submitted.

Chair **X. Adjournment**

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

Next meeting is February 29, 2008.

Submitted By:
Paula Hird

Reviewed By:
Gretchen Morley, OHPC Director

EXHIBIT SUMMARY

1. Draft Agenda
2. Jan. 9th Draft Minutes - Finance Committee
3. Goals of the OHFB Committees
4. Health Insurance Exchange Legislative Update
5. Fact Sheet on OHPC Reform Pricing
6. SB 329 Modeling Data Elements
7. List of Principles for Assessing Taxes
8. List of Key Financing Policy Questions
9. Taxes by Criteria Table
10. Health Transaction Tax Brief
11. Details of Minnesota Provider Tax
12. OHPC Payroll Tax Scenario

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