OREGON HEALTH FUND BOARD – Finance Committee

March 12, 2008
8:30 am to 12:00 pm
(Digitally Recorded)

Wilsonville Training Center, Rooms 111/112
Wilsonville, OR

MEMBERS PRESENT:
Kerry Barnett, Chair
John Wocester, Vice Chair
Peter Bernardo, MD
Fred Bremner, DMD
Aelea Christofferson
Terry Coplin
Lynn-Marie Crider
Jim Diegel
Steve Doty
Laura Etherton
Cherry Harris
Denise Honzel
John Lee
Judy Mushcamp
Scott Sadler
Steve Sharp (by phone)

MEMBERS EXCUSED:
Andy Anderson
David Hooff

OTHERS ATTENDING:
Bill Kramer, Consultant
Rick Curtis, Institute for Health Policy Solutions (by phone)
Ed Neuschler, Institute for Health Policy Solutions (by phone)
Chris Allanach, Legislative Revenue Office

STAFF PRESENT:
Gretchen Morley, Director, Oregon Health Policy Commission
Nora Leibowitz, Senior Policy Analyst
Jeanene Smith, MD, Administrator, OHPR
Tina Edlund, Deputy Administrator, OHPR
Alyssa Holmgren, Policy Analyst
Zarie Haverkate, Communications Specialist

ISSUES HEARD:

- Call to Order
- Approval of February 29 minutes
- Updated Work Plan and To Do List
- SB 329 Modeling
- Committee Discussion of Tax Scenarios
- Public Testimony

(Digitally Recorded)

Chair Barnett **I. Call to Order**

Chair Barnett called the meeting to order at approximately 1:00 p.m.

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Changes since the publication of the Oregon Health Fund Board's (OHFB) March Newsletter were relayed by staff:

- The OHFB March 20 meeting location has changed to The Sheraton at the Portland Airport.
- Employment and Eligibility Committee meeting date was changed to March 23 (not March 22).
- New OHFB email notification system permitting self-management and selection of specific information.
- Northwest Health Foundation has a blog for public comment on health reform at http://www.talkhealthreform.org.

Chair Barnett **II. Approval of Agenda and Minutes (See Exhibit Materials 1 and 2)**

Chair Barnett overviewed the agenda.

Steve Sharp submitted the following correction to the minutes. Under Agenda item **VI Developing Committee Recommendations,** page 5, 2nd to last bullet above Public Testimony, should read "Get all of the funding and costs shifts visible so we can look at them and model them."

Motion to approve minutes from February 29 2008 as amended is seconded. **Motion passed unanimously.**

Gretchen Morley **III. Updated Finance Committee Work Plan and To Do List (See Exhibit Materials 3)**

- There will be two meetings added to the Committee schedule in May.
- Staff will invite the Board to meeting on April 16 Finance Committee.
- Next meeting, March 19, will focus on market reform recommendations from the Exchange Workgroup and exchange function and governance.
- Discussion on addressing deductibles and the Eligibility and Enrollment Committee's work related to deductibles.

Rick Curtis **IV. SB 329 Modeling**

- Rick Curtis reported that he, Jon Gruber, and Sean Kolmer are working on parameters for model input and further discussed the modeling process.
  - Consulting with Jim Matthison on per capita costs.
  - Need input from Benefits Committee.
  - Will initially use "ball park" plug-in numbers, but will get what composition of exchange will be like in terms of age distribution and will help with further development.
  - Preliminary numbers may be ready for the April 3 meeting.
- What will the final product look like and how will it be used?
  - Population counts
    - by income level
    - whether working for employer providing insurance
  - Accounts for changes by source and/or market changes
    - Ability to view required exchange participants by category.
    - Age breaks.
    - Will work with staff to pinpoint sub-populations of interest
    - Ed Neuschler will provide prototype for committee feedback at next meeting.

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- All small employers who do offer coverage will be reflected in the small group market and not the exchange.
- What kind of general fund dollars are going to be required to cover 133,000 individuals on the Standard Plan and what kind of money is going to be required to implement the exchange?
- Premium specifications, subsidies to be programmed into model to determine costs.
- Employees working for small firms that have substandard benefit plans and coverage for them will not be figured into the model.
- Low cost benefit, tax credits and crowd-out discussed.
- Payroll taxes are in model.
- Output of model is discussed.

Chair Barnett **V. Committee Discussion of Tax Scenarios (See Exhibit Materials 5 & 6)**

Employer Sponsored Insurance (ESI) discussed in regards to low wage workers.

#1A,B,C 100% payroll tax (PT)

- Rick Curtis responded to questions from Committee.
- Tax rates between 1A and 1B discussed including amount of funds generated by rates.
- Employer mandates, increasing employer and employee participation in covering unemployed population discussed. Discussion on large employers that are not covering some employees.
- Covering uninsured with other revenue sources, e.g. beverage tax.
- Mandating all employers to pay for insurance, broadening the base of ESI.
- Health care as a part of labor costs.
- Flat rate, percentage and graduated taxes are discussed.
- Unemployed would avoid all cost shifts – Medicare.
- Cost to employer in providing insurance to employees.
- The impact on the small employer is discussed.
- Scenario C is added: a partial credit.

The Chair polled the members on the options: Members respond with comments. The vote:

- 0 – Option A
- 2 – for B or C
- 6 – B
- 7 – C

Result: No one supported Option A, slightly more favored C over B. Rick Curtis will not model A. Consider two basic platforms and can vary from that. Can vary payroll rate amount, vary the sliding scale and subsidy schedules. Rick Curtis suggested a scenario involving a second tier of the "pay or play."

Discussion

- The Committee did not express strong support for exempting small employers.
- Discussion on obtaining self-employed data from Social Security Administration and coverage of that group.

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- Appropriateness of Health Service Transaction Tax (HSTT) as applied to Oregon versus Minnesota, and cost containment.
- Discussion on excluding providers from tax, but not for technical services.
- Concern was expressed that the combination of a HSTT and PR tax would be an unfair double-tax on health care employers.
- Should income tax be considered? Support expressed for income tax followed by discussion.
- Chris Allanach, Department of Revenue, discussed "partitioning out" regarding income tax. Concern was noted on raising income tax stating that it is the second highest in country and debate on if it would decentivize incoming business.
- Oregon's ranking in State Taxes per Capita, FY2005 **(See Exhibit Materials)** were compared noting that in taxes per person, Oregon ranked low, but in state income taxes was high.
- Discussion of capital gains tax and premium tax.

Discussion of scenarios 2 through 4 (**See Exhibit Materials 6).** The Committee added a scenario 5 with the following ratios: 60% PR, 20% HSTT, 20% Miscellaneous other (e.g., cigarettes/alcohol/income tax, etc.)

The Chair polled the members on scenarios 1-5. Members respond with comments. The vote:

- 2 – Scenario 1
- 7 – Scenario 2
- 7 – Scenario 5
- Scenario 3 and 4 will fall off table.

Chair Barnett **IX. Public Testimony**

Chris Apgar, Oregon Small Business for Responsible Leadership (OSBRL), provided input on options and impact on small business. Will submit written testimony from the OSBRL.

Chair **X. Adjournment**

The chair adjourned the meeting at approximately 4:50 p.m.

Next meeting is March 19, 2008.

Submitted By:
Paula Hird, Office Specilist

Reviewed By:
Gretchen Morley, Director, OHPC

EXHIBIT MATERIALS

1. Draft Agenda
2. Feb 29 Draft Minutes - Finance Committee
3. Workplan Overview
4. Finance Committee Master To Do List
5. Simplified Overview of Three Tax Options
6. Possible Tax Scenarios
7. Cost-overage Trade-Off
8. State Taxes per Capita, FY2005
9. Exchange Administration
10. OHFB March 2008 Newsletter

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