OREGON HEALTH FUND BOARD – Finance Committee

December 19, 2007 | **CCC, Wilsonville Training Center, Room 112**
1:00pm (Digitally Recorded) | **Wilsonville, OR**

MEMBERS PRESENT: **Kerry Barnett, Chair**
John Wocester, Vice Chair
Aelea Christofferson
Andy Anderson
Cherry Harris
David Hooff
Denise Honzel
Jim Diegel
John Lee
Lynn-Marie Crider
Peter Bernardo, M.D.
Steve Doty
Steve Sharp
Terry Coplin
Scott Sadler (by phone)

MEMBERS EXCUSED: **Laura Etherton**

OTHERS ATTENDING: **Ree Sailors, Health Care Policy Advisor to the Governor**

STAFF PRESENT: **Nora Leibowitz, Acting Director, Health Policy commission**
Jeanene Smith, M.D., OHPR Administrator
Susan Otter, Policy Analyst
Alyssa Holmgren. Policy Analyst
Judy Morrow, OHFB/OHPR Assistant

ISSUES HEARD:

- **Call to Order/Approval of Agenda**
- **Update on Other Committee Meetings and Board**
- **Update on Exchange Workgroup**
- **Revised Finance Charter**
- **Questions and Answers/Discussion: Medicaid/SCHIP, Oregon's Insurance Market, Financing of State Reform Efforts**
- **Discussion: Tax Options**
- **Public Testimony**

(Digitally Recorded)

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

Chair Barnett called the meeting to order at 1:05 p.m.

Chair **II.** **Approval of Minutes of November 19, 2007**

Motion to approve minutes from November 19, 2007, is seconded.
Motion passed unanimously.

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Chair **IV. Oregon's Insurance Market – Presentation by Cory Streisinger, Director, Department of Consumer and Business Services**

(See Exhibits 3-4)

Topics covered:

- State insurance regulation
- Rate regulation
- Risk pooling
- Individual, small group, large group markets
- How to make insurance affordable
- Underwriting and Guaranteed Issue
- Options for setting rates: (1) health status, age, claims history; (2) community rating; (3) rate bands, constrained variation; and (4) limit factors in setting rates, e.g., age, health status, geography.
- In Oregon, there are different sets of regulations for different markets.
  - Individual (approximately 200,000 people) and small group (265,000 people) coverage, State does not regulate large group plans.
  - High Risk - State's Oregon Medical Insurance Pool (OMIP) for individuals denied regular coverage.
- Association Health Plans, regulations and risk of "cherry picking"

Discussion and Questions

- Evaluating rates when they are filed.
- As of 1/1/08 rate filing will be public (HB 3103).
- There is no cap on the number of enrollees in the high risk pool.
- Community rating options.
- Discussion of captive insurance companies in Oregon and/or any activity of health plans in captives owned by large employers?
- Hold harmless provisions.
- Reserves.
- Profit and Nonprofit.
- Ree Sailors explained some of the factors influencing the close of the individual market in Washington state, including guaranteed issue, groups of one, inability of carriers to get rate increases, and no pre-existing conditions limitations
- Cory Streisinger discussed the status of legislative proposals and recommendations from Executive Summary, page XIII.

Chair **IV. Update on Exchange Committee**

- Workgroup Chair Denise Honzel reported that the Exchange workgroup is addressing changes that flow from two assumptions: 1) assumption that the mandate for individual coverage will change the market; and 2) every person will be required to have insurance
- Two options are being considered for the individual market: 1) retaining medical underwriting and the high risk pool (OMIP), and 2) changing to guaranteed issue and eliminating OMIP. Based on the workgroup's discussion, a small group is working on the second option.
- The workgroup is considering what an exchange would look like under guaranteed issue/no medical underwriting.
  - Approximately 150,000-200,000 new candidates for coverage.
  - 600,000 are currently uninsured; however, an estimated approximately 350,000 would be covered through Medicaid,

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while another 50-100,000 could be covered by employer sponsored insurance.

Nora Leibowitz **V. Update on Other Committee Meetings and Board**

- **Board** met on December 12, which was followed by a joint meeting with the **Delivery System Committee**.
  - Revised Charter and Design Principles. Staff will incorporate changes and bring results to this committee.
- **Benefits Committee** met December 11**.**
  - Detail of recommendations
  - Forming work groups
  - Strategies and what are the essential services
- **Delivery system**
  - Medical home
  - Will meet in January to talk about straw person from recommendations based on Institute of Medicine, Institute for Health Care Improvement and CMS's Four Cornerstones for reform recommendations.
  - Quality Institute workgroup will be starting.
- **Eligibility and Enrollment Committee**
  - Defining affordability.
  - Recommending where subsidies should start and end.
  - Reviewing Medicaid Advisory Committee recommendations and defining eligibility for subsidies.
- **Federal Laws Committee** is collecting input on federal policy and asking for feedback from various panels.
- **Health Equities Committee** will be meeting this month.

Discussion

- Delivery System addressing lack of providers and medical homes' effect on capacity.
- Committees' focus, gaps in issues being covered by committees and integrating the recommendations.

Chair **V. Jeanny Phillips, Deputy Administrator, Division of Medical Assistance Programs**

- Oregon Health Plan summary
  - Children, pregnant women, and elderly
  - Medicaid
  - Budget total, including federal funds, is $4.8 billion, federal (for DMAP) $3 billion, general funds little over $1 billion, $970,000,000 in other funds, tobacco and other taxes, and premium payments.
  - Match rate of 73% by Federal government for CHIP program, Program is waiting for reauthorization. Allotment is capped.
  - Medicare match is 62% by federal government and is not capped. Have enough carry forward for about two-three years. .
  - OHP Plan benefits discussed.
  - Income limits based on Federal Poverty Level (FPL).
  - There are 116,000-117,000 uninsured children; 60,000 would qualify if they applied today. Reasons for not applying include complex application process which is being simplified. Would like to raise the income level to include more children. If 60,000 became covered would use up the existing carry forward amount.

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- OHP Standard has about 19,000 enrollees, at one point had 100,000. Currently closed to new enrollment and funded by provider taxes, premium revenue and federal matching funds only.
- Discussion on revenue sources and expenses and Federal Medicaid expansion possibility.
- Working assumption is that Medicaid eligibility will be increased to 200% FPL for adults and 250% FPL for children. Need to expand Medicaid and identify total cost.
- Cost of OHP Standard vs. Plus plans.

Chair **VIII. Public Testimony**

- Chris Apgar, President of Apgar and Associates, LLC, and Chair of the Small Businesses for Responsible Leadership Health Care Committee testified in person.
- Received letter from leaders of the Oregon Assn. of Health Underwriters, National Assn. of Insurance and Financial Advisors-Oregon, and the Professional Insurance Agents of Oregon/Idaho.
- Received memo from Rick Hangartner, member Mid-Valley Health Care Advocates.

Chair **IX. Discussion: Tax Options**

- Debra Buchanan, Agency Legislative Coordinator for the Department of Revenue attended and Chris Allanach, Legislative Revenue Office participated by telephone.
- $550 million estimated additional state funds needed to cover uninsured.
- Discussion on administration of payroll tax.
- Income tax, brackets and amounts that could be raised per bracket.
- ERISA and "pay or play" for employers used by some states.
- Property Tax – limits of Measures 5 and 50 and revenue restructuring task force.
- Sales tax and tax on unhealthy food to fund health care.
- General fund.
- Revenue Principles:
  - Reasonable administrative cost
  - other costs to be considered in a transparent way
  - maximize federal match
  - stable over time
  - political salability
  - ERISA safe
  - Broad-based and recognizes current efforts
  - Fairness/equitability
- For next meeting staff will take list of principles and flesh it out. At next meeting will discuss:
  - Straw man set of principles
  - Health services transaction tax
  - Payroll tax
  - Rick Curtis will be available for questions regarding model in January.
- Two-page Matrix regarding what other states are doing was distributed.

Chair **X. Adjournment**

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The chair adjourned the meeting at approximately 4:40 pm.

Next meeting is January 9, 2008

Submitted By:
Paula Hird

Reviewed By:
Nora Leibowitz, Senior Policy Analyst

EXHIBIT SUMMARY

1. Draft Agenda
2. Nov 19 Draft Minutes – Finance Committee
3. DCBS report (Health Insurance in Oregon)
4. Understanding How Health Insurance Premiums are Regulated
5. DHS Ways and Means document
6. Matrix of current State Expansion Plans and Proposals
7. Revenue Options Table
8. Taxes Assessment Criteria Matrix
9. Health Services Transaction Tax Brief

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