THE OREGON HEALTH FUND BOARD – Finance Committee

May 29, 2008
11 am to 5 pm
(Digitally Recorded)

Portland State Office Building
Room 1B, 800 NE Oregon Street
Portland, OR

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

MEMBERS EXCUSED:
Peter Bernardo, MD
Judy Muschamp
Andy Anderson

STAFF PRESENT:
Gretchen Morley, Director, Oregon Health Policy Commission
Nora Leibowitz, Senior Policy Analyst
Alyssa Holmgren, Policy Analyst

ISSUES HEARD:

- **Call to Order**
- **Approval of Agenda and 05/01/08 minutes**
- **Review and Finalize Draft Committee Report**
- **Public Testimony**

(Digitally Recorded)

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

- Chair Barnett called the meeting to order. There was a quorum.
- Staff will be moving toward a final draft and related report can include areas of consensus and general consensus with a few minority opinions, noting that due to issues and different perspectives there is not an expectation to hammer out every issue.

Chair Barnett **II.** **Approval of Agenda and 05/01/08 Minutes (see Exhibit Materials 1 and 2).**

Chair overviewed process for finalizing report relating that all underlined wording represents changes.

Motion to approve agenda and 05/01/08 minutes is seconded. **Motion passed unanimously.**

DRAFT

Chair Barnett / Gretchen Morley **III. Review and Finalize Draft Committee Report (See Exhibit Materials 3 and 4)**

Chair Barnett introduced "Committee Feedback on Draft Finance Report" (Outstanding Issues) document with an overview by staff. **(See Exhibit Materials 3)**

#1 Payroll Tax and Health Services Transaction Tax (HSTT) (Proposal Section)

- Concerns of Peter Bernardo were relayed.
- Relates to page 14-15 of draft report.
  - Report structure options listed.
- Predominant recommendations and majority vs. minority opinion debated with suggestions to:
  - Clarify groups being addressed and put in separate section.
  - Not frame the tax options as proposals, but as scenarios.
- Benefits package effects on costs and status of package discussed
- Staff will list the three options in a separate section within main body of report, then can move to appendix at the will of the Committee.
- Jim Diegel expressed support for restructuring a tax exemption that is applied to an employer based health benefit, relating it to a subsidy of $150 billion federally and $1 billion per biennium for Oregon.
  - States that this tax subsidy is regressive. Examples provided.
  - Suggestion to add as an addendum to report on the restructuring of tax exemption applied to employer paid coverage to: 1) generate more revenue and 2) create a more equitable tax structure.

Discussion

- Two sides: 1) deductibility on part of employer; and 2) employee receiving benefit does not have to pay taxes on that money.
- It is suggested that altering employer deductibility is not an option as it would discourage employers from providing coverage.
- Can we make this work using the 125 plans?
- Oregon tax structure related as being close to a flat tax.
- Suggestion to indicate this discussion in report.
- It was stated that there is awareness on OHFB on this topic.
- It was stated that the Federal Laws Committee is addressing this issue.

#2 Payroll Tax Recommendation (100%)

- Staff concerned that modeling is showing that amount generated from payroll tax only would not be sufficient. More discussion urged.
- Committee directs staff to determine what percentage of a payroll tax would be needed to cover costs.

#3 HSTT Recommendation

- Relates to page 2 of report.
- Report needs to reflect previous discussions that cost should be passed on to consumer vs. not being passed on to consumer.
  - Committee has not fully analyzed.
  - Make sure report identifies there are two ways to look at it and to make sure it is on OHFB's "radar."

DRAFT

- Suggested if it is not passed through it reflects the reduction of potential cost shift to employer.
- Is there a way to capture cost shift and is only true if that is not passed through?
- Tying cost shift directly to the tax to convince employers that the costs will not be used elsewhere.
- HSTT as a way to capture cost shift is only true if it is not passed through.
- Debate on whether capturing federal match will benefit the employer and HSTT offsetting payroll tax.
- Discussions on charging hospitals and hospital systems, taxing certain procedures states, e.g. MRIs, with dissenting opinion that it will not capture but continue cost shift.

#4 Income Recommendation

- Previous discussion was on adding tax brackets with assertion that it is not broad-based.
- Discussion on setting tax at a certain income level. It was noted that tying it to an income now could not be done as it is not known how much is needed.
- Recommendation will reflect adding tax brackets, not a general increase. There is not a consensus on recommendation.

#5 Recommendations on additional analysis needed – No comments.

#6 Payroll and HSTT (Proposal Section)

- Staff stated this is meant to flag. Previous suggestions to modify included adding a box on cost shift and one on containment savings.
- Does not need to be resolved now. Staff asked for member input.
- How to reflect the notion of redistributing savings.

#7 Income Recommendation

- Staff stated reference to current provider tax discontinuing.
- Discussion on suggested language and two-year gap.
- Reference to whether the revenue is assumed in the pricing with a piece about it expiring. Suggestion to state it was not subtracted in recommendation.

Staff will revise draft and distribute for any last comments.

Steve Sharp reported on insertion paragraph, relating assistance from Gretchen Morley and Bill Kramer, Consultant, that included ERISA issues and to explain that in the risky economic environment companies and employees will be resistant to adding taxes to already high health care costs.

- Provides for 100% refund of a payroll tax imposed, with a 100% tax for nonparticipating employers.
- In clarification, it was related as similar to the offset credit for payroll tax of 0.25 to 1%, except that it would fully refund employers who offer a certain level of benefit.
- It was noted that this will reduce revenue raised and universal access would not be achieved.
- Suggestion that it needs more work.

- Debate on charter direction is to determine ways to fully fund. Skepticism related. Political reality stated as a reason for including a scenario on a partial funding.
- Suggestion to recognize conflict.

Chair Barnett **IV. Public Testimony**

- **Bruce Bishop, Oregon Association of Hospitals and Health Systems,** testified on current hospital tax being used for other purposes. Hospital Association has not taken a position on the HSTT. Suggestion to make it broad based.
  - Discussion with Committee members on how to make it broad-based, legislating tax, and voter reaction.

Chair Barnett **VIII. Adjourn**

Chair Barnett announced this was the last meeting but that the Board may ask them to reconvene, urged supporting Board's efforts. Staff was commended for their excellent work.

Meeting was adjourned the meeting at approximately 5 pm.

Submitted By:
Paula Hird, Office Specialist

Reviewed By:
Gretchen Morley, Director, OHPC

EXHIBIT MATERIALS

1. Draft Agenda
2. May 1 Minutes
3. Committee Feedback on Draft Finance Report
4. Draft Committee Report
5. Proposed report changes for discussion by Committee

DRAFT