OREGON HEALTH FUND BOARD – Finance Committee

April 3, 2008
1:00 am to 5::00 pm
(Digitally Recorded)

CCC- Wilsonville Training Center Room 111-112
29353 Town Center Loop E
Portland, OR

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

MEMBERS EXCUSED:
Denise Honzel
Andy Anderson
Judy Muschamp

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

ISSUES HEARD:

- **Call to Order**
- **Approval of Agenda and March 12 and March 19 minutes**
- **Updated: Finance Committee Work Plan and To Do List**
- **Draft Finance Recommendation Outline**
- **Continue development of recommendations**
- **Public Testimony**

(Digitally Recorded)

Chair Barnett **I. Call to Order**

Chair Barnett called the meeting to order at 1:12 p.m. There was a quorum.

Chair Barnett **II. Approval of Agenda and 03/12/08 and 03/19/08 Minutes (see Exhibit Materials 1, 2 and 3).**

- Reviewed meeting agenda.

Motion to approve minutes of 03/12/08 and 03/19/08 is seconded.
Motion passed unanimously.

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- Staff reviewed meeting materials including revisions to documents, Payroll Tax table and Health Services Transaction Tax (HSTT)
- Discussion on targeted funding needed from State and that amount will not be identified until modeling has been done.
- Concern whether there is coordination between the OHFB and the Department of Revenue (DOR) revenue restructuring task force.
- Do we have clarity from the Governor's Office regarding the Governor's Healthy Kids plan and how that may tie in to the Oregon Health Fund Board (OHFB) and to this Committee, specifically in relation to other types of taxes, noting that the Governor targeted another tobacco tax in his State of the State speech.
  - Staff noted that the third tax package scenario includes 20% coming from coming from other taxes such as a tobacco tax.
  - Discussion of the $550 million estimate from John McConnell's 2007 report for the Oregon Health Policy Commission and the billion dollars targeted by this committee relating it as being part of universal coverage.
  - Staff will obtain the Governor's Healthy Kids estimates and bring back to the group.

Chair Barnett/ Gretchen Morley **III. Updated: Finance Committee Work Plan and To Do List (See Exhibit Materials 4 and 5)**

- Work plan Overview presented by staff.
  - Finance Committee meetings scheduled for May 1 and May 29.
  - Staff will return with updated slide presentation on April 16.
  - May 1 revised slide presentation and a draft document of report to the Board and finalize at May 29 meeting.
  - Exchange Work Group's recommendations are scheduled for discussion on April 16. It was related that the Work Group will have its last meeting on April 30.
  - Staff reported that some results from the modeling will be available April 16 with more for May 1 and 29 meetings.
- To Do List (see Exhibit Materials 5)
  - Interest in addressing integration of cost shift immediately due to payroll tax impacts.
    - Staff related that John McConnell provided estimate of cost shift based on uncompensated care provided to the uninsured.
    - Staff is working to bring back a schematic on cost shift and how to explain it.
    - Suggestion to include under-compensated care, Medicaid, Medicare and Tri-Care in calculations.

Gretchen Morley **IV. Draft Finance Recommendation Outline (See PowerPoint presentation/Exhibit Materials 6)**

- Slide 3
  - Discussion of the tax credit for people with income 300-400% FPL. Staff related that it was part of the affordability recommendations from the Eligibility and Enrollment Committee (E & E). A summary of the recommendations from the E&E Committee included:
    - Adults up to 150% of the Federal Poverty Level (FPL) and families up to 200% FPL would receive state contribution with no individual cost sharing.
    - Up to 300% would receive partial state contributions.

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        - Between 300-400% FPL would receive a tax credit when premium cost is greater than 5% of income.
        - It was related that these recommendations are being used in the model.
    - There has been discussion about using the Exchange for 125 plans. Discussion of allowing multiple employer contributions in 125 plans.
- Slide 7: Reference "premium only plans" in Section 125 discussion
- Slide 11: Replace "politically feasible" with "broad public support"
- Slide 15-17: Proposed tax packages presented.
    - Change language on Tax Package #1 from "most or all" to "some or all."
    - Suggestion that package #1 would provide the most leverage to convert to employer-based insurance.
    - In response to question about other options that were considered by the Committee, will be part of "Committee Analysis of Revenue Options" (slide 14).
    - Discussion on how to proceed with tax packages and recommendations to the Board.
        - These are proposed tax packages being discussed but will have one main recommendation.
    - Previous scenarios included a tax package with a payroll tax under 50% of the total tax package is discussed.
    - Employers' role in paying for health care costs, fair distribution of revenue source and placing a health tax on many products discussed.
    - Debate on whether small employers are being penalized or not and large employers who limit hours of employees so they do not have to provide insurance (to be discussed further on straw plan).
- Slide 17: Interest in further developing tax package #3.
    - Tax Package 4 is to be 40% payroll tax/40% health services transaction tax/20% selected other taxes.
- Question that we should not be limiting ourselves in these packages but lay out the tax options and their impact and implications to present to Board for information and put forth a particular one.
- Slide 18: Straw proposal on payroll tax begins.
    - What should the base be in terms of payroll?
    - Discussion on cap and if it is appropriate. Initial agreement by Committee against having a cap. Further discussion raised issues for including a cap. Currently will continue without a cap. (Note: Social Security cap on wages is being modeled.)
    - Employer exemptions discussed. Consensus by Committee for no exemptions.
- Slide 19: Credits for employers who provide health coverage.
    - Discussion on what the right percentage would be.
    - ERISA law prohibiting imposing a requirement on employers to offer health insurance is discussed.
    - Discussion on whether partial credits should be part of package.
    - Full credit for what is spent is discussed. Difference of effects on higher wage and lower wage workers, as well as employers that pay over the threshold and will they discontinue amount over the threshold.
    - Preliminary Committee consensus for no threshold.
    - Staff will provide analysis to Committee.
- Slide 20: Agreed on as written.

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- Slides 21-23:
  - Exemptions discussed with concern for small non-profit agencies.
  - Support for exempting self-employed.

Chair Barnett **V. Continue Development of Recommendations**

Further discussions of recommendations included:

- Premium Tax
- Staff Review Panel on HSTT
- Further Payroll Tax development pending modeling results.
- Staff will work on how to stage.
- Provider tax (on next two agendas).
- Exchange and market reforms.

Chair Barnett **IX. Public Testimony**

Representative Tina Kotek thanked the Committee members for their efforts and urged that policy rationales be provided with the recommendations. Expressed support for the provider tax in order to get Federal matching dollars.

Chair **X. Adjournment**

The chair adjourned the meeting at 4:55 p.m.

Next meeting is April 16, 2008.

Submitted By:
Paula Hird

Reviewed By:
Gretchen Morley, OHPC Director

EXHIBIT MATERIALS

1. Draft Agenda
2. March 12 Meeting Minutes
3. March 19 Meeting Minutes
4. Updated Committee Workplan
5. Updated Committee To Do List
6. Power Point Presentation on proposed committee report outline.
7. Design Considerations – Payroll Tax
8. Design Considerations – Health Services Transaction Taxes
9. Comparison of three tax packages with rough estimates

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