

OREGON HEALTH FUND BOARD – Finance Committee

January 9, 2008
1:00pm (Digitally Recorded)

Portland State Office Building, Room 1B
Portland, OR

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

MEMBERS EXCUSED: Fred Bremner
Andy Anderson

OTHERS ATTENDING: Rick Curtis, Institute for Health Policy Solutions
Dr. Jonathan Gruber, Ph.D., MIT Department of Economics
(by phone)
Ed Neuschler, Institute for Health Policy Solutions (by phone)
Jeanny Phillips, Division of Medical Assistance Programs, DHS
Chris Allanach, Legislative Revenue Office (by phone)

STAFF PRESENT: Nora Leibowitz, Senior Policy Analyst
Gretchen Morley, Health Policy Commission Director
Barney Speight, Executive Director, OHFB
Alyssa Holmgren, Policy Analyst
Zarie Haverkate, Communications Coordinator

ISSUES HEARD:

- Call to Order
- Model Reform Financing Options (Rick Curtis by Telephone)
- Financing Principles
- Health Services Transaction Tax (Jeanny Phillips, DHS)
- Revised Finance Charter
- Payroll Tax
- Public Testimony

(Digitally Recorded)

Chair Barnett **I. Call to Order**
Chair Barnett called the meeting to order at approximately 1:30 p.m.
Chair announced the confirmation of Judy Mushcamp and Fred Bremner
to the Committee by the Health Fund Board (HFB).

Chair Barnett **II. Approval of Agenda and Minutes of December 19, 2007 (see Exhibits 1 and 2)**

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

Chair Barnett **III. Modeling Reform Financing Options (Rick Curtis by Telephone)**
Chair Barnett and Barney Speight provided background information on Rick Curtis, Dr. Jonathan Gruber and Ed Neuschler including their work with the State of Massachusetts and California health reform plans.

- Econometric model for cost estimation developed by Dr. Gruber will provide estimates of federal matching funds, employer contributions as well as what will be needed with state contributions. Will be entering Oregon data.
- Dr. Gruber provided an overview of the micro-simulation model he developed. The model takes data from policy recommendations and provides what effects the policy will have on costs to state, federal revenue, taxes, what people will have to pay on their own, and how changes in the insurance market affect the behavior of individuals.

Discussion/Questions

- Where would the data from Oregon come from? There are three options: 1) some states have their own surveys of the uninsured and Dr. Gruber uses that survey, requiring altering of model, 2) use what's available for state from Current Population Survey (CPS), and 3) can calibrate state survey data regarding specific areas and calibrate CPS data to state data.
- From this model can you identify the risk of the uninsured populations and then by poverty level?
- Can we obtain information on the assumptions that go into the model? Dr. Gruber answered that there are various write-ups of what is contained in the model and he would provide any needed detail.
- Does your model look at cross-subsidization or shifting of subsidization based on the policies? Only to some extent.
- Discussion on businesses and cost shifting.
- Can the model look at the effect of the payroll tax on the competitiveness of the state's businesses?
- Barney Speight added that there is a need to engage local economists to add to analysis, and discussed the need to answer the questions regarding the impact on Oregon business and competitiveness. He related that ECONorthwest does that kind of work on policy that involves taxation.
- Can we test out a number of things or would it be costly? Some are easier to change than others. For example, playing with the level of a subsidy would be very simple.
- Actuarial vs. economic modeling.
- How the exchange works, knowing what the basic structure of coverage is and what populations are going where is important for the model. Model will not give a clear choice but will give a framework.
- How will the tax piece work with model? It will do payroll tax, will estimate savings effects of 125 plans.
- It was noted that California has no rating within pool.

- What taxes on the Committee's list would have substantial interaction affects?
- The paradigm does assume that there would be a revenue stream to bring a large number of the uninsured into the Oregon Health Plan. The model helps in understanding the underlying costs of those above the Medicaid eligible.
- What are the deliverables needed from Finance committee? Jon will take from either CPS, CPS control 2, or local survey, which is the first step to work on that and will take a month. At that point, model will be ready to do estimates.
- What are the parameters, structural pieces of what is needed for Exchange workgroup? Discussion of an approach to bring back to have an informed discussion about how to form the scenarios.
- Dr. Gruber gave a rundown of the Massachusetts Connector and any pitfalls that should be avoided. Problems included people signing up quicker than anticipated as it is an affordable product.
- Dr. Gruber explained Commonwealth Care which is a program for those three times the FPL.
- Rick Curtis stated that they could provide a list of things that would be difficult to change and what should be decided initially and an example of a template for California.
- Barney Speight stated that there is not the resources nor is it valuable for the Committee's time to be spent creating a large number of possibilities. But it will provide what is reasonable.

Chair Barnett **IV. Financing Principles (see Exhibit 3.)**
No discussion.

Chair Barnett **V. Health Services Transaction Tax**
Jeanny Phillips, Deputy Administrator, Division of Medical Assistance Programs. (see Exhibit 6).

- Overview of the three areas of provider taxes on Medicaid/Managed Care plan tax on hospitals, and long-term care facilities and federal requirements that these taxes be broad based.
- Discussion about marking up costs to cover the taxes.
- Committee discussion of the three provider taxes and exceptions. Return of tax dollars back out to the providers an arrangement that is aggregate and federal requirements regarding matching funds.
- Discussion of the Oregon Health Policy Model that arrived at the \$550 million figure. Staff will provide a breakdown as requested by the Committee.
- Difficulties of monitoring return of money, some states use the revenue department. Minnesota's experience with broad based provider tax and use of revenue department. Possibility of contacting someone from Minnesota to answer questions.
- Concern expressed over the time line involved in starting the program and the possible problems for the Oregon Health Plan (OHP) as revenue will be decreased. OHP will be confronting a gap in coverage.
- Problems of a transaction and concern expressed about a high tax and what is viewed as a false assumption that the money will be returned.
- Does the broad based tax include safety net providers? Are there other exemptions?
- Discussion on removing the health transaction tax from the table and concern of removing it too soon.

- Discussion of other tax options. Income tax increase discussed with input from Chris Allenach, Legislative Revenue Office, provided input on tax increases.
- Standard benefit design has changed and staff can provide numbers in relation to Federal Poverty Levels (FPL).

Chair Barnett

VI. Payroll Tax

- Discussion of payroll tax and employer expectations some cost shifting in premiums.
- How to proceed? How much money we will need, get the exchange set up, expanding the Standard plan and how it will change.
- Need to identify the different ways and policy choices that a payroll tax can be implemented.
- The need to be accountable by being able to show cost shifts and the compensating impact to employers.
- Payroll tax will be discussed further at next meeting.
- Staff will do breakdown to provide to the Committee.

Chair Barnett

VII. Public Testimony

No public testimony was offered.

Chair

X. Adjournment

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

Next meeting is February 13, 2008.

Submitted By:
Paula Hird

Reviewed By:
Gretchen Morley, OHPC Director

EXHIBIT SUMMARY

1. Draft Agenda
2. Dec 19 Draft Minutes – Finance Committee
3. Financing Principles
4. Tax Assessment Criteria Matrix
5. Updated Revenue Options Table
6. Health Services Transaction Tax
7. Basic PIT Data