

**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

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- 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.**

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."

- 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 regarding 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 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

**THE OREGON HEALTH FUND BOARD – Finance Committee**

May 1, 2008  
11 am to 5 pm  
(Digitally Recorded)

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

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

**MEMBERS EXCUSED:** Judy Muschamp  
Scott Sadler

**STAFF PRESENT:** Gretchen Morley, Director, Oregon Health Policy Commission  
Nora Leibowitz, Senior Policy Analyst  
Jeanene Smith, MD, MPH, OHPR Administrator  
Sean Kolmer, Data and Research Manager, OHPR  
Alyssa Holmgren, Policy Analyst  
Judy Morrow, Assistant

**OTHER PRESENT:** Rick Curtis, Institute for Health Policy Solutions (by phone)  
Ed Neuschler, Institute for Health Policy Solutions (by phone)  
Ree Sailors, Health and Human Services Policy Advisor to the Governor

**ISSUES HEARD:**

- Call to Order
- Approval of Agenda and 04/16/08 and 04/17/08 minutes
- Finance Committee Work Plan
- Presentation of Exchange Recommendations
- Discussion of Proposed Summary of Committee Recommendations and Proposed "Business Case Document"
- Review Second Iteration of Modeling Results
- Public Testimony

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

- Chair Barnett called the meeting to order. There was a quorum.

- Char Barnett stated that staff will be moving toward a final draft of the report, to include areas of consensus with minority opinions, noting that due to different perspectives and timing there is not an expectation to reach full consensus on every issue.

**Chair Barnett      II.      Approval of Agenda and 04/16/08 and 04/17/08 Minutes (see Exhibit Materials 1, 2 and 3).**

**Motion** to approve agenda and 04/16/08 and 04/17/08 minutes is seconded. **Motion passed unanimously.**

**Chair Barnett/  
Gretchen Morley      III.      Finance Committee Work Plan (See Exhibit Materials 4)**

- Staff overviewed meeting materials including the Workplan.
- Pricing information from consultants generated after last meeting will be reviewed today.
- Chairs of other committees have been invited.
- Between now and the May 29 meeting, staff will distribute draft report and set up process for cataloging input for that meeting.
- As members have expressed wanting more detailed information sharing about the model, a small meeting is being planned.
- Chair urged members to provide feedback promptly as reports are circulated.

**Denise Honzel      IV.      Working Lunch: Presentation of Exchange Recommendations (See Exhibit Materials 5)**

Denise Honzel, Chair of the Exchange Work Group, presented report.

- Related the group's two assignments:
  - Make recommendations for reform in the individual market given the new reform parameters under the individual mandate; and
  - Develop a recommendation regarding why and how an exchange would work.
- Exchange as a market organizer.
  - Two options discussed: What the Exchange could do for Oregonians and who would use the Exchange.
  - Chair advised members that any questions/issues must be addressed now as he does not anticipate another Finance Committee discussion on the Exchange.
- Denise Honzel provided detailed information on the three levels of potential Exchange functions: Tier 1) Information, Enrollment and Administration; Tier 2) Benchmarking and Standards; and Tier 3) Rate Negotiation and Selective Contracting (would include levels 1 and 2). **(See slides 3-8).**
  - *Question: What assumptions follow from guaranteed issue?*
  - *Question: If an Exchange is put into place what does that mean for some of the entities doing similar work now?*
    - Some discussion on administration/financing, but not as to whether some units will get absorbed, should look at what other costs exist that can be used.
    - Concern expressed over adding another government bureaucracy.
  - *Question: Do you have a cost estimate on the Exchange?*

- Working on it but first needed to identify the functions and who would be in it. Staff related the cost will be influenced by how much the Exchange will do in terms of enrollment and eligibility and carriers' role.
  - *Question: Would Exchange funding be included in the taxation being considered or is there a separate funding mechanism?*
    - (Will be covered later in presentation). Subsidy administration should be funded through the State, but marketing administration/enrollment process should be paid for through premiums.
  - *Question: Would Exchange physically collect the premiums? Would the Exchange be an intermediary between insurance carrier and individual?*
    - Yes.
  - *Question: Would DHS OHP administrative costs go away with the Exchange as well as DHS administrative costs?*
    - Talked about using a central source for eligibility vs. individuals having to contact several agencies. Exchange might be public face, even if DHS does eligibility for OHP.
    - Current OHP participants would stay in that plan.
    - With increased Medicaid coverage – new enrollees would use existing OHP administrative structure. Benefits Committee recommendations for essential benefits would be a foundation that all individuals would have.
- Implications for an Exchange related (**see slide 9**).
- **Recommendation:** Exchange should operate at a strong Tier 2 level while retaining option for Tier 3 (**see slide 10**).
- **Recommendation:** Employer would be required to offer Section 125 if they do not pay 100% of employee sponsored coverage. This would require a change in the state and possibly federal tax law. Exchange would administrate; suggested debit cards could simplify administration.

### **Core Exchange Populations (slides 13-16)**

- Categories (A-D) of participants in the Exchange presented. Individuals receiving subsidy would be required to go through Exchange. Discussion on not including small group employers in Exchange. Workgroup was split on this issue.
- For employees not eligible for the employer's coverage, employers would decide whether the whole class of employees would all enter the exchange or buy outside the exchange. One possible option would be to let such employees but into employer plan (**see slides 12-15**).
- Voluntary participation for category E, approximately 200,000 who purchase insurance in individual market plus 40,000 now in portability and high risk pool (OMIP). Pros and cons are discussed (**see slide 16**).
- *Question: Are the payment rates to providers comparable to commercial?*
  - Assumption that it is an expansion of individual market and would be commercial rates.
- *Question: It seems with the insurers playing both inside and outside, it may be harder for the Exchange to drive value, whereas if the Exchange had control of the individual market, it would be*

*easier to drive the prices and other standards in the outside market.*

- The Workgroup seeks Finance Committee input on this issue.
- Denise related that in a dual market, the exchange competes with direct market and insurance division would have input on market.
- The extent to which adverse selection is an issue depends on benefits, the risk adjustor implemented, and who is driving the benefit requirements in and out of the Exchange. Adds complexity to manage it. Would like to receive feedback from Finance Committee.
- Continued concern and discussion over adverse selection and importance of risk adjusters.
  - *Question: How many participants in the categories?*
    - General Estimates: Categories A-D is approximately 90,000-150,000, E is 240,000, F is 265,000 and G is the balance. A through E would be approximately 350,000 and includes both uninsured and the currently insured.
- The Committee debated voluntary vs. mandatory individual involvement in the Exchange; suggestions to begin as voluntary (asserting that even voluntary would be a large number of participants). Discussed difficulties in reaching Tier 3 (negotiation and selective management), concern about utility of exchange if administering subsidiary programs only and difficulty in being able to project what will happen.
- Denise polled the Committee regarding voluntary vs. mandatory individual involvement in Exchange. Majority support was for this population was voluntary involvement at Tier 2.

### **Employer Group Participation (slides 17-20)**

- Four options presented: 1) Do not allow groups, 2) let small groups in exchange and merge with individual pool, 3) allow enrollment in exchange with separate pool for small groups; and 4) Merge micro-groups (2-9 employees) with individual market.
- Group market characteristics explained (e.g., guaranteed issue, one rate for all in a group, 3:1 rate band in small group market).
- Recommendation is to not allow in initially. Committee discussion on merging with small group and individual market vs. employer group-only options, including:
  - Blending market, complexities, market disruption, unpredictability of impact on small employers, adverse selection, current changes to laws regarding small employers; and the need to study further;
  - Small employers currently often only have access to a single plan. Exchange providing more options; and
  - Concern regarding losing employer contribution when employees leave group coverage for individual market/subsidies.
- Memo presented from Cory Streisinger, Director, Department of Consumer and Business Services, in reviewing options for enrollment of groups in an exchange, noted complexities, was more comfortable with establishment of separate risk pool for small groups.
- Flag small employers' group insurance issue for future discussion.
  - *Question: Would employees of small employer be eligible for subsidy?*
- Overall vision unclear making it tough to make decisions.

- Exchange product will compete with a group product; concern that individual product choices will be more expensive than group choices.
- Concern that the Exchange product could be higher rated than group product outside the Exchange.
- Look at covering individuals in the Exchange as a group product.
- Denise related that the Committee's comments will be incorporated into the recommendation and then circulated for further input.

Chair Barnett/  
Gretchen Morley

V. **Discussion of Proposed Summary of Committee Recommendations and Proposed "Business Case" Document (See Exhibit Materials 6,7)**

Chair Barnett overviewed the document relating that it was to be used to "capture the position of the Committee" including identifying areas where there is not a consensus.

- Page 1, 3<sup>rd</sup> and 4<sup>th</sup> paragraphs discussed:
  - Cost issues on the feasibility of providing universal access and public approval discussed, as well as needing additional funding and redirecting health care funds.
  - Suggested use of "significantly expanded access" instead of "universal access" and optimizing federal dollars.
  - Suggestion to combine paragraphs 3 and 4.
  - Question of whether "enhanced quality" can be accomplished in addition to "reduced costs." Suggestion that more details are needed to identify how much can be saved by system reform. Chair Barnett responded that the Delivery Systems Committee has been charged with issues on driving employers out of Oregon.
  - What percentage will we charge employers for payroll tax?
  - *Question: Who will look at the adjustments that need to be made in the future?*
    - The Oregon Health Fund Board (OHFB) as it develops its plan.
- Page 1, 5<sup>th</sup> paragraph
  - Last sentence – Language suggestion: "required new revenue" to "available new revenue." "Predominant source," not "major."
- Page 2, Scope of Payroll Tax cap debated.
  - Majority consensus was to have a cap at twice the Social Security limit (approximately \$200,000).
- Page 2, Building Incentives for Employer Participation
  - In preference to a payroll tax with a health services transaction tax (HSTT) some members prefer to see a higher payroll tax rather than having a transaction tax.
  - Some members would prefer to see changes funded 100% by payroll tax with discussion on receptiveness to payroll tax.
  - Portion of tax paid by all employers of approximately .25 to .5% and whether it should be higher.
  - Need for clarification of "dollar-for-dollar" credit.
  - Last sentence regarding "per-employee, per-hour-worked," staff related that it would not be included in modeling and is conceptual. Clarification discussed and relation to San Francisco model.
- Page 2 - Health Care Services Transaction Tax
  - Cost shift and whether tax would be a pass-through or not were discussed (gross revenue tax vs. pass-through tax).

- Discussion on capturing the cost shift from revenue generated through expanded coverage with counter-argument that many hospitals/ providers will not experience significantly added income.
  - Related that overall access proposal will not eliminate the cost shift that comes from low Medicare/Medicaid payments.
  - Cost shift being addressed here is regarding uninsured. Hospitals affected more than other providers.
  - There is no way to assure that reduction in uncompensated care would lead to reduction in commercial premiums.
- Should cost be absorbed by the market or should tax be a line item add-on to health services bill (somewhat like a sales tax).
- Concern that it is not sustainable over time, will need to have a transparent examining to insure that rates drop.
- **Appendix H – Estimating the Cost Shift and the Business Case**
  - Staff overviewed document. John McConnell’s work on undercompensated care used. Business case and flow chart on page 4 related. Have not yet identified how to capture savings under reform, a formula or other transparency measure or evaluative component.
  - Diagram does not include “pass through.”
  - Charging non-contributing employers for cost shifts. Look at those who are paying and identify how much of it is cost shift.
  - Political challenge discussed.
  - Chart discussed. Left arrow that goes back to top should really come off of the reduced provider rates charged to private insurers. Flows described may or may not happen. Need to identify there will be a mechanism between reduced provider uncompensated care and reduced provider rate on captured savings. Change chart to include box (even if it is empty when given to the OHFB).
  - Transparency discussed as a starting point; information on write-offs for charity/bad debt/net income is publicly available.
    - Mechanism for transparency and monitoring would increase public acceptability of overall reform.
    - May happen over time but not in a “line-of-sight” way.
    - Need to show the path to savings; staff suggested that Board should be told about need for a mechanism.
  - Chair polled members about preferred percentage, if any, of HSTT as a component for funding.
  - Draft report will be revised to reflect Committee input.

Sean Kolmer /  
Rick Curtis /  
Ed Neuschler

**VI. Review Second Iteration of Modeling Results  
(See Exhibit Materials 8a,b)**

Sean Kolmer, OHPR Research Manager, reviewed document *Comparison of Three Payroll Tax Models* and provided slide presentation *Modeling Results for Straw Plans A, A1 and A2* with inputs from modelers Rick Curtis, Institute of Health Policy Solutions (IHPS) and Ed Neuschler of the Institute of Health Policy Solutions.

- Contribution threshold and what counts as employer sponsored coverage:
  - Employees with access to employer sponsored coverage with employer contribution below 50% for employee and below 25%

- for families may obtain an Affordability Waiver to allow the individual mandate. Waivered person would not have to buy coverage. Discussed whether 25% for families is too low. **(See Exhibit Materials 8b.)**
- *Question: How many would be exempt from the mandate?*
    - Estimated 38,000 will qualify for affordability waiver.
    - Rick Curtis related that there would be adverse selection by this population but it is small in comparison to total population under mandate. Equity concerns are the big concern.
    - 85% mandate effectiveness assumptions of 85% is calculation of impact of mandate on people who do not voluntarily take up in response to incentives.
  - *Question: What percentage of total population will take up insurance?*
    - Rick Curtis replied it would be approximately 96%.
  - Straw plans include sliding scale contributions based on federal poverty level/
  - Per member/per month amounts based on current market data in collaboration with Rick and Ed, James Matthison and staff.
    - *Question: Is the premium cost used the average plan that everyone will have or is that the base?*
      - Rick Curtis responded that the analysts are still working with plug-in numbers as essential benefit plan has not been determined or priced. The estimate premium is based on \$2,500 deductible plan.
  - Summary table of State Costs at different payroll tax labels presented, noting not much change in OHP (public coverage), but changes in new Exchange costs as tax increases. Includes State revenue loss.
    - Maxing out federal match is not addressed at this time due to several factors.
  - Coverage status before and after reform **(See slide 7)**. Range indicates first number is from the strict Gruber model. Second number is Rick/Ed's attempt to show impact with additional crowd out. High end estimate of what might happen. The plan numbers are in addition to current spending.
  - Costs for all three scenarios and fluctuation due to policy changes presented **(see slides 8,9)**.
  - Discussion of effect of doubling nonrefundable piece of payroll tax.
  - *Question: Would moving above that tweak the modeling more?*
    - Rick Curtis answered that it would and the order of magnitude should be right.
    - Under 1% would be negligible.
  - Percentage change in employer spending and State costs under the 3 scenarios presented **(see slides 11, 12)**.
  - Summary of State Costs and Needed Revenue.
  - *Question: Where is the real sensitivity? Can you point to a variable that is the primary driver? Is it the PMPM?*
    - Rick Curtis related it is mostly contribution differences from participants and premiums; the only change from A1 to A2 is FPL at which subsidies end (250% vs 300%).
    - Ed Neuschler related that in A1 vs. A, individual contributions go up by \$80m, total cost down by \$300m. This is largely due to

- PMPM assumption difference, also fewer people in Exchange due to change in subsidy group (although they get tax credit).
- Ellen Lowe, Eligibility and Enrollment Committee Chair, related concern of relationship between what has been done and the benefit structure because 300% FPL does not allow folks disposable income.
  - Caution on assertion that payroll tax encourages employers to provide coverage may be more limited than originally estimated.
  - Does information on slide 4 change people's previous vote?
  - Combinations of payroll tax and nonrefundable tax discussed.
  - *Question: Do you model what the impact is on the business?*
    - Dr. Gruber is a labor and health economist and generally assumes that contributions come out of wages.
  - *Question: Last time, you described a San Francisco-like notion of evaluating what employers had to pay on the tax and you were going to play with that, but it was a variance, was that done?*
    - Described approach in general terms. Have been working on this with Gruber on it but it has not been vetted.
  - Chair Barnett thanked the presenters.
  - Discussion on finding a way through cost to incentivize healthy choices and lack of this approach in current plans stated.
  - Concern related that other committees are charged with incentives for system improvements and this committee does not have a way of capturing the effects of that work on cost.

**Chair Barnett VII. Public Testimony**

- **Doug Barber**, Eugene-based lobbyist, comments as a member of a small employer. Says requirement that employer pay for employee's coverage fails to address situation of family coverage through another member of the family. In Eugene, many of the biggest employers provide family coverage. Suggests exemption of payroll tax for those companies whose employees are covered through spouse or other family members insurance.
- **Kevin Earls**, Oregon Association of Hospital and Healthcare Systems, presented data slides regarding the cost shift. Support for general design of Exchange expressed on behalf of the Association. Hospital tax and Medicaid managed care tax are due to sunset in October 2009. Testified to the need to replace these funds with input on some options. Staging and short term priorities that could be the focus of immediate program.

**Chair Barnett VIII. Adjourn**

Chair Barnett adjourned the meeting.

**Next meeting is May 29, 2008.**

Submitted By:  
Paula Hird

Reviewed By:  
Gretchen Morley, Director, OHPC

**EXHIBIT MATERIALS**

1. Draft Agenda
2. April 16 Minutes
3. April 17 Minutes
4. Updated Committee Work Plan
5. Slide Presentation on Exchange Recommendations
6. Proposed Summary of Committee Recommendations
7. Proposed Business Case Appendix for Committee report
8. Modeling Results:
  - a. Slide presentation on second modeling results
  - b. Comparison of Three Payroll Tax Models

**OREGON HEALTH FUND BOARD – Finance Committee**

April 17, 2008  
3:00 to 5:00 pm  
(Digitally Recorded)

General Services Bldg., Neahkanie Room, 1<sup>st</sup> Floor  
1225 Ferry Street SE  
Salem, OR

**MEMBERS PRESENT:**  
**(ALL BY PHONE)**  
Kerry Barnett, Chair  
John Wocester, Vice Chair  
Andy Anderson  
Peter Bernardo, MD  
Fred Bremner, DMD  
Aelea Christofferson  
Terry Coplin  
Jim Diegel  
Cherry Harris  
Denise Honzel  
John Lee  
Laura Etherton  
Lynn-Marie Crider

**MEMBERS EXCUSED:**  
Steve Doty  
Laura Etherton  
David Hooff  
Judy Muschamp  
Scott Sadler  
Steve Sharp

**OTHERS ATTENDING:**  
**(ALL BY PHONE)**  
John Britton, LFO  
Rick Curtis, Consultant  
Ed Neuschler, Consultant (by phone)  
Ree Sailors, Governor’s Office

**STAFF PRESENT:**  
Gretchen Morley, Director, Oregon Health Policy Commission  
Nora Leibowitz, Senior Policy Analyst  
Barney Speight, Executive Director, OHFB  
Sean Kolmer, Data and Research Manager, OHP  
Alyssa Holmgren, Policy Analyst  
Tami Breitenstein, Executive Assistant

**ISSUES HEARD:**

- Call to Order
- Initial Reform Modeling Results

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**Chair Barnett      I.      Call to Order**

Chair Barnett called the meeting to order at approximately 3:00 p.m.

Rick Curtis /  
Ed Neuschler

#### IV. Initial Reform Modeling Results

The Finance Committee met via conference call with Rick Curtis and Ed Neuschler, modeling consultants, to continue discussions from the April 16 meeting.

##### *Discussion:*

- Concern voiced that modeling numbers might be too low. Massachusetts model assumed all covered people have equal access to care, and yet it has shown a bottleneck to care and overwhelmed the system. Also insurance premiums rose sharply which was not predicted and expected system savings around free care didn't occur. State also made large Medicaid payment increases to hospitals which increased Medicaid costs. Have these factors been taken into account in Oregon's initial modeling to reflect the whole picture?
- Discussion of concerns with consultant: In Massachusetts, there were large Medicaid provider payment increases which were costly to free up charity care fund. Is it true that enrollment for subsidized population has been running ahead of projections, more so than non-subsidized enrollment. Enforcement for mandates doesn't take effect until this year. Premium increases in individual market and non-subsidized premiums went up slightly but still within projected amounts. Massachusetts did undercount the uninsured, and not sure if projections were based on CPS. Did not include estimate for changes in provider payments under Oregon Health Plan in the current modeling.
- Is Delivery Committee modeling/considering provider access?
- Governor's office is aware of this and working with Senator Morse and the Workforce Institute to create database on healthcare workforce, to require survey be filled out with certification, and are working with community colleges and the education systems, to increase healthcare workforce (doctors, pharmacy, nurses, etc.).
- Reminded that data provided yesterday is very "preliminary" especially PMPM. Ed Neuschler stated that model estimates are conservative.

Discussed new numbers related to Payroll Tax based on yesterday's Finance Committee request:

- Modeling question: How many employees will be newly covered by their employers when the payroll tax is raised from 5% to 6%, 7%, or 8%? With a 5% payroll tax, 20,000 more employees and their dependents will be newly offered coverage. With a 6% tax, 23,000 additional employees will be offered coverage. At 7%, 30,000; and at 8%, 36,000 employees and dependents will be newly offered coverage from their employers.
- State costs decrease by going to 8%, but 72% of the decrease from the 5% scenario to the 8% scenario comes from increased employer contributions, not changes in firms' behavior.
- Difficult politically to sell an 8% payroll tax. Chair suggested need to push forward with most rational plan and state reality of how to pay for reform
- Staff will send numbers out to full committee to review.

- What variables should be adjusted for next iteration of model, i.e., which lever to move the bottom line?
  - Premium assumptions,
  - Affordability assumptions, and
  - Moving the upper eligibility threshold for sliding scale subsidy to 250% FPL from 300% FPL and moving those from 250% to 300% to the tax credit approach (250% to 400%). This will save a considerable amount.
- Premium assumptions: The big expenditures are for the sliding-scale population for whom it's not safe to assume the federal match dollars. If assume less generous benefit plan, a slightly lower administrative loading factor, and a network-based reimbursement level to physicians rather than the highest level broad network, this could bring the premium down for a 42-year-old from \$355 to \$300. Would be realistic and would generate considerable savings.
- Would also reduce crowd out.
- Straw Plan A1 version of the model proposed to show the other end of the cost spectrum.
  - Set the premium inside the exchange (non-OHP) at \$300 for sliding-scale population.
  - Change sliding-scale contribution schedule: Instead of contributing a maximum of 5% of family income, those from 200-250% FPL would contribute up to 6% of their incomes. Those from 150-200% FPL would contribute a maximum of 3%. Those from 100-150% FPL would still contribute 0%.
  - Tax credit eligibility would then be 250-400% FPL with a sliding maximum of 6% of income spent.
  - Consultants to model this.
- Two Tier Approach: Scenario B of model was discussed earlier by this group but hasn't been modeled yet. A two-tier idea which has employers' spending on health services tested against 5% payroll tax as well as a per-worker/per-hour tax. This would address part-time workers. Rick Curtis stated that this approach has been challenged in California; however it was a higher amount than the 50 to 75 cents being proposed here. Oregon Department of Labor does have hourly data so could model this.

**Chair**

**X. Adjournment**

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

**Next meeting:**

May 1, 2008, 11 am – 5 pm, Wilsonville Training Center, Room 111-112, Wilsonville, OR

Submitted By:  
Zarie Haverkate

Reviewed By:  
Gretchen Morley, OHPC Director

**OREGON HEALTH FUND BOARD – Finance Committee**

April 16, 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 Wocester, Vice Chair  
Andy Anderson  
Peter Bernardo, MD  
Fred Bremner, DMD  
Aelea Christofferson  
Terry Coplin  
Lynn-Marie Crider  
Jim Diegel (by phone)  
Steve Doty (by phone)  
Laura Etherton  
Cherry Harris  
Denise Honzel  
David Hooff  
John Lee  
Scott Sadler  
Steve Sharp

**MEMBERS EXCUSED:** Judy Muschamp

**OTHERS ATTENDING:** Jonathan Ater, OHFB Member  
Marcus Mundy, OHFB Member  
Rick Curtis, Consultant  
Bill Kramer, Consultant  
Ed Neuschler, Consultant (by phone)

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

**ISSUES HEARD:**

- Call to Order
- Approval of Agenda and April 3 minutes
- Finance Committee Work Plan Update
- Initial Reform Modeling Results
- Draft Finance Recommendation Outline v.2
- Public Testimony

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**Chair Barnett**      **I. Call to Order**  
Chair Barnett called the meeting to order at 1:12 p.m. There is quorum. Oregon Health Fund Board was invited to today's meeting. Jonathan Ater and Marcus Mundy were able to attend.

- Chair Barnett**      **II. Approval of Agenda and 4/3/08 Minutes (See Exhibit Materials 1 and 2)**
- Reviewed meeting agenda. Change in 4/3/08 Minutes on page 3, to insert "Preliminary" in third to last sentence to read, "Preliminary committee consensus for no threshold."
- Motion** to approve minutes as amended above of 4/3/08 is seconded.  
**Motion passed unanimously.**
- Gretchen Morley**      **III. Finance Committee Work Plan Update (See Exhibit Material 3)**
- Work plan overview presented by staff.
  - Conference call has been scheduled April 17, 3-5 pm to continue modeling discussions with consultant Rick Curtis.
  - Two additional Finance Committee meetings will be scheduled in May to complete the work of the Committee.
    - Discuss technical details of model
    - Hear recommendations from Exchange Work Group
- Rick Curtis / Ed Neuschler**      **IV. Initial Reform Modeling Results (See PowerPoint presentation/Exhibit Material 4)**
- Rick Curtis, Ed Neuschler (by phone), Nora and Alyssa gave a slide presentation of the initial modeling results.
  - Slide 1: Decided to use Oregon data from the national Current Population Survey (CPS) for modeling. May not reflect enrollment in public and private insurance and people not accurate sometimes in identifying this.
  - Slide 3, last bullet discussion: Problem is not tax credit the problem is what you can get credit for. Need to be defined broadly for ERISA.
  - Slide 4: Unknown what federal match will be approved. We used scale of 150 adults FPL and 200 families FPL (moderate assumption). No way to know what 2009 federal administration in 2009 will allow.
  - Slide 5: Individual mandate effectiveness – 85% for employees and dependents; 70% for all other.
  - Slide 6: Affordability tax credit – assumes people able to access 125 Plan. Health plan used assumed a \$2,500 deductible. Cost of policy 40-44 year olds for policy at \$261 estimate per month per member (PMPM).
  - Used 2010 for modeling implementation date.
  - Slide 11: Anyone over 65 not included in chart or undocumented people.
  - Slide 12: 64,000 have coverage now, 70,000 newly take up coverage.
  - Steve Sharp proposed that if you raise the tax, it would lessen the chance for crowd out. Rick Curtis stated it would mean the tax would be very high, which might pose an ERISA issue.
  - The payroll tax proposed so far would only pay for 50% of the modeled amount needed. Need to look at capacity to raise rest needed.
  - Lynn-Marie may have information on the undocumented population that she would share with Rick.
  - John Lee stated that the OHP provider tax will soon be unfunded and it isn't included in the modeling. Needs to be addressed.

- The Committee would like Rick to model Payroll Tax and what would happen with a change in rates if it were 6, 7, and 8%.

**Chair Barnett /  
Gretchen Morley**

**V. Draft Committee Recommendation v.2 (See Exhibit Material 5 - 8)**

Gretchen Morley presented proposed recommendations from the Finance Committee to the Oregon Health Fund Board based on work of the Staff Review Panel.

***DISCUSSION***

- Possible option for HSTT would be to tax profits vs. gross receipts to employers so that the tax would be based on ability to pay.
- Possible con to this approach is that it would be very expensive to private practitioners who don't have negotiating power of larger organizations. May be a disincentive if tax income (profits) for practicing in Oregon.
- Con - HSTT is another hidden cost if not explicitly on bill.
- Need to get Federal match. HSTT is awkward. May want to have 100% payroll tax. Need to look at how to implement in steps.
- Concern that 100% payroll tax will hurt small employers.
- Chair polled members for preference for development of draft recommendations.

Chair will work with Gretchen to capture language that reflects input from members. After funding piece determined, greatest challenge will be to rearrange delivery system to contain costs with the goal to have a world class health care system. "Frontline" TV special tonight will discuss health care reform in other countries.

- Further Payroll Tax development pending modeling results.
- Staff will work on how to stage.
- Health services transaction tax.
- Exchange and market reforms.

**Chair Barnett**

**IX. Public Testimony**

No public testimony was requested.

**Chair**

**X. Adjournment**

The chair adjourned the meeting at 5:15 p.m.

**Upcoming meetings:** Conference call from 3-5 pm on April 17, 2008, and May 1, 2008 meeting from 11 am – 5 pm.

Submitted By:  
Zarie Haverkate

Reviewed By:  
Gretchen Morley, OHPC Director

**EXHIBIT MATERIALS**

1. Draft Agenda
2. April 3 Meeting Minutes
3. Updated Committee Work Plan
4. Preliminary modeling results for "Straw Plan A"
5. Finance Committee Recommendations v. 2
6. Design Considerations – Health Services Transaction Tax
7. Design Considerations – Payroll Tax
8. ERISA Primer Slides

These minutes are in compliance with Legislative Rules. Only text enclosed in italicized quotation marks reports a speaker's exact words. For complete contents, please refer to the recordings.

**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

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**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** (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.**

- 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.

- 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.

- 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

**OREGON HEALTH FUND BOARD – Finance Committee**

March 19, 2008  
1:00 am to 5:00 pm  
(Digitally Recorded)

Port of Portland Commission Room  
121 NW Everett Street  
Portland, OR

**MEMBERS PRESENT:** Kerry Barnett, Chair  
John Wocester, Vice Chair  
Andy Anderson  
Peter Bernardo, MD  
Fred Bremner, DMD  
Aelea Christofferson  
Terry Coplin  
Jim Diegel (by phone)  
Steve Doty  
Cherry Harris  
Denise Honzel  
David Hooff  
John Lee  
Judy Muschamp  
Scott Sadler  
Steve Sharp

**MEMBERS EXCUSED:** Lynn-Marie Crider  
Laura Etherton

**OTHERS ATTENDING:** Ree Sailors, Health Care Policy Advisor to the Governor  
Eileen Brady, OHFB  
Bill Kramer, Consultant

**STAFF PRESENT:** Gretchen Morley, Director, Oregon Health Policy Commission  
Nora Leibowitz, Senior Policy Analyst  
Jeanene Smith, MD, Administrator  
Barney Speight, Director, OHFB  
Tina Edlund, Deputy Administrator  
Alyssa Holmgren, Policy Analyst  
Zarie Haverkate, Communications Coordinator  
Sean Kolmer, Data and Research Manager

**ISSUES HEARD:**

- Call to Order
- Approval of Agenda and March 12 minutes
- Updated: Finance Committee Work Plan and To Do List
- Discussion: Section 125 plans
- Health Insurance Exchange and Market Reform Workgroup
- Public Testimony

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

Chair Barnett called the meeting to order at 1:15 p.m.

- Chair Barnett      **II. Approval of Agenda (See Exhibit Material 1).**
- Overviewed meeting agenda and materials.
- Chair Barnett/  
Gretchen Morley      **III. Updated: Finance Committee Work Plan and To Do List (See Exhibit Materials 3 and 4)**
- Work plan for upcoming meetings is reviewed by staff.
  - Email will be sent to schedule a May meeting as the results of the model will not be available until the meeting on April 16.
  - Staff will invite the Board to meeting on April 16 Finance Committee for input on market reform change.
- Chair Barnett/  
Gretchen Morley      **IV. Discussion: Section 125 plans (See Exhibit Materials 5)**
- Staff provided background information on Section 125 plans including information from the Massachusetts Connector.
    - Related information on small businesses, premium-only-plans (POP), and Massachusetts experiences with requirement.
    - Results from a survey of Massachusetts employers regarding Section 125 plans will be published in April.
    - Question asked if there is a custodial body set up to collect and discharge the money and how it works for the Connector. Discussion on employers and POPs, payments, utilizing the exchange, and mandating 125 plans.
  - Discussion on mandating employers.
  - Suggestion to structure recommendation to the board by coupling parameters with principles.
  - Proposal developed:
    - Goal is to extend the benefits of Section 125 Plans to as many Oregonians subject to the individual mandate as possible.
    - All employers will establish Section 125 Plans for their employees.
    - The only exemption is for employers with employees enrolled in Taft-Hartley plans with fully employer-paid premiums.
    - No employee exemption, as employee participation in a 125 Plan is voluntary.
    - The state must do a good job informing employers about the benefits of Section 125 Plans for employees and employers.
    - Complaint-based compliance system.
- Denise Honzel/  
Nora Leibowitz      **V. Health Insurance Exchange and Market Reform Workgroup**
- Denise Honzel presented "Regulatory Changes Necessary in a Reformed Health Insurance Market" (**See Exhibit Materials 6/Power Point Presentation**).
- Provided information on Oregon's insurance market including:
    - Individual market
    - Oregon Medical Insurance Pool (OMIP). It was noted premiums are capped at 125% of the individual market average.
    - Portability.
    - Oregon's small group market, rating factors and bands.
  - Goals for market reform, two options for achieving these goals and Exchange Workgroup recommendations were presented.
  - Modeling needs to be completed to test impacts.

- Discussed eliminating OMIP, dealing with costs in the individual market and the Work Group recommendation to *"Make the Individual Insurance Market a Single Risk Pool"* that would include existing, new, portability and OMIP.
- Question regarding if the small group pool could be combined with individual market pool.
- Recommendations for OMIP enrollees to transition into main individual market.
- Administration, collection and disbursement of premiums discussed.
- Discussed need to minimize adverse selection.
- Continued discussion on high risk pool.
- Additional issues discussed: treatment of self-employed, rating rules, essential services benefit and tiers, and application of guaranteed issue.
- Would there be a federal match for some individuals in the exchange? State will seek to maximize federal match. If state gets approval for match above 150% FPL, it would likely seek match for premiums paid on behalf of some people getting insurance through the exchange.
- What is the advantage of benefit tiers over carriers creating products? Risk management discussed. Concern expressed and discussion over specific tier requirements above the essential services benefit over product design.
- Transition period, individual mandate, penalties for non-compliance, possible avenues for enforcement (e.g., DOR, DMV, etc.) and enforcement costs.
- Employer involvement will minimize cost of enforcing individual mandate. Staff related that data is available in this area.
- How many of the uninsured are employed?
- Without enforcement of individual mandate then guaranteed issue will not work.
- Enforcement is needed to prevent uninsured becoming covered only when help is needed.
- ERISA and laws prohibiting mandate on employers.
- Discussion on if there is a current mechanism for enforcing or if additional bureaucracy would be needed.
- Penalties for non-compliance and Work Group recommendation of penalty of 50% of the annual benchmark premium, use of incentives were discussed.
- 100% of annual premium as a penalty is suggested and mechanisms for connection were discussed.
- Tracking addressed by using various automated and integrated databases to identify those not insured. Will be incremental process with strong incentive at front end.
- Transition of moving to the new system, including gradual OMIP integration.
- Overview of Exchange Workgroup recommendations on necessary regulatory changes.
- Reduction in cost shift should offset the increased medical loss ratio.
- Essential benefit package will include dental.

Denise Honzel presented a further update on the exchange. **(See Power Point Presentation)**.

- Definition of the exchange.
- Categories of participants.

- Required and voluntary use of the exchange.
- Pros and Cons of small group, medium and large group (ERISA and employer cannot be mandated) employees as part of the exchange.
- Discussion on community based rates.
- Tiered functions of exchange.

**Chair Barnett IX. Public Testimony**

- No public testimony provided.

**Chair X. Adjournment**

The chair adjourned the meeting at 4:47 p.m.

**Next meeting is April 3, 2008.**

Submitted By:  
Paula Hird

Reviewed By:  
Gretchen Morley, OHPC Director  
Nora Leibowitz, Senior Policy Analyst

**EXHIBIT MATERIALS**

1. Draft Agenda
2. March 13 Meeting Minutes – Finance Committee
3. Workplan Overview
4. Finance Committee Master To Do List
5. Section 125 Plans
6. Exchange Workgroup Market Reform presentation

**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

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**Chair Barnett      I.      Call to Order**

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

Changes since the publication of the Oregon Health Fund Board's (OHFB) March Newsletter were related 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, second 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 have been added to 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.

- 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 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 an interest in exempting small employers.
- Discussion on obtaining self-employed data from Social Security Administration and coverage of that group.

- 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 decenterize incoming business.
- Oregon’s ranking in State Taxes per Capital, FY2005 (**See Exhibit Materials**) were compared noting that in taxes per person, Oregon ranked low, but in state income taxes were 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 Specialist

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

**OREGON HEALTH FUND BOARD – Finance Committee**

February 29, 2008  
8:40 am  
(Digitally Recorded)

Wilsonville Training Center, Rooms 111/112  
Wilsonville, OR

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

**MEMBERS EXCUSED:** Fred Bremner, DMD  
Terry Coplin  
John Lee  
Judy Mushcamp

**OTHERS ATTENDING:** Scott Leitz, Assistant Commissioner, Minnesota Department of Health (by phone)  
Bill Kramer, Consultant  
Eileen Brady, OHFB member (by phone)

**STAFF PRESENT:** Gretchen Morley, Director, Oregon Health Policy Commission  
Nora Leibowitz, Senior Policy Analyst  
Jeanene Smith, MD, Administrator, OHPR  
Tina Edlund, Deputy Administrator, OHPR  
Barney Speight, Executive Director, Oregon Health Fund Board (by phone)  
Sean Kolmer, Research and Data Manager, OHPR  
Nate Hierlmaier, Policy Analyst  
Alyssa Holmgren, Policy Analyst  
Zarie Haverkate, Communications Coordinator

**ISSUES HEARD:**

- Call to Order
- Approval of January 13 minutes
- Work Plan and To Do List
- Minnesota Health Transaction Tax
- SB 329 Modeling
- Developing Committee Recommendations
- Public Testimony

**Chair Barnett I. Call to Order**

Chair Barnett called the meeting to order at approximately 8:40 a.m.

**Chair Barnett II. Approval of Agenda and Minutes**

**Motion** to approve minutes from February 13, 2008, is seconded.

**Motion passed unanimously.**

**Gretchen Morley III. Finance Committee Work Plan and To Do List (see Exhibits 3 & 4)**

- Reviewed the work plan that will be updated and provided at each meeting. Let staff know of any additional items for the work plan.
- Next meeting planning to have Chris Allanach, with the Legislative Revenue Office, available to discuss income tax options. Will plan to go through the Exchange Work Group's recommendations at one of the March meetings.
- The Board will need Finance Committee's report by the end of April/middle of May at the latest in order to give the Board time to review and incorporate into their report to the Legislature. Finance Committee should have clear direction on issues by mid-April so when modeling information received, they can make any adjustments to their report to the Board.
- Eileen Brady, OHFB member, would like to integrate into the existing meeting schedule a work session with the Board and Finance Committee prior to Finance Committee's report. Staff will work on arranging this.
- OHP staff is working with Chris Allanach in the Legislative Revenue Office to align the work of this Committee with the Governor's Revenue Restructure Task Force.
- Reviewed the To Do list, and added:
  - Market reform issues
  - Cost share (Barney stated that this issue may involve several committees, including Benefits Committee.)
  - Integrate cost savings identified by Delivery Systems Committee
  - Need for integration of other modeling (i.e., benefits/actuarial)
  - Look at how to recapture dollars in cost shifts or positive payment projections based on shifting delivery systems

**Scott Leitz IV. Minnesota Health Transaction Tax (see Exhibit 10)**

- Scott Leitz provided an overview of the Minnesota Health Transaction tax (provider tax) passed in 1992 as a 2% tax to health providers, and a 1% tax to HMOs and Blue Cross.
- For FY 08, tax generated \$430 million from the provider tax (Medicare excluded) with an expected \$520 in FY 11. Premium tax around in \$75 in FY 08 and around \$90 million in FY 11.
- Some of the tax revenue goes to research, rural health care programs, work force studies, enrollment and tax collection, as well as to fund grants for rural initiatives. On occasion the fund runs surpluses that are used to fund other purposes on a one time basis (i.e., high risk pool).
- Tax is a pass-through mechanism. Providers who are taxed under the provider tax at 2% are allowed under law to pass that on to 3<sup>rd</sup> party payers and there is some loose enforcement language in state statute that requires health payers to recognize the tax pass through. So

provider adds it to rates and 3<sup>rd</sup> party provider are required to pay the tax. There's some controversy with providers whether they pay tax or are pass-through mechanism. For example, on a \$10,000 bill there would be a separate line item at the bottom of the bill saying provider tax \$200, and final bill would be \$10,200. The tax is not rolled into the rate but added in as a line item.

### ***Discussion / Questions***

- The premium tax is on just licensed insurers? Is there anything that captures those dollars with self insured folks? There's a distinction between provider and premium taxes. 1% premium is placed on state licensed health carriers (HMO and Blue Cross), 1% does not apply to self-funded plans. The market is about a 60/40 split, with 60% self insured and 40% fully insured so the 1% tax only applies to the 40% fully insured market. The 2% tax is paid for by the entire market and includes the HMOs and nonprofit health carriers, the Blue Cross carrier and the state would need to pay the pass through but also the self-insured plans in the state would need to pay the pass through.
- Why wasn't it decided to do 3% provider percent or 2.2% provider tax paid equally by all health care consumers whether fully- or self-insured? Thinks was a most likely political compromise rather than a logical decision at the time. In 1993, the tax was challenged by 13 welfare self-insured benefit plans saying that the tax shouldn't be used for subsidizing health insurance coverage for people who weren't members of the welfare benefit plan, that the tax violated ERISA because of that. The courts held that while having an economic impact on the self-insured that was "tenuous, remote, and peripheral", the tax did not constitute an ERISA violation.
- Other sources of funding in Minnesota? Main Medicaid is paid from state General Fund. Minnesota felt a health care services tax was a stable source of funding, stable over time and tends to rise as health care costs rise. Income tax or General Funds revenues rise and fall based on the economic conditions.
- Any other taxes levied on health care services? There's a surcharge placed on hospitals in the state on the Medicaid program to leverage additional federal funds through a surcharge. And an assessment placed on health plans to fund the high risk pool.
- Provider tax is collected by Minnesota Department of Revenue. Is it difficult to collect from small providers? Yes, but their revenue is less and not a lot of sole practitioners (i.e., chiropractors). Larger clinics are fairly integrated health care and pay the tax. Tradeoff is that all providers pay the tax.
- What kind of push back did Minnesota have for adding a cost which is already publically high? The tax provided a self funding mechanism. Logic at the time is it lowered uncompensated care. Found tax did reduce uncompensated care through coverage expansion but not fully to the level of the provider tax increases.
- 7.2% (or 383,000 people) are still uninsured in Minnesota; however, their program provides a bridge between Medicaid and the insured population.

- Any concern about tax being regressive? Yes, flat percent so lower incomes would be uninsured and pay more percentage of their income than higher incomes.
- Do not have an insurance exchange in Minnesota. It's being discussed by the Legislature. Subsidy program is administered through their state Medicaid program. They do allow underwriting. Have 30,000 people in high risk pool.
- Had problems with Federal review of tax? To collect Medicaid match, it required: 1) had to be broad based tax of providers which is difficult to do, 2) Provider tax caps at 5.5% including insurance tax, and 3) initial negotiation with CMS regarding use of provider tax use for subsidized program.

Sean Kolmer

**V. SB 329 Modeling**

The Modeling Staff Review Panel met last week and developed two straw plan options for review by the Committee on Reform Option Modeling (see Exhibit 5) for Jonathan Gruber to start modeling mid-March. Sean Kolmer and Nora Leibowitz reviewed the two options for modeling.

***Discussion***

- Discussion about employers offering 125 plan and options to run through the Exchange or not. Run one model where everyone goes through the exchange to see what the impact will be. Plan 1 is most inclusive with choice. Two options show the extremes in order to narrow variables.
- Note language on payroll tax would be a tax on all employers.
- Definition of Employer Sponsored Insurance (ESI) is an employer offers to pay for employee's coverage, even if at 50%.
- Could employer drop coverage? Yes, could drop coverage and the model will predict this effect.
- Lynn-Marie stated that SB 329 directs that any employee has access to employer paid coverage they choose to use the Exchange. Barney will discuss with Rick Curtis if this can be modeled. Lynn-Marie's concern is that low income people shouldn't be stuck with plans with less coverage from an employer when they could go through the exchange and get a better plan.
- With the questions raised above, the Committee directed the modeling to forward.

Kerry Barnett

**VI. Developing Committee Recommendations**

- Received updated versions of the Financing Principles and Strategic Policy Questions based on discussions at the last meetings and an updated Tax Assessment Criteria document.
- Reviewed the Tax Assessment Criteria Document (Exhibit 8).
- It was the consensus to further investigate the first three tax options on the Tax Assessment Criteria list:
  1. Health Services Transition Tax (HSTT), .
  2. Payroll Tax, and
  3. Personal Income Tax (PIT)
- Gretchen stated that Chris Allanach will be available for the discussion on tax options at the next meeting.

- Need to show savings / tradeoffs to consumers. It's difficult to show a reduction due to reduced uncompensated care.
- Concern voices that a Health Services Transition Tax couldn't stand on its own to raise enough funds.
- Discussion of how undocumented workers will affect the financing and uncompensated care estimates.
- Decided to model four scenarios to raise \$1 billion/year:
  1. A. 100% Payroll Tax broad-based *without* a credit for existing health care expenditures
    1. B. 100% Payroll Tax *with* credit for health care expenditures
  2. A. 80% Payroll Tax broad-based *without* a credit for existing health care expenditures, 20% another tax (PIT or HSTT)
    2. B. % Payroll Tax broad-based *with* a credit for existing health care expenditures, 20% another tax (PIT or HSTT)
  3. 60% Payroll Tax, 20% another tax (PIT or HSTT), 20% variety
  4. 60% Multiple Others, 40% Payroll Tax (defer to staff "multiple other" category)
- Staff will flesh out four scenarios and discuss at the next Committee meeting.
- Would like to take cost shifts into account and out on the table to ensure capture change makes in hospital due to uncompensated care and affect on total money needed.
- Would like estimate on all beverages income.

**Chair Barnett IX. Public Testimony**

Randy Miller, with Private Management, Inc., provided verbal and written testimony regarding a program that he's developed to finance health insurance through Health Insurance Revenue Bonds (HIRB). The program he's developed uses bonds to finance health care much like public utilities use bonds to fund a project. Chair Barnett asked Mr. Miller to provide more detailed information to the Committee for review.

**Chair X. Adjournment**

The chair adjourned the meeting at approximately 12:30 p.m.

**Next meeting is March 12, 2008.**

Submitted By:  
Zarie Haverkate, Communications Coordinator

Reviewed By:  
Gretchen Morley, Director, OHPC

**EXHIBIT SUMMARY**

1. Draft Agenda
2. Jan. 9 Draft Minutes - Finance Committee
3. Committee Work Plan Overview
4. Committee To Do List
5. Proposed SB 329 Modeling Straw Plans
6. Financing Principles
7. Strategic Finance Policy Questions
8. Tax Option Criteria Table
9. Health Transaction Tax Brief
10. Details of Minnesota Provider Tax

**OREGON HEALTH FUND BOARD – Finance Committee**

February 13, 2008  
1:00pm  
(Digitally Recorded)

Wilsonville Training Center, Rooms 111/112  
Wilsonville, OR

**MEMBERS PRESENT:** Kerry Barnett, Chair  
John Wocester, Vice Chair  
Andy Anderson  
Peter Bernardo, MD  
Fred Bremmer, DMD  
Aelea Christofferson  
Lynn-Marie Crider  
Jim Diegel  
Steve Doty  
Laura Etherton  
Cherry Harris  
David Hooff  
Denise Honzel  
John Lee  
Judy Mushcamp  
Scott Sadler  
Steve Sharp

**MEMBERS EXCUSED:** Terry Coplin

**OTHERS ATTENDING:** Rick Curtis, Institute for Health Policy Solutions (by phone)  
Ed Neuschler, Institute for Health Policy Solutions (by phone)  
Ree Sailors, Governor's Office (by phone)

**STAFF PRESENT:** Nora Leibowitz, Senior Policy Analyst  
Gretchen Morley, Director, Oregon Health Policy Commission  
Barney Speight, Executive Director, Oregon Health Fund Board  
Sean Kolmer, Research and Data Manager, OHP  
Alyssa Holmgren, Policy Analyst  
Zarie Haverkate, Communications Specialist

**ISSUES HEARD:**

- Call to Order
- SB 329 Update
- Exchange Workgroup Update
- Health Reform Data Fact Sheet
- SB 329 Modeling
- Framework for Making recommendations: Financing principles and strategic policy questions
- Tax Option Discussion
- Public Testimony

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**Chair Barnett      I.      Call to Order**

Chair Barnett called the meeting to order at approximately 1:00 p.m. Chair welcomed Dr. Fred Bremner, periodontist, as a new committee member.

Chair Barnett      II.      **Approval of Agenda and Minutes**

**Motion** to approve minutes from January 9, 2008, is seconded. **Motion passed unanimously.**

Barney Speight      III.      **SB 329 Update**

- Barney Speight reported that he testified before legislative committees over the past week.
- A contract with James Matthison, retired senior actuary from Washington State, who also assisted with Oregon's Healthy Kids proposal is in the process of being signed. He will be a resource for Benefits Committee and this committee.
- Contracts with Rick Curtis and Ed Neuschler of the Institute for Health Policy Solutions (participating by phone), and Jonathan Gruber, MIT, health care reform modeler, are underway. Their modeling for the California plan was noted.
- Committee Updates:
  - Enrollment and Eligibility Committee will share affordability recommendations with the HFB at the 02/19/08 meeting. A copy of the report will be provided to the Finance Committee, and will provide information for modeling including public contribution ranges expressed by the Federal Poverty Level (FPL).
  - Benefits Committee cancelled a meeting to hold a workgroup to develop a matrix of the Oregon Health Plan (OHP) Prioritized List and the more commercial approach of benefit structure in relation to service category.
  - Delivery System Committee is working on medical home and cost containment strategies.
  - Health Equities Committee The Health Equities Committee will be presenting recommendations on OHF program eligibility to the Oregon Health Fund Board on 2/19/08.
  - Federal Laws Committee looking at federal policies for Medicaid and Medicare and ERISA.
  - Clarification that the report to the legislature will be submitted late October/early November allowing town hall meetings in September/early October.
- A communications specialist to help with public communication will be hired with grant money from RWJ and Northwest Health Foundation.
- Finance Committee and Delivery Systems Committee updates to OHFB are scheduled for March 20.
- HFB will be moving toward more dialogue with committee leaderships.

***Discussion***

- Goals for this Committee were discussed including evaluating various revenue and tax strategies to help expand coverage; the importance of public input was stated.
- In response to a question concerning preserving safety net efforts, collaboratives were discussed. Presentations at the January HFB meeting included current strength and future of safety net and partnerships present within communities. It was noted that HFB Chair William Thorndike serves on the Safety Net Advisory Council (SNAC).
- James Matthison will play a role in pricing of benefit designs.
- Discussion on Benefits Committee and federal matching funds.

- Denise Honzel**      **IV. Exchange Work Group Update**
- Discussion on individual mandate, incentives and penalties, the individual market, and the influence of Benefits Committee and modeling on Exchange Workgroup.
  - Exchange Committee report submitted to the legislature (**See Exhibit Materials 4**).
  - Evaluating functions (identifying pros and cons) of an exchange arriving at three basic levels:
    - Information, enrollment and administration
    - Performance standards and benchmarks for carrier compliance
    - Collective contract bidding
  - Laura Etherton and Denise Honzel met with Enrollment and Eligibility group to identify interfaces between the two groups, e.g. groups receiving subsidies.
  - Exchange to provide report to Finance Committee on February 29.
  - The Exchange Workgroup will selectively send information to Finance Committee members with the understanding that things are changing.
- Gretchen Morley**      **V. Health Reform Data Fact Sheet (See Exhibit Materials 5)**
- Reviewed OHPC pricing assumptions fact sheet.
  - New model will have updated data and input from committees.
  - Discussion on whether hospital spending on uncompensated care is captured in data, part of employer spending and the cost-shift issue related to premiums.
- Sean Kolmer**      **VI. SB 329 Modeling**
- Discussed what the model does and doesn't include and what decisions are needed first to move the modeling forward.
- Gruber model includes the following broad policy options:
    - individual mandate
    - payroll tax and pay or play scenarios for employers
    - exchange purchase tool
    - Section 125 plan
    - tax treatment based on FPL
  - Taxes external to the model include provider tax, cigarette tax, etc.
  - It will provide informed idea but will not be the definitive end number.
  - Discussion on policy decisions made by the Committee in creating scenarios for model.
  - Gruber model will relate where people will go based on incentives (population flow) and the cost.
  - Staff is currently gathering Oregon-specific data for the model.
  - Gathering and inputting model information will take approximately one month.
  - Clarification on pay or play structure and payroll tax variations adjustable within model.
  - Effect of enforced individual mandate on the model was discussed. Final estimate of California's rates of compliance for overall coverage was about 87%. This was the full uninsured populations, not just subsidized. Total population: 98% covered minus undocumented individuals.
  - What was it in Massachusetts? Enrolling more than anticipated, Discussion of Commonwealth Care and reports from carriers outside the exchange.

- Model does not currently offer information on relative tax burden comparisons between states. Model does not estimate cost shift.
- A Staff Review Panel will be formed to bring back two straw models Committee on 2/29. Will be working with “plugs” until benefit package has more definition. Plugs of reasonable premium amounts will be determined with input from James Matthison.
- Staff review panel to develop scenarios for model: Denise Honzel, Steve Sharp, John Lee, Cherry Harris, Scott Sadler, Kerry Barnett.

Chair Barnett

**VII. Framework for making recommendations: Financing principles and strategic policy questions (See Exhibit Materials 7 and 8).**

- Financing principles discussed. **(Exhibit Materials 7)**
- Does it reduce cost shift to commercial payers?
- Revenue sources and cost control incentives discussed.
- Discussion on Strategic Policy Questions sheet as a beginning of a “decision roadmap.”
- The Financing Principles and Strategic Financing Policy questions are to be used to facilitate discussions.

Chair Barnett

**VIII. Tax Option Discussion**

The Committee began the discussion by reviewing the Tax Assessment Criteria Matrix **(see Exhibit Materials 9)**. Discussion on whether any of the listed options should be eliminated because the amount raised is too small, the effect on and perception by small businesses, uncompensated care costs being integrated into health care expenses. There was a suggestion that these be divided into two categories, and the form of the recommendations to the OHFB.

- **Payroll Tax** – Staff provided overview of OHPC Payroll Assessment Scenarios. Rick Curtis addressed the committee.
  - Percentage of payroll, flat percentage, sliding scale, exempting smallest employers (distinction by size more workable if done by payroll amount rather than number of workers).
  - Considerations of dollars spent by employers for health insurance on a dollar for dollar ratio.
  - Minimum per worker approach.
  - Employers who are already offering coverage are discussed.
  - Employers who do not offer coverage tend to be smaller, low wage employer groups.
  - Percentage of payroll approach that wouldn’t force increase on employers who are already offering coverage. Dialogue on employees that are covered by spouses coverage.
  - Ingredients for adverse selection problem.
  - Employer payroll tax, subsidize cost for low income workers discussed.
  - Discussion of Oregon demographics, e.g., areas of concentration of low wage workers.
  - Payroll tax alone would not be adequate because of self-employed. Not a stand alone revenue source.
  - Incentive for employers not to cover employees in subsidized range.
    - Massachusetts did not have this problem to the degree that Oregon does as their proportion of people with employer

coverage under 250-300% of FPL is negligible compared to Oregon.

- Future consideration - Recognizing current employer expenditures as an offset.
- Social Security Wage Base cap of \$100,000 and issues involved economic and political implications is discussed.
- Is the Social Security wage base cap integrated into the data? Estimates can be modeled with and without.
- Implications for higher wage workers and lower wage workers for the employer.
- Results in two sources of revenue, employer fees and federal matching funds on employer fees
- Further discussion on employer actions of shifting coverage.
  - Minimum per worker per hour amount test and other approach apply across all employer percentage payroll approaches overviewed. Gives options for lower workers and employers and avoids firewalls.
  - Employer contribution is aggregate. (employee covered, family covered, etc.) Conditions where state program may be preferable to employer covered program.
  - Discussion of small employers that don't offer coverage and cost to them and cannot raise additional money for coverage.
  - Discussion of California plans effects on various industries.
  - Committee asked for input Washington's Business and Operation (B & O) tax, gross receipts tax, more progressive than payroll tax, any input? Response is that it would be disproportionate for some industries.
  - Committee may not come up with specific recommendation but analysis, "scale of recommendations."
- Scott Leitz from Minnesota was not able to join group by phone to answer questions regarding provider tax. Will ask him to join by phone at next meeting.
- Rick Curtis and Ed Neuschler will be out here personally.

**Chair Barnett**

**IX. Public Testimony**

Michael Tripp, M.D. testified regarding innovation and redesign of health care delivery through financing. Recommend financing through Health Transition Tax as has solid base. Written testimony submitted.

**Chair**

**X. Adjournment**

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

**Next meeting is February 29, 2008.**

Submitted By:  
Paula Hird

Reviewed By:  
Gretchen Morley, OHPC Director

**EXHIBIT SUMMARY**

- |   |   |
|---|---|
| 1. Draft Agenda                                 | 7. List of Principles for Assessing Taxes |
| 2. Jan. 9th Draft Minutes - Finance Committee   | 8. List of Key Financing Policy Questions |
| 3. Goals of the OHFB Committees                 | 9. Taxes by Criteria Table                |
| 4. Health Insurance Exchange Legislative Update | 10. Health Transaction Tax Brief          |
| 5. Fact Sheet on OHPC Reform Pricing            | 11. Details of Minnesota Provider Tax     |
| 6. SB 329 Modeling Data Elements                | 12. OHPC Payroll Tax Scenario             |

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

**MEMBERS EXCUSED:** Andy Anderson  
Fred Bremmer

**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)  
Chris Allenach, Legislative Revenue Office (by phone)

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

**ISSUES HEARD:**

- Call to Order
- Model Reform Financing Options
- Financing Principles
- Health Services Transaction Tax
- Revised Finance Charter
- Payroll Tax
- Public Testimony

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**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 Bremmer  
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 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**  
**Jeanne 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 Grid
5. Updated Revenue Options
6. Health Services Transaction Tax
7. Basic PIT Data

**OREGON HEALTH FUND BOARD – Finance Committee**

December 19, 2007  
1:00pm  
(Digitally Recorded)

CCC, Wilsonville Training Center, Room 112  
Wilsonville, OR

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

**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

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**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.**

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, 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. Jeanne 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.
- o 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.
- o Discussion on revenue sources and expenses and Federal Medicaid expansion possibility.
- o 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.
- o 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:
  - o Reasonable administrative cost
  - o other costs to be considered in a transparent way
  - o maximize federal match
  - o stable over time
  - o political salability
  - o ERISA safe
  - o Broad-based and recognizes current efforts
  - o Fairness/equitability
- For next meeting staff will take list of principles and flesh it out. At next meeting will discuss:
  - o Straw man set of principles
  - o Health services transaction tax
  - o Payroll tax
  - o 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**

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

**OREGON HEALTH FUND BOARD – Finance Committee**

November 19, 2007  
1:00 PM  
(Digitally recorded)

CCC-Wilsonville Training Center, Room 112  
Wilsonville, OR

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

**MEMBERS EXCUSED:** Peter Bernardo, MD  
John Worcester

**STAFF PRESENT:** Nora Leibowitz, Senior Policy Analyst  
Alyssa Holmgren, Policy Analyst  
Susan Otter, Policy Analyst  
Zarie Haverkate, Communications Coordinator

**ISSUES HEARD:**

- Approval of Agenda and October 18 Minutes
- Introduction of New Committee Members
- Update on Other Committee Meetings and Board Retreat
- Presentation of By-laws Approved by Board and Revised Draft Charter
- Summary of Open Meetings Laws
- Introduction to Health Insurance Exchange
- Update on Consultants for Economic Modeling
- Cost of Covering Uninsured in Oregon by John McConnell
- Introduction to Jonathan Gruber's Microsimulation Model
- Future Meetings
- Public Testimony

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**Kerry Barnett**                    **I. Call to order - There is quorum.**

**Kerry Barnett**                    **II. Approval of Agenda and October 18 Minutes**

The Committee unanimously approved the October 18 minutes.

Kerry Barnett

**III. Introduction of New Committee Members**

Kerry Barnett welcomed Aelea Christofferson, Laura Etherton, Scott Sadler, and Steve Sharp to the Finance Committee.

Nora Leibowitz

**IV. Update on Other Committee Meetings and Board Retreat**

Nora gave an update and a supporting summary document was distributed.

Nora Leibowitz

**V. Presentation of By-laws Approved by Board and Revised Draft Charter**

Final By-laws were distributed. The revised Draft Charter was amended to consider other financing options and to reflect four new committee members.

Nora Leibowitz

**VI. Summary of Open Meetings Laws**

Information about the Oregon Public Meeting law was distributed. Clarified that committee retreats where process issues versus committee work issues are discussed are not subject to public meeting laws. Email cannot be used by Committee members to carry out decision-making business, but can be used to arrange meetings and distribute documents. Public meeting laws also apply to any Workgroups of the Committees.

Nora Leibowitz and  
Bill Kramer

**VII. Introduction to Health Insurance Exchange**

Discussed exchange, a market mechanism that brings together consumers and facilitates the purchase of health insurance from a choice of health plans and products. Discussed how exchanges have been used, how they can provide added value to individuals, businesses, insurers and brokers, as well as market reforms that would be needed to support a successful exchange. These factors include: a requirement that individuals gain coverage; subsidies for low-income individuals; guaranteed issue and renewability inside and outside of the exchange; and rules that are the same inside and outside the exchange to ensure affordability and minimize risk skimming.

Massachusetts Health Insurance Exchange (the *Commonwealth Connector*) an independent public entity that runs a subsidized and unsubsidized program. Massachusetts residents must purchase insurance that meets baseline coverage requirements, but may purchase their coverage either inside or outside the exchange. Three plan levels within plans offered to enrollees. Initial enrollment was higher than projected. Staff will check on whether Massachusetts uses an open enrollment period (as Medicare Advantage plans do).

Massachusetts started with \$25 million with the expectation that within three years the program will be self-sustaining (using insurer fees). The program is losing money on subsidized enrollees. The Connector utilizes a web-based tool that allows potential enrollees to

determine what various plan types cover, including information on premiums, co-pays, and other plan details. If the employer offers employer sponsored coverage, the employee is not eligible for subsidized coverage through the Connector. Consumers have responded positively to meaningful choice and information about plans. Now Massachusetts is looking at cost control, which was not included in the initial reform development.

Critical success factors for an exchange include: meaningful choice of health plans and products; reasonable standardization of benefit offerings; transparent information and decision support tools for consumers; and mechanisms to protect insurers that enroll high-risk members.

Barney Speight stated the Board, via the Finance Committee's Exchange Workgroup will deliver a basic report to the Legislature in February, but it is unrealistic to have a comprehensive plan for an Exchange by then. Bill Kramer indicated that work will initially focus on reforms to the individual market, with later work on the group market.

#### *DISCUSSION*

- Need to recognize the Massachusetts population and economy are different from Oregon's.
- 15 to 20 states are discussing Exchanges, with options ranging from individual companies working exchange to government regulating exchanges.
- Need to decide whether Oregon would allow people to purchase outside the exchange.
- Rocky King provided information on how Oregon Medical Insurance Pool and Family Health Insurance Assistance Programs work. If FHIAP was not capped, an additional 185,000-200,000 people would be enrolled.
- Massachusetts is successful because of subsidy. Need adequate subsidy like FHIAP.
- Committee needs to decide whether Oregon wants an exchange or not. Pros for an exchange would be a tool for consumers to have for transparency and make informed decisions around health care.
- Look at tax advantages.
- Define objective, i.e., goal to get more in coverage or assistance to people to get coverage.
- Insurance agents have been able to use Exchange to assist clients.
- How to build in transparency, cost and quality control.
- Committee needs to look at relationship to/impact on employer sponsored insurance (ESI).
- Need information on how Minnesota covers dependents. Oregon has a larger market, so may have greater impact.
- Look at cost shift from hospitals and insurance to employers.

#### **Jeanene Smith, MD VIII. Update on Consultants for Economic Modeling**

Dr. Smith stated that OHP has applied for an \$187,000 grant to fund economic modeling. The State plans to secure Rick Curtis and

Jonathan Gruber as consultants. Should have work plan for consultants more finalized next week.

**John McConnell, PhD IX. Cost of Covering Uninsured in Oregon**

John McConnell gave a presentation regarding the cost of covering the uninsured in Oregon, based on the work he conducted for the Oregon Health Policy Commission. Materials from his presentation were distributed.

**Alyssa Holmgren X. Introduction to Jonathan Gruber's Microsimulation Model**

Alyssa Holmgren presented an overview of Jonathan Gruber's work on the California microsimulation model. Presentation information was distributed. It is too early to tell results of model. Question whether individuals needing to purchase insurance would consider program unaffordable. Finance Committee needs to think about what is affordable for Oregon, and develop process for assumptions to provide Dr. Gruber to build Oregon's model.

**XI. Future Meetings**

***Discussion***

- Next meeting: Discuss model and what it should look like. Focus on funding sources, revenue options, capturing cost savings.
- Staff to provide Board assumptions document.
- Some work dependent on other Committees. Need update on key variables and other baseline information (i.e., current state of Medicaid, SCHIP).
- Exchange Workgroup will convene, report provided on their work.
- Invite Cory Streisinger to future meeting and/or provide Streisinger's report to OHFB) on insurance market.
- Discuss provider tax or payroll tax option and effect on large and small business.
- Discuss key elements of potential financing package options .
- Information on percentage of employers who pay premiums (Mercer Report).
- Underwriting requirements.
- DCBS Study to Committee.
- Other states and what they're doing.

**XII. Public Testimony**

No audience members present wished to provide testimony.

**XIII. Adjourn**

Meeting adjourned at approximately 5:00 p.m.

**Submitted by:**  
Zarie Haverkate  
Communications Coordinator

**Reviewed by:**  
Nora Leibowitz  
Acting Director, OHPC

**EXHIBIT SUMMARY**

- 1 – Draft Agenda
- 2 – Oct 18 Draft Minutes
- 3 – OHFB Newsletter and Board & Committee Update
- 4 – Final Finance Committee By-laws
- 5 – Revised Draft Finance Committee Charter

- 6 – Draft Charters for Other OHFB Committees
- 7 – Summary of Public Meeting Laws
- 8 – Jonathan Gruber’s Report, “Modeling Health Care Reform in California”
- 9 – John McConnell’s Presentation Handout
- 10– Microsimulation Modeling Presentation Handout

**OREGON HEALTH FUND BOARD (OHFB) – FINANCE COMMITTEE**

October 18, 2007  
1:00 PM  
(Digitally recorded)

CCC-Wilsonville Training Center, Room 112  
Wilsonville, OR

**MEMBERS PRESENT:**      **Andy Anderson**  
                                 **Kerry Barnett**  
                                 **Peter Bernardo, MD**  
                                 **Terry Coplin**  
                                 **Lynn-Marie Crider**  
                                 **Jim Diegel**  
                                 **Steve Doty**  
                                 **Cherry Harris**  
                                 **David Hooff**  
                                 **John Lee**  
                                 **John Worcester**

**MEMBERS EXCUSED:**      **Denise Honzel**

**STAFF PRESENT:**        **Nora Leibowitz, Policy Analyst**  
                                 **Barney Speight, Executive Director, OHFB**  
                                 **Alyssa Holmgren, Policy Analyst**  
                                 **Susan Otter, Policy Analyst**  
                                 **Zarie Haverkate, Communications Coordinator**

**ISSUES HEARD:**

- **Review & Adoption of By-laws**
- **Review Draft Committee Charter, Workgroups and Timeline**
- **Nomination & Election of Chair and Vice Chair**
- **Future Meetings**
- **Public Testimony**

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**Nora Leibowitz**            **I.      Call to order - There is quorum.**

**Barney Speight**            **II.     Review and Adoption of By-laws**

***Discussion***

- Article I, bullet 4 states that Committee members are not entitled to reimbursement of expenses for serving on the Committee as funding is limited. However, if this is a hardship, please discuss with Barney Speight and special arrangements can be made.
- The intent of Article III, bullet 5 is that a majority of Committee Members shall constitute a quorum for the transaction of business. A majority of members present may act on behalf of the committee.
- Article III, bullet 3, will be clarified to state that a preliminary Agenda will be sent to the Committee and posted on the website, with the final Agenda to be approved at the beginning of meetings as an action item to allow for additions/changes.

**The Committee unanimously approved the By-Laws as amended above.**

**Barney Speight**

**III. Review Draft Committee Charter, Workgroups and Timeline**

***Discussion***

- Reviewed Design Principles and Assumptions document in formulating Charter.
- Mr. Barnett requested that Committee meetings include routine updates of Board and other Committees' actions.
- Ms. Crider expressed concern that cost containment only happens in the Delivery System Committee. Also 329 should improve the quality of coverage for all Oregonians. Mr. Speight clarified that the main task of the Finance Committee is to identify revenue, and that the Delivery System Committee will focus on cost containment. Ultimately the results of the cost containment work of the Delivery System Committee will fold into the Finance Committee work (which may require a joint meeting in the Spring). Mr. Speight indicated that the Delivery System Committee work is not limited to cost containment but how to improve efficiency in the general market.
- Mr. Lee asked whether we were limited to the two revenue options outlined in the charter. The charter will be amended to indicate we could consider other options as time allow.
- Ms. Harris questioned whether 125 plans would be required of all employers. The charter will be amended to indicate "appropriate use of 125 plans."
- Mr. Diegel asked how the HB2530 committee on revenue restructuring will tie into the Finance Committee work. Mr. Speight indicated there are some common members on both committees, but otherwise the Governor's office is following Health Fund Board work closely.
- Mr. Speight is working to hire consultants Jonathan Gruber and Rick Curtis for revenue modeling and insurance market analysis, and noted that economist John McConnell from OHSU is a resource to us as well. We will also look at other states' health reform efforts.

**IV. Nomination and Election of Chair and Vice Chair**

**The Committee unanimously approved Kerry Barnett to serve as Chair and John Worcester to serve as Vice Chair.**

**V. Future Meetings**

***Discussion***

- At the beginning of future meetings, staff will report on actions taken by other OHFB Committees.
- Each Board member will have a liaison to the Committees, and each Committee Chair is a nonvoting member of the Board.
- Staff will circulate contact information to Committee members.
- All meeting materials will be posted to the website along with the digital sound recording of the meeting. Future meeting dates will be posted as soon as they are set.

- Committee members will be polled and future committee meetings set. The plan is to meet once monthly November through February, and twice monthly in March and April. It was agreed that Wilsonville is a good central meeting location.
- **Exchange Workgroup** may meet twice monthly November and December, and then monthly beyond that.
- Mr. Coplin asked for background information on the financial modeling process prior to the December meeting.
- Chair Barnett asked staff to brief the Committee on the public meeting law at its next meeting.
- There may need to be a joint meeting with the Delivery System Committee at some point. The Finance Committee will need to look at results of cost containment work when developing projections for long term financial sustainability of the program.

## VI. Public Testimony

No audience members present wished to provide testimony. At future Committee meetings, 20 – 30 minutes will be set aside for public testimony.

**Meeting adjourned at approximately 3:00 p.m.**

**Submitted by:**

Zarie Haverkate  
Communications Coordinator

**Reviewed by:**

Nora Leibowitz  
Acting Director, OHPC

**EXHIBIT SUMMARY**

- |   |  |
|---|--|
| 1 – Agenda                                  | 6 – Description of OHPR Programs         |
| 2 – OHFB Committee Members List             | 7 – Draft Charter                        |
| 3 – OHFB Organizational Documents           | 8 – Draft By-laws                        |
| 4 – OHPC Roadmap for Health Care Reform     | 9 – OHFB Design Principles & Assumptions |
| 5 – Oregon Business Council Policy Playbook | 10 – OHFB Timeline                       |