Recommendations from Oregon Health Fund Board
to
Governor Ted Kulongoski

Relating to Expansions of Coverage & Associated Financing, 2009 – 2011:

Coverage Expansions, 2009 – 2011

The first stage of assuring that affordable, quality health care is available to all Oregonians is financing an expansion of the Oregon Health Plan (OHP) as follows:

1. Enroll children < 19 years of age with family incomes of 185% FPL or less. This action can be achieved within the current federal waiver.

2. Enroll children < 19 years of age with family incomes greater than 185% FPL and up to 200% FPL. This action will require a new waiver from the federal government.

3. Enroll children < 19 years of age with family incomes greater than 200% FPL and up to 300% FPL. This action will require a new waiver from the federal government which will include authority to require premium-sharing based on family income.

4. Permit children < 19 years of age with family incomes greater than 300%FPL to enroll in the program. No new federal waivers are necessary for this group since there would be no state contributions toward the cost of premiums.

5. Maintain the current enrollment in the OHP Standard program (estimated 24,000) and expand coverage to an additional 100,000 Oregonians > 19 years of age with incomes up to 100% FPL.

Financing, 2009 - 2011

The Finance Committee of the Oregon Health Fund Board studied various approaches to raising revenue to provide affordable, quality health care for all Oregonians. While a payroll tax was recommended as the preferred option, its primary purpose was to finance coverage for Oregonians working for employers that do not offer group health insurance. The Board believes a payroll tax option should be reserved for subsequent coverage expansions aimed at this population.

Oregon currently uses a combination of provider taxes to fund the existing OHP Standard program. Changes in federal regulation require Oregon to modify the Managed Care Organization tax; a statutory "sunset" requires legislative reauthorization of the current hospital tax. The loss of these revenue sources would eliminate funding for the Oregon Health Plan Standard population.

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<u>The preferred financing strategy for the coverage expansions outlined above should be some combination of provider taxes.</u>

Renewal and restructuring of the existing provider taxes would enable the state to secure more federal Medicaid funds for Oregonians and expand coverage for the uninsured. The Board, however, is not in a position to recommend the best "balance" or "mix" between the two provider taxes, nor the specific tax rates. The Board defers to the Governor, Legislature and interested stakeholders to resolve these issues.

<u>An Advisory on Provider Taxes</u>

In endorsing the use of provider taxes to finance the stated coverage expansions, the Board expresses concern about the potential negative impact such taxes could have on current purchasers (individuals and groups) of health insurance. In theory, the revenue raised from provider taxes, when matched by federal funds, should substantially reduce the "cost shift" associated with unfunded health care provided to the uninsured. The result should be a moderation in the increase of provider prices (especially hospitals) and health insurance premiums: The cost of unfunded health care now funded in the price and premium would be replaced by an explicit funding mechanism.

The Board believes that a new provider tax program must be accompanied with rigorous oversight of both hospital and insurer financial performance to avoid passing the tax on to current purchasers of health insurance who are already bearing unsustainable increases in health care costs.

<u>Tobacco Taxes</u>

Oregon's tobacco taxes should be increased. Oregon is the only state that has, in essence, reduced its tobacco tax (with the sunset of a 10 cent levy in 2004).

The Board believes revenue raised by increasing tobacco taxes should be directed to investments in new public health initiatives (with emphasis on tobacco use and obesity) and investments in new state activities that will be outlined in the Board's final comprehensive plan.

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