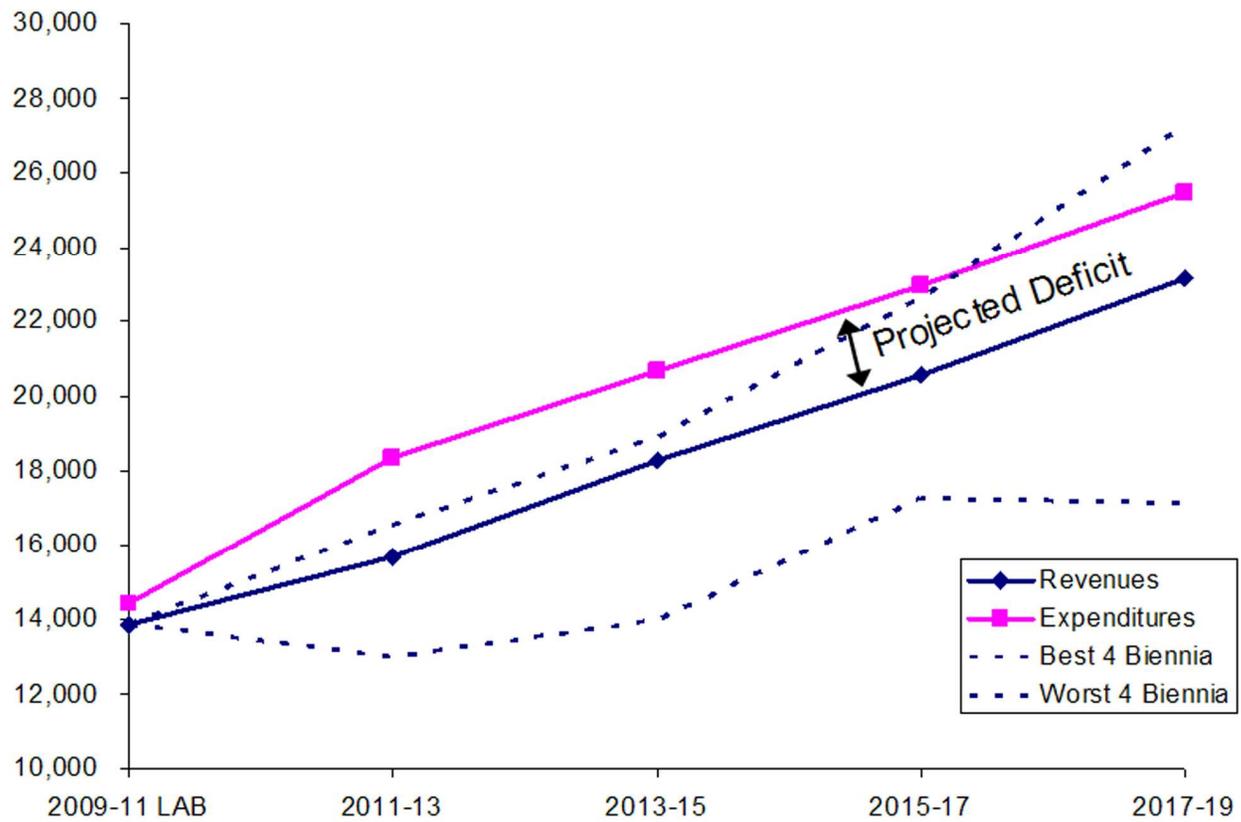


Board Report state finances and federal reform

August 2010

Long Term Budget



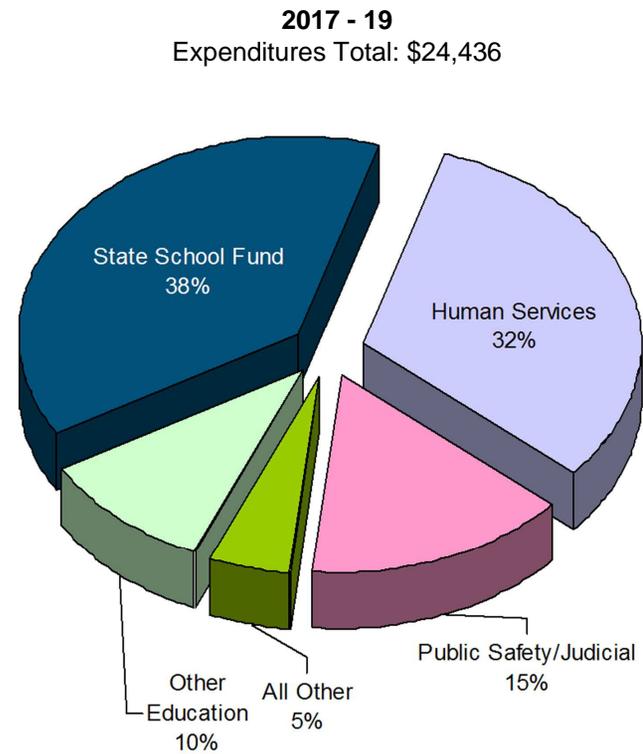
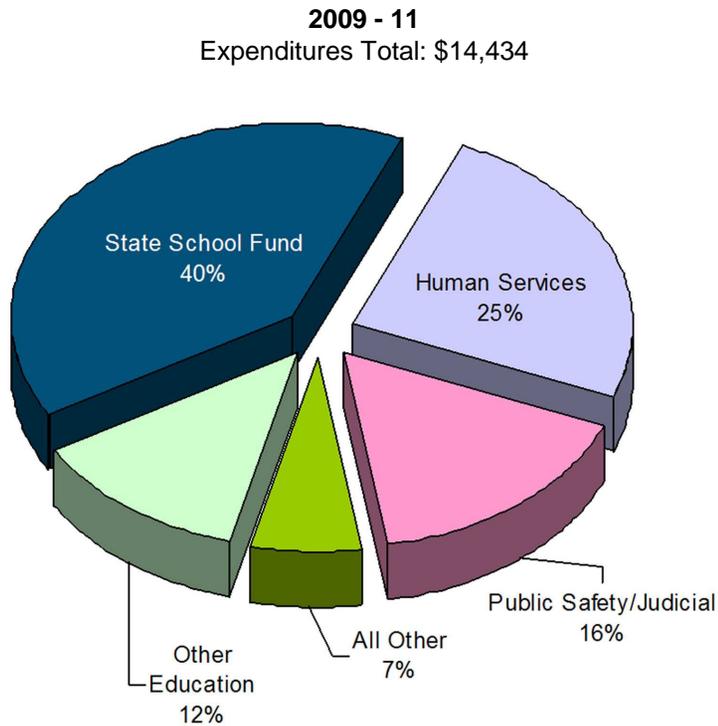
From a Decade of Surplus to a Decade of Deficits

(Millions of \$)

11/2007 Projections	2009 - 11	2011 - 13	2013 - 15	2015 - 17	2017 - 19
Revenue	17,000.4	19,001.9	21,547.0	24,644.7	28,592.0
Expense	16,989.2	18,822.7	20,925.1	23,037.9	25,352.0
Surplus (Deficit)	11.2	179.2	621.9	1,606.8	3,239.8
06/2010 Projections					
Revenue	13,841.3	15,667.0	18,262.4	20,570.1	23,160.5
Expense	14,433.5	18,337.7	20,680.8	22,967.4	25,461.1
Surplus (Deficit)	(592.3)	(2,670.8)	(2,418.4)	(2,397.3)	(2,300.7)

Budget Shares

Overall Expenditure



One-time Funds in the State's Current Budget

Federal Stimulus Funds	941.2
State Reserves (Rainy Day Fund & Education Stability Fund)	435.0
Provider Tax Revenues from 2007-09	116.0
Other Fund Sweeps	144.8
	1,637.0

Tentative 2011-13 Budget Projections

Including All 2010 Legislative Actions (June 2010 Forecast)

	Legislatively Approved 2009-11			One-Time \$	Adj. Totals	Tentative Budget - Current Service Level 2011-13			Percent Change	Adj % Change
	GF	LF	Total			GF	LF	Total		
Revenues										
Projected Beginning Balance	-	1.4	1.4			-	4.0	4.0		
Carryforward		52.0	52.0					-		
1% Appropriations to Rainy Day Fund/Beginning Balance			-					-		
Half Lottery 09-11 Ending Balance to K-12 Capital Acct			-				(2.0)	(2.0)		
Projected Revenues	12,733.3	1,078.1	13,811.4			14,750.8	1,161.2	15,912.1		
Less Dedications (ESF, County)		(223.5)	(223.5)				(247.1)	(247.1)		
One-time Resources										
Federal ARRA				1,053.0						
ESF/RDF: K-12	115.7	84.3		200.0						
Other				216.0						
Total Resources	12,849.0	992.3	13,841.3	1,469.0	15,310.3	14,750.8	916.2	15,667.0	13%	2%
Expenditures										
Education - State School Fund	5,258.2	494.1	5,752.3	229.8	5,982.1	6,304.6	409.8	6,714.5	17%	12%
Education - All Other	1,726.9	96.2	1,823.1	80.2	1,903.3	1,994.5	97.4	2,091.9	15%	10%
Human Services	3,523.7	10.9	3,534.6	995.9	4,530.5	5,288.3	11.3	5,299.6	50%	17%
Public Safety	1,855.0	7.2	1,862.2	110.4	1,972.6	2,212.6	7.7	2,220.3	19%	13%
Economic & Community Development	29.2	119.9	149.0	10.0	159.1	27.1	135.4	162.5	9%	2%
Natural Resources	146.9	182.0	328.9	-	328.9	160.0	189.6	349.6	6%	6%
Transportation	23.1	85.4	108.6	-	108.6	81.8	85.2	167.0	54%	54%
Consumer & Business Services	12.9	-	12.9	-	12.9	14.6	-	14.6	13%	13%
Administration	194.4	11.6	206.0	-	206.0	205.3	16.5	221.9	8%	8%
Legislative	75.2	-	75.2	-	75.2	90.5	-	90.5	20%	20%
Judicial	507.2	-	507.2	42.7	549.9	609.9	-	609.9	20%	11%
Program Subtotal	13,352.7	1,007.4	14,360.1	1,469.0	15,829.1	16,989.3	953.0	17,942.3	25%	13%
EFund	20.0	-	20.0	-	20.0	40.0	-	40.0		
Supplemental State Agency Funding	-	-	-	-	-	172.0	4.0	176.0		
Other Special Purpose Appropriations	53.5	-	53.5	-	53.5	-	-	-		
Total Expenditures	13,426.1	1,007.4	14,433.5	1,469.0	15,902.5	17,201.3	957.0	18,158.3	26%	14%
Ending Balance	(577.1)	(15.1)	(592.3)	-	(592.3)	169.9	9.5	179.4		
Net Fiscal Position						(2,620.3)	(50.4)	(2,670.8)		

Notes: Both revenues and expenditures include anticipated K-12 trigger of \$200 million in 2009-11.
 Lottery Funds negative ending balance results from a reduction in dedicated BM 66 revenues.
 Supplemental State Agency Funding for costs associated with salaries, benefits, and other unanticipated and unknown expenses.
 Millions of Dollars.

Long-term Budget Projections

June 2010 Forecast

	Legislatively Approved 2009-11		Tentative Budget 2011-13			Tentative Budget 2013-15			Tentative Budget 2015-17			Tentative Budget 2017-19		
	GF	LF	GF	LF		GF	LF		GF	LF		GF	LF	
Revenues														
Projected Beginning Balance	-	53.4	-	4.0		-	-		-	-		-	-	
1% Appropriations to Rainy Day Fund				(2.0)										
Projected Revenues	12,849.0	1,162.4	14,750.8	1,161.2	14%	17,266.2	1,261.0	16%	19,478.1	1,382.3	13%	21,930.9	1,556.3	13%
Less Dedications (ESF, County)		(223.5)		(247.1)			(264.8)			(290.3)			(326.8)	
Total Resources	12,849.0	992.3	14,750.8	916.2		17,266.2	996.2		19,478.1	1,092.0		21,930.9	1,229.5	
Expenditures														
Administration	194.4	11.6	205.3	16.5	8%	226.0	17.1	10%	249.2	17.5	10%	275.2	17.2	10%
Consumer & Business Services	12.9	-	14.6	-	13%	16.2	-	11%	18.0	-	11%	20.0	-	11%
Economic Development	29.2	119.9	27.1	135.4	9%	28.5	109.0	-15%	30.1	93.4	-10%	31.8	82.0	-8%
Education - State School Fund	5,258.2	494.1	6,304.6	409.8	17%	7,029.5	456.8	11%	7,835.9	509.3	11%	8,734.8	567.7	11%
Education - All Other	1,726.9	96.2	1,994.5	97.4	15%	2,133.8	108.8	7%	2,292.3	83.0	6%	2,465.9	53.9	6%
Human Services	3,523.7	10.9	5,288.3	11.3	50%	6,185.5	12.0	17%	6,874.7	12.4	11%	7,690.7	12.9	12%
Judicial	507.2	-	609.9	-	20%	673.8	0.0	10%	718.5	0.0	7%	777.1	0.0	8%
Legislative Branch	75.2	-	90.5	-	20%	93.0	-	3%	101.5	-	9%	111.8	-	10%
Natural Resources	146.9	182.0	160.0	189.6	6%	167.6	199.5	5%	182.9	210.2	7%	199.5	221.9	7%
Public Safety	1,855.0	7.2	2,212.6	7.7	19%	2,476.9	8.5	12%	2,741.7	9.4	11%	2,999.3	10.4	9%
Transportation	23.1	85.4	81.8	85.2	54%	81.8	107.4	13%	79.7	111.4	1%	52.5	111.1	-14%
Total Expenditures	13,352.6	1,007.4	16,989.3	953.0	25%	19,112.5	1,019.1	12%	21,124.4	1,046.5	10%	23,358.6	1,077.2	10%
Add'l Debt Service - to Capacity						72.0	37.0		201.0	109.0		346.0	141.0	
EFund	73.5		40.0	-		40.0	-		40.0	-		40.0	-	
Salary Adjustment			172.0	4.0		194.4	4.5		219.6	5.1		248.2	5.8	
Ending Balance	(577.1)	(15.1)	169.9	9.5		191.1	10.2		211.2	10.5		233.6	10.8	
Net Fiscal Position			(2,620.3)	(50.4)		(2,343.8)	(74.7)		(2,318.2)	(79.1)		(2,295.4)	(5.3)	
			(2,670.8)			(2,418.4)			(2,397.3)			(2,300.7)		
Total Expenditures	14,434		18,158			20,480			22,746			25,217		
Percent Increase			26%			13%			11%			11%		
Dollar Increase			3,725			2,321			2,266			2,471		

Estimates of Coverage Expansions from Federal Reform

About the Gruber Econometric Modeling

- Created by Jonathan Gruber, PhD, at Massachusetts Institute of Technology
- Uses health economics literature to estimate the behavior of both individual and employers in “new” policy world
- Type of modeling used by Congressional Budget Office
- Gruber used model to estimate federal reform impact for HHS and White House

What the Gruber model does?

- Predicts how employers and individuals will react to changes in public policy (taxes, subsidies, mandates, etc.) based on economic literature analyzing past response to changes in tax rates, etc.
 - Predicts employers' decisions to offer / not offer
 - Predicts employers' size of contributions
 - Assumes small employers are much more likely to change offer decision based on changes in public policy than large employers are
- Estimates changes in health insurance coverage by source for under 65 population
- Estimates costs for individuals, employers, state and federal government for under 65 population

Federal individual mandate

- Individuals must maintain “minimum essential coverage” every month or pay a financial penalty
- Major exemptions (incorporated in model) include:
 - Affordability exemption: Least expensive qualifying coverage premium share for individual costs more than 8% of income
 - People with incomes below the federal filing threshold
 - For example: Single taxpayer: \$9,350 (86% FPL)
 - For example: Married couple with two children: \$26,000 (118% FPL)
 - People not lawfully present in the U.S.

Federal Requirements on Large (50+ FTE) Employers

- Expected to provide coverage to full-time workers (30+ hours/week)
- Penalty is triggered if any full-time employee of employer qualifies for an individual tax credit or cost-sharing through the Exchange.
- For non-offering employer
 - Penalty = \$2,000 times [number of full-time employees – 30].
- For offering employer
 - Penalty = \$3,000 times number of full-time employees enrolled through Exchange accessing tax credit

Coverage through Medicaid and the Exchange

- Medicaid expanded to 133% FPL
 - 100% federal match for “newly eligible” through 2016.
 - Phases down to 90% federal match in 2020 and after
- Exchange
 - Premium tax credits available 133-400% FPL
 - 100% federally funded tax credits
 - People contribute to premiums on sliding scale
 - **Not eligible** for tax credits if offered employer coverage premium costs less than 8% of income
 - Cost-sharing subsidies 133-250% FPL
 - 100% federally funded
 - Reduces out-of-pocket costs at point of service

Federal Small Employer Tax Credit

- Employer must pay at least half of premium
- Credit is percentage of employer's contribution
 - Maximum credit = 10 or fewer FTEs **AND** average FTE wages of \$25,000 or less.
 - No credit with 25 or more FTEs **OR** average FTE wages of \$50,000 or more
- For 2010-2013, max 35% credit available for **any** small employer meeting conditions
- Effective 2014, max 50% credit available **only** if employer buys coverage through Exchange

Table 1: Coverage Status Under Federal Reform by Year

Coverage (Thousands)	2013 [†]	2015	2019
Medicaid (OHP)	370	510	560
Exchange	-0-	190	360
Individual	180	150	130
Group (Employer)	2,180	2,180	2,080
Uninsured	600	320	290
Total *	3,330	3,360	3,420

† Some small shifts have already occurred in 2013. Primarily, 30,000 uninsured <26 have moved into employer coverage.

* Projected population totals exclude people 65 or older and people under 65 who have only Medicare or only military coverage. Coverage estimates based on the Census Bureau's Current Population Survey (CPS), not actual program enrollment where applicable. Totals may not add due to rounding.

Table 2: Where the Uninsured Get Covered Under Reform, 2019

New Coverage Status of Previously Uninsured	(Thousands)	Percent
Remain Uninsured	240	35%
Medicaid (OHP)	180	26%
Exchange	150	22%
Individual	30	4%
Group (Employer)	80	12%
Total*	680	100%

*Number of total uninsured in 2019 absent of reform.

Table 3: Remaining Uninsured Under Reform by Income (FPL), 2019

Category (Thousands)	<200%	200%-400%	>400%	Total*	Pct
Exempt from Mandate	1	25	43	69	24%
Ignoring Mandate	84	24	11	120	42%
Undocumented	83	14	3	99	34%
Total	168	63	57	288	100%
Percent	58%	22%	20%	100%	

* Detail does not add to total due to rounding.

Table 4: Remaining Uninsured Under Reform, by Age, 2019

Category (Thousands)	< 19	19-34	35-49	50-64	Total*
Exempt from Mandate	16	8	19	26	69
Ignoring Mandate	33	42	28	17	120
Undocumented	12	63	23	0	99
Total	61	113	70	43	288
Percent	21%	39%	24%	15%	100%

* Detail does not add to total due to rounding.

Table 5: Exchange Enrollment in 2019

Family Income Relative to Poverty	Enrollment * (thousands)
133%-250%*	168
250%-400%	101
> 400%	86
Total *	355

Table 6: Change in Employment-Based Coverage, 2019

Employer Size (# of Workers)	New Enrollees (thousands)	Number Losing Employer Coverage [†]	Net Change (thousands) *
1 – 50	37	127	-90
51 – 100	7	29	-22
101 +	85	86	-1
Total *	129	242	-113

† People may lose employer coverage because (1) their employer drops coverage, (2) even though their employer continues to offer coverage, they become eligible Medicaid (OHP) or for premium tax credits through the individual Exchange, or (3) due to reduced employer contributions, they voluntarily disenroll. About 2/3s of coverage losses are due to employers dropping coverage.

* The total net change differs from figures show earlier because this analysis omits dependents who gain employer coverage due to the higher age requirement (up to age 26).

Table 8: State Costs Under Federal Reform by Year

(\$ millions)	2013	2015	2019
State share of OHP	\$ (4)	\$ 21	\$ 121
State income tax revenue increase*	\$ (2)	\$ (8)	\$ (50)
Net State Cost	\$ (6)	\$ 13	\$ 71

* State income tax revenues increase because some employers drop coverage or reduce their contributions, leading to a wage increase for their workers and increased state tax revenues. These estimates do not include the potential fiscal impact on the State of other portions of the federal reform bill, such as the numerous changes in Medicare. Nor do they include the fiscal impact of policy or provider payment changes the State might decide to adopt voluntarily in the context of federal reform

Table 8: Annual Financial Effect on Oregon Individuals and Families, 2019

Type (\$ Millions)	Benefits / Savings	Costs	Net
Increase in Wages*	\$ 469		+ 469
Value of New Subsidies (including Reduction in OOP Costs)	\$1,586		+ 1,586
Increased Federal Income Taxes		\$(83)	(83)
Increased Federal Payroll Taxes		\$(47)	(47)
Increased State Income Taxes		\$(50)	(50)
Mandate Penalty Payments (Federal)		\$(70)	(70)
Total	\$ 2,055	\$(250)	+1,805

Table 9: Annual Financial Effect on Oregon Businesses, 2019

Type (\$ Millions)	Benefits / Savings	Costs	Net
Reduction in Employer Contributions to Group Coverage	\$ 627		+ 627
Increase in Wages Paid *		\$(469)	(469)
Small-Employer Tax Credits	\$29		+ 29
Increased Federal Payroll Taxes		\$(47)	(47)
Assessment Payments by Large Employers (50+ FTE)		\$(110)	(110)
Total	\$ 656	\$(626)	+ \$30

Conclusions

- 65% of the uninsured obtain coverage by 2019
- Over 360,000 Oregonians could take advantage of an the Insurance Exchange
- The remaining uninsured
 - Over 50% are under age 35
 - Over 50% are under 200% FPL
- Oregonians could gain almost \$2 billion in benefits annually from reform
- Oregon small business could gain \$30 million in benefits annually from reform