Minority Report of the Finance & Revenue Committee

TO: Oregon Universal Health Plan Governance Board; Finance and Revenue, Plan Design, Operations, Communications, and Transition Committees

FROM: Finance and Revenue Committee, Minority Members
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SUBJECT: Minority Report to the Finance and Revenue Committee (Committee). (There are three final reports from the Finance and Revenue Committee and ECONorthwest, the expert advisor on public policy: (i) the *Finance and Revenue Committee Revenue Proposal Summary* (Revenue Summary), dated March 3, 2026; (ii) the *Report on the Finance and Revenue Committee's Recommendations to the UHP Governance Board* (Revenue Financing), dated March 2026; and (iii) the *Reserves Financing and Funding Options and Examples for the UHP* (Reserve Financing), dated March 7, 2026. Although the Revenue Summary is the capstone submission, the three documents are linked together and support each other.)

I. Executive Summary

The goal of the Governance Board and the committees was to provide a pathway for a universal health plan for all Oregonians. This is an admirable goal, one that provides equity, affordability, and sustainability for needed universal medical care.

Given that a new state organization was envisioned to administer an estimated $80 billion annual program, the work of the Finance and Revenue Committee ("Committee") was a sobering challenge. To meet part of this challenge, the Committee was tasked with analyzing and investigating sources of revenue.

Senate Bill 1089, which became law in 2023, is clear in its instruction that the financial and revenue design tasks of a universal health care plan were of primary importance. This work follows the 2022 task force on universal health care under Senate Bill 770. The stated advantages of universal health care, particularly in the form of a single payer system, are numerous. But unless those advantages can be turned into a complete and responsible plan, the hope remains just a hope. The Committee discussed in general numerous previous universal health care efforts and studies in the United States. All failed to complete the finance and revenue studies to a level which allowed implementation of a plan.

Regrettably, the Committee did not finish its work. The narrow 4-3 vote in favor of the Revenue Summary report is not evidence of having disagreement with the universal health care goals, it is evidence of insufficient time and resources to fully investigate and develop the revenue proposals and recommendations. This was also a concern of Governor Kotek in her August 4, 2023, signing letter for Senate Bill 1089. "At the very same time, given the scope of this pending programmatic change, it is equally likely that $2 million underestimates the resources required to complete the bill."

As a result of insufficient time and resources, the Committee's Revenue Summary report has gaps of unfinished work. Three major revenue gaps are: (i) revenue analysis inadequacies; (ii) reserve financing inadequacies; and (iii) financing for information technology to implement the plan. Failure to fully investigate these three issues clouds the reliability of all three reports.

II. Revenue Analysis Inadequacies

The Committee arrived at a revenue summary of $16.827 billion. Below is Table 1 on page 1 in the Revenue Summary, with an edit showing the total revenue.

Table 1 Data per ECONorthwest (Edited format and added total) **Estimated Revenue by Revenue Instrument (2022 Dollars)**				
Revenue Instrument	**Current Oregon Rate**	**Additional % Increase (Proposed)**	**Estimated Revenue ($M)**	**% of Total**
OR Corporate Income Tax (CIT)	6.6%-7.6%	3.0%	$639	3.8%
OR Corporate Activity Tax (CAT)	0.6%	0.1%	$215	1.3%
OR Employer Payroll Tax (EPT)	0.9%-5.8%	9.6%	$8,715	51.8%
OR Healthcare Personal Income Tax (HCPIT)	4.75%-9.9%	10.1%	$7,253	43.1%
OR Lodging Tax	1.5%	0.2%	$5	<0.1%
Total (added edit):			**$16,827**	
Proposed Tax Credits				
Recipient		**Rate**		
Employees whose employers pay EPT		50% of EPT		
Indiviudals who pay Medicare Part B premiums		100% Part B Premium Paid		

The total revenue of $16.827 billion is suspect for two major reasons. First, revenue is primarily based on a narrow and not a broad tax base. Second, the total revenue amount is based on a static and not a dynamic analysis. Both of these problems are inter-related.

1. Narrow versus broad tax base.

One of the guiding revenue principles in the Finance and Revenue Committee's Guiding Discussion Document, dated January 10, 2025, page 2, was that "A broad tax base with a low rate is better than dependence on a higher rate for a narrower group." This principle was also in the Revenue

Financing report on page 6: "Having a broad tax base with a lower rate is better than relying on a higher rate for a narrower group." Regrettably, this principle was only partially achieved.

Instead, increased tax rates were added to existing Oregon tax categories along with payroll and personal income exemptions. Except for the Corporate Income Tax Add-On, the Revenue Summary report recommends revenue on a narrow, personal and business tax basis.

A broader tax base with progressive rates would increase revenue, lower rates, provide a more stable tax structure, and promote equity. Those receiving health benefits would also pay for them. Exceptions for lower income filers can be created, although doing so offsets some of the benefits of a broad taxation base as well as the ethos of "we are all in this together."

Employer Payroll Tax (EPT). Under Table 1 employers would pay increased EPT on payrolls (additional 9.6%): however, employees would pay no payroll taxes to support the plan. Another aspect of its narrow base is that the EPT only applies to employers with payrolls above $500,000. One of the important features of universal health care plans in many countries is that both employers and employees contribute equally to fund the plan, regardless of the size of the payroll. For example, in Germany, employers and employees generally each pay 7.6% on all payroll/income amounts. The result is a broader and more stable base to support universal health care services.

Healthcare Personal Income Tax (HCPIT). Under Table 1 individuals would pay increased HCPIT on personal income (an additional 10.1%); however, the provision does not apply to all personal incomes. It is limited to high-earners. The additional tax would apply to an individual with income estimated starting in the range of $60 to $90 thousand and above. For married couples with two children, the income range is estimated to start at $150 to $190 thousand and above. These ranges are estimates at this time. All personal incomes below those amounts would not be subject to the additional tax of 10.1%. Structuring the additional tax to higher-earners is consistent with progressive principles; however, it limits the revenue base and stability.

Many European countries with extensive social programs recognize that higher income tax rates and wider bases are necessary to sustain social and healthcare programs. For example, in Germany, individual income tax rates are progressive, with a range from 14% to 45%. An inclusive, wide tax base and progressive rates are required to fund healthcare programs.

Filling the gap in funding with a narrow tax base of high-earners, even if tiered, means relying on a significantly smaller group of tax payers, both individual and business, to fund the universal health care program. During good times, tax collections are abundant. During recessions and economic slowdowns, however, tax collections drop. California experienced a drop in tax collections in 2008-2009, 2020, and 2023-2025 with its reliance on Hollywood and Silicon Valley high-earners. New York City and New York State experienced a drop in tax collections in 1975, 1987, 2001, 2008, and 2020 with their reliance on the financial services industry.

Unavailable Other Funding Details and Amounts. Complicating the evaluation of a restricted tax base, the Committee was not given the amounts of other funding to equal the total annual estimated budget of $80 billion. As the Revenue Summary report states in the Introduction on page 1: "Health care in Oregon is already heavily financed through a combination of employer-sponsored insurance (ESI) payments, out-of-pocket expenditures (OOP) and a variety of state and federal public programs (e.g. Medicare and Medicaid)." Subtracting the $80 billion from the estimated $16,827 billion of taxable revenue, the other funding sources equal $63.173 billion. However, the Committee was not provided with details of the $63.173 billion to evaluate whether the $16.827 billion was a realistic total number.

2. Static versus Dynamic Revenue Analysis

The Committee's Revenue Summary report reflects that revenue projections were based on a static rather than a dynamic revenue analysis. Static analysis considers the direct effects of changes in government policy and taxes, describing the increases or losses in revenue from policy and tax changes. Those changes are not analyzed in terms of their impact on the larger economic environment or personal and business behavior.

In contrast, dynamic analysis investigates indirect effects of policy and tax changes, recognizing that such changes affect personal and business investment and migration. Dynamic analysis seeks to identify these indirect economic effects and their sensitivity to policy and tax changes.

In spite of doing only a static analysis, two Guiding Principles adopted by the Committee endorsed a dynamic analysis. Principles 17 and 18 state: "17. New plans must be evaluated for their effects on Oregon's economy…" and: "18. In measuring the economic effects of any new plan, consideration should be given to potential changes in behavior…."

In the Final Report and Recommendations of the Joint Task Force on Universal Health Care (UHC), dated September 2022, the Task Force recommended that follow-up studies include dynamic analysis/modelling on Oregon's economy:

> "**Micro- and macroeconomic analysis.** Further study is needed to understand the macroeconomic impacts of transitioning to a single-payer system of health care at the level of individuals, firms, sectors, and the overall economy. One way to study these impacts would be through microsimulation. [footnote omitted] Another important analysis would be a dynamic modelling of the impact of the new taxes on Oregon's economy." UHC at p.45.

Also, in the Revenue Financing report, Appendix B, Optumas acknowledged that the revenue analysis was static, but recommended follow-up dynamic economic analysis:

> "The projected revenue need is based solely on the projection of health care expenditures and related administrative costs. Because implementation of a single payer system will create potentially significant economic impacts that will vary based on the individuals' incomes and other characteristics and will have a profound impact on employers that will likely alter both individual and business behaviors, the fiscal

impact analysis will need to be coupled with a robust economic impact analysis to determine the full revenue need."
Optumas, Appendix B, at p.71.

In and Out Migration. People move for reasons besides income taxes; however, income taxes are a major factor in the decision to migrate from high tax states to lower tax states.

The most recent data from the IRS (www.irs.gov/statistics/soi-tax-stats-migration-data) and the National Taxpayers Union (www.ntu.org/foundatin/detail/tax-migration-out-of-states-accelerating-post-pandemic) show continued movement from high income tax states to lower income tax states in both good and bad economic times.

There are approximately 2 million personal (individual) tax returns in Oregon each year. 1% or 20,000 of those filers currently pay approximately 30% of the income tax dollars going to the Oregon's general fund.

The most recent Oregon Department of Revenue tax information shows an average from 2020 – 2023 of 21,900 tax returns with annual adjusted gross income of $500,000 or more. Even a relatively small number of high-earners moving out of Oregon will have significant revenue impacts. To put it into perspective, if 1,000 middle income earners making $80,000 a year relocate, that represents about $80 million in income leaving the state. But if just 1,000 individuals/families earning $500,000 annually move, that figure leaps to $500 million or more. In other words, the tax base is more sensitive to who leaves, not necessarily the number of people leaving.

The current personal income tax rate of 4.75% to 9.9% will have an increase of an additional 10.1%. For a single person, the 10.1% additional increase begins at an estimated income of $60 to $90 thousand per year. For a married couple with two children, the 10.1% additional increase begins at an estimated income of $150 to $200 thousand per year (the estimated are still a work in progress).

The tax increases in Multnomah County include the Metro Supportive Housing (1.0% for single filers above $125,000 and $200,000 for joint filers) and Pre-School for All in Multnomah County (1.5% for single filers over $125,000 and $200,000 for joint filers, 3.0% for single filers above $250,000 and joint filers above $400,000). Additionally, in recent years there have been the City of Portland gross receipts on business with revenue above $1 billion, Multnomah County business income tax increases in 2020, and a state wide payroll tax to fund paid leave. Milliman company, the Committee's advising actuary, at the March 19th meeting of the Transition Committee stated that during the last two years $1 billion in income has moved out of Multnomah County.

These taxes have made the Portland metro area one of the highest, if not the highest, income taxed jurisdictions in the United States. The City of Portland is the 2nd highest total income tax (state + local) in the U.S., after New York City. This concerning statistic also is cited in EcoNorthwest's "Oregon at a Crossroads" report done for the Oregon Business Council.

The Committee's nearly doubling of the Oregon income tax for higher paid individuals and families is likely to mean some people will move out of or not relocate to Oregon. Given the progressive nature of Oregon taxes, high-earners moving out of the state will have a significant negative impact on reducing anticipated revenues in the static analysis used in the recommendations.

For those staying in Oregon, they will have incentive to minimize their income taxes. Economic studies identify that some of efforts to minimize taxes include: (i) people quitting their jobs to retire early, thereby reducing income and payroll taxes; (ii) dual incomes reduced to one income; and (iii) holders of IRA's and 401(k's) converting retirement holdings to a Roth plan prior to the effective date of the new taxes.

Business Investment. Under the static analysis, one of the two largest sources of increased tax revenues is employer payroll taxes. The payroll tax for employers almost triples under a graduated, progressive rate. The current rate is 0.9% to 5.8%. The proposed increase is an additional 9.6%. However, companies' first $500,000 of payroll will be exempted from the additional payroll tax.

Dynamic analysis would take into account the business responses to the tax increase and the tax exemption on the first $500,000 of payroll. Possible responses that need to be evaluated are: (i) companies will relocate out of state; (ii) companies will limit adding employees in Oregon; (iii) companies will open new locations out of state; (iv) companies will not consider opening operations in Oregon; and (v) existing operations will be scaled back to take advantage of the $500,000 payroll exemption.

Static (versus dynamic) analysis coupled with a narrow (versus a broad) base of taxation means increasing reliance on a small group of businesses and high-earners, all who are relatively mobile. Among the outward migration, the disincentive to locate in Oregon, and the behavioral changes by people and business remaining, Oregon will likely collect less revenue than anticipated under the static analysis and narrower tax base. When a state relies heavily on a narrow and mobile tax base, a small number of departures can have outsize negative budget consequences and impact on services. A dynamic analysis would have taken into account the above individual and business possible responses to various tax rates and the effects on Oregon's economy.

III. Reserve Study Inadequacies

There does not seem to be a realistic path to establish the reserve recommendation of $20 billion (three months of estimated annual operating expenses of $80 billion is $20 billion). Pages 75–95 of the March 2026 Reserve Financing report and the March 7, 2026 Reserve Financing reports specifically analyze and propose solutions to the reserve issue facing the new organization.

Whether the reserve approach is an insurance actuary model, a risk-based capital-based reserve model, or a public utility model, some level of reserves will be required. The Finance and Revenue Committee recommends maintaining reserves equal to 3 months of annual operating expenses (estimated at $20 billion), with an unidentified action triggered if reserves fall below 1 month of operating expenses ($6.7 billion). EcoNorthwest acknowledges that the 1-, 2-, or 3-month standards are not risk-based.

> "These figures represent liquidity reserves only and do not reflect a full risk-based capital (RBC) standard typically applied to private insurers. Such a standard would likely require significantly larger capitalization and may not be appropriate for a publicly backed program. The selection of a reserve target materially affects the feasibility of the funding and financing strategy."

The March 2026 EcoNorthwest Reserve Financing report presents three tiers of funding to establish reserves. The three tiers are: (i) existing internal funds representing the lowest cost dollars; (ii) structured low-cost borrowing provide liquidity with defined repayment terms; and (iii) new or accelerated revenue representing the most costly form of capital, both economically and politically. If generous assumptions are applied to the first two tiers, only about $12 billion can be secured. No dollars were developed for Tier 3 funding. Additionally, the ability to access some Tier 1 options (e.g., Oregon's Rainy-Day Fund, SAIF funds, Tribal 1115 waiver funds) and Tier 2 options (interfund and state loans to be repaid) is problematic at best. Loans are not cost-free. They carry interest obligations and deprive existing programs of authorized funds.

The Finance and Revenue committee recommends maintaining reserves equal to 3 months of annual operating expenses (estimated at $20 billion), with an unidentified action triggered if reserves fall below 1 month of operating expenses ($6.7 billion). The committee did not deliberate as to how to realistically achieve this standard. Additionally, there was minimal consideration of how to secure start-up costs over and above reserve requirements. This approach seems naïve. The current reserve plan assumes that, after six years, $20 billion of reserves will appear on the balance sheet, even though no credible path to securing these funds has been identified. These significant funds and their sources should be addressed early in the planning process.

IV. Information Technology Capital Cost and Implementation

The finance proposal for developing the information technology was inadequately considered. Some committee members estimate that costs could reach hundreds of millions of dollars. While expanding existing systems is technically possible, the disconnect between current capabilities and the envisioned system is profound and remains unaddressed.

The March 2026 EcoNorthwest Reserve Financing report, pages 76 to 82, provides only minimal detail and fails to offer any cost estimate for the one-time creation of an information technology system for the new organization.

The Finance and Revenue Committee spent minimal time estimating the capital costs of the information technology infrastructure and its implementation the plan, a plan that would be Oregon's single-largest budget program. Nor has there been any effort to discuss how the various components of the information technology infrastructure will be funded. Nor has there been any discussion of lessons learned over Oregon's historical problems with large, complex information technology capital projects, such as the Cover Oregon Health Exchange (2013–2014, with a cost of over $300 million), the Employment Department system overhaul (2020s), the Oregon Wireless Interoperability Network (2009–2013), or the 1993 Oregon Department of Motor Vehicles automation project. All of these large capital projects had serious development and implementation problems, leading to significant delays and cost overruns.

V. Further Concerns and Recommendations

Although not directly within the scope of the Finance and Revenue committee, three additional important issues and concerns should be addressed going forward. Addressing these issues and concerns will strengthen the Transition Committee's work and the Governance Board's ultimate report to the Governor and Legislature.

The three issues are:

(i) There is no statement of system-wide before/after revenue and expense statements compared to the present system;
(ii) Just as with revenue, expenses should be analyzed under a dynamic analysis; and
(iii) There is no explanation of the failure to deliver the requested deliverables.

The main issue is that, although the Finance and Revenue committee was responsible only for revenue, it failed to follow the principles it set at the outset. The Transition Committee must now address these shortcomings with reliable analysis.

1. Lack of Statements of Revenue and Expense

During one of the initial meetings, the Finance and Revenue Committee voted unanimously that, as part of developing the financing plan, a before-and-after statement of revenue and expenses be prepared. The main argument of the current proposal is that Oregon can implement a universal health plan without raising new money. Instead, increases in taxes on larger companies and higher-income individuals will offset the current out-of-pocket and insurance costs for the majority of individuals and companies, who will no longer pay those costs for health benefits. As a result, the overall amount spent on healthcare in Oregon will remain the same; it is simply reallocated.

The proposal is viewed as an $80 billion new organization. Any new organization seeking start-up funding must provide projections of revenue and expenses. Unfortunately, despite the committee's requests for a revenue and expense statement projection and a before-and-after comparison of revenues and expenses, neither was developed. These statements must include all start-up costs. Creating and funding an $80 billion-a-year program (approximately 4 times Oregon’s annual general fund budget) without a statement of income and expenses is inconsistent with standard best practice.

2. Understated Expense Projection

There was no detailed disclosure of expenses. The Finance and Revenue Committee was advised that $80 billion, give or take, per year is the working number. Yet, the March 19 Milliman company presentation to the Transition Committee indicated that administrative costs were about $2.84 billion, or 5.44% of total annual costs. A 5.44% figure for administrative costs translates to a total cost of $52 billion, not $80 billion. After 18 months of meetings, a $26 billion difference is non-trivial.

Whether the figure is $52 or $80 billion, the committee was also advised the total number of doctors and nurse providers will not change. Within an unchanged total, the goal is to increase the total number of general practitioners and mental health providers. The only way that is possible is if the number of specialists and/or the number of people in administration decreases. Without a detailed, statement or revenue and expense, it is not possible to determine if the assumption is accurate.

Although it was not the function of the Finance and Revenue Committee to develop the operating and administrative expenses for the proposed universal health care system, the development of the needed revenues cannot be reviewed in isolation. The Finance and Revenue Committee, despite asking for joint meetings with Plan Design and Operations was unable to do so. The Finance and Revenue Committee did its best to develop revenue estimates based on information from the Plan Design/Expenditures and Operations committees. Before any final consideration of revenue, there should be a full assessment of expenditures, including administrative costs, drug costs, and malpractice insurance under a dynamic model, disclosing both direct and indirect costs.

3. Ignoring Adopted Principles and Incomplete Deliverables

A. Guiding Principles

The 18 guiding principles are included in the Reserve Financing report, pages 5 – 9. The approved 18 principles are prominently posted on the Universal Health Care Plan Governance Board website in the Finance and Revenue Committee section.

During the initial Finance and Revenue meetings, 18 guiding principles (some more detailed than others) and 2 deliverables were established and adopted on January 10, 2025. Most of the guiding principles were not followed in the final 4-page Revenue Proposal Summary. The guiding principles that were not met include, but are not limited to:

1. All work must be actuarily sound fiduciary rates with quantifiable confidence intervals. A risk-based capitalization target was rejected given that is unlikely the state could hold sufficient capital to meet the capitalization target given the scale of universal health plan benefits

2. To be sure that all financial flows are understood, the health care expenditures and revenues must account for total financial flows within the scope and not only incremental calculations.

Despite the committee's requests for a detailed income statement projection and a before-and-after comparison of revenues and expenses, neither was developed.

3. A broad tax base with a low rate is better than dependence on a higher rate for a narrower group. Except for one component of revenue, Corporate Income Tax Add-On, the opposite is recommended.

4. All plan calculations must be very specific as to which populations and which services are covered and which are not. To date, there is insufficient detail for a description.

5. New plans must be evaluated for their effect on Oregon's economy, including changes to employment, individual and business income, and changes to taxation. As discussed above, the revenue analysis was static with no dynamic analysis of impacts on Oregon's economy.

B. Deliverables

Two deliverables were established for the Finance and Revenue Committee. The two deliverables were established in Section 2(3) (i) and (j) of Senate Bill 1089. The two deliverables were adopted by the Governance Board on July 18, 2024.

1 – Unified financing strategy for the Universal Health Plan that may include an income tax, a payroll tax, or other options that take into consideration ERISA and have support from large and small employers. Unfortunately, the work on this deliverable remains incomplete, progress is slow, did not have sufficient expense analysis and no employer input has been sought, which undermines credibility and broad support.

2 - Analysis of the impact of the Universal Health Plan on Oregon's economy. As discussed above, this deliverable also remains incomplete.

VI. Conclusion

The goal of the Governance Board and the associated committees is to provide a pathway for a universal health plan for all Oregonians. Unfortunately, due to insufficient time and funding, the final report has significant gaps in unfinished work. As a result, and as required by Senate Bill 1089, the ability to deliver "a comprehensive plan for the implementation of the Universal Health Plan" to the legislature is highly unlikely to be satisfactorily met. The final reports reflect the constraints of time and funding, problems identified by Governor Kotek in her signing letter for Senate Bill 1089 in 2023.

Without a complete and vetted revenue, reserve, and capital expenditure plan, any release or recommendation of a tax plan to meet total expenditures is premature and likely to be significantly understated. The preliminary tax concept, including specific tax rates, should never have been released, as it will be understood as being the plan, when we do not have a fully developed plan. The Revenue Summary, Revenue Financing and Reserve Financing reports of the Finance and Revenue Committee have too many unanswered questions and insufficient analysis.

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