



**Oregon**  
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## Finance and Revenue Committee

### Guiding Discussion Document

Initial draft: Dec. 19, 2024

Updated and approved by the committee: Jan. 10, 2025

The following attributes are identified as important to a successful financial plan for implementation of a universal health care plan for Oregon. Once approved by the committee, this will be a living, aspirational document that can be used during discussions of these topics throughout the Finance and Revenue Committee's work.

#### GENERAL REQUIREMENTS

1. All work must provide actuarially sound fiduciary rates with quantifiable confidence intervals.
2. To be sure that all financial flows are understood, the health care system expenditures and revenues must account for total financial flows within the scope and not only incremental calculations.
  - a. Overhead costs for each financial flow should be calculated or estimated, including the net cost of insurance, the cost of billing, and the cost of any metrics required by the payer.
  - b. Regions of the state that have different financial flows will be considered.
3. To understand year-to-year variation, research cannot rely on a single year of data research.
4. All estimates and calculations should tie back to an external public or published accounting base (e.g., National Health Expenditure Accounts) with a stable methodology, and be clear in their assumptions, sources, and reasons for any deviation from those accounting sources. This includes justifying differences of more than a few percentage points between national and state accounting. Transparency and cross-checking are important.
5. It should be known how and who will decide the past years for analysis, and the year of planned implementation or years of planned implementation, if the implementation is to be phased. The selection of study years will be particularly important because the pandemic years may or may not be useful for projecting into the future.

#### GUIDING REVENUE PRINCIPLES

- **Progressive** – The tax rate increases as the taxpayer's income (ability to pay) increases.
- **Easy to Understand** – Is the new revenue stream easy to understand by those having to pay for it? Or, at least, can a simple-to-use calculator be provided?
- **Stable** – A financing system should be able to weather economic and demographic changes. No source is completely stable; they all change over time based on economic activity or population changes. What can be done to increase overall stability?

- **Permanent** – The system should be as permanent as possible; no automatic sunset of a revenue stream.
- **Predictable** – Can government officials fairly predict how much revenue will be generated?
- **Scalable and Adequate** – If universal health care is implemented over a period of time, are the revenue sources scalable to meet the needs of full implementation?
- **Employee Retirement Income Security Act (ERISA) Considerations** – We want to avoid being vulnerable to ERISA court challenges and may want automatic triggers on other revenue streams if there's an effective ERISA challenge.
- **Dedicated Trust Fund** – As opposed to pulling from the general fund, the committee seeks a dedicated trust fund to support the plan that is not subject to the state kicker tax credit.
- **Maximize Federal Dollars** – Consider opportunities to maximize federal match dollars before turning to new revenue streams.
- **Limit Movement** – Any revenue plan should be structured to limit migration into, or out of, the state.
- **Broad Base** – A broad tax base with a low rate is better than dependence on a higher rate for a narrower group.
- **Multiple Streams** – The revenue plan must consider all costs of operations, start-up, reserves, and transition, including bond sales.
- **Avoid Cliffs** – To the extent possible, avoid tax cliffs or benefit cliffs.
- **Avoid Economic Hardship** – Avoid the economic harm of the loss of federal tax expenditures in Oregon on employer and employee contributions to employer-sponsored health insurance (both income and FICA) when moving away from that employer sponsorship. Current federal law allows contributions to employer-sponsored health insurance to be excluded from taxable income, thus decreasing the money flowing from Oregon employers and employees (and thus out of the Oregon economy in general) to federal taxes.
- **Avoid Unequal Burden** – To the extent possible, avoid imposing an unequal tax burden on wage income versus other types of income.

#### HEALTH CARE EXPENDITURES

6. Current expenditures must be divided into categories of who pays and who receives the money, which in turn are broken down by the categories of the National Health Expenditure Accounts and broken out into additional categories by specialty, which include behavioral health, primary care, dental, optical, and long-term care. Long-term care should receive special consideration.
7. Capital requirements, such as structures and major equipment, should be differentiated from operating expenditures.

#### HEALTH CARE REVENUE FOR OREGON

8. Revenue must be broken down according to all financial flows that fund health care, including:
  - a. Premiums paid to private insurance companies by or for individuals, including the net cost of insurance.
  - b. Expenditures by self-insured employers, including the cost of administration and stop-loss insurance.
  - c. Out-of-pocket spending
    - i. On cost sharing: copays, coinsurance, and deductibles for insured services.

- ii. On direct payments for services not covered by insurance.
- d. The health care portion of casualty and workers' compensation insurance.
- e. Income taxes, payroll taxes, government premiums, and other taxes and fees that provide the revenue to operate Medicare, Medicaid, the Marketplace, the Children's Health Insurance Program (CHIP), and other federal and state programs.
- f. Public health and other local health expenditures for direct care or infrastructure for direct care not accounted for in other categories.
- g. Revenue that comes from private donations or grants.
- h. Payments by trusts or out-of-state insurance that might not be otherwise captured in the above categories.

#### NEW PLAN DEVELOPMENT

9. All plan calculations must be very specific as to which populations and which services are covered and which are not.
10. When making estimates, including estimates of savings or estimates of future revenues or expenditures, the error of the estimate and confidence level must be clearly stated. If the error range cannot be calculated and justified based on standard statistical methods, the reasons for nonstandard uncertainty should be identified, and some measure of the financial risk must be identified.
11. It is strongly recommended that the best approach is to first study a past series of years, both for expenditures and revenues, and analyze what the effects of a new proposal would have been. Once that base period is fully analyzed, then apply the growth estimates for how expenditures and revenues might behave in the future.
12. Estimates for savings must be backed up by multiple methods and sources.
13. Estimates of savings from consolidating payments under one payer (such as a single payer) should be clear in whether any savings would continue to exist if some payments are not included in the consolidation. Estimates of savings that depend on a payment method should be clearly designated (e.g., paying hospitals or other entities with a global budget). The place in the funding stream at which the savings are expected should be stated (i.e., in the provider office, the payer overhead, or just the elimination of something no longer necessary).
14. Information that is in conflict with other prominent studies, such as the Rand Study of 2017 or the task force report of 2022, should have a clear explanation of why it differs.
15. New plans must be clear in how they will deal with year-to-year fluctuation in expenditures and in revenue.

16. If the new plan requires the sale of bonds, there should be a fiduciary review verifying that willing investors are available and helping to identify the term length, interest rates, bond sales cost, and the annual rate of paying off the bonds.
17. New plans must be evaluated for their effects on Oregon's economy, including:
  - a. Changes to employment.
  - b. Changes to individual and business income.
  - c. Changes to taxation, including any change to individual and business federal taxes due to the way health care revenue is collected.
18. In measuring the economic effects of any new plan, consideration should be given to potential changes in behavior that can include, but should not be limited to, the following:
  - a. If many people are working solely for health insurance (second household workers and potential early retirees), how would the separation of health care access from employment affect employment income and state income tax collection?
  - b. Currently, some percentage of health care is funded through donations. How much will donations decline if health care is viewed as funded by a public tax?