

THE OREGON HEALTH FUND BOARD – Finance Committee

May 1, 2008
11:00 am to 5:00 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)
Peter Bernardo, MD
Andy Anderson
Fred Bremner, DMD
Aelea Christofferson
Terry Coplin (by phone)
Lynn-Marie Crider
Jim Diegel (by phone)
Steve Doty
Laura Etherton
Cherry Harris
David Hooff
John Lee
Denise Honzel
Steve Sharp
- MEMBERS EXCUSED:** Scott Sadler
Judy Muschamp
- STAFF PRESENT:** Gretchen Morley, Director, Oregon Health Policy Commission
Nora Leibowitz, Senior Policy Analyst
Sean Kolmer, Data Research Manager, OHPR
Jeanene Smith, MD, MPH, OHPR Administrator
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

(Digitally Recorded)

- Chair Barnett** **I. Call to Order**
- Chair Barnett called the meeting to order. There was a quorum.

- Chair 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 Workplan (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 an individual mandate; and
 - Develop a recommendation regarding why and how an exchange would work.
- Exchange is 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 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

- 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 adjuster 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 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 subsidy programs only and difficulty in being able to project what will happen.
 - Would you create incentives to enter the Exchange?
- Denise polled the Committee regarding voluntary vs. mandatory individual involvement of self-pay people in Exchange. Majority support 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 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 most 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 cost 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.

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, 3rd and 4th 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 exploring how to drive quality and contain cost.
 - Concern expressed 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, 5th 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 the 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 transparent information, close examination 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 capturing 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 are 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 the 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 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 under 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 people 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 assumption is calculation of impact of mandate on people who do not voluntarily take up insurance 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 Mathison and staff.
 - *Question: is the premium cost used the average plan that everyone will have or is that the base?*
 - Rick Curtis responds 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 \$2500 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. Model assumes Federal government would allow match for families up to 200% FPL and 150% FPL for childless adults.
- 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 answers 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 noted 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 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, OHPC Director

EXHIBIT MATERIALS

1. Draft Agenda
2. April 16 Minutes
3. April 17 Minutes
4. Updated Committee Workplan
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