



## NEWS RELEASE

**STUDY SHOWS TAX PUTS MAJORITY OF OREGON HOSPITALS IN THE BLACK**

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A study commissioned by the Oregon Health Fund Board on the impact of a hospital tax on Oregon's hospitals shows that at least 40 of the 57 hospitals in the state would net a positive income from the newly covered patients and increased reimbursement rates, with the remaining hospitals recouping most of the tax paid. Dr. John McConnell, health care economist and author of the study, has used data provided by the hospitals to the state to create a model testing a 4% tax rate with two different rates for Medicaid patient reimbursement. The goal of this study was to provide a transparent look at the effect of paying hospitals a higher rate for Oregon Health Plan patients on their realized tax burden. The resulting data shows some hospitals in Oregon adding millions to their bottom line, while all of the tax paying hospitals would pay an average realized rate of less than a half of one percent.

Jonathan Ater, Vice-Chair of the Health Fund Board, found the results encouraging. "The Board wanted to fully understand how the variables of a 4% tax and different reimbursement rates would impact both the large hospitals who would pay the tax, as well as small and rural hospitals who would be exempt, but would benefit from the tax. The results indicate the Legislature has an effective tool available in the form of Medicaid reimbursement rates to make the tax work as a win-win for Oregon."

The tax comes with a "signing bonus" from Washington DC, because the federal government will provide matching funds of over \$1.66 for every dollar raised by Oregon to provide coverage for the poor—over \$1 billion in total. Board Chair, Bill Thorndike emphasized the importance of the federal matching dollars in today's economic climate, "In order to capture the federal Medicaid money, we must first put up our share as a state. The stakes are even higher in the near term, with additional money being offered by the proposed federal stimulus package. By leveraging the provider tax revenues from a fairly structured tax, Oregon will bring job-creating money into our state, protect our at risk rural hospitals, and reward those larger hospitals with very high numbers of Medicaid patients."

The Oregon Health Fund Board was created by the passage of SB329 in the 2007 legislative session. The Board of 7 citizens from across the state met for 14 months, and with the help of over 100 committee members on 7 committees, created a plan for health reform for Oregon. The plan, "*Aim High, Building a Healthy Oregon*" was presented to the Governor in November 2008, and is now under consideration in the Oregon Legislature. The plan lays out a strategy and action steps to implement health reform over a 6 year timeframe, first expanding coverage to Oregon's children and most vulnerable adults, while taking immediate steps to implement smart changes in the delivery system that will improve health outcomes and lower skyrocketing health care costs.

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