Final Sign-on Statement

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**The Health Care Industry Should Fill the Health Care Budget Gap**

Oregon should turn to the health care industry to entirely fill a looming $882 million budget gap in the state’s health care budget, the lion’s share of which is in the Oregon Health Plan. The industry should also contribute to the state’s cost-saving efforts to improve care, keep Oregonians healthy, and enable all Oregon children to have health insurance.

**The Oregon Health Plan is a pillar of Oregon’s health care infrastructure and economy.** OHP serves over one million Oregonians – more than one in four. About 42 percent of Oregon children receive care through OHP. The insurance plays an outsized role in rural areas of the state, covering nearly 30 percent of rural Oregonians. OHP is responsible for tens of thousands of jobs throughout the state, nearly all of which are in the private sector.

**Cutting the Oregon Health Plan is unacceptable**. Cutting OHP to address the current budget shortfall would have catastrophic impacts on individuals and Oregon’s health care infrastructure. It would also undermine the economy. The Ways and Means Co-chairs have penciled a scenario that would eliminate 50 covered services including dental and addiction services, drop 335,000 individuals from coverage, cut services for people with serious mental illness, and reduce payments to safety net providers. Oregon would end up sacrificing about $1.2 billion in federal funds over the biennium.

**Outside OHP, cost-saving health investments are at risk**. Oregon invests beyond OHP in our health care structures to make them work better for Oregonians, and additional smart approaches are needed. Such investments outside OHP include behavioral health services, incentives for coordinated care, and urgent public health modernization. The current health care budget gap puts these smart investments at risk.

**Oregon needs additional investments to remove barriers to care**. Despite recent progress, some Oregonians face structural barriers to getting the care they need. Thousands of low- income Oregon children and legal residents are barred from OHP due to residency restrictions. And despite getting subsidies for private insurance, Oregonians from COFA nations don’t get the care they need — and would receive — if they were not also barred from Medicaid.

**Oregon’s health care industry has profited from recent reforms**. Recent health reforms have benefitted much of the health care industry. Net patient revenues at Oregon hospitals have climbed by 24 percent since 2013, while their charity care outlays have fallen by 55 percent.

**Recommendation: enact provider and insurer taxes to entirely fill the OHA budget gap**

To protect and improve the health of Oregonians, lawmakers should explore all of the following options for filling the health care budget gap:

1. **Increase the hospital tax.** Oregon hospitals are currently assessed at 5.3 percent of their net patient revenue. Instead of an assessment, Oregon should utilize a true hospital tax, which would allow the resources to be used more flexibly. Oregon could increase the tax up to 6 percent, which is the federal “safe harbor” threshold for avoiding financing scrutiny for receiving federal Medicaid match funds.

Further, Oregon could increase the hospital tax above 6 percent of net patient revenue and devote the additional resources to investments not eligible for federal Medicaid match but nevertheless would strengthen the health system.

1. **Reinstate the tax on MCOs and insurers.** Until 2014, Oregon utilized a 1 percent tax on MCO and insurer premiums to finance health coverage for Oregon children. It applied to the public employee plans PEBB and OEBB, as well as commercial insurers. A tax on insurers would not be subject to the 6 percent federal threshold for Medicaid match.
2. **Tax additional provider types.** Many states raise funds for Medicaid through taxes on more provider types than Oregon currently does. Oregon could tax provider groups such as independent physicians, nurses, chiropractors, psychologists and others. Other options include ambulatory surgical centers, out-patient prescription drugs, emergency ambulance services, laboratory and X-ray services, and other groups.
3. **Tax health insurance claims.** A tax on health insurance claims would inherently be broad based. Michigan is an example of a state that has a tax on insurance claims.

1. **Tax other non-providers in the health industry.** Examples of taxable non-provider entities within the health industry include non-emergency medical transportation providers, and medical device manufacturers and providers.

For more on tax options, see Janet Bauer, [*Oregon Should Turn to Health Industry to Fill Medicaid Budget Gap*](http://www.ocpp.org/media/uploads/pdf/2017/01/rpt20170118MedicaidFunding-fnl.pdf), Oregon Center for Public Policy, January 18, 2017, available at http://www.ocpp.org/media/uploads/pdf/2017/01/rpt20170118MedicaidFunding-fnl.pdf.