Finance & Revenue Committee
Guiding Discussion Document
December 19, 2024

Commented [mc1]: During the meeting on 12/17 there was support for combining the documents so revenue principles are included for discussion of the document at the next meeting.

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 Finance and Revenue Committee these attributes are recommended for approval by the Board.~~ Once approved by the committee this will be a living, aspirational document that can be used during discussions of these topics during the course of the Finance and Revenue committee's work.

GENERAL REQUIREMENTS

1. All work must provide actuarily sound fiduciary rates for with quantifiable confidence intervals.

2. In order 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 just incremental calculations.

    a. Overhead costs for each financial flow should be calculated or estimated including net cost of insurance, cost of billing, and cost of any metrics required by the payer.

    b. Regions of the state which have different financial flows shall be considered.

3. In order 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 (National Health Expenditure Accounts etc) 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** – tax rate increases as the taxpayer income (ability to pay) increase
- **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 that can weather economic and demographic changes. No source is stable; they all change over time based on economic activity or population changes. What can be done to increase overall stability?

- **Permanent** – As permanent as anything; not automatic sunset of a revenue stream
- **Predictable** – Can government officials fairly predict how much revenue will be generated?
- **Scalable & Adequate** – If universal health care implementation is over a period of time, are revenue sources scalable to full implementation needs?
- **ERISA Considerations** – We want to avoid being vulnerable to ERISA court challenges and may want to 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.
- **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** – Broad Base Low Rate is better than dependence on higher rate on narrow group
- **Multiple Streams** – 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 hard of the loss of federal tax expenditures on employer and employee contributions to employer-sponsored health insurance (both imcome and FICA) when moving away fromt hat employer connection.
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Potential Principles for Consideration:

- **Passage** – Revenue plan should be likely to pass statewide vote
- ~~**Limit movement** – Any revenue plan should be structured to limit migration into, or out, of the state~~
- ~~**Broad Base** – Broad Base Low Rate is better than dependence on higher rate on narrow group~~
- ~~**Multiple Streams** – Revenue plan must consider all costs of operations, start-up and transition including bond sales.~~
- ~~**Comparison** – All sources of income must be included with comparing the effect of funding~~

HEALTH CARE EXPENDITURES

6. Current expenditures must be divided into categories of who pays and who receives the money, broken down in the categories of the National Health Expenditure Accounts but also breaking out additional categories by specialty including behavioral health, primary care, dental, optical, and long-term care. Long-term care should be broken out, other categories are should be included by are less important.

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 which fund health care including:

Commented [mc2]: Need more information (legal advice) on how to structure the income tax.

Commented [mc3]: This seems like something to strive for but things should not be precluded because of it.

Commented [mc4]: This should be a principles and could need additional discussion by F&R & Operations in the transition:
-how do you deal with the incentive to delay care as private insurance is being phased out
Is there anyway to get at the reserves that have been saved to cover lives that will be transitioned from private insurance

Commented [mc5]: Discussion that this should not be included as a principle. That is should be the focus of the committee to design a just plan and the community engagement and stakeholders can work on getting support.

Commented [mc6]: Feedback that this was duplicative of #8 in the current attributes document.

Commented [mc7]: Likely need help from OHA data people to do better than just imputing from national values.

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 which provide the revenue to operate Medicare, Medicaid, Market-place, CHIPS, 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 which comes from private donations or grants
h. Payments by trusts or out of state insurance which 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 non-standard 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 for analyzing 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. (The task force did not specify this. The contractor (CBZ Optumas) based all their calculations on 2026, making it almost impossible for the Task Force to cross reference their work with known data.)

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 udget). 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 which is in conflict with other prominent studies, such as the RAND Study of 2016 or the Task Force report of 2022 should have 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 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 effect 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 impacts of any new plan, consideration should be given to the potential changes in behavior such as but not limited to:
    a. If many people (second household workers and potential early retirees) are working solely for health insurance, how would the separation of health care access from employment affect employment income and state income tax collection.
    b. Some percentage of health care is currently funded through donations. How much will donations decline if health care is viewed as funded by a public tax?