Finance & Revenue Committee

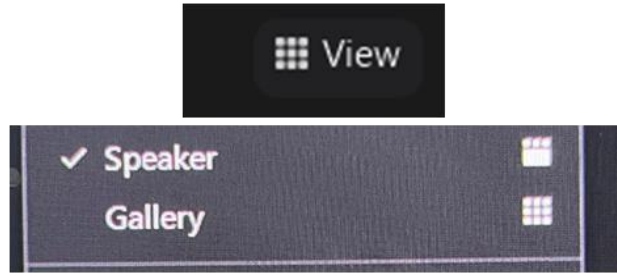
Committee Meeting
November 19th, 2024

Universal Health Plan
Governance Board

Welcome Remarks – Chair Ramirez

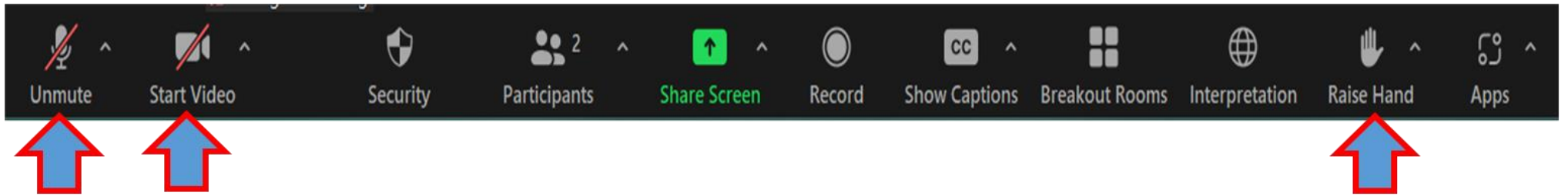
- Tech Check
- Roll Call and Introductions
- Agenda Review

Tech Check / Zoom Navigation



- **In the upper right corner:**
  - Select “View”
    - Choose between Gallery or Speaker view at any time during meeting
      - Gallery – shows all participants at the same time
      - Speaker - shows active speaker

- **At the bottom of screen:**



  - Please stay muted when not speaking
  - Please start video, if you are able
    - Members of the public are invited to attend, but they are unable to connect audio or video. By having committee members on camera, it makes it easy to distinguish who committee members are
  - There is no meeting chat. Please select “Raise Hand” when you would like to speak

Agenda

Meeting goal: Discuss health spending in Oregon. Identify sources of current health spending.

- Welcome, Committee roll call, agenda review
- Review 1st meeting committee feedback
- Review Board adopted workplan & values / principles
- Receive presentation on health spending in Oregon
- Develop revenue guiding document

Finance & Revenue Committee Timeline

2024-2025

October:
Committee Orientation

November:
Update Health Spending

December:
Revenue Alternatives

January :
Structural Challenges

February:
Revenue Options / Cost Target

March:
Revenue Options/ Cost Target

April- May:
Hold, If needed

July:
Joint Meeting w/ Plan Design

Review Feedback

Chair Ramirez and staff

Feedback Specific to Finance and Revenue's Work

Finance and Revenue Committee Feedback:

1. Economic analysis is needed / Tax shifts -> This is currently included in the workplan
2. Health Care Expenditures/ Spending -> Updated #s (Focus of today's meeting)
3. Medicaid match rate differentials -> Discussion topic
4. "Moving target" of building budget -> Finance & Revenue will build budget first
5. Administrative savings assumptions ->Future topic
6. Reserves needed -> Future topic

Revenue Principles / Attributes of a Sound Financial Plan

- Equity Should be front and center to this work
- Morph together the principles and the attributes into one document
- Are there resources to do everything included in the attributes document?

Feedback Specific to Other Committee's Work

Plan Design and Expenditure Committee feedback:

1. Provide reimbursement impact on provider participation (more analysis needed)
2. Plan Design work timeline
3. Plan Design modeling with limited insurance coverage
4. Detailed questions on the numbers from Optumas and wanting to break down information into
5. New actuarial analysis is needed
6. Hear from a country that uses global budgets
7. Assumption of services being provided

Transitions and Operations Committee:

1. Timeline and process for implementation of the universal health plan

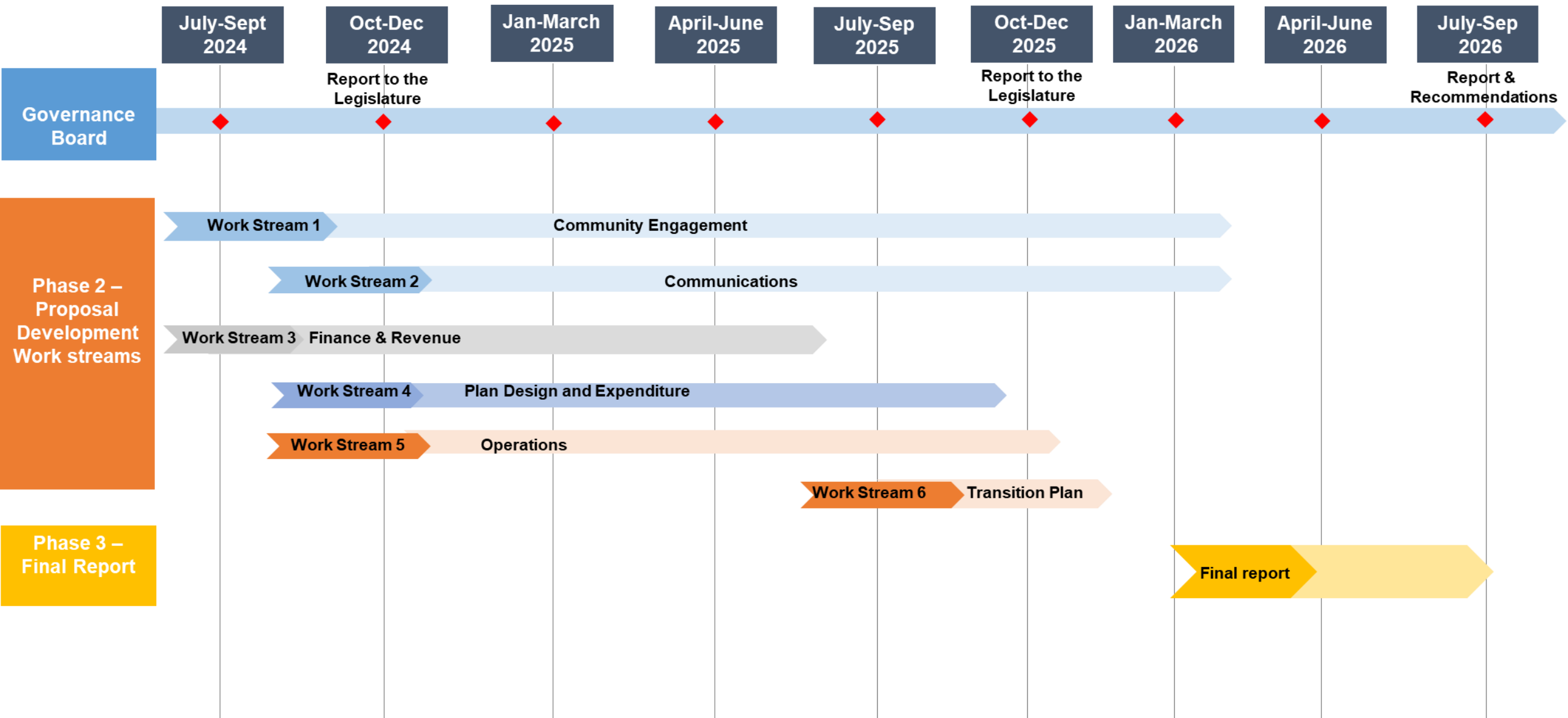
Helping the public to understand the plan:

- Calculator to understand changes in current system to single-payer
- Calculator for providers to show changes
- More scenarios to show shifts

Review Board Adopted Workplan

Chair Ramirez and staff

Workplan Timeline for Phase 2 and 3



UHPGB Work Plan – Phase II Streams

Work Steams 1&2
Communications & Community Engagement

Community Engagement Deliverable:
- Use existing mechanism to get feedback and identify gaps
- Community engagement plans for different industries – business, health care, and consumers
- At a minimum, present workstream recommendations to relevant community partners following each workstream to get feedback on recommendations prior to board review

Communications Deliverables:
- A communications plan, including messaging strategy with a suite of materials developed
- Minimum of ten presentations on the plan throughout Oregon
- Dissemination plan

Expertise: Community engagement

Board Lead: Michelle Glass & Amy Fellows
Staff Support: Jenny Donovan

Committee:
Community Engagement

Timeline:
July 2024 – March 2026

Work Stream 3
Finance & Revenue

Deliverables:
- Unified financing strategy for the Universal Health Plan that may include an income tax, a payroll tax, or other options and can survive an ERISA challenge, and has support from large and small employers.
- Analysis of the impact of the Universal Health Plan on Oregon's economy

Expertise: Health spending/ Oregon tax / finance, ERISA

Board Lead: Warren George
Staff Support: Morgan Cowling

Committee:
Finance & Revenue

Timeline:
July 2024 – August 2025

Work Stream 4
Plan Design and Expenditure

Deliverables:
- Final recommendations on Universal Health Plan benefits, eligibility, provider reimbursements, workforce, and cost containment strategies
- Financial modeling and actuarial analysis of plan options that include expenditures and savings

Expertise: Health plan. Health finance and expenditures.

Board Lead: Debra Diaz
Staff support: Morgan Cowling & OHA Policy Analysts

Committee:
Plan Design and Expenditure

Timeline:
September 2024 – November 2025

Work Stream 5
Operations

Deliverables:
- Recommendations on administrative structure
- Recommendations on statutory authority, workforce and information technology needs for plan operations
- Plan to create a Trust Fund in the State Treasury
- Plan to create an independent corporation to run the Universal Health Plan
- Identify federal waivers needed to implement plan
- Create federal waiver guidance document on necessary steps to engage CMS on federal waivers

Expertise: Business Admin, IT, Operations and Health Plan

Board Lead: Bruce Goldberg
Staff Support: Jenny Donovan & OHA Policy Analysts

Committee:
Operations

Timeline:
September 2024– December 2025

Work Stream 6
Transition and Implementation

Deliverables:
- Report on the readiness of key agencies and partners and plan for needed next steps for transition
- Develop implementation strategies including workforce challenges
- Interim strategy and legislative recommendations for transition
- Create a comprehensive transition plan and timeline and steps needed from status quo into the Universal Health Plan
- Identify transition costs and structure

Expertise: Workforce, Information Systems, Health plan organization

Board Lead: TBD
Staff Support: Jenny Donovan

Committee:
Transition

Timeline:
July 2025 – December 2025

Finance and Revenue Objective

Design a unified financing structure for the Universal Health Plan, including creating a Universal Health Plan Trust Fund in the State Treasury with sufficient reserves. Study and address the impacts of the Universal Health plan with respect to specific types of employers and households and consider funding mechanisms within context of prospective of Employee Retirement Income Security Act (ERISA) challenges.

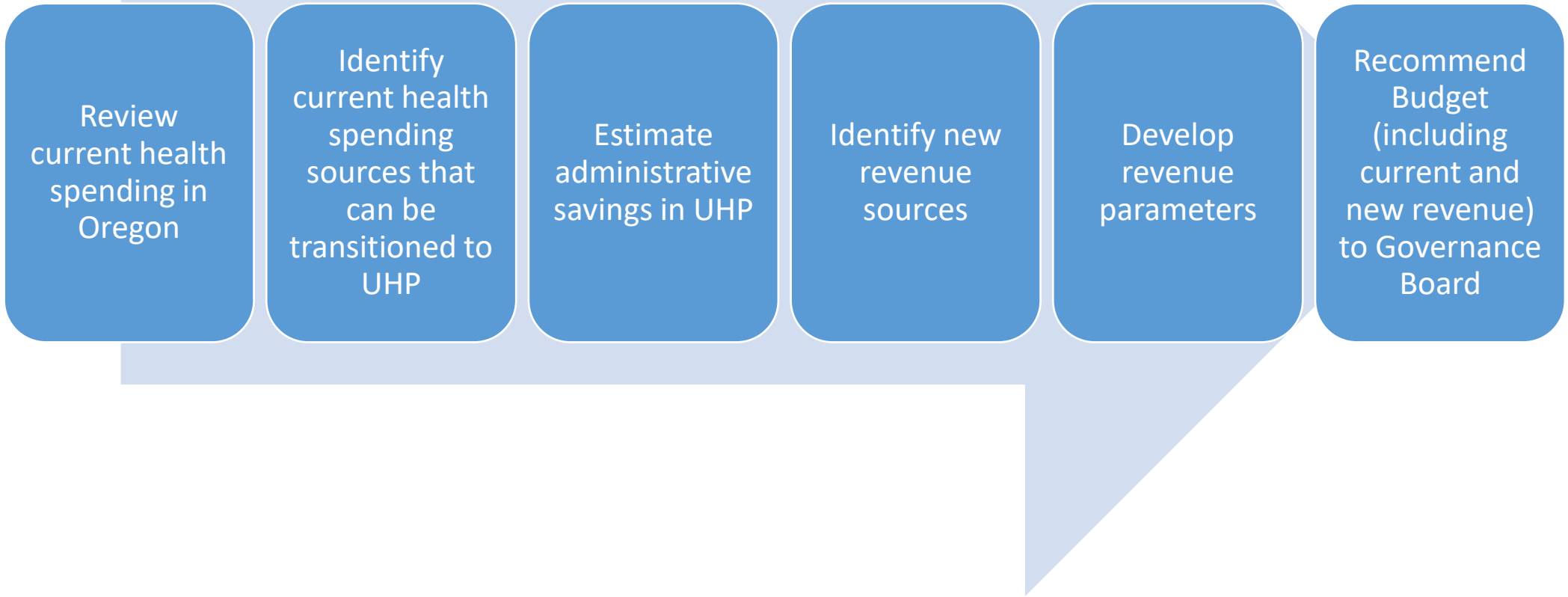
Charter Deliverables

- **Unified financing strategy** for the Universal Health Plan that may include an income tax, a payroll tax, or other options that take into considerations ERISA and has support from large and small employers
- **Analysis of the impact of Universal Health Plan on Oregon's economy**

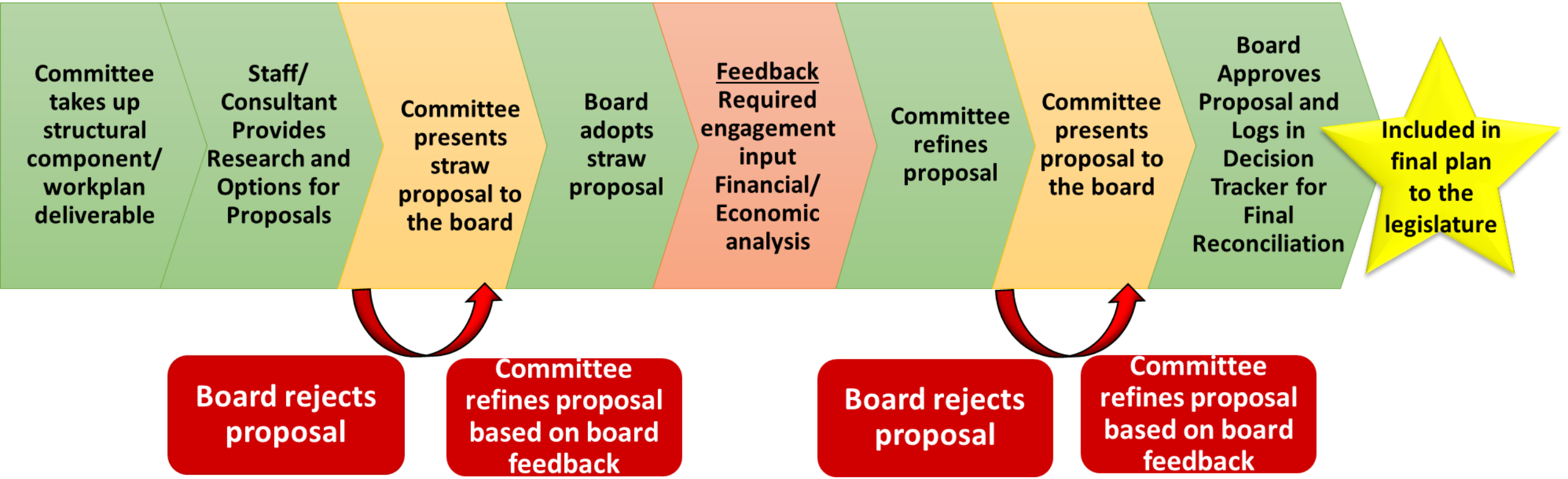
Charter Tasks

- Develop a list of attributes of a sound financial plan
- Review and understand current health spending in Oregon
- Develop an annual Universal Health Plan cost target that can be supported with new revenue and existing health spending
- Review methods of revenue collection to withstand an ERISA challenge
- Review, update and build on revenue options to pay for universal health plan as outlined in the Joint Task Force Report
- Describe the impact of revenue or taxes on large and small businesses and households
- Identify required startup costs and plan reserves and develop strategies for building the needed reserves
- Compare and contrast current mechanisms for funding for health care with the proposed financing strategy

Building a Universal Health Plan Budget



Committee-> Board Decision Making Process



Board Adopted Values & Principles

Chair Ramirez

Overarching Principles Supporting Statements

1. Health Equity
2. Maximize Health
   a) Individual Fulfillment
   b) Population Measures
3. Fair Distribution of Medical Resources
4. Minimize the financial hardship from medical bills on individuals and families.
5. Community Sense of Ownership and Governance
   a) Community Sense of Ownership
   b) Community Economic Stewardship
   c) Principles of Good Governance

Adopted by UHPGB on August 15, 2024

Meaningful public participation: Community engagement should always seek to:

a. Be inclusive of all people
b. Provide the community details on the background and current thinking relating to a particular issue or project.
c. Present community members with and asks them to consider alternatives and make a judgment as to the most attractive alternative for the community
d. Consider community feedback as the guiding perspective in defining terms and decision making

Targeted Universalism: Within a targeted universalism framework, universal goals are established for all groups concerned. The strategies developed to achieve those goals are targeted, based upon how different groups are situated within structures, culture, and across geographies to obtain the universal goal.

Health Spending in Oregon

Jeanene Smith, Health Management Associates

Oregon Health Care: Current Spending & Sources of Funding

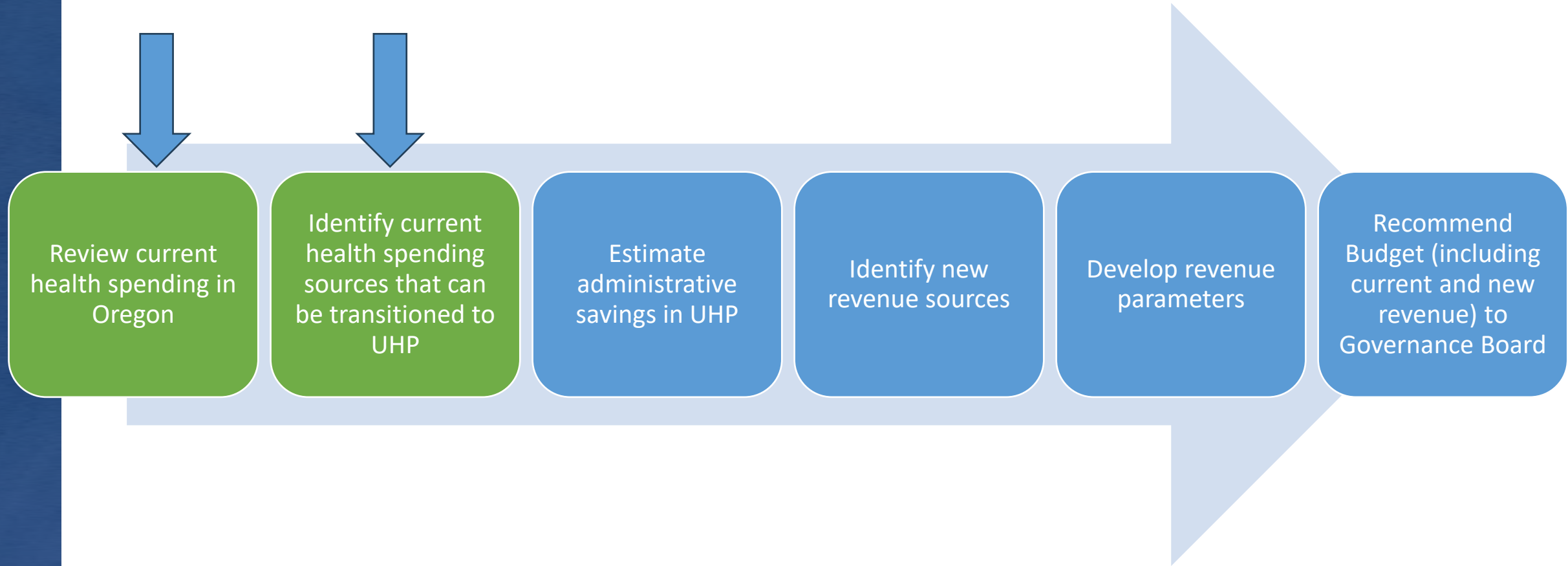
Finance & Revenue Committee
November 19th, 2024

Universal Health Plan
Governance Board

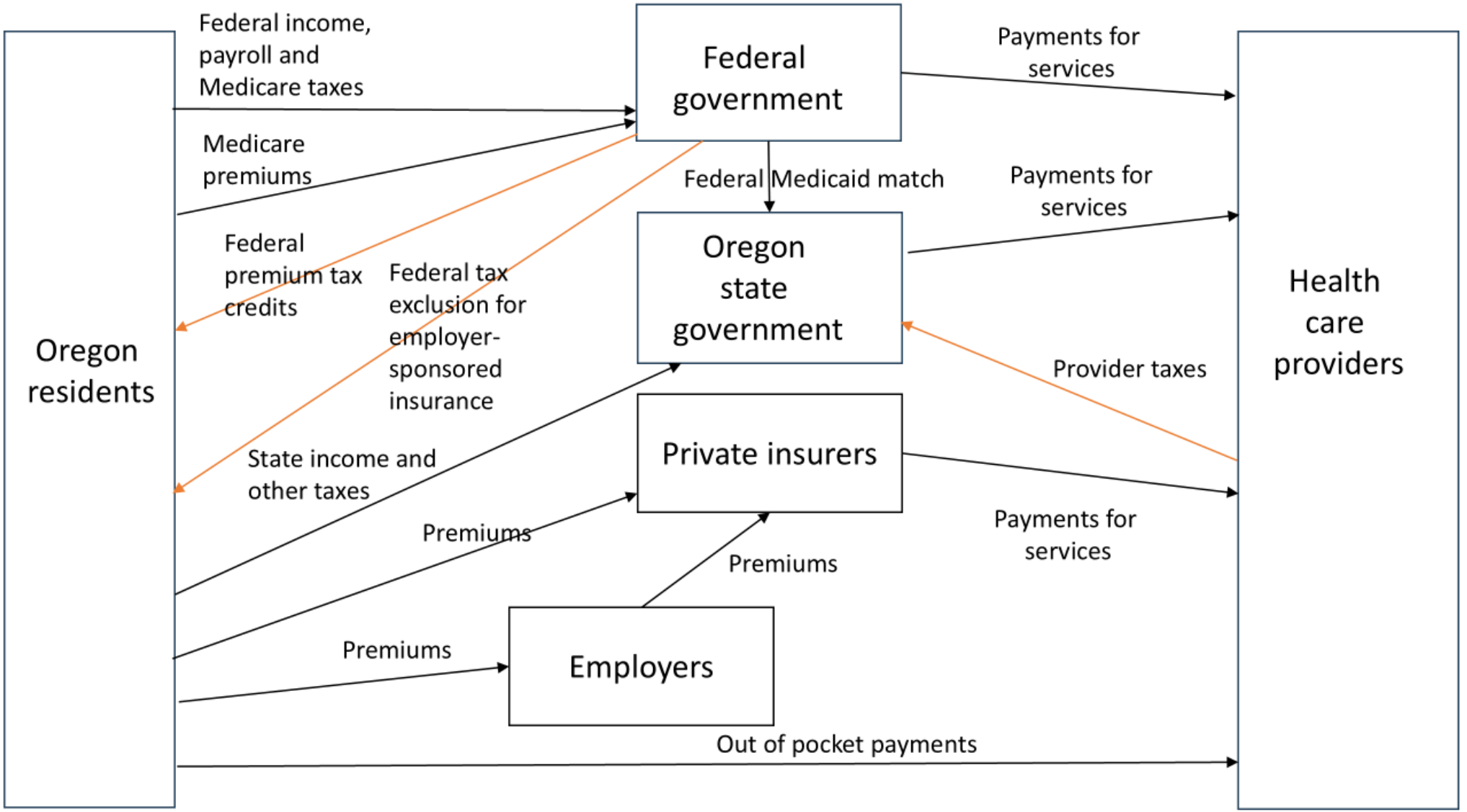
Finance and Revenue Committee Charter Tasks

Committee's Aim: *Develop an annual Universal Health Plan cost target that can be supported with new revenue and existing health spending*

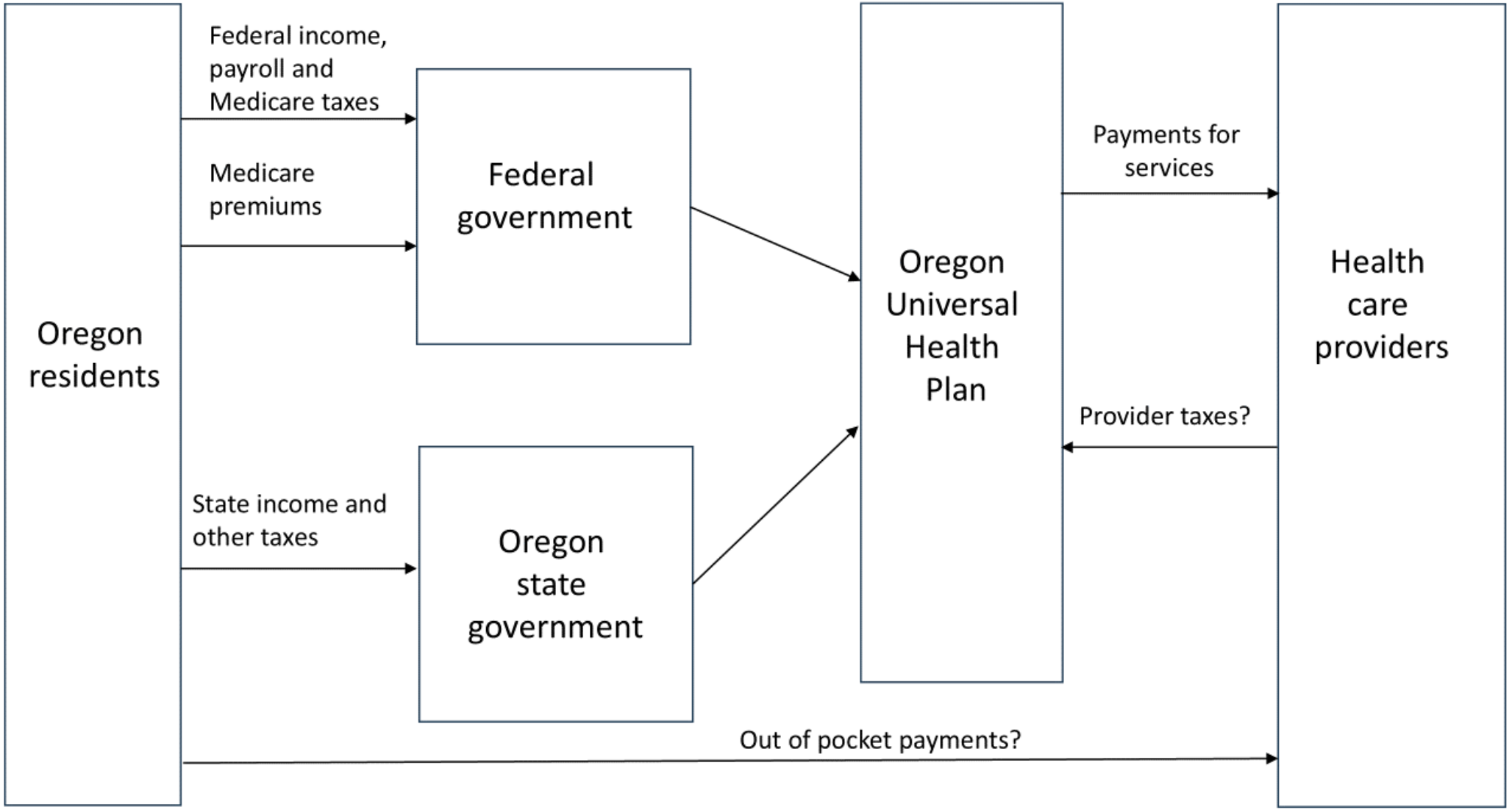
- Goals for today's discussion are the first two tasks



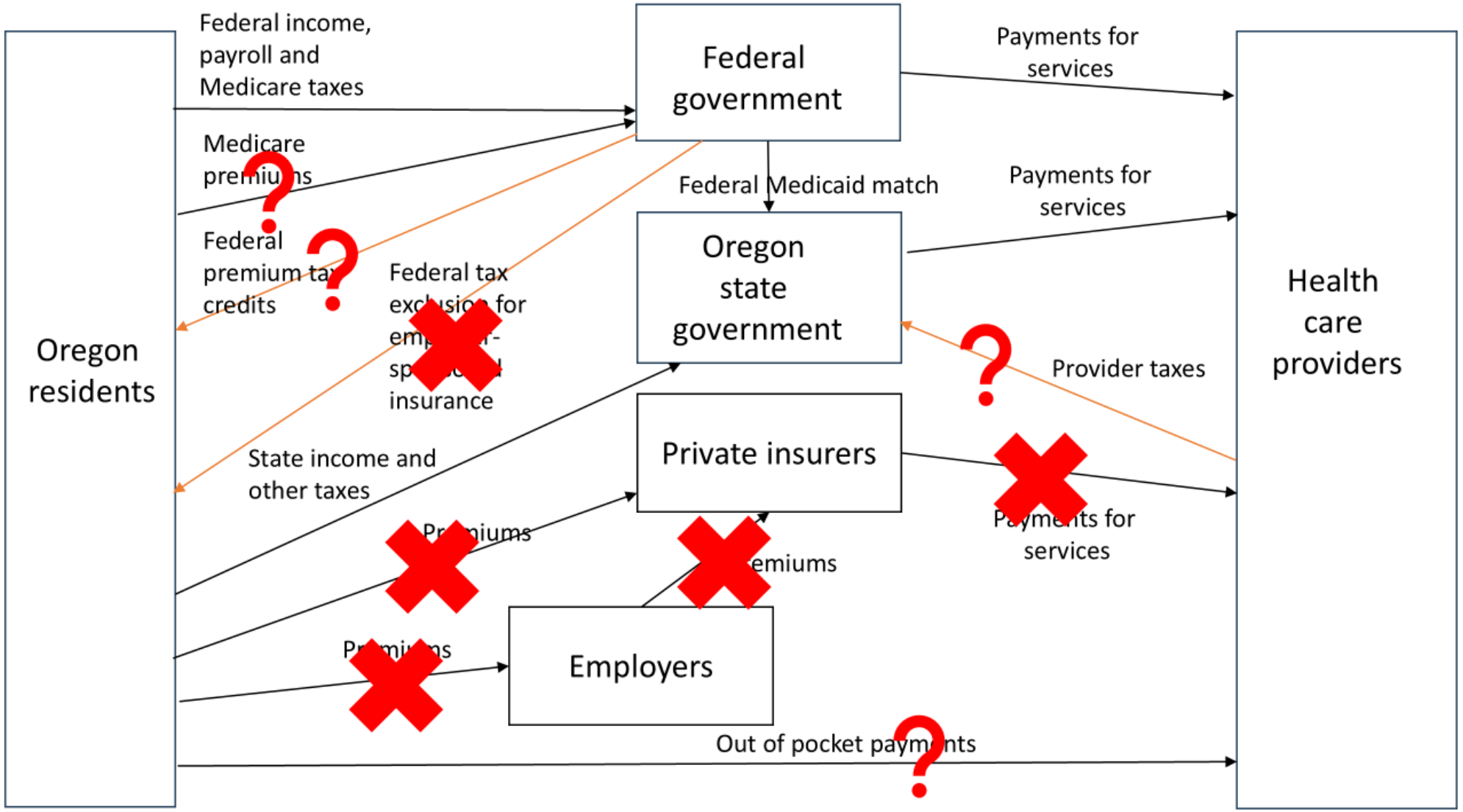
Funds flow in the current system



In theory, the Oregon UHP will greatly simplify things…



...but some revenue streams will/might be eliminated



Key take aways - we will be reviewing in more detail today

- Two studies preceded this group's work – 2017 and 2022
- Most current data available (2022) shows:
  - **97%** of Oregonians have some form of health coverage
  - **$34.7 billion total health care expenditures** = $9,261 per person per year
  - ~80% ($28 billion) spent on total medical expenditures (claims and non-claims) = approx. **$8,000 per person per year**
  - Majority spent on hospital and professional (provider) services
  - Non-claims payments are increasing due to value-based payments also true nationally
  - Enrollees in commercial and Medicare contribute significant amounts via cost-sharing
- Current health care system in Oregon is financed through a mix of household, employer, state and federal funding

Previous Studies of the Cost of a Universal Health Plan in Oregon

RAND Report (2017)

- Evaluated 3 models and status quo: Option A (Single Payer) closest to UHP
- H. Care Expenditures used for modeling: **~$36.2 billion ($6,610/person per year)** with data from 2010-2015 sources projected to 2020
- Modeling resulted in "Single payer option achieves universal coverage with little change in health system costs" due to some **offsets**:
  - "Ups" = Increased patient demand due to full coverage and planned lower patient cost sharing
  - "Downs" = lower provider payment rates and admin savings
- H. Care Financing sources included:
  - Federal funding from:
    - Medicaid match
    - Marketplace premium tax credit and cost-sharing reductions
    - Federal Outlays for Medicare
    - Health benefits for federal workers, veterans and other federal programs included in Option A
  - State Funding for Medicaid
  - New state tax revenues: income tax, employer payroll tax (for firms > 20 workers)

From: A Comprehensive Assessment of Four Options for Financing Health Care Delivery in Oregon

CBIZ Optumas report (2022)

- Evaluated Task Force on Universal Health Care UHP
- H. Care Expenditures used for modeling = status quo = ~$55,603 billion

  (used 2019 data sources projected to 2026)
- 2026 Single Payer Expenditures estimated to be **$54.6 billion** for an expected 4.4 million enrolled people after considering several offsets.
- Estimated savings versus status quo of $977 billion
- Health Care Financing Sources included:
  - Employee/Individual Medicare premiums for Part B & Part D
  - Federal funding from:
    - Medicaid match
    - Marketplace premium tax credit and cost-sharing reductions
    - Outlays for Medicare
  - State Funding for Medicaid
  - New state tax revenues: Household income tax, employer payroll tax (for firms > 20 workers)

From:Joint Task Force on Universal Health Care Final Report Recommendations Oct 2022.pdf – modeling starts on page 66

What is the same, what is different between the two studies?

Similarities

- Both used most current (at the time) health expenditures, trended costs forward and then adjusted for impacts of moving to universal coverage
- Assumed all Oregon residents, including those in Medicare and Medicaid and undocumented immigrants
- Revenue gaps expected to be filled with payroll and income tax

Differences

RAND study

- Compared to two other models and status quo
- Used Essential Health Benefits (without vision/dental); some cost sharing

CBIZ Optumas

- Compared single payer vs status quo only
- Used PEBB plan w vision & dental; no cost sharing
- Included General Assistance (Charity Care) expenditures
- Included Behavioral Health (non-Medicaid) expenditures
- Removed Military (Dept of Defense, Veterans Affairs)

Most Current Data on Health Care Spending in Oregon

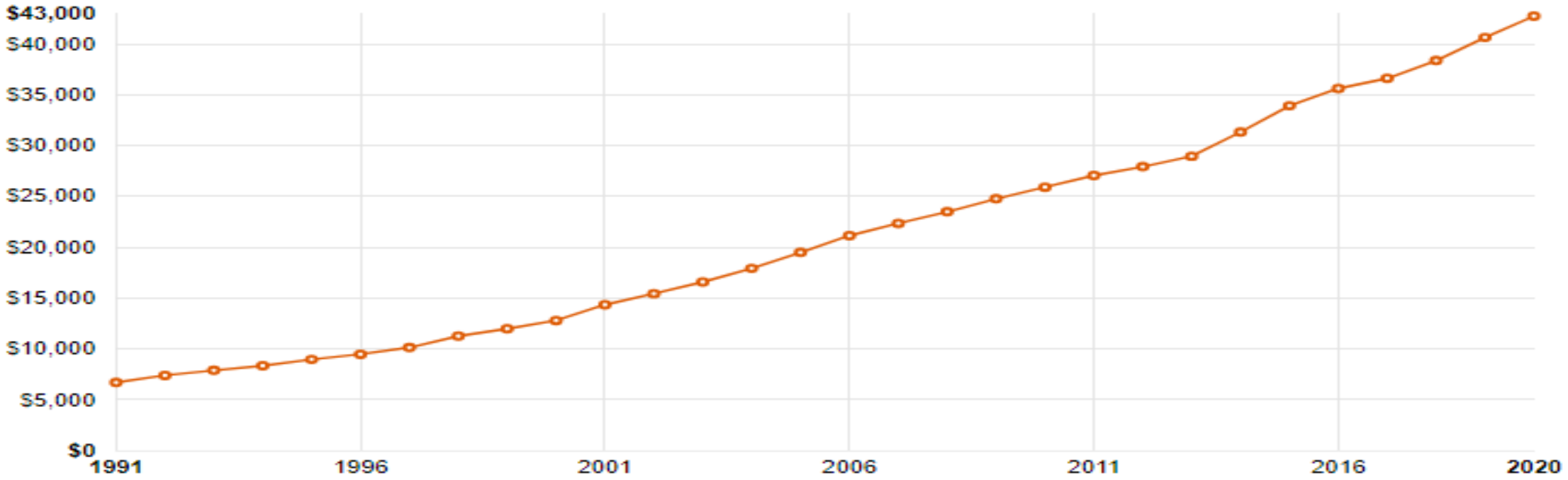
To help understand the next few slides

Definitions and acronyms:

Total Health Care Expenditures = $Nonclaims + Claims + NCPHI + Other\ spending$

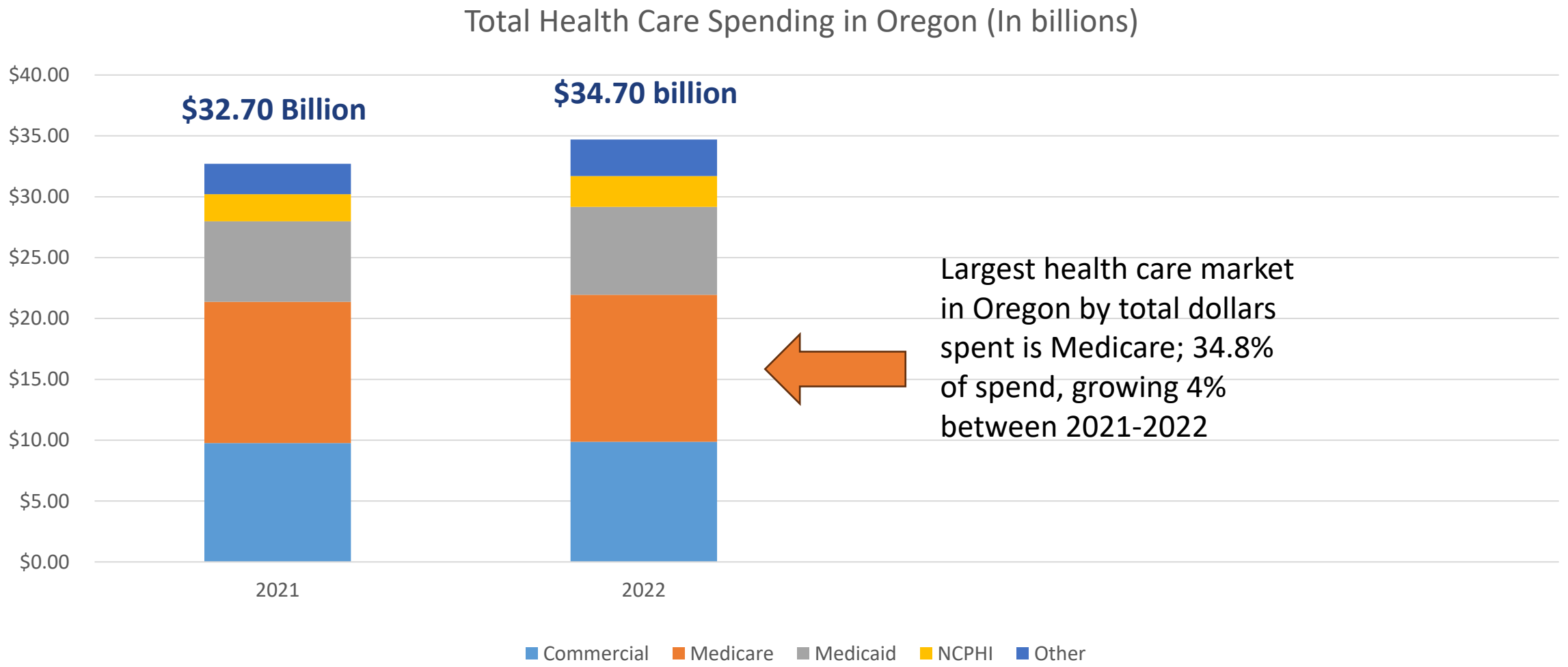
- **Claims** spending includes hospital services, professional services, retail pharmacy and long-term care, and other services such as ambulance, labs, hospice
- **Non-Claims** spending includes payments from payers to providers outside of claims i.e., incentive payments, capitation, payment to support care transformation such as Patient Centered Primary Care Homes, and other value-based payments. This is a growing portion of provider payments across the country.
- **NCPHI (Net Cost of Private Health Insurance)** represents the costs of administering a health insurance plan. It includes costs related to paying bills, advertising, sales commissions, other administrative costs, premium taxes, and other fees. It also includes payers' profits or losses.
- **Other** includes spending Dept of Corrections, Veterans Affairs, behavioral health contracts paid by the State, and the Oregon State Hospital

Total Health Care Spending in Oregon – Continues to Increase



CMS NHCE Data, by state of residence: https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsStateHealthAccountsResidence

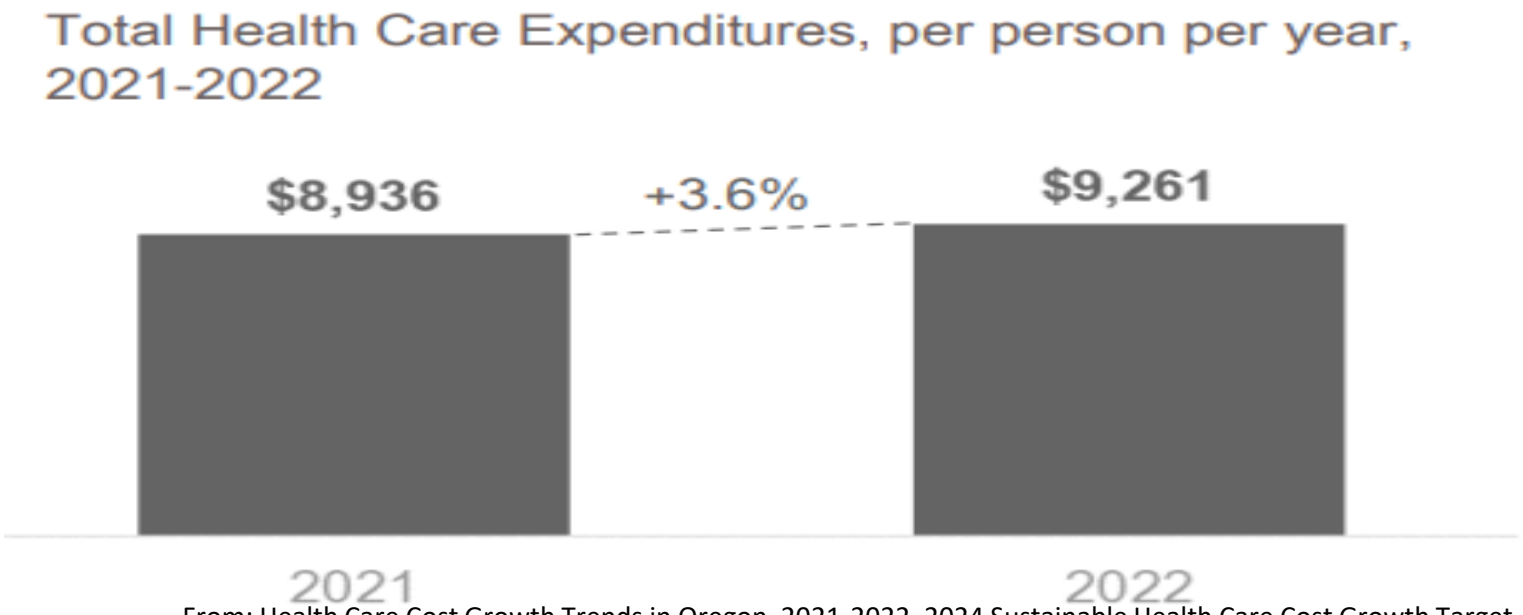
Total Health Care Spending in Oregon Increased 6.1% from 2021 to 2022



From: Health Care Cost Growth Trends in Oregon, 2021-2022, 2024 Sustainable Health Care Cost Growth Target Annual Report, May 28, 2024 (Updated 8-1-2024) available at: 2024-Oregon-Cost-Growth-Target-Annual-Report.pdf

Total Health Care Expenditures (THCE) Per Person Increased 3.6% from 2021 to 2022

Unlike total dollars spent in earlier slides, THCE includes claims, non-claims-based spending, net cost of private insurance and spending in other programs but is reported on a per person per year basis

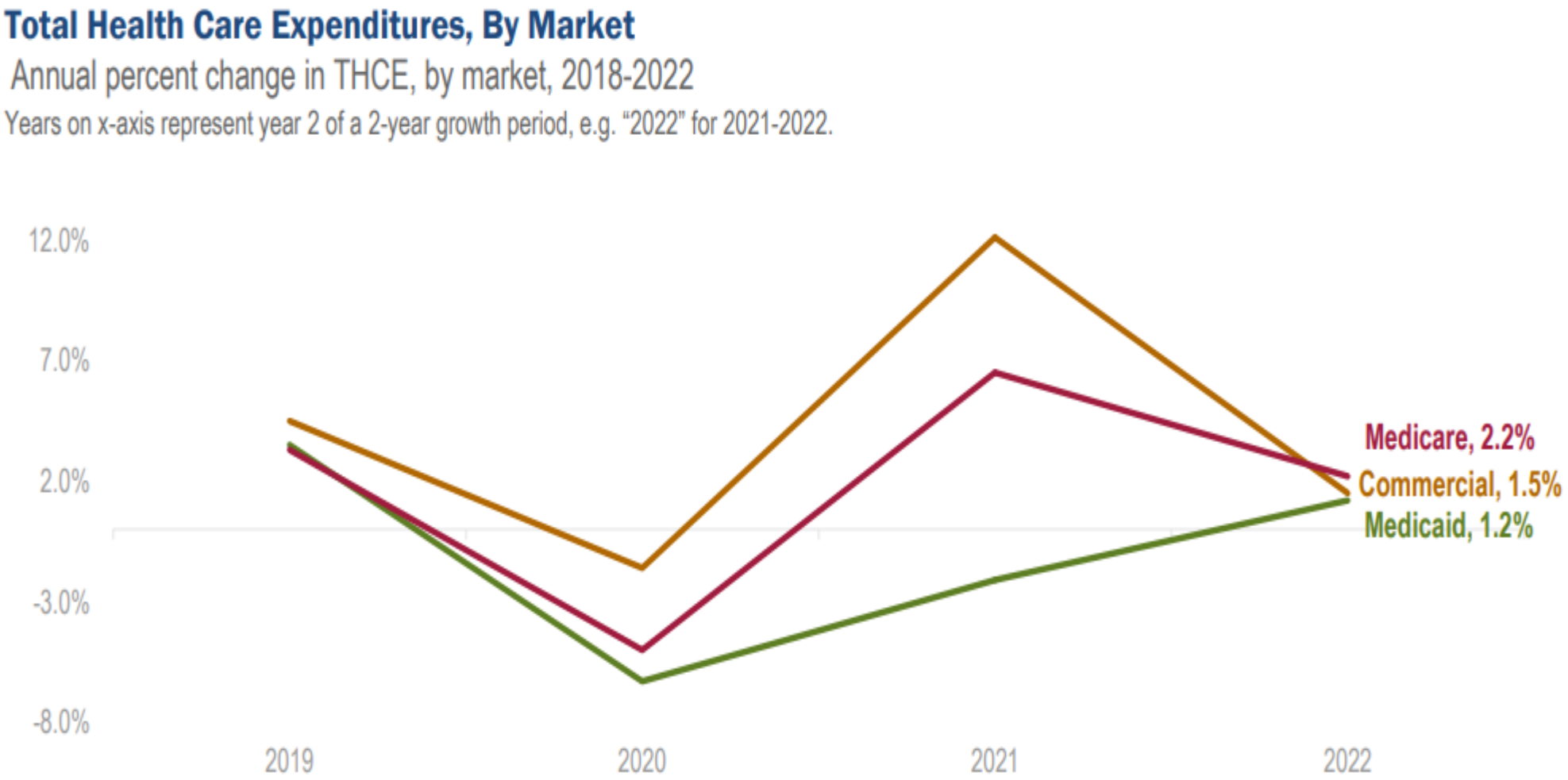


In 2022, Oregon spent $9,261 per person per year in overall expenditures

National average in 2022 was $13,493 per person per year

From: Health Care Cost Growth Trends in Oregon, 2021-2022, 2024 Sustainable Health Care Cost Growth Target Annual Report, May 28, 2024 (Updated 8-1-2024) available at: 2024-Oregon-Cost-Growth-Target-Annual-Report.pdf and Peterson 'Foundation Healthcare Spending Will be One-Fifth of the Economy within a Decade

THCE per person per year dropped during the pandemic



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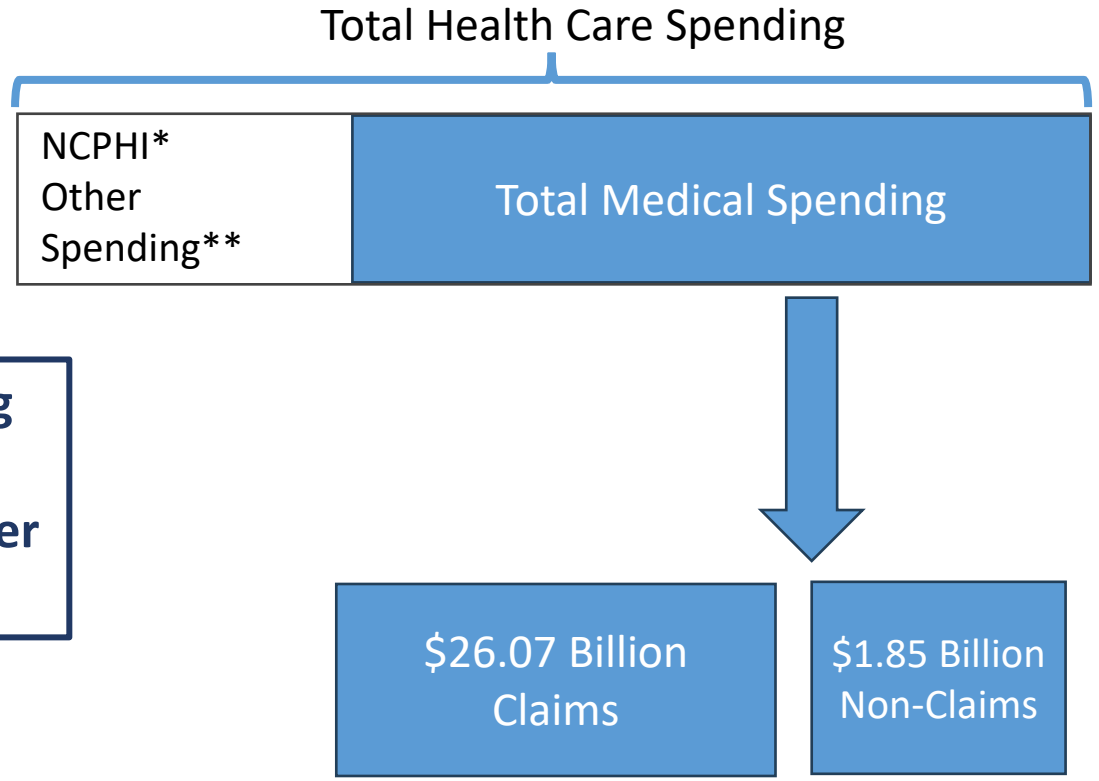
Total Medical Spending in Oregon



Total Medical Spending In Oregon in 2022 was approximately $8,000 per person per year

2022

Total Medical Spending includes claims and non-claims only, not admin costs or other spending

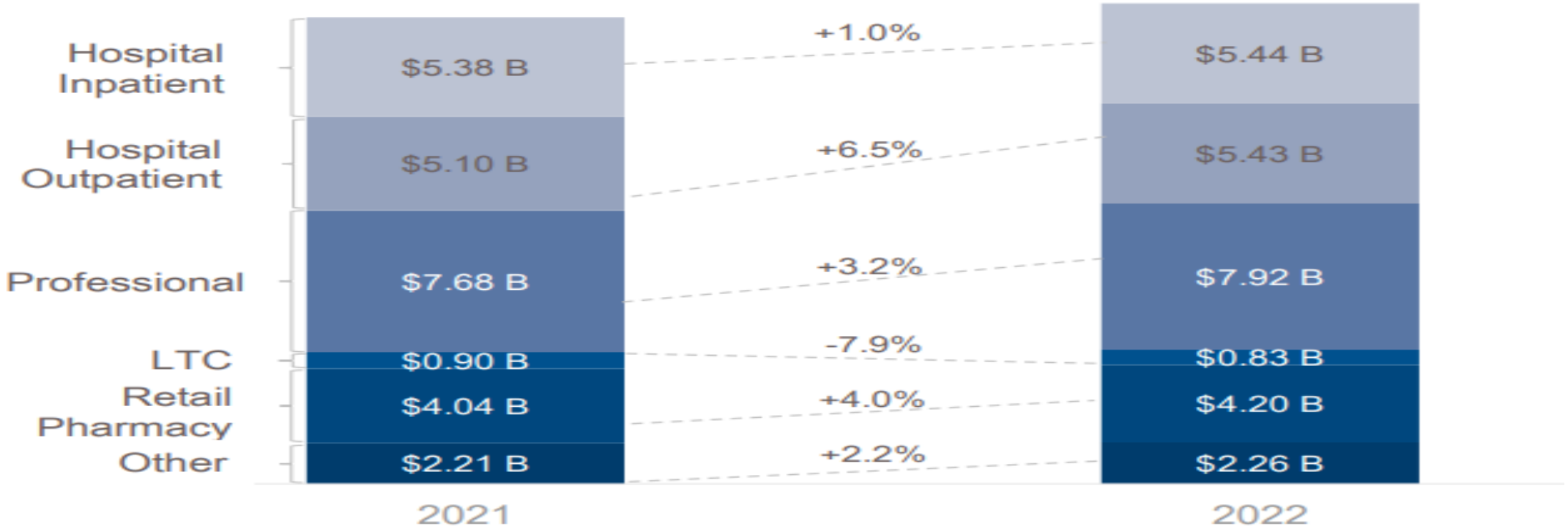
Non-claims includes value-based payments for healthcare

From: Health Care Cost Growth Trends in Oregon, 2021-2022, 2024 Sustainable Health Care Cost Growth Target Annual Report, May 28, 2024 (Updated 8-1-2024) available at: 2024-Oregon-Cost-Growth-Target-Annual-Report.pdf

Total Medical Expense- Claims & Non-Claims Spending, Statewide 2021-2022

Total Medical Expenses – total claims spending, in billions, and growth rate, statewide, 2021-2022

Spending is reported net of pharmacy rebates



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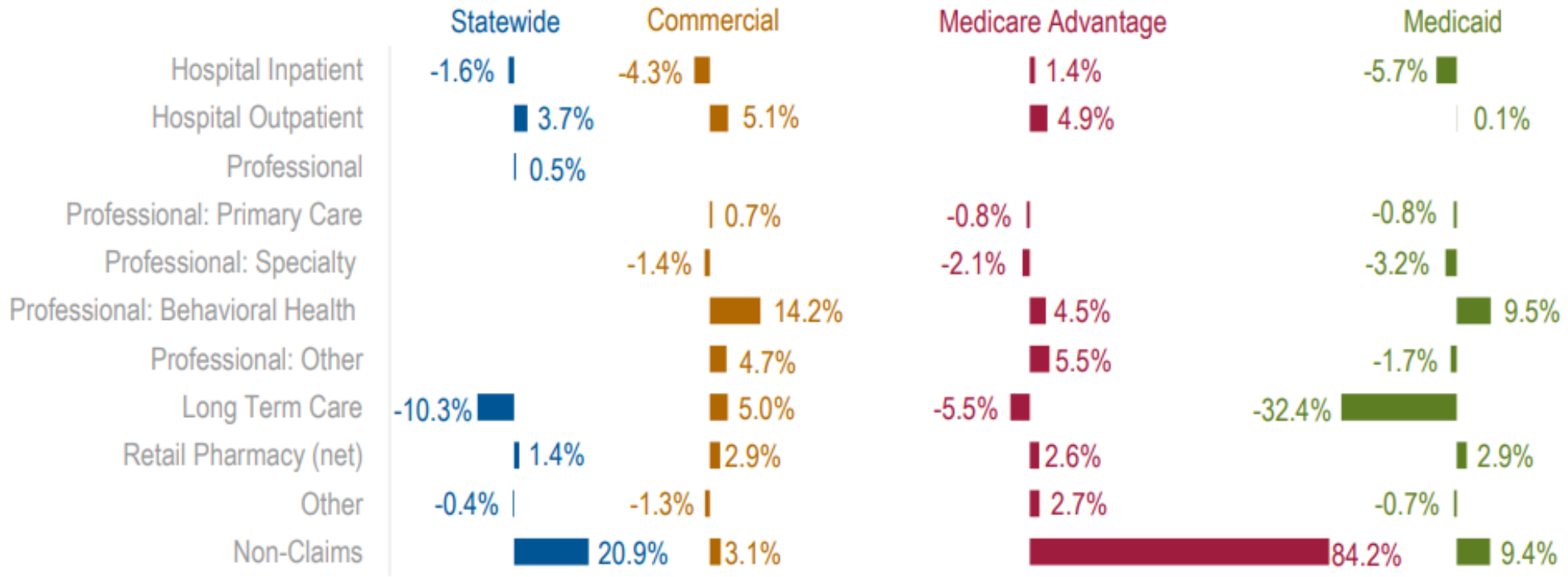
Growth in Total Medical Expenses by Service Category

Total Medical Expenses – growth in per person per year spending between 2021-2022, by market and service category .

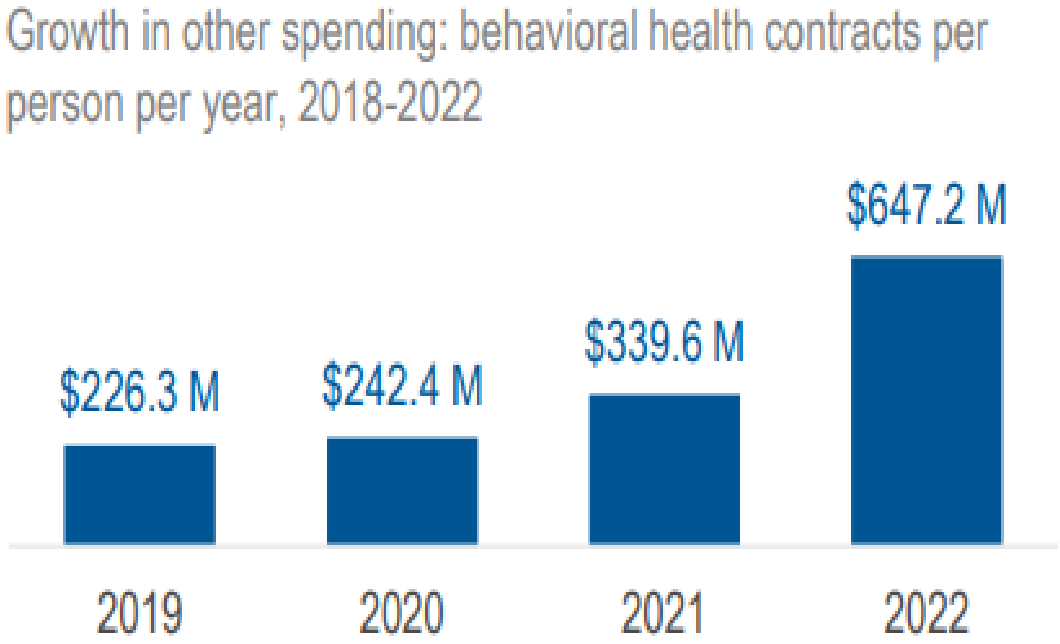


Statewide data include Medicare Advantage and Original Medicare. Oregon collects more detailed subcategories for professional spending in other markets.

From: Health Care Cost Growth Trends in Oregon, 2021-2022, 2024 Sustainable Health Care Cost Growth Target Annual Report, May 28, 2024 (Updated 8-1-2024) available at: 2024-Oregon-Cost-Growth-Target-Annual-Report.pdf

Other Health Care Spending in Oregon- Behavioral Health Investments

- Included in “Other” Health Care Spending, Oregon tracks investments in additional behavioral health contracts, with the 2021-2022 period seeing a steep increase
- Increase due to investments in mental health and substance use disorder treatment and recovery
- Tax dollars began to flow due to Measure 110 (passed 2020) and its Drug Treatment and Recovery Fund during 2021-2022



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Other Health Care Spending in Oregon

- Oregon health care spending includes the NW Pharmacy Purchasing Program (ArrayRx) which is the state's prescription discount card program to help lower out of pocket costs for individuals
  - It is a joint purchasing effort by Nevada, Washington and Connecticut with Oregon
  - Allows consumers to save up to 80% on generic drugs and up to 20% off brand-name drugs
  - The discount card is free to any resident, no member fees, no age or income limits, no drug list.
- Other Health Care Spending that is tracked include Dept. of Corrections, Veterans Affairs, and the Oregon State Hospital

From: Health Care Cost Growth Trends in Oregon, 2021-2022, 2024 Sustainable Health Care Cost Growth Target Annual Report, May 28, 2024 (Updated 8-1-2024) available at: 2024-Oregon-Cost-Growth-Target-Annual-Report.pdf

Discussion

Total Health Care Expenditures

- This is where past modeling of a universal health plan started (RAND, Optumas)
- Defining the expenditures then leads to examining their funding sources for those that can be transitioned over (or not) and any revenue gaps

What we are spending now:

- **$34.7 billion total health care expenditures*** = **$9,261 per person per year**
  - **$28 billion spent on total medical expenditures** (claims and non-claims) portion (not admin or other) = approx. **$8,000 on average per person per year**

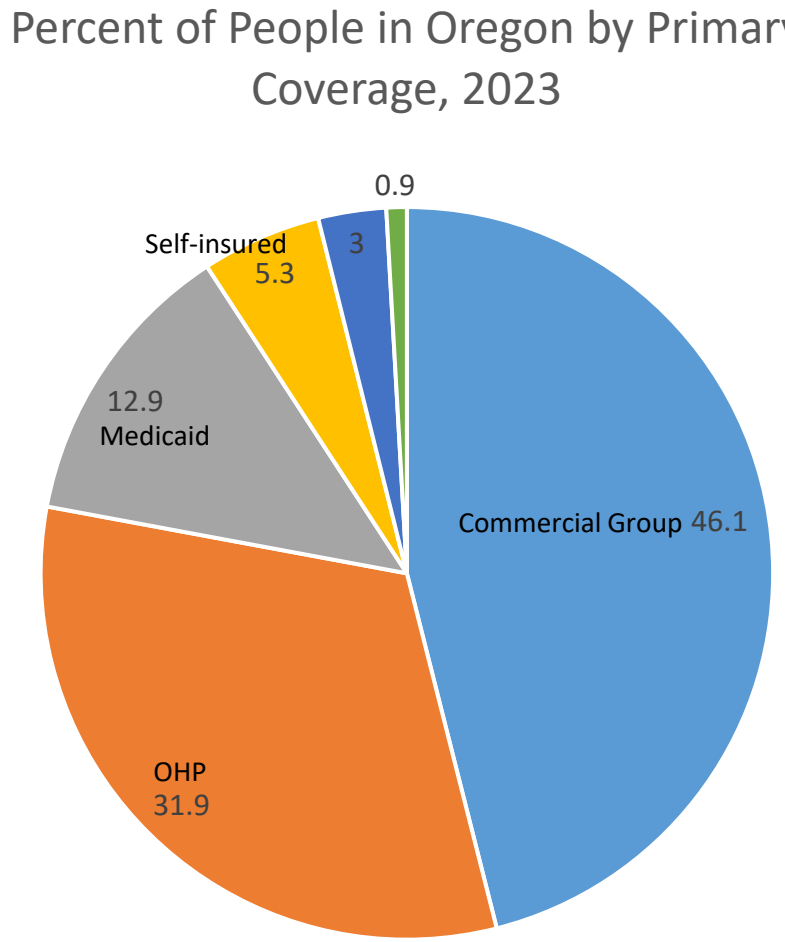
- Could this be our starting point for a cost target?
- Remove any of the "other" expenditures included in the Total Health Expenditures? – Dept of Corrections? Veterans Affairs? State Hospital? ***(TF recommended excluding)***
- Maintain the additional BH expenditures? The Prescription Drug discount card program spending?
- Add in any other major expenditures?

Most Current Data on Sources of Health Care Funding in OR

2023 Oregon Health Insurance Survey - Insurance Coverage in Oregon

- State Population: 4.2 million
- Median Household income is $67,900

- 97% of Oregonians have insurance
  - 46% of people in Oregon have group insurance
  - 31.9% are on OHP
  - 12.9 are covered by Medicare
  - 5.3% are self-insured
  - 3% are uninsured



Oregon | Commonwealth Fund

Oregon Health Authority : Oregon Health Insurance Coverage Dashboard : Office of Health Analytics : State of Oregon

Breakout of Oregon's Total Health Expenditures by Payer* 2021-2022

THCE Component	Total Expenses		Percent Change	Note
	2021	2022	2021-2022	
Commercial	$9,763,331,914	$9,868,738,642	1.1%	Full + Partial Claims includes OOP
Medicare	$11,611,697,287	$12,071,275,665	4.0%	MA + FFS + MA dual + Medicaid dual
Medicaid	$6,616,622,576	$7,215,106,442	9.0%	CCO + Open Card + Other spend
Net Cost of Private Health Insurance (NCPHI)**	$2,218,732,837	$2,554,956,722	15.2%	Medicare part is not complete.
VA	$1,577,274,241	$1,789,622,212	13.5%	
Oregon Department of Corrections	$239,840,433	$173,464,224	-27.7%	
BH services provided by additional contracts	$339,630,521	$647,234,515	90.6%	Increased investments by the state (includes Measure 110)
NW Pharmacy Purchasing Program (ArrayRx)	$2,284,067	$982,015	-57.0%	Discount Prescription Card program
Oregon State Hospital	$328,732,334	$378,150,999		
Total	**$32,698,146,210**	**$34,699,531,434**	**6.1%**	
Population Covered	**3,659,035**	**3,746, 894**	**2.4%**	

From: Health Care Cost Growth Trends in Oregon, 2021-2022, 2024 Sustainable Health Care Cost Growth Target Annual Report, May 28, 2024 (Updated 8-1-2024) available at: 2024-Oregon-Cost-Growth-Target-Annual-Report.pdf

Medicaid Funding

Oregon's Medicaid Program, the Oregon Health Plan (OHP) administers health benefits for over 1 million Oregonians in 2022

It is jointly funded by federal and the state government

Oregon's state portion of the funding for OHP include:

- General Fund dollars which includes general taxpayer dollars and cigarette taxes revenue
- Health Care Provider taxes

Oregon's Total Funding for Medicaid in the 2021-2023 biennium was $22,917 million

- State funds were $6,145 million
- Federal funds were $16,773 million

For every dollar Oregon spends, the federal government matches at approximately 1.46

(Match rate of 59.31%)

Medicaid Funding – Other Programs

Other Programs

- House Bill 3352 (2021) put into law a program called “Cover All People”, now known as **“Healthier Oregon”**
  - As of 7/1/23, immigration/citizenship status no longer affects whether someone qualifies for OHP and its benefits.
  - Coverage is financed only by the state for these enrollees
  - $563 million for two years was provided for this program in the 2023-2025 legislative budget – not yet captured in the 2022 Expenditures
- **OHP “Bridge Plan”** is for people who are more likely to be uninsured or fall in and out of health coverage due to income changes. (138-200% of Federal Poverty level)
  - OHP Bridge will help them maintain coverage and access to care in their OHP CCO
  - OHP Bridge will eventually cover about 100,000 people
  - Approx $1 billion total funds were budgeted in the 2023-2025 budget for 18 months, which includes both state and federal dollars
  - Majority of the OHP Bridge Plan enrollees were on OHP and captured in the 2022 total expenditures

Medicaid Funding – Provider Taxes

- The provider tax is paid to the state, which then allows the state to use the money to bring in additional federal Medicaid funding. There are 3 types:
  - Hospital assessments – includes large and some rural hospitals
  - Assessments on health insurance plans
  - Long-term care facility (nursing home) assessments
- About 33.3% of the state sources for OHP are derived from health care provider taxes
- Not all provider taxes are dedicated to OHP
  - The long-term care facility tax offsets general fund expenditures for nursing facility services, independent of OHP
  - Some provider taxes had been used for hospital quality improvement and health initiative purposes*
- For fiscal year 2022, $1,097 million is collected from the 3 Provider Tax assessments

*From Oregon Legislative Revenue Office Basic Facts 2023.pdf

Medicaid Funding – Cigarette Taxes

Excise taxes are imposed on distribution of all tobacco products in Oregon.

The tax rate is approximately $3 per pack of 20 cigarettes, $2 per retail container of other tobacco product, and $1 per cigar

The state ranks as the 7th highest tax rate on cigarettes in the country

Cigarette taxes are used in several ways:

Cigarette Tax Distribution

Statutes and Tax		**Distributions ($ per pack of 20 cigarettes)**						
Statute (ORS)	Tax Per Pack ($)	General Fund	OHP	TURA	Cities	Counties	DOT Elderly Trans.	OHA Mental Health
323.030(1)	0.58	0.220	0.270	0.030	0.020	0.020	0.020	
323.030(4)	0.15							0.150
323.031	0.60		0.587	0.004	0.003	0.003	0.003	
Measure 108	**2.00**	**$1.80 for OHP and Mental Health; $0.20 for distribution to other entities**						
Total	3.33							

*From Oregon Legislative Revenue Office Basic Facts 2023.pdf; TURA is the Tobacco Use Reduction Account (public health efforts to reduce use); DOT = Dept of Transportation; OHP= Oregon Health Plan; OHA= Oregon Health Authority

Commercial Insurance Funding

"**Non-Group" coverage**: Self-insured purchased either via a broker or through the Healthcare.gov income-based premium assistance (ACA Insurance Exchange/Marketplace).

- The individual pays full premium cost

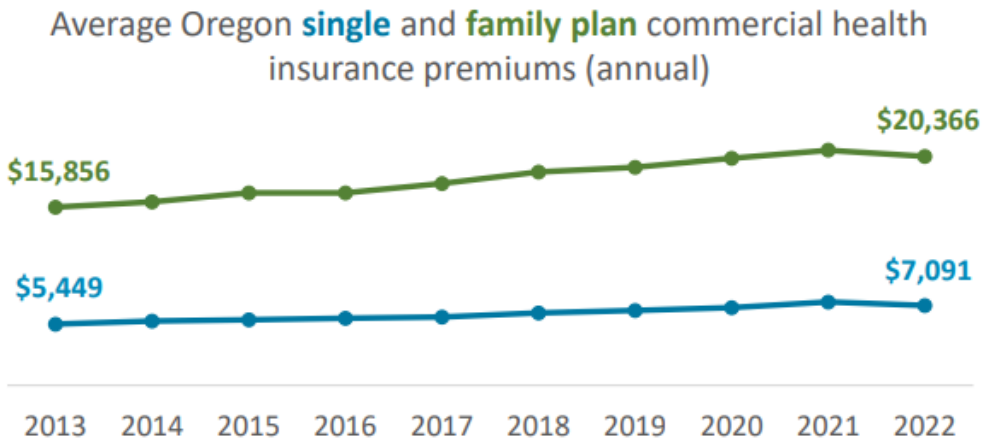
unless if purchased through the Marketplace and eligible for premium assistance paid by the federal government.

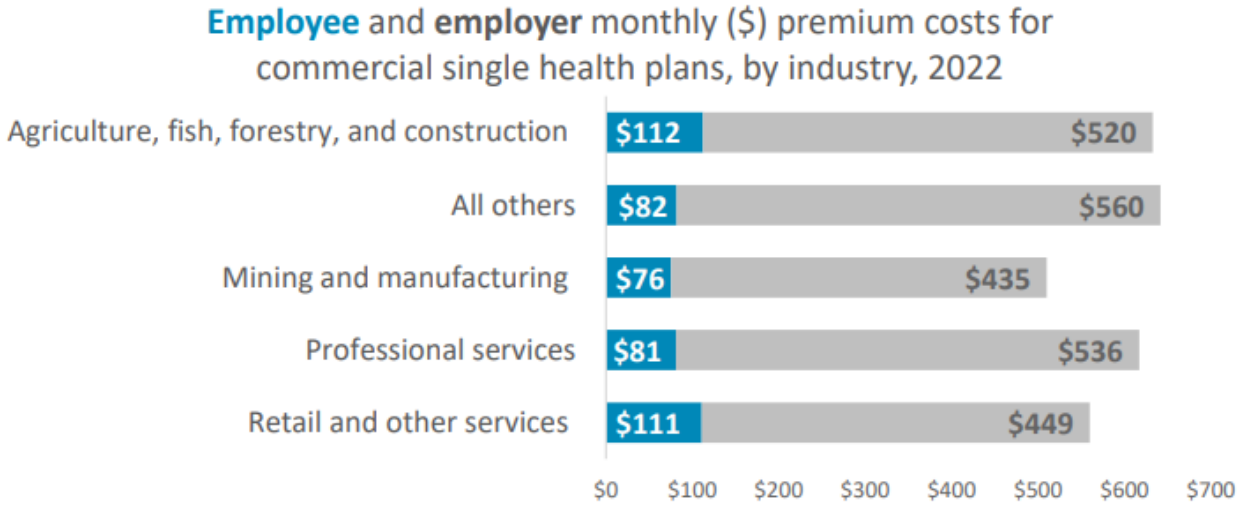
"Group" coverage offered by a sponsor – employer, union or trade association

- Employer contributions to an employee's health insurance premium
  - The employers' contribution is not considered income to the worker under federal income tax code, so is not subject to taxation to the employee
  - Employer contributions are tax deductible as a business expense for the firm
- Individuals' contribution:
  - Premium contribution (usually deducted from paycheck)
  - Cost sharing which includes copays, coinsurance, and/or deductibles – paid when use services of plan

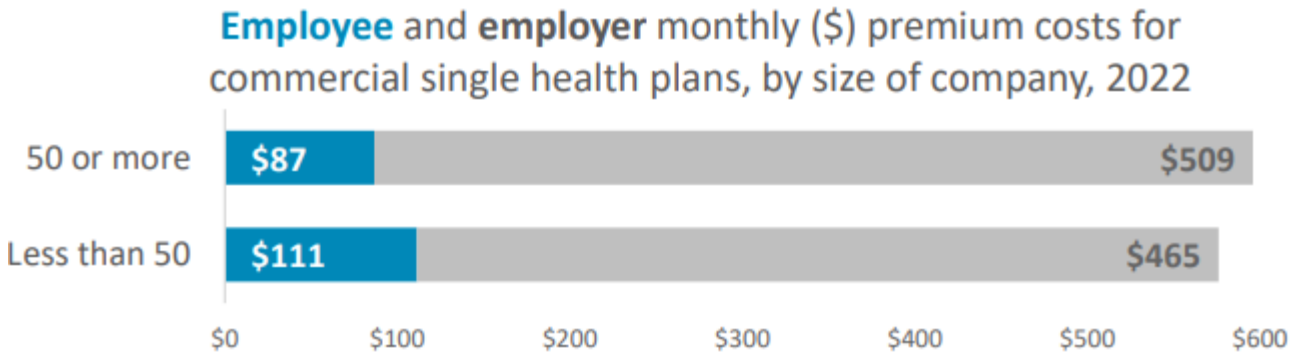
Future Outlook - Employer-Sponsored Health Insurance 101 | KFF
Impacts-update-2022_FINAL.pdf

Commercial Insurance Funding - Premiums





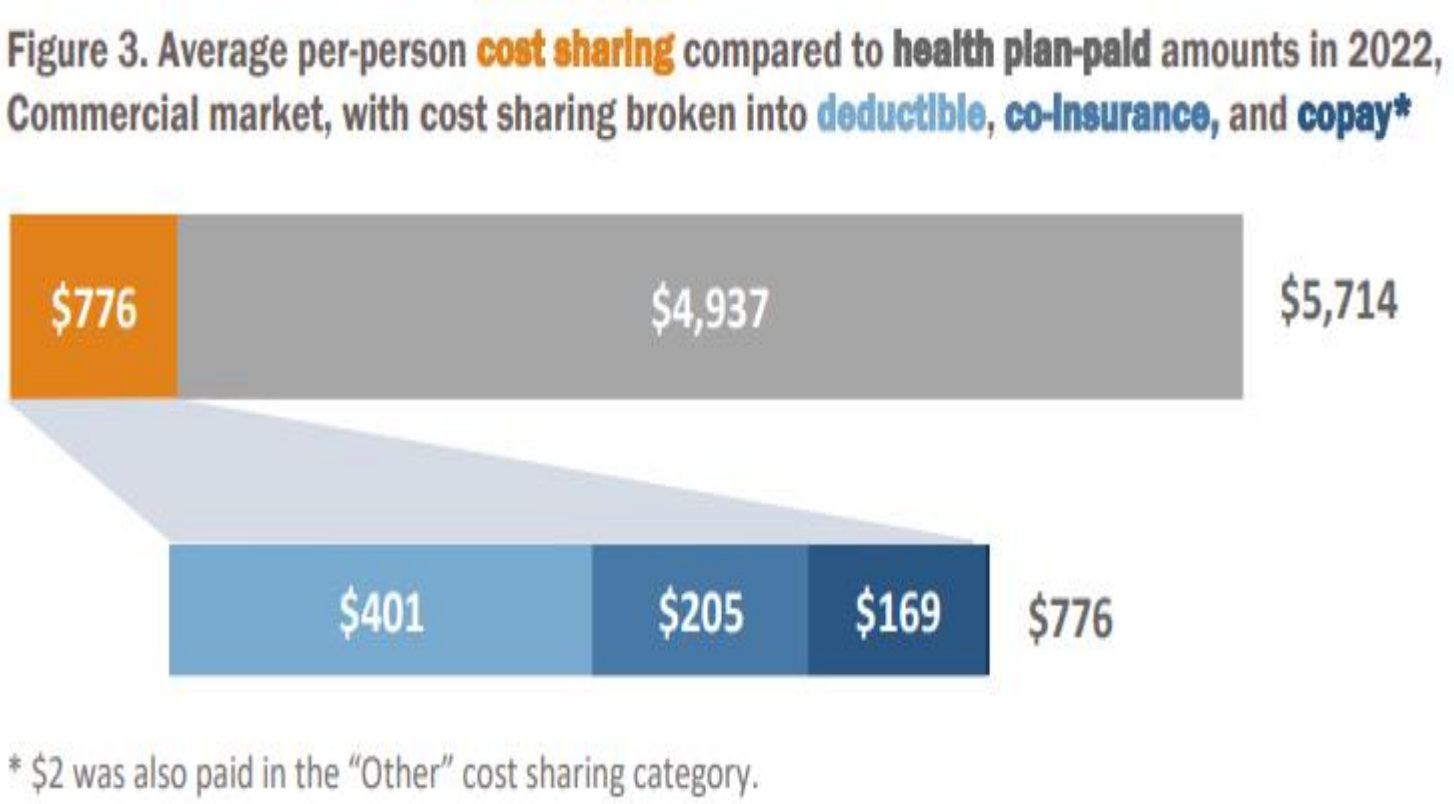
- Following a 30% increase over the past decade, total premium costs have started to decrease slightly in 2022 in Oregon.
- On average, employees pay approx. 20% of the premium and their employers pay the rest
- But it can vary by employer, industry, size of the company



OHA, Health Care Insurance Costs in Oregon available at: Impacts-update-2022_FINAL.pdf
*American Academy of Actuaries, "Considering Employee Benefits for Health Policy Development" Issue Brief, 2023. Accessed in 2024.

Cost Sharing by People in Oregon with Commercial Insurance in 2022

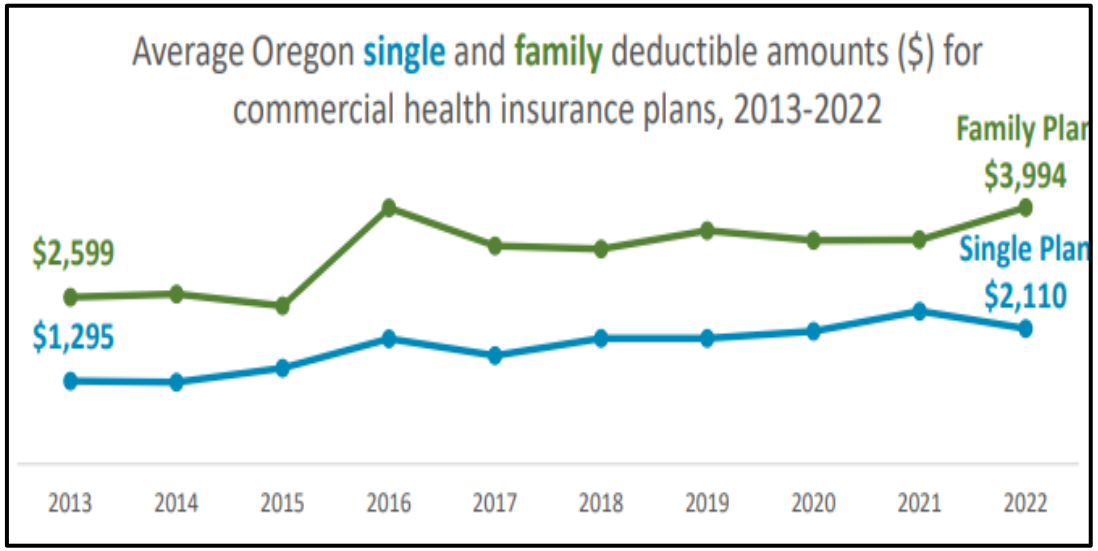
- In 2022 people in Oregon with commercial insurance paid $776 on average in cost sharing or 13.6% of the total cost of care for the year
- Majority was spent in deductibles (51%), followed by co-insurance (26.4%) and copays (21%)

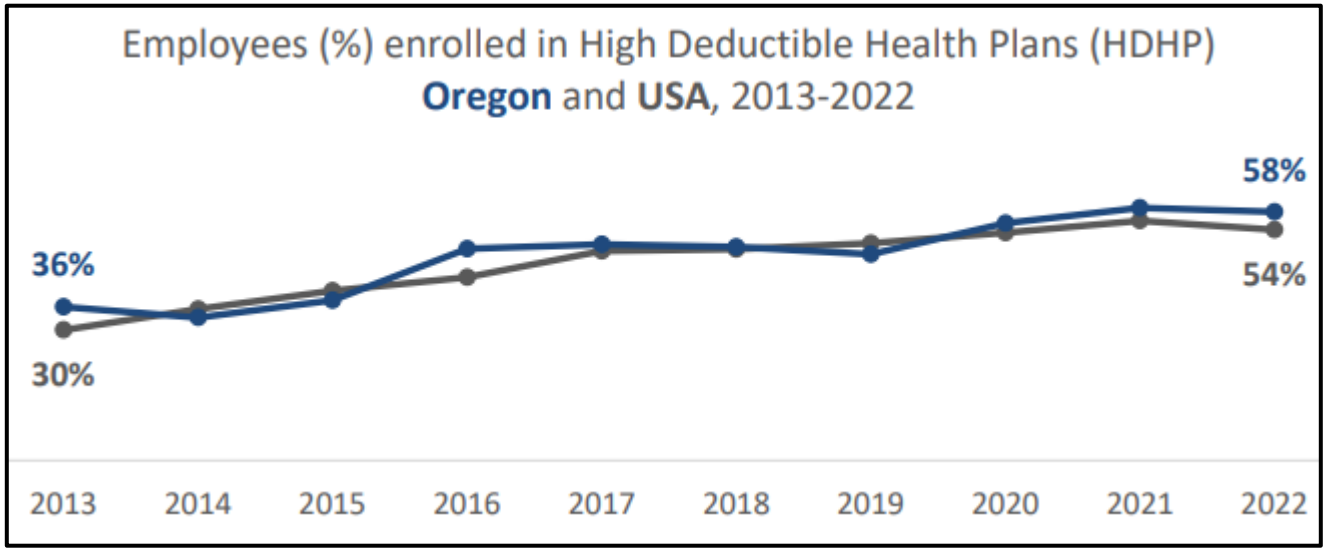


From: Patient Cost Sharing in Oregon: State and Market-Level Trends 2015-2022, April 2024 from OHA/APAC/ Cost Growth Program available at, Patient-Cost-Sharing-Report-2015-2022.pdf

Commercial Insurance Funding – Cost Sharing

- A deductible is the amount a person pays for health care each year before health insurance starts to pay
- Most people in Oregon with commercial insurance have a deductible (92% in 2022), amount varies by plan
- ~60% of private-sector employees in Oregon are enrolled in a High Deductible Health Plan – In 2022 minimum is $1,400 for individual; $2,800 for family coverage. These plans can have lower premiums, and enrollees (and sometimes their employers)can contribute pre-tax dollars to a Health Saving Account to use to cover their care until they reach the higher deductible.





Commercial Insurance Funding – PEBB & OEBB

PEBB and OEBB are benefit programs for state and school district employees respectively

- In addition to medical and dental coverage, these programs offer life, accident, disability and long-term care insurance and flexible spending accounts
- They also offer health care insurance options for retirees not yet eligible for Medicare and individuals in other participating groups
- PEBB is state funded; OEBB is funded by the participating school districts
- A portion of the premium costs are paid by the employees, along with other cost sharing such as deductibles, copays and coinsurance depending on the health plan chosen by the employee/family
- The amount the state will contribute to PEBB benefits is negotiated as part of labor contracts with state employees; Similarly. the school districts' contribution is negotiated via labor contracts with teachers/staff.

Public Employees Benefit Board

- State agencies and state universities employees and their dependents
- 136,000 total enrollment

Oregon Educators Benefit Board

- 79% of education-based entities and their dependents:
  - 93% of K-12 school districts
  - 100% of community colleges
  - 46% charter schools/education districts
- 150,000 enrollment

Medicare Funding

Medicare is a federal health insurance program for people aged 65 or over and people with long-term disabilities. Just under **1 million Oregonians are enrolled**.

People can choose to get coverage of Medicare benefits under traditional Medicare or Medicare Advantage private plans. In Oregon as of 2021:

- 51% are in traditional Medicare
- 59% are in Medicare Advantage and other health plan versions of Medicare

Funding for Medicare comes from the following sources:

- **43% federal general revenues** which primarily finance Part D
- **36% payroll tax revenues** from both employees and employers which finance primarily Part A coverage
- **16% premiums paid by beneficiaries** which are income-adjusted, used primarily for Part B coverage **plus cost sharing** (amounts dependent on type of Medicare chosen and utilization)

For Part C (Medicare Advantage) funds are drawn from:

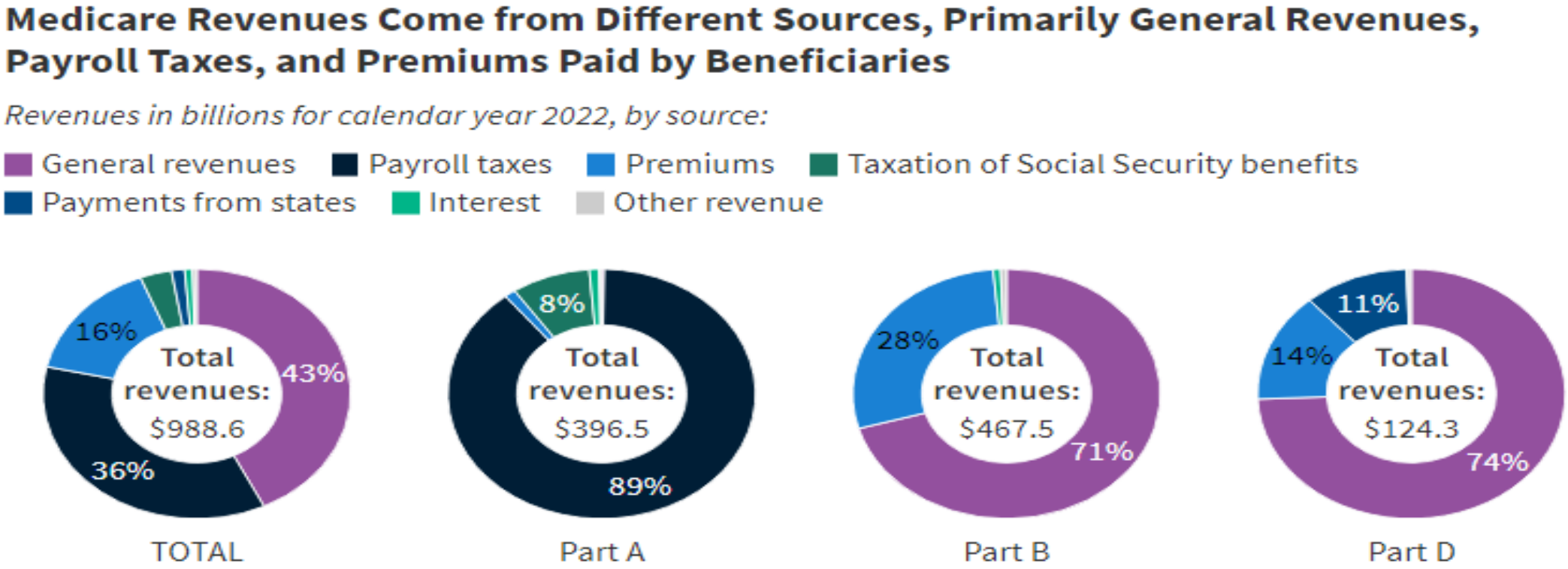
- The Medicare Hospital Insurance Trust Fund for Part A
- The Supplemental Trust fund for Part B
- MA plan enrollees pay Part B premiums and may pay additional premium if required by the plan (in 2023 - 73% nationally don't pay extra)

Medicare

- **Part A** covers hospital, short-term stays in skilled nursing facilities, hospice care, post-acute home health care
- **Part B** covers outpatient services such as provider visits, outpatient hospital care and preventive services
- **Part C** is the Medicare Advantage program that allows beneficiaries to enroll in a private plan which then cover Parts A, B and D
- **Part D** is a voluntary outpatient prescription drug benefit

Medicare Funding Continued

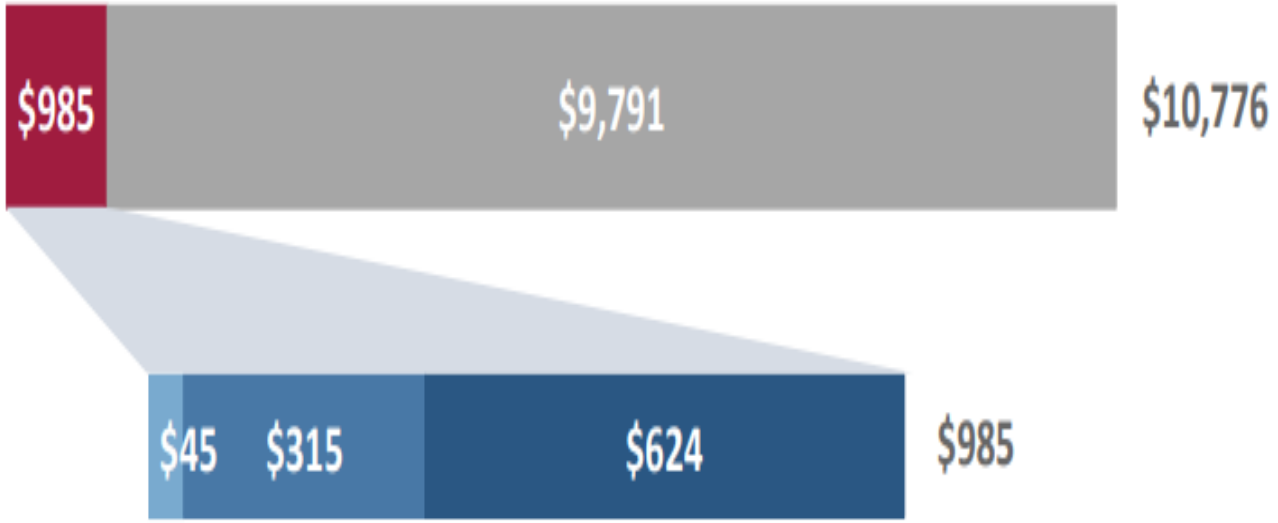
- Different parts of Medicare are funded in varying ways, and revenue sources dedicated to one part of the program can not be used to pay for another part.



Cost Sharing – People in Oregon with Medicare Advantage

- In 2022, people in Oregon with Medicare Advantage paid $985 on average in cost sharing, or 9.1% of the total cost of care for the year.
- Most Medicare Advantage cost sharing was in the form of copays ($624, or 63.3%).
- The average co-insurance paid was $315 (32% of cost sharing) while the average amount of deductible paid was $45 (4.6%)

Figure 13. Average per-person **cost sharing** versus **health plan-paid** amount in 2022, Medicare Advantage, with cost sharing broken into **deductible**, **co-insurance** and **copay**



From: Patient Cost Sharing in Oregon: State and Market-Level Trends 2015-2022, April 2024 from OHA/APAC/ Cost Growth Program available at, Patient-Cost-Sharing-Report-2015-2022.pdf

Cost Sharing – People in Oregon with "Original" Medicare (Medicare FFS)

- Difficult to fully capture all the contribution by Medicare enrollees in Traditional or Medicare Fee For Service (FFS) in Oregon
- Many purchase Medigap plans and Part D plans to avoid being exposed to high-cost sharing burden.

Table A1. Medicare FFS vs. Medicare Advantage Monthly Premiums in Oregon, 2022

	Medicare Fee For Service	Medicare Advantage
Medicare Part B	$170.10	$170.10
Medicare Advantage Premium	-	$0 to $211 $39.77 on average
Supplemental Insurance	$27 to $944	-
Part D Drug Coverage	$7.70 to $114.50	-

From: Patient Cost Sharing in Oregon: State and Market-Level Trends 2015-2022, April 2024 from OHA/APAC/ Cost Growth Program available at, Patient-Cost-Sharing-Report-2015-2022.pdf

Summary and Discussion

The key take aways – Again!

- Two studies preceded this group's work – 2017 and 2022
- Most current data available (2022) shows:
  - **97%** of Oregonians have some form of health coverage
  - **$34.7 billion total health care expenditures** = $9,261 per person per year
    - ~80% ($28 billion) spent on total medical expenditures = approx. **$8,000 per person per year**
  - Majority spent on hospital and professional (provider) services, with continued increase in prescription drugs
  - Non-claims payments are increasing due to value-based payments also true nationally
  - Enrollees in commercial and Medicare contribute significant amounts via cost-sharing
- Current health care system in Oregon is financed through a mix of household, employer, state and federal funding

- Current health care costs in Oregon are approx. $9,000 per person and growing at a rate of 3.6%
- Most spending is on hospital and professional services, with ever increasing pharmacy costs
- Health spending in Oregon is financed through a mix of private (households and employers), state and federal funding

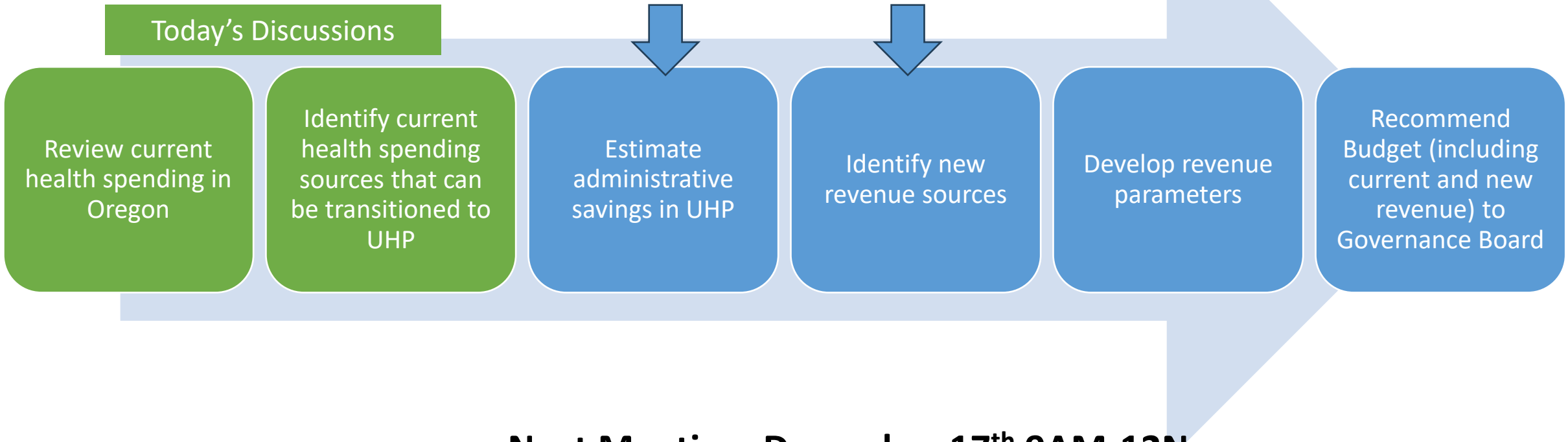
Discussion

- *What are the assumptions about the financing sources for current spending that could be applied to the UHP?*
  - Task Force assumed:
    - **Medicaid** dollars from state general fund, portion of cigarette tax directed to OHP, plus federal match, minus the provider tax revenue
    - **Medicare** dollars – federal and individual contributions
    - **State** investments – community behavioral health
  - Other or different assumptions to consider?

Building a Universal Health Plan Budget – Next Steps

To determine sufficient funding, next steps needed:

- Define administrative cost target under the UHP
- Identify new revenue sources



Next Meeting: December 17th 9AM-12Noon

Universal Health Plan
Governance Board

Thank you

Developing a Revenue Guiding Document Discussion continued

Chair Ramirez

Revenue Discussion Review

- There wasn't much discussion, or concern voiced, or feedback provided after the meeting, on the "Principles Guiding Revenue Design" slide.
- A suggestion was made to add an equity principle; however, the board has already approved an equity value. Does the committee still want to recommend an additional revenue principle regarding equity?
- A suggestion was made to combine the Principles and Attributes documents together. We've combined the discussion on the two documents.
- *Let's review the principles*

Joint Task Force Principles Guiding Revenue Design

- **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 it?
- **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 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.

Possible Additional Principles

- Revenue plan should be likely to pass statewide vote
- No incentive for net movement of any group into or out of the state
- BBLR – Broad Base Low Rate is better than dependance on high rate on narrow group
- Comparison of funding effect must include all sources of revenue
- Revenue plan must consider all costs of operations, start up, and transition including bond sales

Options for discussion

- Does the committee want to combine the “Principles Guiding Revenue Design” and “Attributes” documents into one? OR
- Are there any elements of the “Attributes” document that should be pulled out and added to the Principles? OR
- Should the “Attributes” document be used as a guide for discussion during specific topics (e.g. health care expenditures during the health care spending topic)?

Reflections from the Committee and Next Steps

Chair Ramirez

Public Comment

Universal Health Plan
Governance Board

Thank you