

SENATE COMMITTEE ON
HEALTH AND HUMAN SERVICES

February 13, 1995 3:00 P.M.

Hearing Room B
Tapes 19 - 20

MEMBERS PRESENT: Sen. William McCoy, Vice-Chair
Sen. Lenn Hannon
Sen. Bill Kennemer
Sen. Randy Leonard

MEMBERS EXCUSED: Sen. Stan Bunn, Chair

STAFF PRESENT: Art Wilkinson, Committee Administrator
Mary Gallagher, Committee Assistant

MEASURES HEARD:

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.Senator McCoy will Chair today's meeting as Senator Bunn is excused

TAPE 19, A

001 CHAIR MCCOY: Convenes the meeting at 3:05 P.M.
-Introduction of Bills

005 MOTION: SEN. KENNEMER: Moves the introduction of LC 1590 iEXHIBIT A], LC
1594 [EXHIBIT B1 and LC 1597 [EXHIBIT C1 as bills

008 VOTE: NO OBJECTIONS; motion passes

011 VICKIE GATES: Begins presentation on Interim Oregon Health Plan reports
[EXHIBIT D and EXHIBIT E].

085 Impact of the Oregon Health Plan on the Uninsured
-Page 3 of EXHIBIT D

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-Current uninsured estimate: 410,000 -Employer mandate without an Employee Requirement would bring approximately 165,000 additional Oregonians into the plan.

098 KENNEMER: If we WERE to implement the mandate?

099 GATES: Yes. That is what we estimate would be the impact of a mandate without any mandate on
the part of employees or other individuals.

101 KENNEMER: If we don't mandate it, what would be the impact?

102 GATES: Responds

-To make significant increases in coverage, you either have to mandate or look at extensive investments of public money.

120 Economic Impact of the Employer Mandate
-Page 5 of EXHIBIT D
-Estimate of direct cost to business: \$60 million per year (0.14% of labor costs)
(0.11-0.16% of jobs
statewide)
-Estimate of short-term direct and indirect job loss: 1,525-2,230 jobs

146 KENNEMER: It appears to me that the percentage of labor costs is about the same as the percentage of job loss. Are we netting zero on this?

153 GATES: The percentages are very close.

160 LEONARD arrives (3:15)

166 HANNON: What's the immediate income level of those 165,000 who would be gaining coverage?

170 GATES: We can provide that for you in March when we come back to talk about the uninsured and their income levels.

177 HANNON: Can we assume that people in low-income jobs are going to lose their jobs as a result of the mandate?

185 GATES: It would be correct to assume that there will be a significant impact in low-wage jobs. That is primarily where the economic impact will be felt.

208 HANNON: It appears to me that your numbers don't equate.

209 GATES: I think that more low-wage workers would benefit from the mandate, then would lose their jobs.

215 HANNON: You may want to go out and visit with some employers about that; their perceptions about it may be different.

218 GATES: I understand that there is very significant opposition to the employer mandate from small business employers.

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225 Insurance Reform
-Page 6 of EXHIBIT D
-Necessary to successful implementation of a mandate; if employers are required to participate in the market, there must be expansion of guaranteed access.
-Support reforms proposed for small market

243 Structure and Administration
-Page 7 of EXHIBIT D
-Modify the "play or pay" statute to a "modified play" model
-Responsibility for reinforcement and compliance should rest with existing units of the

Department of Consumer and Business Affairs.

277 Administration Fiscal Impact-- Business and Consumer
Services

-Page 8 of EXHIBIT D

293 Benefit Design

-Page 9 of EXHIBIT D

floor -Benefit Package required to be offered by employers should act as a market

prescription

-Package which encourages managed care and preventive services including a
drug benefit

346 KENNEMER: Have you evaluated, if we establish a new floor like this,
what the impact will be
on general coverage for other people? We need to be careful that we don't
reduce everyone
else's benefits to this common denominator.

355 GATES: While it is unlikely to cause significant changes at the top of
the market, it's always a danger.

384 Purchasing Pool

-Pages 10-11 of EXHIBIT D

TAPE 20,A

001 Still on Purchasing Pool

023 Purchasing Pool Fiscal Impact

-Page 12 of EXHIBIT D

035 Employee Participation

-Page 13 of EXHIBIT D

-No employee participation requirement is recommended
subsidy program if a
target goal in increased coverage is not reached
of uninsured -Recommended "trigger" is a decrease in uninsured persons of 150,000 (75%
newly offered coverage)
adverse selection -Minimum participation levels are often required by insurers to avoid

040 KENNEMER: What do you mean by employee participation
requirement?

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statements made during this session. Only text enclosed in quotation marks
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041 GATES: An employee is required to take the coverage--they have no
choice.

055 Employer Contribution

-Page 14 of EXHIBIT D

-Minimum contribution of 75% for employees working 35 or more hours; 50%
for dependents
-Recommend that all employers currently offering who do not meet minimums
be given time to come into compliance
-Part-time employees 10 to 35 hours included on a pro-rata basis

-Exclude temporary workers as current statute, but tighten definition of "temporary workers" so that employers can't designate employees as "temporary" to avoid providing benefits

094 Employer Hardship Subsidy
-Page 15 of EXHIBIT D
-Eligibility: Less than 9 employees; average wage less than \$8 per hour
-Subsidy Level: Premium amount over 8% of Payroll; Average of \$6.50 per month per worker
-Cost Estimate: \$13.2 million per year
-Firms Affected: 23,000 firms employing 168,000 people
-Assumes 100% firms eligible claim subsidy
-Assumes subsidy based on minimum benefit program

152 Tax Deduction for Self-Employed
-Allow 100% tax deduction for the cost of health insurance for self-employed persons
-Current law allows self-employed to deduct 25% of the cost of health insurance as stabilizing
-Recommendation would equalize treatment and encourage new coverage as well as stabilizing existing coverage
-Legislative Revenue Cost estimate is \$14.3 million based on utilization growth of about 8.75%
-Deduction has been volatile; unexpected drop in 1992 has produced change; if former growth rate resumes cost would be \$27.2 million

179 Employee Premium Subsidy
-Page 17 of EXHIBIT D
-Eligibility: Workers/dependents from 100-150% Federal Poverty Level (FPL); 100-200% FPL
-Subsidy Level (net cost of 3.5-5% of Gross Income): Sliding scale based on income: \$6-87 per month per family; \$3 per month for singles between 100-125% of FPL

229 Percentage of Oregon Firms Offering Health Insurance (graph)
-Page 18 of EXHIBIT D

236 CHAIR MCCOY: Calls 10-minute recess; will re-convene at 4:00.

237 CHAIR MCCOY: Re-convenes the meeting at 4:00 P.M.

239 GATES: Continuing presentation (still on page 18)
-Small firms are less likely to offer health insurance

261 KENNEMER: Does that include self-employed?

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262 GATES: Yes, it does.

267 Percentage of Oregon Firms Offering Health Insurance (graph)
-Page 19 of EXHIBIT D
-Industry type is a factor in whether health care coverage is offered

281 Comparison of Medical Coverage by Mean Wage Levels--Oregon Firms

(graph)

-Page 20 of EXHIBIT D
-Firms with higher wage levels tend to offer coverage regardless of size

311 Percent of Oregon Private Sector Firms Offering Health Insurance

(graph)

-Page 21 of EXHIBIT D
-The decision to offer coverage is related to years in business

319 Oregon Average Unadjusted Employer-Paid Medical Premiums (graph)

of firm

-Page 22 of EXHIBIT D
-The average premium for Oregon firms does not vary significantly by size

332 KENNEMER: That doesn't square very well with other data we've had about problems of

adverse selection and exclusion of small employers. They end up paying

larger

premiums.

336 GATES: These are small employers who have higher-wage employees and there are some

differences that we noted when we looked at the Plan differentials. They may not be getting quite as much for their dollar as the larger firms. Their deductibles tend to be a little bit higher and their coverage isn't as good because they don't have the bargaining power that larger employers do.

354 Percentage of Health Care Premium Paid by Oregon Employers (graph)

offer health

-Page 23 of EXHIBIT D
-Average levels of premium contributions are similar for all employers who insurance and do not vary significantly with the size of the firm

365 KENNEMER: This diffuses the advantage of collective bargaining.

372 GATES: Responds.

389 CHAIR MCCOY: (To Sen. Kennemer) If you're assuming that the smaller business aren't

unionized, that's not correct. Many of them are.

399 Oregon Employer Share of Medical Insurance to Total Payroll (graph)

-Page 24 of EXHIBIT D
-Average costs to Oregon employers for health insurance in relationship to payroll also do not vary greatly with firm size

TAPE 19,B

476 Still on Page 24

485 Percentage of Firms Which Offer Health Coverage Also Offering to Dependents (graph)

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-Page 25 of EXHIBIT D

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-Most employers who offer group health coverage also contribute to dependent coverage

493 Average Unadjusted Employer Paid Medical Premium--Single (graph)
-Page 26 of EXHIBIT D
-Oregon employer's health care premiums compare well with the experience of
other states
included in the RAND survey
Percentage of Employees by Type of Plan (graph)
-Page 26 of EXHIBIT D
-One key difference between Oregon and other states included in the survey
is a greater
reliance on managed care
505 HANNON: If Oregon is paying less than other states, then what's the
necessity of the mandate?
509 GATES: I'm going to talk about employer attitudes based on some surveys,
but we still have, in spite of the fact that our insurance costs less, a
significant number of people who are not offering coverage.
514 HANNON: So if it's less and they're still not offering, it shows you
that they're not interested in it. If there's a mandate, the employer's only
other option is to close down their business.
518 GATES: Yes, the employer always has the option not to operate his
business. The purpose of the mandate is to make it a legal obligation to
offer coverage.
530 HANNON: Makes editorial comments regarding employers closing businesses
and
eliminating jobs.
539 GATES: No one can say exactly what the economic impact will be.
545 HANNON: (Addresses Chair McCoy) Why are we spending so much time on this
today? The
chances of this passing are slim to none.
550 GATES: Responds.
565 HANNON: Do you have some ideas in here for a market-driven plan?
566 GATES: Yes, and we have some relevant survey data.
603 HANNON: We shouldn't be spending so much time on this until the
leadership decides what it wants to do about this.
620 GATES: Responds.
635 HANNON: We need to see an actual plan with substance.
653 GATES: We will try and do that as we work through the alternatives. I
thought that
the information I am providing today would be useful to the committee.

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686 HANNON: We need to put prudent requirements on the employers so that
they can't walk away from responsibility, but I think we can do that without
implementing a mandate. We need to work out a way that it's punitive not to
participate, and not punitive to participate...we can't have it being so
unaffordable that employers have to close their doors because they can't
afford to provide coverage to their employees.

713 GATES: We'll go directly to the slides that deal with employer ideas and
concerns.

720 Employees Offered Coverage/Workers Who Turn Down Coverage
(graph)
-Page 32 of EXHIBIT D

730 Employer Attitudes and
Concerns
-Page 34 of EXHIBIT D

736 Small Firms Identify Insurance Underwriting as a Barrier
-Page 35 of EXHIBIT D
underwriting -Portland employers identified over 5,000 employees as uninsured because of
practices

746 Small Business Sees Cost as a Major Barrier
-Page 36 of EXHIBIT D

765 Michigan Found Employer Attitudes and Employee Preferences Important
-Page 37 of EXHIBIT D

790 Business Response to an Employer Mandate
-Page 38 of EXHIBIT D

804 Small Employers Indicate Some Strategies Might Influence Coverage
-Page 39 of EXHIBIT D

847 GATES: Finishes testimony.
851 KENNEMER: Question regarding this proposed program and Hawaii's
insurance program.

858 GATES: Responds.

878 ART WILKINSON, Committee Administrator: We will have a meeting at 3:00
P.M. on

Wednesday. A group of insurance agents and insurance carriers will be
making a presentation at that time. Vickie Gates will tentatively be back
on March 8, discussing alternatives to the mandate. We'd like to be
holding work sessions on this by the middle of March and have the Bill to
the floor of the Senate by the end of March.

TAPE 20,B

476 WILKINSON: Explains to the committee why Vickie Gates' presentation
today was important.

494 HANNON: Thanks Vickie Gates for her presentation.

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511 CHAIR MCCOY: Adjourns the meeting at 4:40 P.M.

Submitted by,

Mary Gallagher
Committee Assistant

Reviewed by,

Art Wilkinson
Committee Administrator

EXHIBIT SUMMARY:

A - LC Draft #1590--Sen. Kennemer--3
pages
B - LC Draft #1594--Sen. Kennemer--3
pages

- C - LC Draft #1597--Sen. Kennemer--5 pages
- D - OHP Interim Report--Vickie Gates--39 pages
- E - OHP Interim Full Report--Vickie Gates--166

pages

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