

HOUSE COMMITTEE ON HUMAN RESOURCES

February 5, 1997 Hearing Room H-170

1:00 P.M. Tapes 16 - 17

**MEMBERS PRESENT:**

Rep. Patricia Milne, Chair

Rep. Jackie Taylor, Vice-Chair

Rep. Richard Devlin

Rep. Jeff Kruse

Rep. Kitty Piercy

Rep. Steve Harper

**MEMBER EXCUSED: Rep. Jane Lokan**

**STAFF PRESENT:**

Lori A. Long, Administrator

Diane M. Quinones, Administrative Support

**MEASURE/ISSUES HEARD:**

**INFORMATIONAL MEETING**

**\* Medical Savings Accounts**

**These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.**

<b>Tape/#</b>	<b>Speaker</b>	<b>Comments</b>
<b>Tape 16, A</b>		
001	Chair Milne	Calls the meeting to order at 1:04 p.m. * introduces Bryan Hall, Committee Intern
<b><u>MEDICAL SAVINGS ACCOUNTS</u></b>		
		Former State Legislator, Oregon, submits and presents written testimony regarding Medical Savings Accounts (MSAs)

015	Rep. John Schoon	<b>(EXHIBIT A).</b> * defines MSAs * explains the intent and benefits of MSAs
090	Rep. Schoon	Continues presentation.
140	Rep. Schoon	Continues presentation.
158	Rep. Taylor	Asks if there is concern that people with pre-existing conditions will be left for the state to cover, while healthy individuals take places in the MSA programs.
163	Rep. Schoon	Believes many people will feel safer staying with standard plans.
175	Rep. Piercy	Asks if employees will be left out of the option to have regular insurance.
180	Rep. Schoon	* Employers must provide catastrophic coverage. * Employees would still be covered.
227	Rep. Devlin	Asks for discussion that would compare the provision of coverage to Medicare clients vs. the general public.
245	Rep. Schoon	* MSAs would not be best for Medicare clients.
264	Peggy Anet	Representative, Health Insurance Association of America, submits and presents written testimony regarding MSAs <b>(EXHIBIT B).</b> * discusses MSAs facts and figures * explains tax allowances and benefits
300	Anet	Continues presentation.
375	Anet	Continues presentation.
<b>TAPE 17,A</b>		
001	Anet	Continues presentation. * how medical savings accounts can be used * important issues surrounding medical savings accounts
045	Anet	Continues presentation.
075	Anet	Discusses what is available in Oregon.
087	Rep. Harper	Asks how many people are involved with this kind of health coverage.
092	Anet	* Limits to participants will be achieved. * Inquiries as to carriers and how people can acquire an MSA are currently being handled.

100	Rep. Piercy	Asks how long MSA accounts have been available and observed.
105	Anet	* These accounts have been in place since January 1997.
110	Rep. Kruse	Asks about the "industry's" level of excitement or apprehension in reaction to MSAs.
113	Anet	Depends on the philosophy of individual companies.
125	Rep. Kruse	Asks about the deductible and how it's paid.
130	Anet	Explains how the deductibles are met.
144	Rep. Kruse	Asks about the gain for the employee.
150	Anet	Assumptions that are made: * lower premiums * tax benefits * policy holders become more prudent consumers
175	Rep. Harper	Asks why the cafeteria plan is not allowed.
180	Anet	Explains the way a cafeteria plan works. * using dollars on a pre-tax basis * adverse selection issues
225	Jim Seagraves	Economist, retired North Carolina State University professor, submits written testimony in regard to MSAs ( <b>EXHIBIT C</b> ). * defines a medical savings account * explains how an MSA works for employers and employees
300	Seagraves	Continues presentation.
350	Seagraves	Continues presentation.
380	Rep. Piercy	Asks if there have been studies conducted to determine if people take better care of themselves, and if people are satisfied with their coverage.
<b>TAPE 16, B</b>		
005	Seagraves	Refers to a study published by the Evergreen Foundation. * study conducted company by company to determine customer satisfaction
010	Rep. Kruse	Asks about the balance remaining after the percentage of allowable dollars has been deposited.
025	Seagraves	* Any balance remaining will be paid for out of pocket
043	Seagraves	Continues presentation.

075	Seagraves	Continues presentation.
125	Chair Milne	Clarifies that these accounts are in line with IRA standards.
140	Rep. Kruse	Asks about the importance of following federal guideline requirements.
145	Seagraves	It would be a mistake to form a law too far from federal guidelines.
166	Scott Manchester	Health Systems Analyst, Health Plan Administrator's Office, presents testimony regarding MSAs. * state has no position on MSA accounts at this time * interested in following committees findings
190	Chair Milne	Asks Manchester to stay involved with this issue and watch it closely.
205	Manchester	Refers to a report he researched and published in December of 1994 on Medical Savings Accounts.
218	Rep. Harper	Asks how the Oregon Health Plan and Medical Savings Accounts will work together.
225	Manchester	The challenge is that MSAs are not consistent with managed care. * MSAs are better partnered with fee for service plans
253	Rep. Piercy	Asks about gains and losses with managed care programs.
268	Manchester	* Physicians still have a great deal of power with managed care * MSAs allow individuals more choices.
315	Rep. Devlin	Asks about a body of literature that may exist on MSAs.
320	Manchester	Minimal studies exist because they tend to: * be theoretical * be conducted by small scale companies * have few participants
350	Rep. Devlin	Asks about difference in preventative procedures between MSAs and regular health coverage.
360	Manchester	Golden Rule studies indicate a high use of preventative health care procedures among MSA participants.
<b>TAPE 17, B</b>		
010	Rep. Piercy	Asks if the employer makes the deposits.
025	Manchester	* If employers are only asked to contribute premium savings, employees will still bear considerable dollar responsibility.

		* Whoever deposits dollars, the employee still owns the account.
038	Jim Seagraves	Explains that federal guidelines state that deposits will be made by either the employer or employee. * Deposits are not combinations of employee and employer contributions. * There exist strong tax incentives for employers to deposit.
068	Rep. Piercy	Asks if consumers are cautious about choosing preventative health care procedures out of fear that they will use up benefits.
075	Manchester	MSA advocates may see this as a matter of individual choice and priority.
098	Seagraves	Explains his perspective on managed care: * cost control * reducing health care spending between 10-20 %
135	Chair Milne	Adjourns the meeting at 2:35 p.m.

Submitted By, Reviewed By,

Diane M. Quinones, Lori A. Long,

Administrative Support Administrator

**EXHIBIT SUMMARY**

**A - Testimony of John Schoon, Schoon, 2 pp**

**B - Testimony of Peggy Anet, Anet, 4 pp**

**C - Information on Medical Savings Accounts, Seagraves, 4 pp**