

HOUSE COMMITTEE ON HUMAN RESOURCES

March 24, 1997 Hearing Room HR 50

1:00 P.M. Tapes 56-57

MEMBERS PRESENT:

Rep. Patricia Milne, Chair

Rep. Jackie Taylor, Vice-Chair

Rep. Richard Devlin

Rep. Jeff Kruse

Rep. Jane Lokan

Rep. Kitty Piercy

Rep. Steve Harper

MEMBER EXCUSED:

STAFF PRESENT:

Lori Long, Administrator

Diane M. Quinones, Administrative Support

MEASURE/ISSUES HEARD:

HB 3023 WORK SESSION

HB 2488 PUBLIC HEARING

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.

Tape/#	Speaker	Comments
TAPE 56, A		
001	Chair Milne	Calls the meeting to order at 1:10 p.m.
002	Chair Milne	Opens a work session on HB 3023.
HB 3023 WORK SESSION		

002	Lori Long	Committee Administrator, reviews HB 3023 and explains the -1 amendments.
005	Lynn Scheessler	Deputy Director, Housing and Community Services Department (HCSO), comments on the -1 amendments and the continued authority of the HCSO to provide affordable housing. * discusses property tax exemptions for commercial spaces * multi-unit housing property tax exemptions * commercial sections are not tax exempt, only residential sections qualify for tax exemption.
045	Rep. Kruse	MOTION: Moves to ADOPT HB 3023-1 amendments dated 03/24/97 (EXHIBIT A)
048	Chair Milne	Hearing no objection, declares the motion CARRIED.
050	Rep. Kruse	MOTION: Moves HB 3023 to the floor with a DO PASS AS AMENDED recommendation.
		VOTE: 7-0 AYE: In a roll call vote, all members present vote Aye.
055	Chair Milne	The motion CARRIES. REP. KRUSE will lead discussion on the floor.
060	Chair Milne	Closes the work session on HB 3023. Opens a public hearing on HB 2488
<u>HB 2488</u> <u>PUBLIC</u> <u>HEARING</u>		
065	Long	Introduces Ed Waters, Legislative Revenue who will provide some background for HB 2488. * within SB 347 there are provisions for Medical Savings Accounts (MSA) that reconnect Oregon to the IRS tax codes in conjunction with the Kennedy-Kassebaum bill.
077	Ed Waters	Legislative Revenue Office, explains IRS tax codes and the reconnect process for Oregon tax codes and how medical savings accounts are affected, (EXHIBIT B) .
162	Waters	Continues presentation.
225	Waters	Continues presentation.
		Deputy Legislative Council, clarifies the main point in HB 2488 * discusses expansion of SB 347 in respect to MSAs

270	Dexter Johnson	<ul style="list-style-type: none"> * federal law caps the number of participants nation wide at 750,00 * under HB 2488, the federal cap does not apply for state tax purposes in Oregon * clarifies federal taxable income for state tax purposes as being the starting point for arriving at state taxable income
320	Joe Gilliam	<p>Representative, National Federation of Independent Business (NFIB), presents testimony in favor of HB 2488.</p> <ul style="list-style-type: none"> * 2/3 of the businesses he represents have less than 10 employees * this bill will allow business owners to help their employees gain health insurance * 6 years ago, forty eight percent of NFIB members provided a health care policy, currently seventy three percent provide health care policies along with a wage * discusses how MSAs create incentives to buy health care coverage
TAPE 57,A		
002	Rep. Harper	Asks about the implementation process in the small "mom and pop" business community.
005	Gilliam	* The employer would buy a high deductible product for the employee.

1. the employee would put the contribution into the MSA or
2. the employer could also put the contribution into the MSA

025	Rep. Taylor	Asks if employee accounts from the same business are pooled together.
		Accounts are separate and function more like an IRA, only for medical expenses.
030	Gilliam	* refers to the dollar amount caps
037	Rep. Lokan	Asks if NFIB members have expressed support for MSAs.
040	Gilliam	Responds affirmatively.
058	Chair Milne	Discusses the advantages of portability for employees and businesses that have high turn over.
		* MSAs are taken with the employee.
065	Gilliam	* The employee owns their account.
090	Jim Gardner	Representative, Pharmaceutical Research and Manufacturers of America, presents testimony in support of HB 2488

Retired Economist and Professor, submits and presents testimony in support of HB 2488 (**EXHIBIT C**).

- 118 Jim Seagraves * describes the individuals that would most benefit from MSAs
* discusses the competitive nature MSAs bring to the insurance industry
* MSAs create tax "fairness"
- 170 Rep. Harper Asks if HB 2488 adopts the federal definition for MSAs.
Responds affirmatively.
- 180 Seagraves * there would need to be an amendment if MSAs are to be available to all Oregonians not on Medicare
* there will need to be an amendment if withdrawals are to be used to purchase "any" health insurance
- 252 Chair Milne Asks if unemployed individuals would fall in the category of "uninsured for six months."
discusses COBRA plans:
- 258 Seagraves * payments for 18 months can be applied towards MSA accounts
- 260 Johnson * If an individual is unemployed and they are paying for their own high deductible health plan they are still eligible for MSAs.
- 275 Seagraves Asks Johnson if Oregon wants to put severe restrictions on the kind of health insurance that can be purchased with an MSA
- 285 Johnson An individual cannot use MSA money to purchase insurance.
- 290 Rep. Harper Asks why insurance premiums cannot be purchased with MSA money.
- 295 Johnson MSA dollars are saved to be used toward high deductibles.
- 298 Rep. Devlin Asks if allowable expenses were expanded for Oregon income taxes, might individuals be required to pay federal taxes on those expenses.
Responds affirmatively.
- 305 Johnson * When allowable expenses are changed or individual eligibility is changed at the state level you need a "stand alone" MSA law and tax benefits would only occur at the state level.
- 330 Chair Milne Asks what can be purchased with a medical savings account.
Federal regulations under IRS code, 213-(d):
- 335 Seagraves * any medical expense that is not cosmetic
* transportation, at \$0.10 per mile, to and from medical facility
* eyeglasses and hearing aides

* prescription drugs

**TAPE
56, B**

- Represents, Oregon Medical Association (OMA), testifies in favor of HB 2488.
- 001 Tim
Martinez * MSAs are important options to small business owners and individuals interested in lower premiums.
- 014 Rep.
Devlin Asks if research has been done on the cost and availability of high deductible, catastrophic health coverage.
* Catastrophic health coverage with a high deductible is less costly.
- 020 Martinez * If MSAs make sense to insurers, then they will price coverage accordingly.
* Availability is an issue.
- 026 Rep.
Devlin Asks if representatives of the insurance industry can be made available to discuss costs of coverage offered to MSA holders.
- 035 Rep. Piercy Asks if the concern exists that people may avoid using their accounts for preventative care in the hopes of saving money on high deductibles.
- 038 Martinez The possibility exists that the "first sniffle" won't take people to the doctor.
Rep. Piercy Comments on the difference between the "the first sniffle" and care that can prevent serious illness.
- 051 Chair
Milne With an MSA people have the cash in hand for the deductible so they don't have the worry of coming up with extra funds for health care.
- 056 Rep. Lokan Asks about MSA experience with costs, availability, and account usage at the federal level.
* There is a lot of experience with plans similar to MSAs.
- 060 Jim
Seagraves * Policies encourage preventative care as this deters waiting until an illness becomes more expensive to treat.
* Kennedy-Kassebaum was the beginning of the consumer's access to the federal tax exemption.
- 085 Long * Other states have medical savings accounts.
* Will compile data for members that addresses consumer behaviors.
- 110 Rep.
Harper Would like to see some premiums, their costs and availability.
Asks about the education that goes with this kind of health coverage.
- 114 Rep. Kruse * teaching the concept of preventative care
- 146 Rep. Taylor Asks how MSAs go with managed care.
- 150 Seagraves * Federal and state income tax provisions give high incentives to employers and labor unions to adopt deluxe managed care, or fee-for-service policies.

* MSAs are chosen by approximately 3/4 of employees.

165 Martinez * MSAs are designed for smaller businesses and self employed individuals.

173 Seagraves National statistics show MSA holders spend twenty five percent less than fee-for-service policy holders.

184 Rep. Taylor Asks about the benefit of an MSA to individuals that have little money or are unwell.

* Insurance companies are going to be more inclined to offer policies that are attractive to individuals if they are permitted to distinguish, based on health /wellness practices, gender, age, and health status.

205 Seagraves * Insurance companies need to be able to set up policies based on true risk.

* Moving towards a system of greater choice means letting go of community rating where the healthy are subsidizing unwell individuals through their premiums.

There are certain populations that will have difficulty with MSAs.

Martinez * The Oregon Health Plan

266 Rep. Piercy Would like to see examples of actual MSA programs in place.

Executive Director, Oregon Health Action Campaign, submits and presents written testimony in regards to HB 2488 (**EXHIBIT D**).

300 Ellen Pinney * Oregon employers have a low cost insurance plan option through the Insurance Pool Governing Board.

TAPE 57, B

* Oregon Health Plan Administrator, adds points of clarification to the present discussion in regards to MSAs and HB 2488.

* discusses the federal limits on account contributions for deductibles

* discusses Oregon tax codes reconnect with federal codes and informs the committee that the Governor's Office supports the provisions of SB 347

035 Barney Speight * Under HB 2488, MSAs would be deductible under the Oregon tax codes regardless of whether they are deductible under the federal codes.

* this pilot program raises many questions including , how people know what treatment their accounts will receive either by the state or federally when the limits of 750,000 are met.

110 Rep. Kruse Asks about the state picking up MSA contribution costs for its employees in place of current benefits.

115 Speight Under federal law MSAs could not apply because the state has more than 50 employees.

120 Rep. Kruse Asks about MSAs becoming an option for the larger employer.

135 Speight Will provide the committee with data on MSAs for the larger employer.
Chair
166 Milne Submits written information to the committee regarding MSAs (**EXHIBIT E**).
168 Chair Closes the public hearing on HB 2488.
Milne
170 Chair Adjourns the meeting at 2:45 p.m.
Milne

Submitted By, Reviewed By,

Diane M. Quinones, Lori A. Long,

Administrative Support Administrator

EXHIBIT SUMMARY

A - HB 3023, -1 amendments, Long, 1 p.

B - reconnect information between Oregon and federal tax codes, Waters, 38 pp.

C - HB 2488, written information regarding MSAs, Seagraves, 1 p.

D - HB 2488, written testimony, Pinney, 5 pp.

E - written information regarding MSAs, Milne, 3 pp.