

SENATE COMMITTEE ON
HEALTH AND HUMAN SERVICES

January 30, 1995 3:00 PM

Hearing Room B
Tapes 10- 11

MEMBERS PRESENT:
Sen. Stan Bunn, Chair
Sen. Lenn Hannon
Sen. Bill Kennemer
Sen. Randy Leonard
Sen. William McCoy

MEMBERS EXCUSED:

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

MEASURES HEARD:

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TAPE 10, A

002 CHAIR BUNN: Calls the meeting to order at 3 05 P M Bypasses 1st agenda item (Bill Introduction) as three members are not yet present Calls Rocky King to testify

005 ROCKY KING, Administrator, Oregon Medical Insurance Pool (OMIP) and the Insurance Pool Governing Board (IPGB): Overview of IPGB and OMIP

032 KING: Refers to and discusses OMIP handout [EX-IBITS A-1 to A-51

050 KING: Still discussing OMIP

100 KING: Still discussing OMIP

150 KING: Still discussing OMIP

200 KING: Still discussing OMIP

240 KING: Finishes presentation on
OMIP.

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242 BUNN: You mentioned that in the 50+ age group for women, there was a substantial usage of the program and you explained why. Do you have any information that shows whether those are people that have serious health care problems, or it's all over the board as to what kind of need is involved?

245 KING: The health care problems are all over the board.

248 BUNN: If we were just trying to get an idea what kind of payment a person made who used this pool, what would it be?

260 KING: (Refers to and discusses the rate chart in EXHIBIT
A.)

278 BUNN: So these premiums are what they're paying out of
pocket?

281 KING: Yes.

282 BUNN: In terms of that total pool of persons in Oregon who haven't been
able to get coverage with other insurance, what percentage of people are we going to be able to
take care of through this pool, and what need is unmet?

289 KING: In 1987, they were using an estimate of 15,000-20,000 Oregonians
that were denied health insurance or were unable to obtain it because of a pre-existing
condition. We implemented the pool in 1990. The board looked at the population from the 1987 study
and figured that approximately 5,000 maximum would come into the pool. The others wouldn't
simply because they couldn't afford it or they chose not to. If you assume that after the
Medicaid expansion there are presently 400,000-450,000 uninsured Oregonians, the pool is helping
only a small portion.

311 BUNN: May we assume that the figure 15,000-20,000 people of 1987 is a
relatively similar figure today, or are we talking about substantially more people?

315 KING: I think our uninsured population except for the Medicaid
expansion has expanded since then. On the other hand, we've had some
insurance market reforms that did take a portion of those people that
previously couldn't get health insurance coverage. All in all, the figure
is probably about the same.

331 BUNN: Are we speculating or extrapolating from the 1987
figures?

334 KING: That's correct, but I think we'll be getting some better, updated
information from the Rand Corp. Household Survey in a few weeks.

338 BUNN: In terms of the continued operation of the pool, are there any
changes proposed that would make significant changes in the availability of usage for those that
are unable to get insurance at the present time? Do we have significant opportunities to do
better than 5,000 out of 15,000-20,000?

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348 KING: Yes, if there was a way to reduce the premiums; but that would impact all of us because it

would result in higher assessments to the insurance companies and that would filter back to us through our rates for regular health insurance. Another way is through individual market reform.

372 BUNN: How is it negotiated that the premium rates for the pool affect insurance rates at large?

377 KING: When the legislature established the program, they decided that there would be two funding sources: 1. Premiums, set at 150% of the average. (Continues response)

401 BUNN: Do we have an ability to measure, if we dropped the premiums, what various drops in premiums would do to demand?

TAPE 11,A

006 KING: I haven't formed any kind of analysis on that.

007 BUNN: It seems to me that's something we should look at.

014 KENNEMER: You indicated that we're stabilized at about 4,000 policies. I guess you're saying that you think we've probably saturated the market at this price?

018 KING: When I say "stabilized" we continue to grow every month, we still enroll over 100

individuals per month but we terminate as many as 75-100 individuals per month. People use this pool as something in between other kinds of coverage. 25% of those that enrolled in July 1990 are still on board. The other 75% are no longer there.

029 KENNEMER: (Interrupts) How many are still on board?

030 KING: About 25%. The other 75% have generally found other coverage. It's not a long-term solution for the majority of people that come in.

032 KENNEMER: (Asks a question about claims paid versus premiums received.)

037 KING: Refers to the "loss ratio" in EXHIBIT A.

047 KENNEMER: (Interrupts) Just so that I understand loss ratio our costs for 1994-1995 are \$ 144.92 on \$ 100.00 worth of premium? Is that right?

050 KING: That's correct.

052 KENNEMER: Do we have a profile of what the 20% of people who drop out are like, and the

causes for their dropping out?

055 KING: We did a survey a couple of years ago and again last year to see why people dropped out.

Generally speaking, Medicare, Medicaid, and other group coverage are the primary reasons why

people drop out--they have something else to go to. There's a small percentage who do not have

other coverage, and there is a small percentage who die.

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063 BUNN: For those people that could not get insurance before this pool out of that 15,000-20,000

we were talking about--as long as they can meet that premium, can that pool then get coverage if they want it?

069 KING: The board has established a policy that there will be no waiting lists; that we will open it up to all those that are eligible. That was not true when the program first started as funds were limited to \$3 million.

078 BUNN: So basically we have availability for those 20,000 people. I think that's very significant.

081 BUNN: If you have an employee from a particular company who can't get coverage because of a pre-existing condition, can that person get into this plan in a way that their employer can pay for the coverage and get the tax break that they would for other insurance payments?

087 KING: The 1991 legislature passed insurance market reform that forbid the "cherry-picking" that is, moving the individuals out of groups between three and twenty-five into the small group market in order to get that person coverage and then to turn around and get the rest of them coverage in the regular market.

093 BUNN: So that's prohibited. What I'm looking at is, are we in one way or another allowing the

person with a pre-existing condition to get covered...are they getting it through their normal insurance coverage? Is that right?

096 KING: In the three to twenty-five market, there is a guaranteed issue plan available to all groups in the State of Oregon.

097 BUNN: Is the cost as good as the 150% cost?

098 KING: I believe that the cost for an indemnity plan is about \$130 per employee in the three to twenty-five market. That's what they call the geographical average for the basic guaranteed issue plan. I'm not sure what the cost of the managed care product is; I believe it's closer to the \$ 100 \$110 area.

104 BUNN: So, either through this plan, as long as they're willing to pay the premium, or through their company's insurance, they're able to get covered?

107 KING: That's correct.

108 KENNEMER: (Asks question about assessments.)

111 KING: That is the assessment of the insurers and re-insurers, that's correct.

112 KENNEMER: How do you actually figure this loss ratio? How do you compute it?

114 KING: We take the administrative costs and the claims and we divide that by the premiums to get the loss ratio.

124 BUNN: Before we go on, now that we are in full committee, I would like to present this draft of a bill from Senior and Disabled Services [EXHIBIT B], relating to adult foster homes. I'd like to

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have a motion by a committee member for introduction of this as a committee bill with the understanding that as we introduce committee bills, we are neither endorsing nor opposing them--it is simply a service we provide to get them before the legislature.

135 BUNN: Opens WORK SESSION

137 MOTION: SEN. KENNEMER: MOVES FOR LC DRAFTING AND INTRODUCTION OF BILL

VOTE: CHAIR BUNN: Hearing no objections, MOTION PASSES. All members are present.

140 CHAIR BUNN: Closes WORK SESSION

144 KING: Starts presentation on IPGB IEXHIBITS C-1 to C-5].

154 BUNN: (Interjects; addresses committee) What we're looking at is in the blue folders.

156 KING: Continues presentation.

190 KING: Still presenting on IPGB.

220 KING: Still presenting on IPGB.

260 KING: Still presenting on IPGB.

270 BUNN: On the tax credits, do we have an idea of what those tax credits have cost in lost revenue to the state?

273 KING: We've asked the Dept. of Revenue to look at that. Unfortunately,
in the process of tax returns, many of the smaller tax credits are lumped together in a single
line. The Dept. of Revenue

has been unable to tell us to what extent people have claimed that tax
credit, without doing a physical audit. We can take the number of enrollments and multiply those
out, and that should be

an outside figure.

283 BUNN: Could you make that available to our Committee Administrator?

287 KING: I will do that.

288 KENNEMER: (Makes comments about enrollment.)

293 BUNN: Do you have any way of measuring what effect the tax credit has
had?

300 KING: I will be getting to that later in my presentation.

302 KING: The employer mandate is no longer tied to the 150,000. That
changed in 1993. The mandate is tied to obtaining a waiver by January 2, 1996. That 150,000
trigger was dropped from

the statute. (Continuing presentation)

329 KENNEMER: You indicated 2,120 groups and 6,092 lives--how many policies
is that?

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335 KING: 2,120 is the number of actual policies--that's the groups. And
of those 6,000 lives-

337 KENNEMER: (Interrupts) Are families included in
that?

338 KING: Yes they are.

339 KENNEMER: I took groups to mean number of employers; is that not
correct?

340 KING: That's correct; number of employers. What you're looking at is a
program that serves
self

employed and those employers that choose to cover only one or two of their
key management

people. Our average number of employees per plan is about 1.7 or 1.8 and
the average
membership

is about 3.7.

354 KENNEMER: So are 6,000 people paying \$53.00?

357 KING: No. About 14-15% of those who enroll in the plans are enrolled in
the basic \$56.00
plan.

85% are enrolled in other plans. Our average premium right now is about
\$90.00 per
employee.

366 BUNN: Calls 10-minute recess. Committee will re-convene at 4:10 P.M.

367 BUNN: Re-convenes meeting at 4:10 P.M.

379 KING: Resumes presentation, still referring to and discussing EXHIBIT C.

TAPE 10,B

478 MCCOY: Could you give me an example of the basic plan, and then an example of what's in an enhanced plan?

480 KING: The difference between the basic and the enhanced plans is that the basic plan is \$56; the premium established in and by the legislature. The problem is that for \$56, you don't get much offered to you; in some cases you'll have a \$2500 deductible plan.

(Continues answer.)
505 BUNN: Roughly how far up would you have to go to get the deductible down to around \$500?

507 KING: PACC Health Care has a \$500 deductible plan; their premium is \$79.85. Preferred Health Northwest will provide a \$500 deductible plan for as low as the \$56, but you have to be young, healthy, and in a non-dangerous business/industry to get that kind of premium.

516 KING: 15% of the people want to have the basic \$56 plan and are willing to pay very high deductibles or very high co-pays.

537 KING: The average premium is \$90. A few years ago, when we did the same review, it was \$84, so it hasn't gone up that much. (Continues presentation.)

547 HANNON: There really isn't direct correlation between tax credits going down and your

enrollment going up...what you don't show is the mandate being rolled each time, which caused the peak to occur shortly after each odd-numbered year.

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555 KING: That is correct...

575 KING: Still addressing Sen. Hannon's remarks.

576 KING: Refers to and discusses page 11 of EXHIBIT C (geographical distribution of membership).

589 MCCOY: Are the providers out there mostly nurse practitioners?

592 KING: In Eastern Oregon? No, nurse practitioners are not the primary providers.

595 HANNON: I'm not aware of any contract that's been established over there (referring to Deschutes). You can't have market penetration if you don't have subscribers.

603 KING: You mean subscribers in terms of business?

606 HANNON: Yes.

608 KING: That's correct. Market penetration is defined by how many enrollments we have.

609 HANNON: You can't offer market penetration for something that doesn't exist. You can't sell a commodity that doesn't exist, correct?

613 KING: That's correct. We're hoping that Sisters of Providence's managed care plan in Eastern Oregon will expand enrollments there. Unfortunately, Sisters of Providence is one of the higher priced plans.

619 HANNON: We looked at those areas that have high market penetration. Now let's look at the low areas...Lane county, Marion county...why are we not seeing market penetration here?

627 KING: This was a look at a short period of time. This doesn't cover our total enrollments. If you go back and look at enrollments two years ago, Lane, Linn, Multnomah and Marion counties have a much greater percentage of the total market. If we went back and looked at total enrollment, you wouldn't see the same percentage as you do here. This is just a glimpse at a four-month period of enrollment.

638 HANNON: I guess Multnomah's been in existence for some time why do they have 21.5%, almost as many cases as Jackson County, if this is market penetration-driven?

643 KING: Again, Multnomah County has had the benefit of Managed Care products offered in that community for the last 3-4 years. (Continues to answer.)

653 HANNON: Refers to graph on page 8 of EXHIBIT C. What's going to happen in the next few years because the mandate's been removed? How far down are those graphs going to come because employers will no longer be able to afford the coverage?

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660 KING: The graph is unrelated at this point to the mandate. Most of the marketing materials

and
the business presentations that we make right now are unrelated to the
mandate. (Continues to
answer.)

675 BUNN: We need to move things along; we have to adjourn at 4:45 and we
still have to have presentation on the recommended budget on the health
plan.

678 HANNON: (Makes comments about the mandate.)

699 BUNN: We'll hear from insurance agents next week regarding those
issues.

702 KENNEMER: How many employees do you have? What's your budget? What's
your source of revenue?

705 KING: Our total budget request for the 1995-97 biennium is about
\$549,000. \$300,000 of that is marketing money. There are two positions; a
marketing manager and an administrative position. OMIP has four staff; IPGB
has two. (Continues to answer question, moves on with presentation.)

726 KING: Refers to and discusses page 16 of EXHIBIT C.

738 BUNN: Common sense tells me that if insurance was free, all businesses
would get it
if

affordability is the issue...how can you say a tax credit isn't a big
item?

745 KING: I'm not saying that.

747 BUNN: How can that not be right up there on top? Did they not understand
what was available
in
terms of the tax credit?

753 KING: (Responds.)

758 BUNN: As Chair of this committee, I am interested in whether or not a
strong tax credit
extended
into the future with some certainty in it and perhaps proportional credit
would make a
difference. I
intend to put in a bill that extends the tax credit and expands it, and I
am interested in
comments on
that.

776 KING: (Responds.)

783 BUNN: Maybe we need to not only have a tax credit, but also a way for
businesses to actually
get
money back. We need to look at this a lot more aggressively.

787 KING: (Responds.)

805 BUNN: Thanks Mr. King; invites Hersh Crawford to testify. Hands out
copies of Index for
Committee Reference Materials to committee members (this is for committee
members' staff;
it is
not an Exhibit).

830 ART WILKINSON, Committee Administrator: (Makes comments about Index.)

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835 HERSH CRAWFORD, Acting Director of Office of Medical Assistance
Programs: Begins
presentation. [EXHIBIT D]

855 CRAWFORD: The Governor's commitment was no new taxes, and to fund the
program
within
the existing general fund revenue.

872 CRAWFORD: Continuing presentation.

TAPE 11,B

476 CRAWFORD: Continuing presentation (talking about
eligibility).

486 KENNEMER: They're eligible for a year, is that correct?

488 CRAWFORD: No, for six months. (Continues presentation.)

495 BUNN: We're not going to be able to finish today could you come back as
the first person on
our

agenda on Wednesday? I'd rather go over this at that time so that we have
time to really cover
this.

(Instructs that Crawford's exhibit should be put in reference manual.
Suggests that we need to
know if there are other items that come into play regarding cuts, etc. ;
other final comments.)

517 HANNON: (Makes comments about what he'd like to hear about discuss on
Wednesday.)

534 BUNN: We'll cover that for about the first half hour on
Wednesday.

Adjourns the meeting at 4:50 P.M.

Submitted by, ~ R ~ ~
m~
Mary Gallagher
Committee Assistant

EXHIBIT SUMMARY:

A - 1 OMIP Handout-Rocky King-10 pages
A - 2 OMIP Health Benefit Plan Summary-Rocky King-2 pages
A - 3 OMIP Monthly Premium Rate Schedule-Rocky King-1 page
A - 4 OMIP Brochure-Rocky King
A - 5 OMIP stand-up card-Rocky King-2-sided

B - Draft of Bill relating to ~foster homes-Chair Bunn-7 pages

C - 1 IPGB Program Overview-Rocky King-22 pages
C - 2 IPGB Health Benefit Plan Summary-Rocky King-4 pages

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Reviewed by,

^~ CCf~
Art Wilkinson
Committee Administrator

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SERVICES
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C - 3 IPGB "Competitive Edge" Brochure-Rocky King C - 4 OHP/IPGB
"At-A-Glance" Brochure-Rocky King C - S IPGB "Doing it Smarter"
Brochure-Rocky King

1995-97 Governor's Recommended Budget: OHP-Hersh Crawford-1
page

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