SENATE COMMITTEE ON
HEALTH AND HUMAN SERVICES

February 22, 1995 3:00 P.M.

Hearing Room B
Tapes 25 - 26

MEMBERS PRESENT: Sen. Stan Bunn, Chair
Sen. William McCoy, Vice-Chair
Sen. Bill Kennemer
Sen. Randy Leonard

MEMBER EXCUSED: Sen. Lenn Hannon

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

MEASURES HEARD: SB 267 Public Hearing

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TAPE 25, A

002 CHAIR BUNN: Convenes the meeting at 3 07 P M
-Introduction of LC #2475 [EXHIBITS A-1 & A-21

013 MOTION: SEN. LEONARD: Moves introduction of LC Draft #2475 as committee bill.

016 VOTE: CHAIR BUNN: Hearing no objections, motion CARRIES SEN. HANNON is EXCUSED

018 ART WILKINSON, Committee Administrator:
-Introduction of LC Draft #3474 [EXHIBIT Bl

024 MOTION: SEN. MCCOY: Moves introduction of LC Draft #3474 as committee bill

027 VOTE: CHAIR BUNN: Hearing no objections, motion CARRIES. SEN. HANNON is EXCUSED

030 CHAIR BUNN: ODens PUBLIC HEARING on SB 267

039 SEN. BILL BRADBURY/FORMER SEN. BOB SHOEMAKER: Come forward to testify IN FAVOR of SB 267.

044 BRADBURY: Begins testimony 1N FAVOR of SB 267.

068 References SB 935 from the 1993 Legislative Assembly.

088 Finishes testimony.

089 SHOEMAKER: Begins testimony.
-Goal is to provide all Oregonians with adequate health care coverage at an affordable cost.

099 The bill includes two mandates: an employer mandate at a lesser level than SB 935, and an individual mandate.
-Believes Oregon won't be able to attain universal health care coverage

without ~e
mandates.

111 Describes concept behind the benefit package.
-Would be substantially similar to the SB 27 Medicaid benefit package.

153 CHAIR BUNN: Could you take a moment and describe how that compares with what we have now in the group insurance market?

156 SHOEMAKER: Responds.

168 KENNEMER: Would it be fair to say that this would be a "floor?"

170 SHOEMAKER: Yes, it would be a mandatory universal floor for everybody and you could buy up.

179 CHAIR BUNN: The mechaniSMnow for establishing the product in the large group market
is a private sector process. This creates a state/private sector partnership in developing that, but it's driven by a state decision-making process more than a private-sector process at that point.

185 SHOEMAKER: Responds.
189 CHAIR BUNN: Was it your feeling that you couldn't get the same effective floor by a
completely private activity that you needed for the process you're describing here?
193 SHOEMAKER: That's a fair statement. The Health Services Commission process has worked well in this state. We thought we should stay with that. I'd like to point out that large businesses who are self-insured would essentially be protected by ERISA, as things now stand, from having to offer this floor package.

206 The bill also contains a number of insurance reforms which have as their goal to make health insurance truly available to all Oregonians. Three provisions: guaranteed issue, no exclusion of

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coverage because of pre-existing condition beyond a six-month waiting period, and a
movement toward community rating.

242 CHAIR BUNN: If you move from experience rating to community rating, how do you keep
those strong incentives which are currently in place?

249 SHOEMAKER: Responds.

253 CHAIR BUNN: The company has lost a lot of its incentive

255 SHOEMAKER: Yes, because they have to pay the same premium.

256 CHAIR BUNN: We need to explore ways that we can keep strong incentives for
preventative care.

259 SHOEMAKER: Responds.

-One way to encourage preventative care is to not call for co-payments or deductibles on that type of care--immunizations, PAP smears, etc.

-Discusses possible financial incentives.

305 The rate bands within the bill would start at 30% above or below the median set by the insurer. Over a period of years ending in 2003, that rate band would narrow by 5% a year.

323 Third important area of the bill: a purchasing alliance concept. A purchasing alliance, which can be public, private or quasi-public, takes responsibility for purchasing and overseeing health plans for large numbers of buyers. What it does is allow small groups to become part of a large group, which gives them the same kind of leverage and clout in the marketplace as a large group has. The alliance collects the money (from the consumers, the employers, and the State) and then pays the premium for its members.

367 The bill creates one health purchasing alliance but doesn't state that there can't be others. There is no prohibition in that regard. It is an optional alliance. The governance would be by eleven governors, selected by the state Governor. It would be fairly representative of business, labor and consumers.

393 Tax credit: might be most important part of the bill because there are so many Oregonians who don't have the disposable income necessary to buy health insurance. This bill has a tax credit subsidy to assist those who can't afford health insurance. We did a study to find out where along the poverty level and above the poverty level--how much of that should it cover. We found that at about 250% of the federal poverty level, families begin to have some disposable income.

TAPE 26, A

001 SHOEMAKER: 250% of the poverty level for a family of three is $34,000/year. What the bill does is provide a graduated subsidy that would pick up 100% of your premium if you were at 100% of the federal poverty level and would phase down to none of your premium if you were at 250% of the federal poverty level. If you're in between those two figures, you get some of it paid for. It allows this credit to be advanced so that if your health insurance premium is being paid for through payroll deductions, the credit can be taken into account as those deductions are taken from

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your paycheck. Then you settle up when you file your tax return. So, you can get the credit in advance so that you can actually pay for your premiums before you have to file your tax returns. The cost of that credit, according to LFO, if we were to do it by an income tax increase, would be less than one-half of one percent---.42 percent additional income tax. That appears to be enough to fund the individual tax subsidy.

038 CHAIR BUNN: Is there a dollar figure on that?

039 SHOEMAKER: Yes, but I can't find it at the moment. The .42 percent figure is based on

the assumption that the employers would be providing 50% of the cost of health insurance.

050 LEONARD: That's increasing the tax rate by .42 percent?

051 SHOEMAKER: Yes, and that would cover the cost if employers provide 50% of the cost of the coverage.

053 LEONARD: That's not increasing the total tax by .42 percent?

055 SHOEMAKER: The 9% rate would go to 9.42%. If we do this, I think we'll get a long way down the road toward universal health care coverage. People want insurance; they just can't afford it. If the government helps pick up the tab for those who can't afford it, that will go a long way toward getting them to put up the difference. All these things that I've talked about could be put into place without a mandate, but it would be more effective with a mandate.

078 CHAIR BUNN: You've talked about availability of health insurance and universal coverage. I see those two as different. If everyone who needed it had access to it, perhaps we wouldn't need to be as concerned about universal coverage. I'm not as concerned about covering those people who have the disposable income to purchase health insurance but choose not to do it. Regarding the tax credit subsidy, did you take into account how people were spending their money at those various levels, and what kinds of essential services they could buy at various levels? (Shoemaker responds Yes.) Is that something that would be available for us to study individually?

097 SHOEMAKER: Yes; I believe Mr. Wilkinson has a copy.

100 CHAIR BUNN: We've found, as we've studied this issue, that even as you make things accessible, there still isn't the universal coverage you would expect.

103 SHOEMAKER: That's true.

109 Describes the individual mandate.
-Would require that persons not covered by their employer obtain health insurance. The way you would learn whether they have it or not is to call for them to identify their health care policy on their income tax return. The other way to learn whether they have it or not is when they show up in the emergency room and they don't have it. The hospital would notify the State Department of Business and Consumer Services that this person was there for emergency health care and didn't have a health care policy, at which point a process would kick into place which would first encourage them to get it, and ultimately a civil penalty would be assessed if they simply refused to do it. The details of that haven't been

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worked out within the bill. The details will be worked out by the department. You have to

have some sort of penalty eventually, or you don't really have a mandate.

133 Describes the employer mandate.
-Would reduce the SB 935 mandate from 75% employer contribution to 50%. It would
reduce the number of hours worked to be considered a full-time employee from 17.5 to 10,
but it would pro-rate the employer's share of the premium so that if you're employed
between 10-30 hours, the employer wouldn't have to pay the full 50% of your premium.
They would pay something less than that depending on how many hours you work.
It would not change the current timelines for when the mandate comes into effect, and
those are: for businesses of 25+ people, March 1997, and for businesses of 25 or less,
January 1998. The individual mandate would also go into effect in January 1998.

153 The bill also provides for an employer subsidy. For those employers who either choose or are required to provide health insurance, if they can't afford it, the system of subsidies would be set up again, largely constructed by the Dept. of Business and Consumer Services, on an individual employer-need basis to subsidize their purchase of health premiums for their employees. It would be based on payroll, premiums and before-tax income.

171 CHAIR BUNN: From what you've seen of the way it's designed, does it appear to be
actuallyuseable?

178 SHOEMAKER: The general model that we've used here is based upon what Hawaii does.
Hawaii does have an employer mandate, and it works. They also have a system of subsidies for employers. This is modeled on that. Most Hawaiian businesses do not seek the subsidy. We suspect that would be true here as well. This employer subsidy doesn't depend upon there being an employer mandate.You could just as well offer this as an inducement for employers to bear some part of the cost of their employee's health care.

197 Finishes testimony.

206 CHAIR BUNN: Calls BJ Callman as next witness.

220 BJ CALLMAN, Consumer, representing Public Choice in Health Care Coalition: Begins
testimony PARTLYIN FAVOR OF,PARTLY AGAINST SB 267 1EXHIBITS C-1 & C-21.
-References Page 3, Section 5, Lines 16-22 of the bill. The Coalition finds that to be a very
positive aspect of the bill. However, we feel it doesn't go far enough.
-Claims she read an editorial in the Ore~onian referencing this committee, stating that
SHHS is "fed up with consumers calling for choice in health care"and that SHHS feels
that 'providers are making consumers make these phone calls."

263 CHAIR BUNN: So far, we're not fed up with anything. We're delighted with the large amount of input that has been making this a very good process. On behalf of this committee, it is truly essential to our work that we have the broad-based input that we've been able to have so far, so whatever the Oregonian editorializes on, we may have a different perspective.

278 CALLMAN: Continuing testimony.
-Some consumers need to have access to alternative medicine because they are chemically

sensitive to the medications that regular doctors prescribe.

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352 Continuing testimony.
376 Finishes testimony.
385 CHAIR BUNN: Calls 10-minute recess. Will re-convene at 4:10 P.M.

386 Re-convenes the meeting at 4:10 P.M Calls Janna Starr as next witness.

400 JANNA STARR, Policy Analyst, Oregon Advocacy Center: Begins testimony IN FAVOR OF SB 267. [EXHIBIT Dl
-There should be no exclusions, or very small exclusions, for pre-existing conditions. Bona fide disabilities (i.e. autism, Downs syndrome) should not be considered pre-existing conditions.

TAPE 25, B

475 STARR: Continuing testimony.

504 We support the establishment of a floor of benefits, however we feel that all policies should have guaranteed issue.

505 CHAIR BUNN: You're saying that not only the floor policy should be guaranteed, but even an enhanced policy should be guaranteed also?

507 STARR: That's correct.

512 Discusses portability provision and ratings.

535 CHAIR BUNN: Why do we want to move from true accessibility and affordability to universal coverage?

549 STARR: Responds.
563 CHAIR BUNN: In my mind, there isn't a suff~cient advocacy group in this whole process to truly advocate for prevention the way I'd like to see prevention occur, and for healthy alternatives before you get into the health care system. And with that area developed to the degree that I think it should be developed, I think there would be much less need for universal coverage and much more opportunity for access as it was needed. I hope at some point that will be explored more.
573 STARR: I think that's a good point.
596 Finishes testimony.
597 MCCOY: What you're saying then is that our goal should be universal health care?
599 STARR: Sure.

601 LEONARD: What's your reaction to the civil penalty portion of the bill'?

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606 STARR: I don't have a real positive reaction to civil penalties or to doctors and hospitals serving as insurance cops. It doesn't feel good to me, but I don't have an alternative to offer. I would rathersee the incentive end take over. I'd hate to see health care become a punitive thing.

616 LEONARD: I would guess that the people who would get penalized are the people who can'tafford to get health care coverage.

621 CHAIR BUNN: Calls Ellen Penney as next witness.

624 ELLEN PENNEY, Oregon Health Action Campaign: Begins testimony IN FAVOR of SB 267.

680 Continuing testimony.

700 Discusses community rating/rate band.

720 Certain people should not be required to pay more for a policy than other people (i.e. seniors, employers with a large number of seniors or women).

730 CHAIR BUNN: We are going to adjourn in 15 minutes and we have four more witnesses to testify. Please limit your testimony to the next few minutes.

736 PENNEY: We support guaranteed issue. We also support co-payments. We feel this bill has no cost-containment in it.

764 Finishes testimony.

769 CHAIR BUNN: Calls Dave Nelson and Dean Kortge as next witnesses.

775 DAVE NELSON/DEAN KORTGE, Oregon Life Underwriters Association: Begin testimony AGAINST SB 267 [EXHIBIT E].

775 DAVE NELSON: We have some major concerns with this bill. We doubt any Federal waivers will be forthcoming. We also doubt that this legislative body would be willing to pass a tax increase as a way of funding some of the measures in the bill.

801 DEAN KORTGE: Begins testimony.
-We don~t believe that health purchasing alliances would really work.

851 Finishes testimony.

852 CHAIR BUNN: Calls Gerry Thompson and Arnie Poutala as next witnesses.

863 GERRY THOMPSON, representing Oregon Association of Health Underwriters: Introduces Arnie Poutala.

877 ARNIE POUTALA, Chairman, Legislative Committee for the Oregon Association of Health Underwriters: Begins testimony AGAINST SB 267 [EXHIBIT F1.

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TAPE 26, B

489 POUTALA: Continuing testimony.

498 Finishes testimony.

499 MCCOY: Do you have charts or graphs showing how and why premiums have gone down? You mentioned in your statement that they are going down.

503 POUTALA: Responds.

508 MCCOY: Could you share those charts with us?

509 POUTALA: Yes.

510 CHAIR BUNN: Thanks Shoemaker and others who
test)fied.

523 LEONARD: Asks Ellen Penney a question: How can you both want to choose
to see
whomever you want for health care, and then complain that the bill has no
costcontainment?

531 PENNEY: I don't believe that choice of provider increases health care
costs.

546 LEONARD: Isn't an example of a cost-containment measure PPO's?

548 PENNEY: Responds.

562 CHAIR BUNN: Adjourns the committee at 4:50 P.M.

Submitted by,

Mary Gallagher
Committee Assistant

Reviewed by,

Art Wilkinson
Committee Administrator

EXHIBIT SUMMARY:
A - 1 LC Draft #2475--Chair Bunn--6 pages
A - 2 Memo to Chair Bunn from Gwen Dayton, Deputy Legislative
Counsel--Chair Bunn-1 page LC
B - LC Draft #3474--Art Wilkinson--19 pages
C - 1 Written Testimony on SB 267--BJ Callman--3 pages
C - 2 Written Testimony on SB 267--BJ Callman--2 pages

D - Written Testimony on SB 267--Janna Starr--3 pages
E - Written Testimony on SB 267--Dean Kortge--2 pages
F - Written Testimony on SB 267--Arnie Poutala--3 pages

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