

SENATE SPECIAL COMMITTEE ON THE
OREGON HEALTH PLAN

July 24, 1993 Hearing Room 343
9:00 a.m. Tapes 15 - 18
MEMBERS PRESENT: Sen. Bill Bradbury, Chair
 Sen. Brady Adams
 Sen. Joyce Cohen
 Sen. Shirley Gold
 Sen. Jeannette Hamby
 Sen. Paul Phillips
 Sen. Bob Shoemaker
 Sen. Gordon Smith
 Sen. Cliff Trow

MEMBERS EXCUSED:

STAFF PRESENT: Lisa Zavala, Administrator
 Dick Shoemaker, Administrator
 Pamella Andersen, Committee Clerk

MEASURES

CONSIDERED: HB 2240-A

These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

TAPE 15, SIDE A

004 CHAIR BRADBURY: Calls the meeting to order at 9:20 a.m.
- Opens the work session on HB 2240-A.

WORK SESSION ON HB 2240-A

010 CHAIR BRADBURY: The first issue needed to be discussed is the funding mechanism with the cigarette tax.
- The second issue to resolve is the health care administrator position and associated costs, as we are asking additional duties of this person.

024 JIM SCHERZINGER, LEGISLATIVE FISCAL COMMITTEE:
- Reviews the various tax rates from other states on cigarette taxes (Exhibit A). These are state taxes; seven states have local taxes and those are not included. Washington has a .54 cent tax and that is scheduled to increase to .72 cents by July 1, 1996.

040 SEN. TROW: Does the tax include the sales tax?

041 SCHERZINGER: No; the next chart includes the state sales tax. I don't believe they include local taxes.

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053 CHAIR BRADBURY: Do you have information on tobacco products?

053 SCHERZINGER: Yes; the next page shows the state tax rate on other tobacco product taxes.
There are about 35 states that tax other tobacco products. Oregon taxes at 35% of the wholesale sales price. Most states charge a percent of the wholesale price. Oregon is toward the high end.

The next pages show other tobacco products revenue compared to cigarette taxes. This happens to be for the '92 fiscal year. For example, Oregon gets 8.2% of its tobacco

revenue from other

tobacco products.

087 CHAIR BRADBURY: If you compare California, Washington, and Oregon cigarette taxes,

Oregon is well below our neighboring states. On tobacco products, we are in the middle.

095 SCHERZINGER: If you added the sales tax on top of the tobacco tax, that could be included.

105 SEN. SHOEMAKER: In other states with a sales tax, the sales tax is imposed on top of the tobacco tax?

108 SCHERZINGER: That's correct, in most states.

110 CHAIR BRADBURY: You provided numbers for a .10 cent cigarette tax implemented Nov. 1, of 44.4 for cigarette tax, then you did a calculation based on a ten percent increase in other tobacco products (3.890). If you did a 5% it would be 1.9? Is it a straight sliding scale?

118 SCHERZINGER: Yes, I would say so.

123 CHAIR BRADBURY: Give me the .10 cent cigarette tax.

123 SCHERZINGER: That was effective Nov. 1, it was \$44.4 (million) for the whole .10 cents.

124 CHAIR BRADBURY: And the 10% products was 3.8?

125 SCHERZINGER: Yes.

130 CHAIR BRADBURY: The tobacco tax amendments are included in the -A21 amendments, and start in Section 25, (EXHIBITS B and C). These are different from the amendments Mr. Nelson had last night. Do these amendments reflect your yield number.

143 SCHERZINGER: They appear to. There are some technical corrections that need to be made

to the floor tax. Other than that, they reflect the 44.4

148 CHAIR BRADBURY: \$44.4 (million) assumes a .10 cent increase in the tax, all collected at the

same time, November 1.

149 SCHERZINGER: That's my understanding. And that is what my figures assume.

151 CHAIR BRADBURY: My understanding is that they had a slightly different approach, but I don't understand the net yield of what that approach is.

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155 JIM GARDNER, PHILLIP MORRIS: The amendments Mark Nelson presented to you embody our understanding of what we agreed to with House leadership. It includes a very brief phase-in; half of the tax on November 15 and half on January 15. We would not object to moving that first date up to November 1. This is to accommodate the pricing and marketing cycle.

- The second difference between the -A21 and -A 1 8 is the sunset. There are two sunset dates in -A18.

177 CHAIR BRADBURY: Let's talk what the yield would be.

180 SCHERZINGER: I calculated that at \$41 (million) starting November 15. If the date is moved

to November 1, it will add a little bit more.

182 GARDNER: And the second date would be January 1, rather than January 15.

184 SCHERZINGER: In that case, add about a million dollars, so it would be \$42 (million).

186 CHAIR BRADBURY: Explain that difference.

188 GARDNER: It has to do with the cycles so that the increases coincide with the pricing and marketing cycle of these products, in terms of when they go into the

distribution system. It is

extremely important to the people signing on to this tax.

198 CHAIR BRADBURY: But your support is based on our giving you a four year sunset, repeal

upon the enactment of a sales tax, and some of these other provisions. We haven't made all the

decisions yet, so we don't know if you are "signed up" or not, yet.

201 GARDNER: We want to sign up; we want to help.

209 CHAIR BRADBURY: Can you restate what you think the yield would be from the tax as they

are currently proposing?

210 SCHERZINGER: Nov. 1 and Jan. I would be \$42.1 (million).

214 GARDNER: A study by Price-Waterhouse says that there is an additional \$ 13.47 million coming

in from cross border sales because of the differential with Washington.

Part of that number

appears to be in the Scherzinger estimate because he has netted out

elasticity effects against some

that cross border. We think that there may be additional money beyond that

study, but he hasn't

had a chance to verify those assumptions.

225 SEN. TROW: How much additional money do you think there might be?

226 GARDNER: I think it's about five or six. About half of that is accounted for in Scherzinger's

assumptions.

231 SCHERZINGER: Their conclusion is that Oregon will bring \$13.5 million in cross border sales

after the increase in the Oregon tax and that represents a reduction in how much they would be

bringing in before. It is unclear. It doesn't say what the starting base

was, before or after the

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Washington tax was increased. You need more information to interpret these numbers. All these numbers tell you is how much Oregon's sales would drop to Washington residents because of the increase; it doesn't tell you what they were before at Washington's old rate, which is what you want to know.

256 SEN. TROW: What we are trying to figure out - if we go with the .10 cent sales tax - is how much money can we count on for that during this biennium if we are going to fund this program. Eventually we have to rely on your projections and then we have to supplement that with additional revenues to pay for the program. We'd like to get the highest projection we can so we don't have to supplement it with so much. Is there any room to move up that \$42.1 (million)?

270 SCHERZINGER: A substantial adjustment was made in assuming that we would still maintain our level of sales despite the .10 cent increase. The Executive Department, in forecasting cigarette sales for the base estimate for this biennium made a certain assumption. That assumption was based on existing conditions. Normally, when we make a revenue estimate, we assume that when we increase the tax, the demand is going to drop. But because Washington has increased their tax, I assumed that our sales would not drop at all. It's not that simple, however.

300 CHAIR BRADBURY: We need minimum \$44.4 million from this tax source; we don't have enough General Fund to made it work with less than that. If the cigarette industry wants to look at this and bring back a proposal that gets us there, that's fine.

- I also need clarification regarding the language on page 15, Section 25(2) and (3), lines 9-15.

320 SCHERZINGER: Subsection (2) is in current law and repeated here because this is written as an additional tax. Any sales tax that taxes cigarettes is going to require that this be corrected. That would be true with the existing cigarette tax as well. HB 2500 will fix that. Subsection (3) is different; this is limited to the cigarette taxes that are imposed. This is

saying that once you pay the cigarette tax you don't pay it again.

341 SEN. COHEN: In the -A24 amendments (EXHIBIT D), where it says the tax will be repealed June 30, 1997, or on the date when a general sales tax becomes effective. I intend to propose that on line 4, the repeal will take place if the general sales tax becomes effective, rather than on the date.

388 CHAIR BRADBURY: There is a period when sales tax becomes effective but is not collected.

394 SCHERZINGER: The cigarette tax has about a month and a half lag in it, as well.
- There is a gap still, because the cigarette tax is collected at the distributor end, and the sales tax is collected at the retail end.

390 SEN. COHEN: We are not going to be in session to take cigarette tax and place it into health care funding, either; there will be a lag time until the legislature meets again. I don't want the health care funding to go away because the cigarette tax went away and we are not in a position where the budget doesn't account for the sales tax.

424 CHAIR BRADBURY: The next topic is the health care administrator. Senate Special Committee on Oregon Health Plan July 23, 1993 Page 5

TAPE 16, SIDE A

005 ART WILKINSON: Directs committee to page 6, sections 7 and 8. First I will review the

administrator position as it was in HB 3684.

- There was one administrator, at a salary range of 36, which is a policy level position, to start Oct. 1. There was an administrative specialist for that administrator at a salary range 19 that was to begin Nov. 1. There were two Executive Analyst 4, at salary range 30, that were to begin Nov. 1, 1993. A total of four positions at a cost of \$360,000. We put in \$80,000 for office supplies. There was a need for other studies, and an advisory committee. A total of \$660,613 for this proposal; about \$613,000 would have been General Fund.

- The Governor's Office has a proposal that would raise that \$660,000 by \$792,000 and bring

it up to \$1.453 (million). They would increase the staff from four to ten.

050 SEN. TROW: If we were able to get more direct help from other agencies would we need less permanent staff?

055 WILKINSON: I think they were already expecting full cooperation, however they still have their

existing responsibilities.

068 SEN. COHEN: I will need to know why we need 13 people in the Office of Health Policy.

073 MARGIE LOWE, BUDGET SUPERVISOR, EXECUTIVE DEPARTMENT: I have enumerated all the tasks required of the Health Plan Administrator (EXHIBIT

E). The numbers

on the left reference the page and line the task is found on the -A 16

amendment. Two asterisks

reflect duties found in both the House and Senate plan, as I understand it.
 - There are only four tasks being eliminated in HB 3684, and those tasks
 are those which are
 already being done by the Office of Health Policy under a Robert Wood
 Johnson grant.
 - I conferred with the Governor's Office on whether the research required
 to carry out these
 duties would be primary or secondary, which generated the proposal found on
 page 3.
 - In the Governor's Budget, we had included \$1.3 million funded with the
 cigarette tax, for
 just
 the planning of the employer mandate. We now have a proposal in HB 2240
 that asks for the
 preparation to impose an employer mandate, but also the preparation to
 implement a parallel
 track
 with the individual mandate.
 - We have brought you a proposal that spends just a little bit more than
 the \$1.3 million initial
 proposal, so that we think this is a cautious and conservative approach.
 140 WILKINSON: The Of fice of Health Policy- contains 13 positions. Of
 those, 2.75 of those
 positions are actually with the Health Services Commission. Also, 1.75
 positions is with the
 Health Resources Commission.
 151 SEN. COHEN: Why can't we take the Health Resources Commission person and
 make them
 the administrator?
 153 WILKINSON: I'm merely explaining existing duties. The certificate of
 need is not included
 because it is in the Health Division as a separate function.
 166 SEN. TROW: I would like Ms. Lowe to review the proposed hire of the new
 administrators.
 Why are the executive analysts being paid more than the administrator?
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176 LOWE: That is the cost of four positions. The \$260,342 funds four
 executive
 analysts; one or
 two of those is expected to have background in economics and tax policy.
 217 SEN. TROW: What work would they be doing?
 220 LOWE: They will be focusing on the specific details and the impacts of
 implementing the
 individual and employer mandate. Some of the Executive Analyst 3 will be
 performing
 secondary research, looking at broader health issues such as cost
 containment.
 233 WILKINSON: You expected the Health Plan Administrator to accomplish
 several things,
 such
 as reporting back to the legislature.
 255 SEN. TROW: We are surprised it will cost that much and require that much
 staffing.

254 SEN. COHEN: Some of the tasks identified by Ms. Lowe (Exhibit E) could
 be given to other existing entities. Please give a cost estimate if the
 following items were deleted: 4/2. 417, 4/21, 4126, 4/31, 516, 5/7, 5/10,

5/24, and 6/2.

281 CHAIR BRADBURY: Before we do that, this committee wants a full understanding of the employer mandate and the benefit package. We also want another preferred approach, fully fleshed out for the next session. How that is achieved will be a dynamic interaction between the Oregon Health Council, and interim legislative committee, and the existing infrastructure we have. We need the health plan administrator as the cement. We do need to simplify what we are asking to be done of the administrator.

307 SEN. SHOEMAKER: Barbara Coombs developed the request document on the interim health care task force which describes it and might be helpful (EXHIBIT ii).

322 CHAIR BRADBURY: We need to go through this, but we need to make decisions today.

329 WILKINSON: To expedite the process, if you suggest a lesser figure, let a work plan come in to a legislative review agency and let that health administrator lay out to a group of legislators the work plan and the duties.

348 CHAIR BRADBURY: I would propose a dollar figure of \$1 million.

362 WILKINSON: As far as a draft, we would specify \$1 million for the program, part of that million does relate to Medicaid, so we can get a federal grant for a small percentage.

376 CHAIR BRADBURY: We are calling on the Health Administrator to develop a work plan. Is

there any language we need to add?

378 WILKINSON: We will look at section 3 on page 2, to add that language.

386 SEN. SHOEMAKER: What salaries are these people paid? Ranges 36 and 30?

398 SEN. COHEN: How much is the Health Resources Commission person paid?

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423 WILKINSON: That would be almost \$66,000 a year for salary range 36.

438 LOWE: The salary for the Dept. of Insurance & Finance is a Range 40 position. The salary range for range 30, second step, pays \$40,380.

TAPE 15, SIDE B

020 WILKINSON: On page 14, is the funding. You have a General Fund amount of \$4 million and a federal limitation of \$10,700,000 and those amounts are alright if you accept the date of January 1, 1995 for the phase-in of the pilot. On page 17 there are blanks. Section 29 makes the additional taxes imposed go into a suspense account, subtract the refunds, then credit it to the General Fund. It's not a dedicated fund. Then if you want to implement Phase I of the physical medicine for the ADC poverty level medical and the general assistance population on February 1, 1994 and implement the other exempt population on January 1, 1995, then what you will want to put into Section 32, on the General Fund side, the sum of \$61 million. It is \$52.9 million to do the Phase 1 for ADC, it is \$8.1 million to do the exempt populations. The monies you will want to put in Section 31 for a February 1, 1994 implementation date is \$97.5 million and that is the federal match at the 38/62 relationship. What's left on the funding is what is on the -5 amendments; you asked for Rocky King to come back and discuss that, which is a \$300,000 General Fund appropriation to the Insurance Pool Governing

Board to expand their activities.

MOTION: Sen. Trow moves to have the figures just given by Analyst Wilkinson to be inserted into the bill.

VOTE: Hearing no objections, Chair Bradbury so moved.

064 CHAIR BRADBURY: There are several issues left to discuss, one is the Insurance Pool Governing Board, and other amendments.

- The House was interested in enhancing your efforts to market the insurance products you have to smaller employers who are not providing health care. Is that correct, and what does \$300,000 buy us?

075 ROCKY KING, INSURANCE POOL GOVERNING BOARD: The \$300,000 that was included in HB 3684 was an enhanced marketing of the IPG program. For the past four years the funding for IPG has been limited; for example our budget is \$280,000. During the last biennium, as part of the Governor's Budget, there was a proposal to enhance the marketing of the voluntary program, requesting money for both advertising, media, brochures, direct mail, and also for marketing positions. The members of Ways and Means took the position that it was not the role of IPG to market the program, that was the role of AOI, NFIB, and the insurance industry. So that was not included in our budget. We only have about 20,000 individuals enrolled and our objective is 150,000. The \$300,000 represents a policy change that encourages marketing.
- The \$300,000 would hire two staff for a two-year period. We would recruit from the business community. \$161,000 would be salaries, \$ 38,000 for marketing contracts.
MOTION: Sen. Bradbury moved to add the -A5 amendment to the bill.
VOTE: Hearing no objection, Sen. Bradbury so moved. Sen. Smith, Hamby, Phillips, and

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Adams excused.

135 ADMIN. SHOEMAKER: There are a couple of technical points that need to be addressed.

145 VICKI GATES, DEPT OF INSURANCE & FINANCE: In reviewing the final amendments, there is a technical issue that could be cleared up. Neither of these demonstrations will cover all services in mental health or chemical dependency, particularly those involving Correctional clientele and residential facilities. In order to clarify that, I would suggest to the committee, on page 12, line 27, insert between "state funded" and "mental health" the word "eligible." That would get us back to the scope of services considered under the Medicaid pilots.

MOTION: Sen. Trow moves to insert the word, "eligible" between the words "funded" and "health" on line 27, page 12.

VOTE: Hearing no objections, the motion carries.

174 GATES: There are other places this needs to be done.
- On page 13, line 24, between "of and mental" insert "eligible." - On page 14, line 3, between "the" and "state" insert "eligible." - The record should be quite clear that in regard to the mental health pilot, our intent would be to deal with geographic areas.

MOTION: Sen. Trow moves the word "eligible" be inserted on page 13 and 14 as indicated by Ms. Gates.

VOTE: Hearing no objections, the motion carries. Sen. Adams excused.

195 CRAIG URBANI, DEPT. OF INSURANCE & FINANCE: When small employer health insurance reform was enacted last session, there was, in ORS 743.736(9) (10) some work that the Small Employer Advisory Committee should do with regard to the integration of mental health services and relieving the existing mental health and chemical dependency mandate for the standard benefit plan. There was some ambiguity so we wanted to clarify for the record that this decision would be made by the 1995 Legislature not the 1993 Legislature.

229 CHAIR BRADBURY: Our record is very clear that full implementation does not take place until July 1, 1996 in terms of mental health services.

232 URBANI: The statute reads "full integration of mental health services" so we were afraid there might be confusion.

239 CHAIR BRADBURY: My sense was that that language was really speaking to implementing an integrated list rather than developing a list.

246 URBANI: That is our sense too.

250 CHAIR BRADBURY: There are several proposals from members.

251 SEN. GOLI): My amendment is -A9, from Dave Barrows and Mr. Price from Woodland Park

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Hospital (EXHIBIT G).

MOTION: Sen. Gold moves the -A9 amendment to HB 2240.

285 DAVE BARROWS, WOODLAND PARK HOSPITAL: Introduces William Price, Administrator of Woodland Park Hospital.

292 WILUAM PRICE, WOODLAND PARK HOSPITAL: Explains the reasons for the request of the A9 amendments (EXHIBIT H).

358 SEN. SHOEMAKER: Have you tried to get into those other groups as a hospital and you have been consciously excluded?

360 PRICE: Yes, Senator. That is primarily because of our location. There are basically three health systems in the Portland area, and Woodland Park does not have access to those three systems. Consequently, it is difficult for us to provide services on a city wide basis. We have been willing to accept rates to serve the Medicaid and Medicare population.

381 SEN. COHEN: The language, as drafted, goes way beyond Woodland Park. I am concerned about lines 10-11 which talks about ten percent of the monies paid to a network shall be required to nonparticipating services.

390 PRICE: No, that is not the case. We are willing to be paid only for the services that we

provide, and on the same terms as anyone else in that network when public funds are involved.

400 BARROWS: The language says "no more than ten percent" so it does not require that any of

the ten percent be set aside. Sen. Roberts developed this language.

393 JEAN THORNE, OREGON MEDICAL ASSISTANCE PROGRAM: We do not have a competitive bid process in OMAP. We have put out requests for applications, and have said that

if you can meet the standards and are willing to meet the capitation rates you can be a participant.

- Woodland Park had applied and we are in the review process.

- We would be concerned generally that we pay managed care funds to managed care.

- I would be concerned about the word interpretation of "reasonable." The amendments read

that the hospital would have to abide by "reasonable" rules regarding utilization, peer review and quality assurance. Who interprets "reasonable?"

TAPE 16, SIDE B

040 SEN. GOLD: What would you substitute for the word "reasonable?"

043 THORNE: The managed care plan's rules, although I have general concerns.

062 SEN. GOLD: So your preference would be to leave out the word "reasonable."

064 THORNE: I have very strong concerns with this whole amendment, but the basic point I am trying to make is there is a way for this hospital to participate now. I see this amendment as getting in the way of the legislature's emphasis on managed care.

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080 SEN. TROW: This hospital and the associated one are not deemed ineligible?

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083 THORNE: Definitely not. As long as they can meet the standards and accept our rates.

VOTE: The motion fails. Gold votes aye; Bradbury, Adams, Trow, Hamby, Phillips, Shoemaker, Smith, and Cohen vote no.

099 SEN. HAMBY: Calls the committee's attention to the -A 14 amendment (EXHIBIT I). It relates to cost containment.

118 ELLEN PENNY, OREGON HEALTH ACTION CAMPAIGN: Our concern in the health policy debate has always been cost as well as access. SB 1076 from last session allows insurance rates to increase no more than the geographic mid-point rate plus 15 percent. The geographic mid-point rate is a rate that is considered fair and reasonable. It can be plus or minus 33 percent. So those insurance product rates could increase 15 percent plus 33 percent. Rates have been increasing 20 percent a year for several years. This amendment would attempt to limit the rate of increase.

- Washington state's employer mandate is being phased-in and they limit the rate of increase to "medical inflation minus two percent." Medical inflation is averaging 10 percent a year. At the end of the phase-in period, the rates cannot increase more than the increase in per capita income, which is roughly three to four percent. This protects business's bottom line.

178 SEN. TROW: How do you view the consequences should those insurance rates have to go up faster than that?

182 PENNY: As a consumer advocate, all of our approaches to universal access indicates that the insurance industry is responsible for keeping our

costs down. If premiums continue to increase 20% per year people are going to continue to be uninsured. We don't see any reason to have rates increase faster than the rate of medical inflation. The intent of the amendment is to get insurance companies to think about producing more administrative efficiencies. The insurance industry will claim that this will force them to leave the state. We would ask that the administrator recommend a phase-in on a cap on insurance premiums.

206 SEN. TROW: I want cost control of this program. I don't know if this is the mechanism.

207 SEN. SHOEMAKER: This approach is fundamentally at variance with the consensus on the Oregon Health Plan, which has agreed that we are going to control costs through market forces, through design, through managed care, through the employer mandate. To impose price controls at this point is such a fundamental change in everything we've been trying to do, it would be irresponsible to try to do this, particularly without more discussion.

230 SEN. GOLD: This legislature has discussed access and cost containment for years, and cost containment is not happening.

206 SEN. PHILLIPS: Notes that in 1989 the committee dealt with this issue. The statute talks about insufficient resources and cost containment.
- The reimbursement rate was a contractual agreement and would never be reduced.
- How we were going to cost contain was to reduce the services to the eligible pool. With the

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federal waiver, those services are fixed.
- The population is fixed, the services are fixed, the rate of reimbursement is fixed.
- But we still haven't heard any cost containment ideas. Changing the rate of reimbursement would be one way to contain costs, but price fixing won't do it.

266 SEN. HAMBY: I don't believe there is support for the amendments.

269 PENNY: This was to be in the form of the Health Plan Administrator presenting recommendations for bring health premiums increases in line with some rate of reasonable increase. It was not intended to be price fixing.

276 CHAIR BRADBURY: Sen. Hamby withdraws the amendment.

280 SEN. HAMBY: Proposes and reviews conceptual amendment (EXHIBITS J and K).
Legislative Counsel is working on the draft.

MOTION: Sen. Hamby moves the "score card" conceptual amendment.

320 CHAIR BRADBURY: To be clear, on page 5 of the -A21, there was language added on lines 16-21 based upon what you said yesterday about consumers.

330 SEN. HAMBY: This language would be fine, instead. I'll withdraw my amendment.

347 SEN. SHOEMAKER: In Section 12, page 7, line 9:
- we need to clarify that the health plan referred to is the employer
mandate or its alternative, and not other aspects of the Oregon Health
Plan.
- on line 10, after "plan," insert "the employer mandate in the health plan
or the alternative enacted by the legislative assembly shall be phased in
between July 1, 1995 and July 1, 1997. n

373 CHAIR BRADBURY: That clarifies you are not phasing in the Medicaid
portion between those
dates.

378 ADMIN. SHOEMAKER: It also indicates all the insurance reforms are not
intended to be
phased in during those dates.

MOTION: Sen. Shoemaker moves that Section 12 of the -A21 amendments be
amended to include "the employer mandate in the health plan or the
alternative enacted by the legislative assembly shall be phased in between
July 1, 1995 and July 1, 1997.

VOTE: Hearing no objections, Chair Bradbury so moved.

389 JIM GARDNER: We have been discussing the figures, and the Price
Waterhouse document lacks
the detail needed. We would suggest keeping the start up date as it is now
in -A2 1, but if this goes to conference committee we would work with staff
to determine whether the "five and five" would generate enough money.
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408 MARC NELSON, R.J. Reynolds Tobacco: We believe personnel would be
available on Monday to prove or disprove the cross border numbers.

418 CHAIR BRADBURY: We have to move the bill in the next few minutes, so
this will have to
be resolved in conference committee.
MOTION: Chair Bradbury moves that the tax be ten cents, beginning Nov. 1,
1993.
VOTE: Hearing no objections, the motion carries.

436 CHAIR BRADBURY: There are other issues relating to sunset, and whether
this is repealed
with the enactment of the sales tax. That language is found in the -A24
amendment (Exhibit D).
I am not supportive of this amendment.

TAPE 17, SIDE A

021 SEN. GOLD: The problem with the amendment is that we don't know what
the size of an adequate tax package is.

034 SEN. HAMBY: A sunset was what the support of certain parties was
contingent upon.

047 SEN. TROW: The only way I'd be comfortable with a sunset is if we had
the tax reform
revenues.

MOTION: Sen. Phillips moved to repeal the tax on 6-30-97 or one year from
the date a general sales tax becomes effective.

070 CHAIR BRADBURY: Requests motion cla ification.

072 SEN. PHILLIPS: Yes, it is a 4-year sunset or one year following the
effective date of a general
sales tax.

080 SEN. COHEN: It would be it would be repealed before collecting enough
money. The only way

I'd support a repeal would be if a general tax passed this fall, the sunset
would occur in four

years.

099 SEN. PHILLIPS: Clarifies motion.

115 SEN. GOLD: The sales tax is dedicated to schools and a commitment to equity and education reform. The sunset needs to refer to adequate funds being available to accomplish those commitments.

133 CHAIR BRADBURY: I share your concern, but "adequate" is difficult to define.

143 SEN. SHOEMAKER: I share the concern there may not be enough money in the general fund, however it would be inconsistent with the agreement reached when the Oregon Health Plan was enacted, that the Plan compete with other General Fund programs. The only exception to that

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is the current situation.

167 SEN. TROW: I have not been part of a coalition to anything that does not consider the necessity of the General Fund to cover all its bases. All the existing and proposed taxes must be enough to meet our commitments. I don't think we need a sunset on this.

180 SEN. GOLD: I don't know if we are giving it enough time. If Oregon hasn't solved its fiscal problems by 1997, the Plan is not going to go forward. I am conceding that I will not get a financial adequacy statement in the bill, but I would like us to have the opportunity to deal with this two sessions from now.

222 CHAIR BRADBURY: My view is that Oregon has a much lower tax on cigarettes than its neighbors, there is no reason not to raise that tax regardless if you have the Health Plan.

229 SEN. COHEN: There is some advantage in giving the industry some incentive to pass a sales tax with a sunset date. I would consider 2 years, giving them one year incentive to make the tax plan pass.

261 CHAIR BRADBURY: The key point is that we get \$44.4 million for the 1993-95 biennium, regardless of what the voters do.

266 SCHERZINGER: If you repealed it on June 1, 1995 (no sooner than 7/1/95).

287 SEN. COHEN: I think you need some transition time. I will give the industry four years only if we get tax relief.

312 PHILLIPS: Withdraws motion.

MOTION: Sen. Cohen moves to adopt language that would repeal the tax in four years on June 30 in the event a general sales tax is enacted or some other replacement revenue is enacted.

333 SEN. SHOEMAKER: That would be a problem if a general sales tax is not passed until 1997.

VOTE: The motion passes. Voting aye: Bradbury, Cohen, Gold, Phillips, Shoemaker. Voting no: Smith, Trow.

408 SEN. TROW: Explains vote. Sunsetting taxes leaves legislature at a disadvantage when revenues are lacking.

420 SEN. SMITH: Explains vote. Tobacco is a serious impediment to health care, and should carry a greater burden.

MOTION: Chair Bradbury moves to adopt the amended -A21 amendments, reflecting the changes made this morning.

VOTE: Hearing no objection, Chair Bradbury so moved. Sen. Phillips excused.

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454 SCHERZINGER: There remains the technical changes to be made to the floor tax. I can review those changes with staff.

455 BRADBURY: Any objections? (none)

MOTION: Sen. Shoemaker moves HB 2240 as amended to the Floor with a "do pass" recommendation.

VOTE: The motion passes. Voting aye: Bradbury, Cohen, Shoemaker, Gold, Trow. Voting no: Adams, Hamby, Smith. Excused: Phillips.

TAPE 18, SIDE A

030 ADAMS: Gives notice of intent to file a minority report.

035 CHAIR BRADBURY: Closes the work session on HB 2240. - Recesses the meeting at 11:40 a.m.

Submitted by, Reviewed by,
Pamella Andersen Lisa Zavala
Clerk Administrator

EXHIBIT LOG:

- A - State Tax Guide Rate of Tables, km Scherzinger, 4 pages
- B - Proposed Amendments HB 2240-A18, Marc Nelson, 4 pages
- C - Proposed Amendments HB 2240-A21, Staff, 18 pages
- D - Proposed Amendments HB 2240-A24, Staff, 1 page
- E - Testimony, Margie Lowe, 3 pages
- F - Interim Health Care Tasks", Sen. Shoemaker, 2 pages
- G - Proposed Amendments HB 2240-A9, Sen. Gold, 1 page
- H - Letter to Senator Brady Adams, Dave Barrows, 1 page
- I - Proposed Amendments HB 2240-A14, Staff, 1 page
- J - Proposed Amendments HB 2240 (conceptual) - Sen. Hamby, 1 page
- K - Testimony, Sen. Hamby, 1 page

SENATE SPECIAL COMMITTEE ON THE
OREGON HEALTH PLAN

July 24, 1993 Hearing Room 343
2:30 p.m. Tape 19
MEMBERS PRESENT: Sen. Bill Bradbury, Chair
 Sen. Brady Adams
 Sen. Joyce Cohen
 Sen. Shirley Gold
 Sen. Paul Phillips
MEMBERS EXCUSED: Sen. Jeannette Hamby
 Sen. Bob Shoemaker
 Sen. Gordon Smith
 Sen. Cliff Trow
STAFF PRESENT: Lisa Zavala, Administrator
 Dick Shoemaker, Administrator
 Pamella Andersen, Committee Clerk
MEASURES
CONSIDERED: HB 2240-A

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statements made during this session. Only text enclosed in quotation marks
report a speaker's exact words. For complete contents of the proceedings,
please refer to the tapes.

TAPE 199 SIDE A

002 CHAIR BRADBURY: Call the meeting to order at 2:45 p.m. - Notes Senators
Bradbury, Cohen, Gold, Adams and Phillips are present. - Requests unanimous
consent to allow Senator Phillips to vote on moving HB 2240 as amended by
the committee to the floor with a "do pass" recommendation. - There is no
objection.

008 SEN. PHILLIPS: Votes "no" and serves notice of a possible minority
report.

009 CHAIR BRADBURY: Adjourns the meeting at 2:47 p.m.

Submitted by, Reviewed by,

.
Pamella Andersen
Clerk

Lisa Zavala
Administrator