SENATE SPECIAL COMMITTEE ON THE
OREGON HEALTH PLAN

July 21, 1993 Hearing Room 343
3:00 p.m. Tapes 2 - 7
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
STAF F PRESENT: Lisa Zavala, Administrator
Dick Shoemaker, Administrator
Pamella Andersen, Committee Clerk
MEASURE
CONSIDERED: HB 2240

Informational Meeting with Invited Testimony

WITNESSES: GOVERNOR BARBARA ROBERTS
JOHN KITZHABER, Physician and previous Oregon Senator
REP. GREG WALDEN
JEAN THORNE, Director, Oregon Medical Assistance Program
GARY WEEKS, Director, Department of Insurance and Finance
ROCKY KING, Administrator, Oregon Medical Insurance Pool; Insurance Pool Governing Board
CHAD CHERIEL, Director, Off ce of Health Policy
PETER KOHLER, Chair, Oregon Health Council; President, Oregon Health Sciences University
KEVIN EARLS, Associated Oregon Industries (AOI)
JOE GILLIAM, National Federation of Independent Business
MIKE McCALLUM, Oregon Restaurant Association; Oregon Small Business Coalition
ELLEN LOWE, Assistant Director, Ecumenical Ministries; Chair, Coalition to Fund the Oregon Health Plan Novv
ELLEN PENNEY, Oregon Health Action Campaign
AMY KLARE, Oregon AFL CIO
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These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in guotation marks report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

TAPE 2, SIDE A

004 CHAIR BRADBURY: Calls the meeting to order at 5:10 p.m. Announces that public testimony will be heard during July 22 meeting beginning at 8:00 a.m.

INFORMATIONAL MEETING ON THE OREGON HEALTH PLAN

018 GOVERNOR ROBERTS: Presents written testimony (EXHIBIT B) in support of HB 2240.

There are approximately 400,000 Oregonians without hearth care coverage. Describes difficulties endured by citizens without health care coverage.

In the 1991-93 Governor's Recommended Budget, I included the money to fund the Oregon Health Plan with General Fund resources. The House and the Senate supported that proposal, and if the federal waiver had come in a timely manner, that plan would have been implemented.

Due to the current budget shortfall, that unexpended money will be used for General Fund expenditures.
Describes new funding program for the Oregon Health Plan, which includes a cigarette tax and a provider tax. The only person who could lose with the provider tax is a doctor who treats no low-income patients.

113 Addresses specific objections to new funding program. I would prefer to fund this through the General Fund, but not at the expense of other important programs. Stresses the need for a long term stable funding source for the life of the five-year demonstration in which the federal government has agreed to participate.
There are currently 280,000 employed Oregonians with no health care coverage. Urges committee to support a long-term obligation to make the Oregon Health Plan possible.

194 SEN. SMITH: I employ 350 employees who, with their dependents, receive health care which is paid for by my company. Last year, my bill was in excess was $1,000,000. It would be irresponsible for me to vote for an employer mandate on businesses in Pendleton which have less ability to absorb increases, which total about 10 - 15% annually.
I've spent most of this session trying to develop an individual mandate based on income taxes to remove the health care obligation from the workplace. Would you consider that as an option?

214 GOV. ROBERTS: Another senator I recently had a discussion with determined he could offer better coverage for his employees for less money if the Oregon Health Plan and the mandate were in place. This is because smaller businesses would be able to more easily provide coverage due to the large pool paying into the system.

237 SEN. SMITH: I don't think you want the product of the Oregon Health Plan to be an unemployment plan. I am anxious to pursue another option which does not require us to wait until 1995, and which would use an income tax base which would not be regressive and will apply to everyone who files an income tax return.

246 GOV. ROBERTS: Hawaii has a statewide health care plan. The Governor of Hawaii tells me .

. .

that because of the volume of purchase they do with a very large insurance pool, not only do they have a plan, but there has been no indication during the flrst nearly three years of coverage that it has adversely affected even small businesses. They have been able to provide a good policy at low cost, which has not been detrimental to employers.

263 JOHN KITZHABER, Physician and previous Oregon Senator: Presents written testimony in support of HB 2240, as well as proposed amendments to HB 3684 (EXHIBIT Q).

TAPE 3, SIDE A

003 KITZHABER: Concludes testimony.

100 SEN. SMITH: If the mandate is pushed to 1999, I believe we will have the motivation to develop an individual mandate. If we ever have an employer mandate in

Oregon, it will be out
of response to the federal government mandating that we do so, which would be better than if
we do it independently. This mandate will render Oregon commerce uncompetitive in small
business.
Discusses individual mandate, which would be tied to state income tax.
141 KITZHABER: 'fine health care debate is hinged on who is covered, what is covered, and how
is it paid for. ow we insure that everyone is covered is the most difficult issue.
144 SEN. SMITH: Under my idea, everyone who files an Oregon income tax return or some
alternate form will qualify. Even if they have no tax liability, they would still qualify for the
~~ basic plan.

148 KITZHABER: I have no philosphical objection to either a single-payer system, an individual mandate or an employer mandate. I do object to waiting another four years to deal with this problem, because it will create an enormous burden on Oregon businesses. This is because costs will continue to escalate, which cannot be contained until everyone is in the system. Also, it will prevent us from containing the inflation of workers' compensation medical costs. Once everyone is in the system, those people can be mainstreamed, and those premiums can be put back into the health care program.

We need to begin to phase in whatever mechaniSMthis committee develops in the 1995 legislative session.

171 CHAIR BRADBURY: If you review the -8 amendments to HB 2240 (EXHIBIT A), you will
see that there is a clear charge to develop other systems as possibilities for the 1995 session to
consider.
188 SEN. SMITH: The mandate date is not as sign)flcant as we are making it. If we are truly
serious about doing something in 1995, this will give us the impetus to do that. If the majority
of the legislature believes that the employer mandate is a flawed approach, let's determine how
to implement an individual mandate or another system.
e or another system.
194 KITZHABER: Refers committee to Section 3 of his amendments (EXHIBIT Q). What I've

tried to do is proceed with a process which would phase in the mandate based upon the ability of businesses to pay. It would also require an affirmative vote by the 1995 legislature. What I object to in the bill is that it rejects one approach to universal coverage without proposing an alternative, which is irresponsible.

209 CHAIR BRADBURY: Mr. Kitzhaber is also referring to Sections 5 and 6 on Page 4 of the Proposed -8 Amendments for HB 2240 A-Engrossed (EXHIBIT A).
215 SEN. ADAMS: The employer mandate must actually be an employer/employee mandate. For effective cost-containment, we could not allow employees to opt out. We will have to require employees to enroll in a health care package.

227 KITZHABER: That is correct. The mandate is on employees as well as employers.
230 SEN. ADAMS: We've been discussing physical medical services, but not the mental health component. Cost shifts for mental health services may not be as direct as they are for other medical services. "Curing" a patient with a mental health disorder may be more difficult to define than "curing"

a patient with a broken leg.

252 KITZHABER: I don't believe a comprehensive basic package is comprehensive or basic unless it includes mental health and chemical dependency services. The cost shift in mental health services occurs in two ways; people do show up in emergency rooms in crisis because they cannot afford to get their medications filled or due to other unfortunate social stigmas. Additionally, some of those people don't often access the system at all, and often show up in our correctional system or difficulties in our educational system, etc. Those costs contribute to the overall burden on the state General Fund.

The value of a prioritized list allows you to apply practice standards to reduce the variation in the way different physicians treat the same illness, and allows you to find "best practice standards."

293 SEN. TROW: I have been supportive of this program since its inception, but I am concerned about overcomrnitrnent by the General Fund. If we're going to provide adequate coverage, we will need a revenue stream supporting this.
315 KITZHABER: I believe this needs to be a General Fund function to work, because you want the basic benefits package to compete with everything else to create an internal dynamic. I would have no objection to an alternative revenue source, as long as it was a temporary 18-month revenue source. We will have to deal with the overall issue of tax restructuring in Oregon, and funding public health care needs to be a part of that larger issue.

323 SEN. TROW: If this is going to be another major commitment, then I think the General Fund must be adequate to meet all of those commitments.
326 KITZHABER: Absolutely. Expresses concern regarding timeliness of health care issue, and the need to have a program in place by 1995.
350 SEN. ADAMS: Questions reliability of budget estimates. You must have General Fund
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resources involved to have effective cost-containment. It is possible that Oregon voters will not give us additional revenue during 1993-95, so legislators next session will have an additional challenge.

If we implement the Oregon Health Plan with the assumption that General Fund revenue will need to be used, the plan will be competing with all the other services.

394 KITZHABER: It would be difficult to fund this program adequately from the existing General Fund revenue. Other funds must be used to cover this on a short-term basis, such as funds from the lottery, or the cigarette tax or provider tax.

In the long run, we will need to fundamentally restructure our tax system.

416 SEN. ADAMS: That thought process gives credence to Sen. Smith's individual mandate, because in effect, each of us would be paying for our health care coverage through our state income tax. As a collective body, Oregonians would be making a financial commitment to fund this on an ongoing basis.

427 KITZHABER: If you find short-term funding without setting up a process to phase in the other 300,000 people, all you've done is buy a temporary expansion of Medicaid, which continues cost shifts.

440 REP. GREG WALI)EN: Testifies in favor of HB 3684, and presents "Timeline for Implementation of HB 3684" (EXHIBIT C). House Bill 3684 addresses all parts

of the Oregon
Healtb Plan, including funding for the expanded Medicaid program, the voluntary employer
sponsored health care programs of the Insurance Pool Governing Board, and the various efforts
of state agencies preparing for and analyzing the potential impact of the employer mandate.

TAPE 2, SIDE B

047 House Bill 3684 establishes a health plan administrator, who will be appointed by the Governor,
with input from the Senate President and the Speaker of the House. The administrator will be
responsible for analyzing, monitoring and reporting on the implementation of the Oregon Health
Plan. The budget will be $660,000, and the bill instructs other state agencies to provide staff
resources and information to assist the administrator.
The bill will increase the state's efforts in promoting the voluntary efforts by employers to
provide health insurance to their employees. The administrator will review the potential for pilot
projects, including the Taft-Hartley Trust Concept. The Insurance Pool Governing Board will
be provided an additional $300,000 to market its voluntary programs and to provide technical
assistance to employers.
098 The "play or pay" mandate for employers will be delayed until July 1, 199 7 for employers who
employ 26 or more employees, and July 1, 1999 for employers with 25 or fewer employees.
Currently, the federal ERISA (Employee Retirement Income Security Act) law does not allow
for the employer mandate, and if Congress has not provided for an exemption from ERISA by
January 1, 1996, the mandate will not be allowed to take effect. Explains reasons for delay in
the employer mandate effective dates.

The 1995 legislature will be passing legislation which will build the framework for a comprehensive employer-provided insurance program. This will mean a statewide tracking system of compliance, as well as a statewide payroll tax system for those who do not comply.

170 Hawaii's health care plan has been in place as early as 1974, which has enabled it to be relatively
unaffected by the recent rise in health care costs. Their program also does not mandate
coverage
of dependents.
188 Cost shifts will not end even with the mandate in place. During testimony, Ken Rutledge of the
Oregon Association of Hospitals presented us with a chart of the expense components of a non
Medicare non-Medicaid in-patient bill. He pointed out that the largest subsidy in a $100 bill is
$12.20, which is Medicare. Medicaid's subsidy is $4.60. All bad debt and charity cases account
for $5.80. The other subsidy is $5.70 for the cost of contracting with large groups. When you
deal with subsidies, you must look at all the major components.
If the mandate were in place today, people who work seasonally or less than 17.5 hours per
week

would still not have health care. For those people, we have included some demonstration pilot
programs and hope to be able to provide insurance.
247 CHAIR BRADBURY: What do we do about hardship related to employers?
282 REP. WALDEN: Anything we can do to more clearly define what the law requires is beneficial.
Refers to duties of health plan administrator, who will monitor and analyze the program.
327 CHAIR BRADBURY: We have an interest in gaining other options, and this is reflected in the
-8 amendments. We haven't done that by just postponing the employer mandate until 1999;
we've done that by saying the mandate needs to be fleshed out and the next legislature review
it and be in a position to make a choice about other ways to provide universal access to health
care. By delaying the mandate until 1999, you've made a choice not to do it one way before
you've made a conscious decision to do it another way.
353 REP. WALDEN: As long as people still lack health insurance, I don't think the pressure goes
away.
388 SEN. PHlLLIPS: You have crafted a plan that will force people to deal with it.
419 REP. WALDEN: Reviews HB 3684 timelines (EXHIBIT C).

TAPE 3, SIDE B

067 SEN. PHILLIPS: Would you have a problem with focusing on the report due January 1, 1995?
086 REP. WALDEN: The reports on the pilot programs are actually due March 1, 199 4. The
object of the March 1 deadline was to do the E-Board reserve and to have information available
to our interim committee, so they could polish it into a legislative form, hold hearings, and be
ready by January 1, 1995.
093 SEN. PHILLIPS: Obtaining an ERISA exemption is not going to be easy. Have you spoken

with our congressional delegation to determine what that will take?
099 REP. WALDEN: I have talked to a staff person on the Senate Finance Committee. The ERISA law is to employer government benefit issues as the Endangered Species Act is to our timber industry. There are no loopholes. If President Clinton's health care initiatives fail, they may grant exemptions to states. However, both labor and big business oppose exemptions to ERISA.
134 SEN. TROW: How do we pay for this in the 1995 session?

143 REP. WALDEN: Funding anything will be difficult. If the sales tax does not pass, we will be back here trying to determine how to fund this. That's one of the reasons we did not include full integration of mental health and chemical dependency programs.
182 SEN. TROW: Dr. Kitzhaber said he didn't believe we could place more demands on the General Fund without some additional revenue help.
187 SEN. ADAMS: He also referred to the necessity of a process that involves a coalition. How delicate is that coalition, and what risks does it face?
192 REP. WALDEN: The coalition is delicate. People who are now in the coalition were in complete opposition to the employer mandate last session. If it is tampered with too much, we will lose some coalition members.
227 CHAIR BRADBURY: Directs witnesses to limit their testimony.

240 JEAN THORNE, Director, Oregon Medical Assistance Program (OMAP): Presents written testimony (EXHIBIT D) regarding the Oregon Health Plan

Medicaid Demonstration Program. We have received applications from 22 managed care plans and 6 dental care plans. We are halfway through the review process, and hope to complete that process by mid-September. Almost every county has at least two plans willing to provide services.

443 SEN. TROW: Will you select all of them or only some of them?

450 THORNE: If they meet the standards, we may pick all of them. In the future, we may move into more of a competitive bid process.

462 Continues testimony.

TAPE 4, SIDE A

060 THORNE: Refers to Attachment 5 of testimony regarding the differences between the Governor's proposal and HB 3684. The House cut 10% in administration, which reduces the Phase I subtotal to $52.9 million.

066 SEN. TROW: How reasonable was that cut in administration?

068 THORNE: They asked us where the cut would hurt the least. It may impact the Adult and Family Services offices. OMAP is cutting back on a program of catastrophic case management,

which we had planned to use for the fee-per-service population.

Continues review of Attachment 5.

103 SEN. ADAMS: Refers to column entitled "All Populations/All Services" in Attachment 3. With an integrated list level of 535, would it cost $181.41 per person per month?

109 THORNE: Yes. That's not additional, but how much it costs per person per month. We apply money that is already in the budget to that.

111 SEN. ADAMS: If I employ 3,000,000 in Oregon, do I multiply that number by 3,000,000?

115 THORNE: I wouldn't. The "all populations" group contains many disabled and aged people who have heavy medical costs and who are too disabled to be employed. Their costs will be higher. The $130.75 figure may be closer.

126 SEN. ADAMS: Is that the price tag for universal health care?

131 THORNE: We're spending $9 - 10 billion in Oregon for health care, and are still not providing
coverage for 450,000 people.
134 SENATE ADAMS: How are we saving money?
138 THORNE: Frankly, Medicaid uses managed care heavily now and will continue to do so in the
future. We do not have high administrative costs.
166 SEN. TROW: In Attachment 1 of your testimony under the total amount for State Funds in
"Physical Medicine Services Only," why is one $176.8 and the other one $45.5?
170 THORNE: The $176.8 covers "Phase I" people. The $45.5 covers those over 65, the
blind/disabled, and foster care children.
181 SEN. TROW: Is that the cost for this biennium?
183 THORNE: That's the cost for the full 5-year program.
194 SEN. ADAMS: Are you saying the Oregon Health Plan will cut costs in half?
199 GARY WEEKS, Director, Department of Insurance and Fmance: These are insurance costs.
It doesn't include capital construction, capital improvement, public

health, etc. Those costs aren't
added into the costs given to you by Jean Thorne.
211 SEN. ADAMS: Questions whether employers will be told their costs upfront.
215 WEEKS: The Medicaid cost we looked at compares with the basic health plan under SB 1076,
which ranges somewhere around $ 100 per individual and increases for family coverage. It's hard
to say whether we can do it for 4 to 5 million. Surely we can do it for 9 to 10 billion.

224 SEN. ADAMS: I would think it would be easy to estimate the monthly cost per participant.

233 THORNE: We can estimate for Medicaid because we know what the benefit package is. As Dr. Kitzhaber has said, you can't plan a budget for a banquet until you know what the menu is. One of the tasks is determining what the package is we're trying to buy, and figuring costs from there.

252 SEN. ADAMS: I want an estimate of what the total package will cost.

253 WEEKS: We can't provide that. What basic plan has been selected and what do you want covered?

265 SEN. ADAMS: I am apprehensive that I can't even obtain an estimate.

280 WEEKS: The mathematics work out to $4. ~ or $4.6 billion, depending on negotiations with an insurer. An estimate would probably be somewhere between what we are paying now, which is $9 billion, and maybe $4.6 billion.

293 THORNE: That $9 billion includes long-term care costs, which are a sign)ficant part of that.

305 WEEKS: Discusses small-group market and SB 1076, referring to a comparison of benefits
(EXHIBIT E), and provides a list of Small Employer Health Insurance Carriers (EXHIBIT F.
406 ROCKY KING, Administrator, Oregon Medical Insurance Pool; Insurance Pool Governing
Board: Provides information regarding the Oregon Medical Insurance Pool (EXHIBIT G) and
the Insurance Pool Governing Board (EXHIBIT H), and the Oregon Health Plan Carrier
Summary (EXHIBIT I.

TAPE 5, SIDE A

034 Except for the state of Washington, our volunteer tax incentive program is the most successful of all the demonstration projects.

057 You will not get employers to enroll employees into health care benefit programs on a voluntary basis when they can't afford it, or when their employees choose salary over benefits. Until you adopt some sort of mandate, Oregon will not obtain the necessary compliance.

064 SEN. ADAMS: Requests information on premium increases shown in EXHIBIT H.

077 KING: We've gone from zero to 3,200 contracts. Each person must serve a pre-existing period,
and once they do, their health care costs increase 20096. We're hoping the trend will level off
with a more stable population.
094 CHAD CHERIEL: Director, Office of Health Policy: Presents written

testimony (EXHIBIT
J) regarding the Robert Wood Johnson Foundation. Oregon was one of 12 states which was
lucky to receive a $636,000 grant from the Robert Wood Johnson Foundation under their health
care reform initiatives program. This money was targeted for the planning and development of
the implementation of the "play or pay~ system, with cost containment features which assure

long-term universal access.

222 SEN. TROW: Some people believe that General Fund funds will force cost containment. Is that a magical assumption?
234 CHERIEL: The first step to cost containment is bringing everyone under coverage and defining what is being purchased to minimize the "gaming" and cost shifting. There are a variety of other approaches and options available to the state, including the utilization of practice patterns, investment in capital in health care institutions, etc. For this grant, we attempted to focus on two key areas. The first one is working with national resources identifying the key components of managed care competition that we believe can work, and incorporating those into the plan design. The second one is putting a greater emphasis on preventative aspects.

280 SEN. TROW: If we don't have cost containment, it will eat up the General Fund.

300 CHAIR BRADBURY: By keeping this funded from the General Fund, it gives everyone dependent on the General Fund an added incentive in making the tough decisions related to cost containment.

314 Does our January 1, 1995 deadline match up with your timeline under this grant?
331 CHERIEL: Our funding runs out at the end of August 1994.

334 CHAIR BRADBURY: Will you request a continuation?
336 CHERIEL: The foundation is committed to health care reform, and they have a lot of resources. There may be opportunity to request additional resources.
361 PETER KOHLER: Chair, Oregon Health Council; President, Oregon Health Sciences University: Testifies in favor of the Oregon Health Plan. Having everyone covered by health care is a key step in preventing cost shifting, which is ultimately the source of the escalating costs of health care. Provides list of the members of the Oregon Health Council (EXHIBIT K). The seventh "vacant seat" of provider members was recently filled by Cheryl Boyd, who represents the Oregon Nurses Association.

The council is composed of three committees; cost containment, access, and financing. Of these three, cost containment is most important.

TAPE 4, SIDE B

051 KOHLER: Addresses subsidy issue from previous testimony. Subsidy relates to what we call
"uncompensated care. " There is a difference between uncompensated care and true indigent
care.
Uncompensated care includes things like discounts on contracts. Our concern is true indigent
care, and providing it in a way which stresses prevention, covers everyone, and provides a basis
for cost containment, which will have to be built into the system in the future.
059 CHAIR BRADBURY: The House has proposed a budget for the health care

administrator of
$660,000 plus federal funds from Medicaid. Will that address your concerns regarding staff for

the Oregon Health Council?

064 KOHLER: Yes, depending upon how the money is allocated. At our last meeting, there was discussion regarding voluntary staffing, but having an unbiased staff would be preferable.

077 CHAIR BRADBURY: What caused the creation of the Oregon Health Council?

081 KOHLER: I believe it existed in statute, and was then mod)fied.

084 CHERIEL: The Oregon Health Council has been in existence close to 20 years, and has had a variety of incarnations. It began as the State Health Coordinating Council during the 1970s as part of a national planning and development program, and as an independent state agency called the State Health Planning and Development Agency, which existed until 1987. In 1987, its resources were cut, and the national program ceased to exist. Portions of the State Healtb Planning and Development Agency's functions were transferred to the Department of Human Resources. The Oregon Health Council was retained as an advisory body to the Governor and the legislature.

103 KOHLER: The council was fairly dormant until recently.

112 SEN. SHOEMAKER: The -8 amendments set forth a fairly ambitious assignment for the council, beginning on Page 7, Line 23. Is that a task which could be managed by the council?

124 KOHLER: Council members are committeed to doing whatever is necessary to accomplish the task. It is also important to have adequate staff and adequate relationships with other groups, since information-gathering will be a key part of this.

142 SEN. PHILLIPS: Did the council take a position on HB 3684?

147 KOHLER: I was out of the state when that was going on, so the council did not take a position.

152 SEN. PHILLIPS: Have you had a chance to review HB 3684?

153 KOHLER: Yes. The two issues which I think are most important are funding the Oregon Health Plan so that it can be initiated, and doing something about the mandate. Unfortunately, the role of the Oregon Health Council is not clearly delineated in the bill.

175 KEVIN EARLS: Associated Oregon Industries (AOI): Testifies in support of HB 3684. The
AOI has supported the Oregon Health Plan since its inception in 1989. We believe that universal
coverage can be accomplished through a public/private partnership.
203 CHAIR BRADBURY: What do you think needs to be fleshed out to implement this mandate?

209 EARLS: For four years, we have been pursuing an employer mandate. We need to identify a benefit package,
need to identify a benefit package, determine what portion should be paid by the employer and the employee, determine whether an employee may opt out, and specifically determine what is expected of Oregon businesses.

We were expecting a combined benefit package and competition for General Fund revenue which would require Medicaid to compete for those limited resources. We're now seeing proposals to take Medicaid out of the existing

revenue competition.
We discussed the government's obligation to extend benefits to everyone with an income below the federal poverty level, but they're going to dump the working poor back onto the employer. We discussed a floating benefit plan, but that was bargained away in our effort to get the Congressional Medicaid Waiver. We discussed hardship exemptions for businesses and individuals which have remained unclefined after four years. We discussed biennnial reporting on the 150,000 enrollee threshold, but to my knowledge, no reports have been given. We discussed a "play-or-pay" system which gives employers an option to participate or pay a payroll tax, but we've heard it will take the state at least two years in preparation time to monitor compliance. We discussed cost containment and the savings which will come with a prioritized approach, but the prioritized system is being projected to only save betwen 3 - 8 9` over the traditional Medicaid program.

305 From an employer's perspective, the public 'private partnership has turned out to be less than ideal. It's time to get a declaratory judgment, seek a Congressional exemption or build a better mousetrap and go a different route.

312 CHAIR BRADBURY: The state just got the waiver a couple of months ago. Many items need to be fleshed out, such as the relationship between the employer and employee share, dependent coverage, the responsibility of the employee, how to deal with employees who are below the federal poverty level, hardship exemptions, etc. How do we get the answers to these questions by delaying the mandate?

342 EARLS: For the first time, the state is being asked to fully confront the ERISA concern. It's time to pursue that and define a certain date, or do something else.
370 CHAIR BRADBURY: What do you suggest we do?

371 EARLS: There is a single-payer option. Sen. Smith referred to an individual mandate, but I'm not sure whether that has ERISA implications. Eighty-five percent of our citizens are covered through what is largely a voluntary system. There are still some people who are above the federal poverty line who are not buying coverage because they don't feel they can afford it. For others, they are not buying coverage because the state has engaged in systematic "gaming" of under-reimbursement and redefining eligibility. The first place to start would be having the state own up to its own responsibility.

392 CHAIR BRADBURY: I'm ready to own up to my responsibility. The question is whether the private sector is ready to own up to its responsibility as well.

397 EARLS: We came to the table voluntarily in 1989. We are still here. And we are still waiting.

404 JOE GILLIAM: National Federation of Independent Bwiness: I represent over 16,000 small businesses in Oregon. Presents written testimony (EXHIBIT L) in support of HB 3684. From 1989, this has not been a partnership for us. Our concerns were not heard, and we had no alternative but to oppose the mandate. House Bill 3684 is a consensus bill which pulls us

together because it gives us a timeline and time certain why we should be at the table. We need to know the answer to the ERISA question. If we can do this, we need to determine who is going to pay, etc. If we can't do it, let's discuss individual mandates.

TAPE 5, SIDE B

030 Agrees with Dr. Kitzhaber in that the only item which is lacking in HB

368 4 is being clear about alternatives. The General Fund should be part of the Oregon Health Plan.

043 CHAIR BRADBURY: We are interested in other approaches to gaining universal access. The amendments we've proposed will enable the 1995 session to know the answers to the questions about the mandate. Alternatives to gaining universal access will be available, enabling us to be in a position to make a choice which allows us to reach universal access.

076 GILLIAM: We aren't far apart on that. What we need are times certain. By giving us 1997 and 1999 deadline dates, we can participate.

092 SEN. SHOEMAKER: If the 1995 session is presented with a complete employer mandate proposal and a complete individual mandate proposal, why wouldn't a 1997 date be appropriate as a startup date? You've got two years to implement a plan.

100 GILLIAM: You still haven't solved the ERISA question. If the employer mandate is selected, ther is still a problem with ERISA.

105 SEN. SHOEMAKER: We can't unilaterally solve the ERISA problem, and can't go forward with an employer mandate without ERISA's approval. That would be a barrier to moving forward regardless of the date we agree upon. Whether it's 1997 or 1999 is irrelevant.

117 GILLIAM: If you chose the employer mandate and are successful in obtaining an ERISA waiver, medium-sized businesses will be affected in 1997 as a "test project." This gives us two years to implement a new system which will be as big as SAIF Corporation. We'll need time to work the kinks out of the system before thousands of small, volatile businesses are also dragged into the system.

128 SEN. SHOEMAKER: But by 1995, when we know what it will take to get this working, isn't that a more appropriate time to make the deadline decision, instead of in 199 3, when we don't know what lies ahead?

134 GILLIAM: If you would like the small business community working with you at the table, the 1997 and 1999 dates make them feel more at ease.

139 CHAIR BRADBURY: You haven't answered the question.

143 MIKE McCALLUM, Oregon Restaurant Association; Oregon Small Business Coslition: If you don't like the 1997 and 1999 dates in 1995, and we've come up with a reasonable solution, change the dates.

147 SEN. SHOEMAKER: Do you think it would be politically possible to roll it back from 1999?

148 McCALLUM: If you don't, it may not be politically possible to fund a program today.

149 SEN. SHOEMAKER: That sounds like a threat.

150 McCALLUM: It's not a threat.

152 SEN. PHILLIPS: The 1995 session will be the key session, and the other dates don't matter. What we do between now and 18 months from now is what is important. If we don't have the answers we need by 1995, this entire issue is moot.

170 SEN. SHOEMAKER: I think the most important task is to find a way to get that study done during the interim.

175 SEN. SMITH: The 1999 date is a red herring. If we're going to have an employer mandate, it needs to be federally imposed, or we could end up doing serious damage to Oregon's commercial base, which I'm not prepared to do. We need to give these people whatever it takes to keep them at the table, so the problem will be resolved by 1995.

189 SEN. ADAMS: We have a delicate coalition at this time.

197 McCALLUM: Presents written testimony regarding the employer mandate (EXHIBIT M). The scope of the employer mandate terrifies businesses. The Small Business Coalition wrote SB 861, an employer mandate bill, which shows a willingness to address the issue we're all faced with. House Bill 3684 contains almost every issue which is contained in the draft plan.

241 ELLEN LOWE, Associate Director, Ecumenical Ministries; Chair, Coalition to Fund the Oregon Health Plan Now: We are a coalition of over 50 groups which represent health care professionals, consumers, and advocates who share the common goal of providing health care for those who have none. Lists some of the groups represented by coalition. In 1989, SB 27 required that "the commission shall establish a subcommittee on mental health care and chemical dependencies to assist the commission in determining priorities for mental health care and chemical dependency that shall be reported to the 66th Legislative Assembly." That was accomplished, and in 1991, there was legislation which called for the integration of mental health and chemical dependency on the same basis as the more traditional physical illnesses. The social and economic costs of not treating these types of illnesses are immeasurable.

342 CHAIR BRADBURY: Have you seen the amendments we are proposing?

343 LOWE: I have not seen the -8 amendments.

348 CHAIR BRADBURY: Recommends witness review HB 3684 regarding a pilot program for mental health and chemical dependency.

372 LOWE: Our coalition met this afternoon and agreed there was a need for a phase-in. They also recommend that fewer than 25% be served at the beginning to insure the program will be ready by the end of the year.

380 SEN. TROW: My understanding is that this would be a pilot program which would only affect a specific number of people in a specific location.

391 LOWE: That is correct. There would be isolated pilots with integration to be determined later. At that point, we would request a phase-in.

401 SEN. TROW: How is a phase-in different?

407 LOWE: Some providers have already indicated a readiness to provide integrated mental health services, which gives them an opportunity to worn with those who are ready. One of the real contributions to cost containment is the integration of mental health with physical health, which is not the common practice in this country.

TAPE 6, SIDE A

040 The implementation date of 1995 for employers with more than 25 employees is appropriate.
That would include about 94% of employers. Only about 6% of employers with over 25
employers do not provide insurance. Section 11 of the -8 amendments adequtely addresses the
ERISA question.
071 ELLEN PENNEY, Oregon Health Action Canpaign (OHAC): Presents written testimony
(EXHIBIT N) in opposition to HB 3684.
144 SEN. SMITH: We heard testimony from a representative from the Senate Health Care
Committee in Washington. After discussing their employer mandate, we outlined our individual
mandate, and when he understood the pre-tax implications, he said they would use an individual
mandate instead of an employer mandate.
151 PENNEY: An individual mandate creates a residency-based system of health care, in which the
ability to obtain health care is no longer linked to age, income or employment. A residency
based system of health care that is funded through a progressive income tax gives people the right
to choose their own health care plan or provider is a system we would advocate.
Insurance in Oregon continues to allow discrimination in rating practices on the basis of age,
gender, health status, and type of employment. Until we eliminate those inequities, I don't
believe an employer or an individual mandate will be fair.
177 SEN. SMITH: Is there a limit to what we should offer?
178 PENNEY: Medically-necessary health care. Stresses importance of treating mental health and
chemical dependency, and preventative care.
Concludes testimony. Twenty-five percent of our health care dollars go to paperwork, and we
believe an evaluation should be done to reduce the cost of administration of any system we
develop.
302 SEN. ADAMS: If you had to choose between HB 3684 and HB 2240, which would you choose?
02 SEN. ADAMS: If you had to choose between HB 3684 and HB 2240, which would you choose?

309 PENNEY: We haven't taken a position. Expresses concern regarding 1999 implementation date
of HB 3684.
Are you inferring that if HB 3684 does not pass, we also do not get funding for the Oregon Plan?
340 SEN. ADAMS: That would be one possibility.
344 PENNEY: I would suggest walking away from HB 3684. I believe that the Clinton
Administration is going to require states to develop and implement proposals for gaining universal
access before the 21st century.
349 AMY KLARE, Research and Education Director, Oregon AFL CIO: Presents written
testimony (EXHIBIT O) in opposition to HB 3684. The employer mandate has been law since
1989.
374 SEN. SMITH: It is the law, but it isn't in effect until it is funded. Would AFL-CIO oppose
an individual mandate which left in place existing employer/employee plans,

taking that avenue
as a substitute for funding this, as opposed to a mandate on small business?
383 KLARE: We were opposed to the individual mandate in previous bills because they had to do
with seizing assets if someone couldn't prove insurance, among other things. We have supported
an income tax to fund health care, so that is within the realm of something we could support.
394 SEN. SMITH: Employers and employees could bargain to convert employees to the Oregon
Health Care Plan, but the employer would be required to add to the employee's paycheck the
amount currently paid for insurance. The tax liability would not be that great, and would be pre
tax. The employees potentially walk away with a hunk of cash.
The downside risk is that employees are left with escalating costs that businesses are currently
choking under.
420 KLARE: I'm not sure my own employer would let me pocket my health plan.
428 SEN. SMITH: This is the portion that would probably require an ERISA change. The employer
gets a payroll deduction whether he spends it for salary or health care. This would give the
individual the pre-tax option which businesses now have.
440 KLARE: Employees also feel the burn of escalating health care costs.

TAPE 7, SIDE A

021 SEN. SMITH: Health care costs are sometimes 20% of an employee's salary, and they're not getting the raises they may otherwise be able to bargain for.

038 KLARE: There is a 22 - 30% surcharge on all hospital bills due to bad debt, charity care and
underpayment by government programs. That will not go away if we do not cover everyone.
044 SEN. ADAMS: If the choice was between HB 3684 or nothing, would you choose nothing?

050 KLARE: I think we could negotiate and find a reasonable compromise.
064 CHAIR BRADBURY: We have the right to put our imprint on this measure, and then negotiate with the House if they don't concur. That is not the choice at this point in time.

087 Adjourns meeting at 9:20 p.m.

Additions to the record:
Oregon Health Plan Testimony (EXHIBIT P)
Medicaid Informational Material (EXHIBIT R)

Submitted by: Reviewed by:
Karen Cormac-Jones Lisa Zavala
Clerk Administrator

EXHIBIT LOG:
A - Proposed -8 Amendments to HB 2240 A-Engrossed (LC 936), 7-21-93 - Staff - 8 pages
B - Oregon Health Plan Testimony - Governor Roberts - 13 pages
C - HB 3684 Testimony - Rep. Walden - 1 page
D - Oregon Health Plan Testimony - Jean Thorne - 10 pages
E - Health Plan Benefit Comparison - Gary Weeks - 4 pages
F - Small Employer Health Insurance Carriers - Gary Weeks - 1 page
G - Oregon Medical Insurance Pool - Rocky King - 17 pages

H - Insurance Pool Governing Board - Rocky King - 16 pages
I - Oregon Health Plan Carrier Summary - Rocky King - Oversized Exhibit
J - Oregon Health Plan Testimony - Chad Cheriel - 4 pages
K - Oregon Health Council Members - Peter Kohler - 1 page
L - HB 3684 Testimony - Joe Gilliam - 4 pages
M - HB 3684 Testimony - Mike McCallum - 2 pages
N - HB 3684 Testimony - Ellen Penney - 16 pages
O - Oregon Health Plan Testimony - Amy Klare - 3 pages
P - Oregon Health Plan Testimony - Fred Van Natta - 3 pages
Q - Oregon Health Plan Testimony - John Kitzhaber - 7 pages
R - Medicaid Informational Material - Sen. Hamby - 18 pages

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