Oregon Should Turn to Health Industry to Fill Medicaid Budget Gap

by Janet Bauer

Oregon should turn to the health care industry to fill a looming budget hole in its Medicaid program, the Oregon Health Plan. The Affordable Care Act, including its expansion of Medicaid, has benefitted much of the health care industry. So, it is fitting that the health care industry chip in more to support Oregon’s Medicaid program, allowing Oregonians to continue to receive the health care they need.

Medicaid is a pillar of Oregon’s health care system.

- Oregon’s Medicaid program, the Oregon Health Plan (OHP), provides health insurance to over one million Oregonians — more than one in four residents.
- Medicaid plays a particularly vital role for Oregon children: Nearly 42 percent of Oregonians under age 19 are insured by OHP.

Medicaid is a great deal for Oregon. When Oregon invests in Medicaid, it triggers an investment by the federal government, pumping billions of federal dollars into the state’s economy.

- In the 2017-19 budget period, federal funds are expected to cover about 75 percent of OHP, while Oregon contributes the remaining 25 percent.
- In the upcoming budget period, federal Medicaid payments will pump about $11.2 billion into Oregon — more than the economic output of Oregon’s agricultural, forestry, fishing and hunting industries over the same period.

The Oregon Health Plan faces a funding shortfall of $882 million. About half of the budget gap is due to the fact that, starting in 2017, the federal government will no longer pay the full cost of the Medicaid expansion.

Oregon should increase and establish additional health care provider taxes. Specifically, lawmakers should:

- Increase the existing tax on hospital revenues,
- Reinstate a tax on managed care organizations, and
- Consider new taxes on other types of health care providers.

Looking to health care industry to fill the Medicaid budget gap is appropriate.

- The Affordable Care Act, and the Medicaid expansion in particular, have proved to be a boon for much of the health care industry. Net patient revenues at Oregon hospitals have increased sharply since the time major federal reforms came into effect.
- Meanwhile, hospital’s charity care — a justification for their non-profit status — has plummeted because many more Oregonians are able to pay for hospital care through newly-acquired insurance.