

7 Reasons to Support the Health Care Provider Tax Package

By Janet Bauer

The health care provider tax package recently enacted by the legislature to shore up health insurance in Oregon is sound policy. While some politicians are working to derail the measure with a referral to the ballot, the package is good for the health care industry, good for the health of Oregonians, and good for Oregon's economy.

Here are seven reasons why the health care provider tax package makes sense for Oregon:

1. It protects health care for hundreds of thousands of Oregonians

The Oregon Health Plan (OHP) insures nearly 1 million Oregonians, including more than 600,000 children, seniors, and people with disabilities. Some 375,000 adults joined OHP as a result of the expansion of Medicaid under the Affordable Care Act.¹ The effort to refer much of the tax package to the ballot contests \$320 million of the revenue.² Should that effort succeed and voters fail to re-enact the package, the loss of the resources would mean Oregon would be forced to kick people off OHP, slash health services, or reduce what it reimburses to health providers, or a combination of those options. Any of those choices are certain to affect health care for hundreds of thousands of Oregonians.

2. It brings billions of federal dollars to Oregon, preserving jobs

Over the next two years, for every \$1 the state invests in the Oregon Health Plan, Oregon will receive about \$3 in matching federal dollars. That amounts to \$11.2 billion in federal funds to Oregon, fully three-quarters of all resources for the Oregon Health Plan.³ Those dollars create private sector jobs for nurses, doctors, and support staff throughout the state.⁴ Cuts to OHP put those federal dollars and jobs at risk — losses that would be felt hardest in Oregon's rural communities.⁵

3. It makes private insurance cheaper

Some of the new revenue raised from insurers, together with a larger amount of federal matching funds, will lower premiums for people purchasing health insurance on their own, starting in 2018.⁶ The funds will be used as "reinsurance" for insurers, which acts as a backstop for claims that are extraordinarily large. As a result, insurers in the individual market — those both inside and outside of the Oregon's Health Insurance Marketplace — will be able to lower their premiums by about 6 percent.⁷ Even group plans purchased by businesses stand to indirectly benefit. With lower individual market premiums and more Oregonians insured, fewer medical bills end up unpaid. When health providers, especially hospitals, are stuck with fewer uncollected bills, they can lower their prices for everyone they serve.

4. The taxes apply to the industry that benefits most from federal dollars

Oregon families and small businesses already pay the lion's share of the Oregon Health Plan through state and federal taxes on their income.⁸ The hospitals and insurers taxed under the health care provider tax package profit from the large influx of federal Medicaid dollars to Oregon. The additional revenue raised by the tax package enables Oregon to receive federal matching dollars many times greater than the taxes paid. Simply put, the funds enable our state to cover more Oregonians who would otherwise be uninsured. As a result, health care providers, including hospitals, have more paying customers and fewer uncollected bills, and insurers have more business, improving the fiscal health of both.

5. Those that pay the taxes support the taxes

A broad cross-section of the health care industry supports the legislation.⁹ The industry recognizes that it is in its interest for more Oregonians — not fewer — to have health insurance.

6. Provider taxes are an important way states pay for Medicaid

All states except Alaska raise revenue from health care providers to help pay for their Medicaid programs.¹⁰ Most of them (34 in addition now to Oregon) employ at least three different kinds of provider taxes. Further, many states increased their provider taxes in 2016 or 2017 to pay for Medicaid.¹¹

7. The provider taxes are not new in Oregon

For years, Oregon has taxed hospitals to help pay for the Oregon Health Plan.¹² At times, those tax rates were higher than they have been in 2017.¹³ Oregon used to have a tax on premiums of managed care organizations and insurers. That 1 percent tax went away in 2014 when the federal government increased the amount of money going to states for health care.¹⁴ Now that federal dollars are being pared back as planned, the Oregon legislature has reinstated the prior tax (this time at 1.5 percent), with some of the dollars going to lowering premiums in Oregon's health insurance marketplace.¹⁵

* Reason # 3 paragraph corrected: The reinsurance program applies to all plans in the individual health insurance market, both inside and outside of the Oregon Health Insurance Marketplace. An earlier version stated incorrectly that the program applies only to plans in Oregon's health insurance marketplace.

Endnotes

¹ Bauer, Janet, *House GOP Health Plan Threatens Nearly One Million Oregonians Relying on the Oregon Health Plan*, March 17, 2017, <https://www.ocpp.org/2017/03/17/iss20170315-gop-health-plan-impact-oregon-walden/>.

² About half of the total \$605 million (\$320 million) raised by HB 2391 is contested in Referendum 301, according to analysis by OCPP. A copy of Referendum 301, filed with the Secretary of State, is available at <http://oregonvotes.org/irr/2018/301text.pdf>.

³ Bauer, Janet, *Oregon Should Turn to Health Industry to Fill Medicaid Budget Gap*, January 18, 2017, <https://www.ocpp.org/2017/01/18/rpt20170118-medicaid-ohp-budget-revenue-providers/>

⁴ Bauer, Janet, *House GOP Health Plan Threatens Nearly One Million Oregonians Relying on the Oregon Health Plan*, March 17, 2017.

7 Reasons to Support the Health Care Provider Tax Package

⁵ Ibid.

⁶ OCPP analysis of information on a federal “1332 waiver” finds an estimated \$66 million in federal funds is expected to flow to Oregon in 2018 and 2019 under an approved waiver. Memo from Patrick Allen, Department of Consumer and Business Services, June 8, 2017, <https://olis.leg.state.or.us/liz/2017R1/Downloads/CommitteeMeetingDocument/133240>.

⁷ Oregon Health Insurance Marketplace, “Agent Update,” July 26, 2017, <http://healthcare.oregon.gov/Documents/7-26-17-agent-update.pdf>.

⁸ The vast majority of the federal funds that make up the 75 percent federal share of the Oregon Health Plan are comprised of personal income taxes. *Policy Basics: Where do federal tax revenues come from?*, Center on Budget and Policy Priorities, March 4, 2016, <https://www.cbpp.org/research/policy-basics-where-do-federal-tax-revenues-come-from>. In addition, Oregon’s General Fund, the majority of which is made up of individual income tax contributions, makes up the largest portion of the state’s contribution to the Oregon Health Plan. Bauer, Janet, *Oregon Should Turn to Health Industry to Fill Medicaid Budget Gap*, Oregon Center for Public Policy, January 18, 2017; MacInnis, Tyler; Juan Carlos Ordonez, *The Gaming and Decline of Oregon Corporate Taxes*, June 29, 2016, <https://www.ocpp.org/2016/06/29/rpt201606-oregon-corporate-taxes-decline-gaming/>.

⁹ Statement of support of HB 2391 was signed by the Oregon Medical Association, Oregon Academy of Family Physicians, Oregon Ambulatory Surgery Center Association, Oregon Academy of Ophthalmology, Oregon Primary Care Association, Coalition for a Healthy Oregon, Oregon Association of Hospitals and Health Systems, Providence Health & Services, Legacy Health, Moda Health, PacificSource, and many others, included in testimony by Coalition on Medicaid Budget Package, “2017-19 Medicaid Budget Package,” submitted to Joint Committee on Ways and Means, Human Services Subcommittee, posted June 8, 2017, <https://olis.leg.state.or.us/liz/2017R1/Downloads/CommitteeMeetingDocument/133212>.

¹⁰ “Overview of Provider Assessments,” presentation to Virginia Provider Assessment Workgroup, Manatt, July 8, 2015, <https://www.ocpp.org/media/uploads/pdf/2016/12/Manatt-Provider-Assessment-presentation-2015-upload.pdf>.

¹¹ The most common types of provider taxes are on nursing facilities (44 states), hospitals (40 states), and intermediate care facilities for intellectually disabled individuals (36 states). *Implementing Coverage and Payment Initiatives: Results from a 50-State Medicaid Budget Survey for State Fiscal Years 2016 and 2017*, Kaiser Family Foundation, October 13, 2016, <http://www.kff.org/report-section/implementing-coverage-and-payment-initiatives-provider-rates-and-taxes/>.

¹² Oregon’s assessment on hospitals to expand the Oregon Health Plan began in 2004. *Trends in Oregon’s Health Care Market and the Oregon Health Plan*, Office for Oregon Health Policy and Research, February 2009.

¹³ Between 2014 and 2016, Oregon’s assessment on hospitals was 5.8 percent. Prior to enactment of HB 2391 in 2017, Oregon’s assessment on DRG hospitals was 5.3 percent. Bauer, Janet, *Oregon Should Turn to Health Industry to Fill Medicaid Budget Gap*, January 18, 2018.

¹⁴ Bauer, Janet, *Oregon Should Turn to Health Industry to Fill Medicaid Budget Gap*, January 18, 2018.

¹⁵ Presentation by Jeremy Vandehey and Patrick Allen “HB 2391: Oregon Health Plan Funding,” to Joint Committee on Ways and Means, Human Services Subcommittee, June 1, 2017, <https://olis.leg.state.or.us/liz/2017R1/Downloads/CommitteeMeetingDocument/132040>.

This work is made possible in part by the support of the Ford Foundation, the Stoneman Family Foundations, Meyer Memorial Trust, the Redtail Fund of the Oregon Community Foundation, AFT Oregon, the Oregon Education Association, the Oregon School Employees Association, SEIU Local 503, United Food and Commercial Workers Local 555, and by the generous support of organizations and individuals.

The Center is a part of the State Priorities Partnership (www.statepriorities.org) and the Economic Analysis and Research Network (www.earncentral.org).
