74TH OREGON LEGISLATIVE ASSEMBLY **MEASURE: HB 3057-A**
STAFF MEASURE SUMMARY **CARRIER: Rep. Nolan**
HOUSE REVENUE COMMITTEE

REVENUE: Revenue statement issued
FISCAL: Fiscal statement issued

Action:		Do pass as amended and be printed engrossed
Vote:		8-1-0
	Yeas:	Berger, Bruun, Gelser, Olson, Read, Rosenbaum, Witt, Barnhart
	Nays:	Butler
	Exc.:	
Prepared By:		Chris Allanach, Economist
Meeting Dates:		5/23, 6/8

WHAT THE BILL DOES: Extends the long term care facility tax sunset date from July 1, 2008 to July 1, 2014 and repeal date from January 2, 2009 to January 2, 2015. Extends the hospital tax and Medicaid managed care tax sunset dates from January 1, 2008 to October 1, 2009 and repeal dates from January 2, 2010 to January 2, 2012. Ensures that the hospital tax sunsets if the Medicaid managed care tax no longer qualifies for federal matching funds. Removes language pertaining to the tax on Programs of All-inclusive Care for Elderly Persons (PACE). Other changes to the Hospital tax include: (1) reduces the maximum tax rate from 3% to 1.5%; (2) allows the Department of Human Services (DHS) to develop a schedule for collections for assessments for the calendar quarter ending September 30, 2009 that allows sufficient time to finalize all Medicaid cost settlements; (3) allows DHS to write rules to identify criteria for late penalty assessments; (4) clarifies that Hospital tax revenue is to be used for hospital services only and for increasing reimbursement rates above those in effect on February 29, 2004. Other changes to the Long Term Care Facilities tax include: (1) clarifies that for the purpose of determining the assessment rate, gross revenue does not include hospital revenue or revenue from sources other than long term care facility operations; (2) clarifies the definition of 'Medicaid patient days' for purposes of applying the assessment rate; (3) clarifies that financial statements or revenue reports be used when establishing the assessment rate; (4) extends by three months the time DHS has to refund overpayments to taxpayers; (5) reduces the Medicaid reimbursement rate from the current 70th percentile of allowable costs to the 63rd percentile; (6) allows DHS to reduce the effective assessment rate from 6% to 5.5% beginning January 1, 2008 to comply with federal law; (7) removes the tax from the jurisdiction of the Oregon Tax Court. Clarifies that revenue from the Medicaid managed care tax may not be used to replace other funding for the identified services. Takes effect on the 91st day after adjournment sine die.

ISSUES DISCUSSED:
- Negotiations between industry and state
- Change in Medicaid funding scheduled for October 1, 2009
- Impact of policy during recession compared to current environment
- Partnership between the state and medical providers

EFFECT OF COMMITTEE AMENDMENTS: Replaces bill.

BACKGROUND:
The Hospital Provider Tax, the Long Term Care Facility Tax, the Medicaid Managed Care Tax, and the Programs of All-inclusive Care for Elderly Persons (PACE) tax were created by the Legislature in 2003 (HB 2747). In general the taxes are intended to leverage federal Medicaid funds to help fund the Oregon Health Plan. A key federal requirement is that any such tax be broad based and that there are winners and losers under the tax. Of the four taxes created, only the PACE tax did not meet federal requirements (there is only one facility in Oregon, located in the Portland metro area) and was therefore never implemented.

The Hospital Tax rate is 0.82% of net revenue. The Long Term Care Facility Tax rate is based on the number of patient days and was initially $8.25. It is intended to raise 6% of annual gross revenue of these facilities, so the assessment rate changes over time; it is currently $13.73. One of the federal requirements is that the tax not exceed 6% of annual revenue; this maximum is reduced to 5.5% in 2008. The Medicaid Managed Care Tax rate is 5.8% of managed care premiums.