

A-Engrossed
House Bill 3368

Ordered by the House May 8
Including House Amendments dated May 8

Sponsored by Representative GREENLICK

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Creates Health Insurance Exchange Corporation [*to act as central forum for individuals and businesses to purchase affordable health care and to work with insurers and medical providers to develop health insurance benefit packages that manage care, quality and cost*] **for purpose of providing greater choice of, greater access to, greater portability of and better quality health insurance products.** Specifies requirements for board of directors and powers and duties of corporation. Authorizes board to impose fees or charges. Establishes Health Insurance Exchange Account.

Requires Department of Human Services to seek federal approval to [*increase income limit for Oregon Health Plan and Family Health Insurance Assistance Program coverage of children under age 19 to 200 percent of federal poverty guidelines*] **allow Oregon residents with incomes at or below 200 percent of federal poverty guidelines to enroll in Oregon Health Plan and Oregon residents with incomes at or below 300 percent of federal poverty guidelines to enroll in Family Health Insurance Assistance Program.** Specifies limits on cost-sharing. Provides subsidy for [*children with incomes up to*] **individuals whose family income is at or below 300 percent of federal poverty guidelines.** [*Permits higher income children to buy into program.*]

Raises limit for Oregon Health Plan coverage for adults to 200 percent of federal poverty guidelines effective January 1, 2008, subject to federal approval.

Establishes payroll tax and net earnings from self-employment tax. Continuously appropriates moneys to Department of Revenue to cover expenses of administration of taxes. Establishes income and corporate excise tax credit for health benefit plan coverage premium costs incurred by employers in providing health benefit coverage to employees and dependents. Limits amount of credit.

Denies personal exemption credit on Oregon income tax to individual without health insurance coverage defined by corporation.

Requires Administrator of Office for Oregon Health Policy and Research to collaborate with Oregon Health Research and Evaluation Collaborative and others to develop five-year plan to evaluate implementation and initial outcomes from changes made in Act. Requires administrator to develop model for quality institute with specified functions.

Authorizes Department of Human Services to require prior authorization of drugs on Practitioner-Managed Prescription Drug Plan.

Appropriates moneys to Health Insurance Exchange Corporation.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to increasing access to health care; creating new provisions; amending ORS 316.168,
3 414.025, 414.839 and 735.722; repealing ORS 414.336; appropriating money; and prescribing an
4 effective date.

5 **Be It Enacted by the People of the State of Oregon:**

6 **SECTION 1. (1) The Health Insurance Exchange Corporation is created as an independent**
7 **public corporation. The corporation shall be governed by a board of seven directors appointed**
8 **by the Governor. Two members shall be chosen to represent the public. Members of the**
9 **board are subject to confirmation by the Senate pursuant to section 4, Article III of the**
10 **Oregon Constitution.**

11 **(2) No member of the board of directors shall have any pecuniary interest, other than**

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 an incidental interest that is disclosed and made a matter of public record at the time of
2 appointment to the board, in any corporation or other business entity doing business in the
3 health insurance industry.

4 (3) The term of office of a member is four years, but a member serves at the pleasure
5 of the Governor. Before the expiration of the term of a member, the Governor shall appoint
6 a successor. A member is eligible for reappointment. If there is a vacancy for any cause, the
7 Governor shall make an appointment to become immediately effective for the unexpired
8 term.

9 (4) A member of the board of directors is entitled to compensation and expenses as pro-
10 vided in ORS 292.495.

11 (5) The board of directors shall select one of its members as chairperson and another as
12 vice chairperson, for such terms and with such duties and powers as the board of directors
13 considers necessary for performance of the functions of those offices. A majority of the
14 members of the board of directors constitutes a quorum for the transaction of business.

15 (6) The board of directors shall meet at least once every three months at a time and
16 place determined by the board of directors. The board of directors shall meet at such other
17 times and places specified by the call of the chairperson or of a majority of the members of
18 the board of directors.

19 (7) It is the function of the board of directors to establish the policies for the operation
20 of the Health Insurance Exchange Corporation, consistent with all applicable provisions of
21 law.

22 (8) The board of directors shall file with the Legislative Assembly and the Governor, not
23 later than April 15 of each year, a report covering the activities and operations of the Health
24 Insurance Exchange Corporation for the preceding calendar year, an independent audit and
25 recommendations for any legislative changes needed to maintain the viability of the Health
26 Insurance Exchange administered under section 3 of this 2007 Act.

27 **SECTION 2.** Notwithstanding the term of office specified by section 1 of this 2007 Act,
28 of the members first appointed to the Health Insurance Exchange Corporation board of di-
29 rectors:

30 (1) Two shall serve for terms ending January 1, 2010.

31 (2) Two shall serve for terms ending January 1, 2011.

32 (3) Three shall serve for terms ending January 1, 2012.

33 **SECTION 3.** (1) The Health Insurance Exchange Corporation is created for the purpose
34 of providing a greater choice of, greater access to, greater portability of and better quality
35 health insurance products.

36 (2) The functions of the Health Insurance Exchange Corporation include the following:

37 (a) To administer a Health Insurance Exchange to:

38 (A) Provide a mechanism through which individuals and employers can easily access
39 cost-effective and comprehensive private market health insurance coverage; and

40 (B) Promote greater portability of health benefit plans from one employer to another and
41 allow an individual with more than one employer to have all of the individual's employers
42 contribute to a single insurance premium.

43 (b) To determine individual and employer eligibility for health insurance products offered
44 through the Health Insurance Exchange.

45 (c) To define an affordability standard to serve as the basis for health insurance subsidies

1 provided under ORS 414.839.

2 (d) To determine the range of health insurance products to be offered through the Health
3 Insurance Exchange, ensuring a range of health benefit plans and a range of cost-sharing
4 requirements at various price points.

5 (e) To negotiate and collaborate with insurers and medical providers to encourage health
6 benefit plans to utilize evidence-based practices, to improve the quality of care and to im-
7 plement efficiencies to control health care costs, including but not limited to:

8 (A) Preventive care;

9 (B) Care management for chronic diseases;

10 (C) Promotion of health information technology, the exchange of health data and the
11 development of personal electronic health records;

12 (D) Standardized billing practices;

13 (E) Reduction of medical errors;

14 (F) Incentives for healthy lifestyles;

15 (G) Incentives for appropriate patient care;

16 (H) Appropriate patient cost-sharing; and

17 (I) Rational use of new technology.

18 (f) To negotiate favorable rates with health benefit plans and encourage the practices
19 listed in paragraph (e) of this subsection through the leveraging of the purchasing power of
20 the Health Insurance Exchange Corporation.

21 (g) To ensure that all health benefit plans receiving a state subsidy under ORS 414.839
22 provide, at a minimum, a defined set of essential health services.

23 (h) To actively market the Health Insurance Exchange and disseminate information
24 about eligibility requirements and enrollment procedures.

25 (i) To provide consumer education and support consumer decision-making by:

26 (A) Establishing an interactive website with access to health insurance products offered
27 by the Health Insurance Exchange;

28 (B) Providing publications explaining coverage, benefits, copayments and premiums for
29 products offered through the Health Insurance Exchange;

30 (C) Requiring complete disclosure of health care costs by health benefit plans; and

31 (D) Providing useful, credible information about health care quality and service.

32 (j) To evaluate the regulatory structure for insurance, including but not limited to rating
33 and underwriting rules, risk adjustment and reinsurance.

34 (k) To examine other issues identified by the Health Insurance Exchange Corporation as
35 potential barriers to the long term viability and sustainability of the Health Insurance Ex-
36 change.

37 (L) To perform any other functions that are expressly authorized by law or that are
38 necessary to carry out the functions expressly authorized.

39 (3) The Health Insurance Exchange Corporation may establish, impose, collect and use
40 fees or other mechanisms to ensure self-sustaining funding.

41 (4) The Health Insurance Exchange Corporation may sue or be sued in its own name.

42 (5) The Health Insurance Exchange Corporation in its own name may:

43 (a) Acquire, lease, rent, own and manage real property.

44 (b) Construct, equip and furnish buildings or other structures as are necessary to ac-
45 commodate its needs.

1 (c) Purchase, rent, lease or otherwise acquire for its use all supplies, materials, equip-
2 ment and services necessary to carry out its functions.

3 (d) Sell or otherwise dispose of any property acquired under this subsection.

4 (6) Any real property acquired and owned by the Health Insurance Exchange Corporation
5 under this section shall be subject to ad valorem taxation.

6 **SECTION 4.** (1) Except as otherwise provided by law, the provisions of ORS chapters 240,
7 276 and 282 do not apply to the Health Insurance Exchange Corporation.

8 (2) In carrying out the duties, functions and powers imposed by law upon the Health In-
9 surance Exchange Corporation, the board of directors or the manager of the Health Insur-
10 ance Exchange Corporation may contract with any state agency for the performance of such
11 duties, functions and powers as the corporation considers appropriate.

12 (3) Notwithstanding subsection (1) or (2) of this section, ORS 240.167 and 240.321 apply to
13 the Health Insurance Exchange Corporation, its directors, manager and employees.

14 **SECTION 5.** (1) The Health Insurance Exchange Corporation is under the direct super-
15 vision of a manager appointed by the board of directors of the corporation. The manager
16 serves at the pleasure of the board of directors.

17 (2) The manager has such powers as are necessary to carry out the functions of the
18 Health Insurance Exchange Corporation, subject to policy direction by the board of directors.

19 (3) The manager may employ, terminate and supervise the employment of staff as may
20 be required in the administration of the Health Insurance Exchange Corporation.

21 **SECTION 6.** The Health Insurance Exchange Account is established separate and distinct
22 from the General Fund. All moneys received by the Health Insurance Exchange Corporation,
23 other than appropriations from the General Fund, shall be deposited into the account and
24 are continuously appropriated to the Health Insurance Exchange Corporation to carry out
25 the duties, functions and powers of the Health Insurance Exchange Corporation.

26 **SECTION 7.** Within 30 days of the effective date of this 2007 Act, the Department of
27 Human Services shall seek federal approval to amend the terms and conditions of the
28 Medicaid demonstration project to allow Oregon residents with incomes at or below 200 per-
29 cent of the federal poverty guidelines to enroll in the Oregon Health Plan, to allow Oregon
30 residents with incomes at or below 300 percent of the federal poverty guidelines to enroll in
31 the Family Health Insurance Assistance Program and to implement the provisions of the
32 amendments to ORS 414.025, 414.839 and 735.722 by sections 8, 9 and 10 of this 2007 Act.

33 **SECTION 8.** ORS 414.025 is amended to read:

34 414.025. As used in this chapter, unless the context or a specially applicable statutory definition
35 requires otherwise:

36 (1) "Category of aid" means assistance provided by the Oregon Supplemental Income Program,
37 temporary assistance for needy families granted under ORS 418.035 to 418.125 or federal Supple-
38 mental Security Income payments.

39 (2) "Categorically needy" means, insofar as funds are available for the category, a person who
40 is a resident of this state and who:

41 (a) Is receiving a category of aid.

42 (b) Would be eligible for, but is not receiving a category of aid.

43 (c) Is in a medical facility and, if the person left such facility, would be eligible for a category
44 of aid.

45 (d) Is under the age of 21 years and would be a dependent child under the program for tempo-

1 rary assistance for needy families except for age and regular attendance in school or in a course
2 of professional or technical training.

3 (e)(A) is a caretaker relative named in ORS 418.035 (2)(a)(C) who cares for a dependent child
4 who would be a dependent child under the program for temporary assistance for needy families ex-
5 cept for age and regular attendance in school or in a course of professional or technical training;
6 or

7 (B) Is the spouse of such caretaker relative and fulfills the requirements of ORS 418.035 (1).

8 (f) Is under the age of 21 years, is in a foster family home or licensed child-caring agency or
9 institution under a purchase of care agreement and is one for whom a public agency of this state
10 is assuming financial responsibility, in whole or in part.

11 (g) Is a spouse of an individual receiving a category of aid and who is living with the recipient
12 of a category of aid, whose needs and income are taken into account in determining the cash needs
13 of the recipient of a category of aid, and who is determined by the Department of Human Services
14 to be essential to the well-being of the recipient of a category of aid.

15 (h) Is a caretaker relative named in ORS 418.035 (2)(a)(C) who cares for a dependent child re-
16 ceiving temporary assistance for needy families or is the spouse of such caretaker relative and ful-
17 fills the requirements of ORS 418.035 (1).

18 (i) Is under the age of 21 years, is in a youth care center and is one for whom a public agency
19 of this state is assuming financial responsibility, in whole or in part.

20 (j) Is under the age of 21 years and is in an intermediate care facility which includes institutions
21 for the mentally retarded; or is under the age of 22 years and is in a psychiatric hospital.

22 (k) Is under the age of 21 years and is in an independent living situation with all or part of the
23 maintenance cost paid by the Department of Human Services.

24 (L) Is a member of a family that received temporary assistance for needy families in at least
25 three of the six months immediately preceding the month in which such family became ineligible for
26 such assistance because of increased hours of or increased income from employment. As long as the
27 member of the family is employed, such families will continue to be eligible for medical assistance
28 for a period of at least six calendar months beginning with the month in which such family became
29 ineligible for assistance because of increased hours of employment or increased earnings.

30 (m) Is an adopted person under 21 years of age for whom a public agency is assuming financial
31 responsibility in whole or in part.

32 (n) Is an individual or is a member of a group who is required by federal law to be included in
33 the state's medical assistance program in order for that program to qualify for federal funds.

34 (o) Is an individual or member of a group who, subject to the rules of the department and within
35 available funds, may optionally be included in the state's medical assistance program under federal
36 law and regulations concerning the availability of federal funds for the expenses of that individual
37 or group.

38 (p) Is a pregnant woman who would be eligible for temporary assistance for needy families in-
39 cluding such aid based on the unemployment of a parent, whether or not the woman is eligible for
40 cash assistance.

41 (q) Would be eligible for temporary assistance for needy families pursuant to 42 U.S.C. 607 based
42 upon the unemployment of a parent, whether or not the state provides cash assistance.

43 (r) Except as otherwise provided in this section and to the extent of available funds, is a preg-
44 nant woman or child for whom federal financial participation is available under Title XIX of the
45 federal Social Security Act.

1 (s) Is not otherwise categorically needy and is not eligible for care under Title XVIII of the
2 federal Social Security Act or is not a full-time student in a post-secondary education program as
3 defined by the Department of Human Services by rule, but whose family income is *[less than]* **at or**
4 **below 200 percent of the federal poverty [level] guidelines and, if the person is 19 years of age**
5 **or older, who does not have access to employer-sponsored health insurance** *[and whose family*
6 *investments and savings equal less than the investments and savings limit established by the depart-*
7 *ment by rule].*

8 (3) "Income" has the meaning given that term in ORS 411.704.

9 (4) "Investments and savings" means cash, securities as defined in ORS 59.015, negotiable in-
10 struments as defined in ORS 73.0104 and such similar investments or savings as the Department of
11 Human Services may establish by rule that are available to the applicant or recipient to contribute
12 toward meeting the needs of the applicant or recipient.

13 (5) "Medical assistance" means so much of the following medical and remedial care and services
14 as may be prescribed by the Department of Human Services according to the standards established
15 pursuant to ORS 414.065, including payments made for services provided under an insurance or
16 other contractual arrangement and money paid directly to the recipient for the purchase of medical
17 care:

18 (a) Inpatient hospital services, other than services in an institution for mental diseases;

19 (b) Outpatient hospital services;

20 (c) Other laboratory and X-ray services;

21 (d) Skilled nursing facility services, other than services in an institution for mental diseases;

22 (e) Physicians' services, whether furnished in the office, the patient's home, a hospital, a skilled
23 nursing facility or elsewhere;

24 (f) Medical care, or any other type of remedial care recognized under state law, furnished by
25 licensed practitioners within the scope of their practice as defined by state law;

26 (g) Home health care services;

27 (h) Private duty nursing services;

28 (i) Clinic services;

29 (j) Dental services;

30 (k) Physical therapy and related services;

31 (L) Prescribed drugs, including those dispensed and administered as provided under ORS chapter
32 689;

33 (m) Dentures and prosthetic devices; and eyeglasses prescribed by a physician skilled in diseases
34 of the eye or by an optometrist, whichever the individual may select;

35 (n) Other diagnostic, screening, preventive and rehabilitative services;

36 (o) Inpatient hospital services, skilled nursing facility services and intermediate care facility
37 services for individuals 65 years of age or over in an institution for mental diseases;

38 (p) Any other medical care, and any other type of remedial care recognized under state law;

39 (q) Periodic screening and diagnosis of individuals under the age of 21 years to ascertain their
40 physical or mental impairments, and such health care, treatment and other measures to correct or
41 ameliorate impairments and chronic conditions discovered thereby;

42 (r) Inpatient hospital services for individuals under 22 years of age in an institution for mental
43 diseases; and

44 (s) Hospice services.

45 (6) "Medical assistance" includes any care or services for any individual who is a patient in a

1 medical institution or any care or services for any individual who has attained 65 years of age or
 2 is under 22 years of age, and who is a patient in a private or public institution for mental diseases.
 3 “Medical assistance” includes “health services” as defined in ORS 414.705. “Medical assistance”
 4 does not include care or services for an inmate in a nonmedical public institution.

5 (7) “Medically needy” means a person who is a resident of this state and who is considered el-
 6 igible under federal law for medically needy assistance.

7 (8) “Resources” has the meaning given that term in ORS 411.704. For eligibility purposes, “re-
 8 sources” does not include charitable contributions raised by a community to assist with medical
 9 expenses.

10 **SECTION 9.** ORS 414.839 is amended to read:

11 414.839. (1) [*Subject to funds available,*] The Department of Human Services [*may*] **shall** provide
 12 public subsidies for the purchase of health insurance coverage provided by public programs, **in-**
 13 **cluding the Family Health Insurance Assistance Program,** or private insurance[, *including but*
 14 *not limited to the Family Health Insurance Assistance Program*] **offered through the Health In-**
 15 **surance Exchange,** for currently uninsured individuals [*based on incomes up to 200 percent of the*
 16 *federal poverty level. The objective is to create a transition from dependence on public programs to*
 17 *privately financed health insurance*] **with incomes at or below 300 percent of the federal poverty**
 18 **guidelines.**

19 (2) Public subsidies shall apply only to health benefit plans that meet or exceed the [*basic*
 20 *benchmark health benefit plan or plans established under ORS 735.733*] **requirements established**
 21 **by the Health Insurance Exchange Corporation under section 3 of this 2007 Act.**

22 (3) Cost-sharing shall be permitted [*and*] **for an individual with income above 150 percent of**
 23 **the federal poverty guidelines, provided it is** structured in such a manner to encourage appro-
 24 priate use of preventive care and avoidance of unnecessary services.

25 (4) Cost-sharing shall be based on an individual’s ability to pay and may not exceed the cost of
 26 purchasing a plan.

27 (5) The state may pay a portion of the cost of the subsidy, based on the individual’s income and
 28 other resources. **There shall be:**

29 **(a) A full subsidy for an individual whose family income is at or below 200 percent of the**
 30 **federal poverty guidelines; and**

31 **(b) A partial subsidy for an individual whose family income is above 200 percent and at**
 32 **or below 300 percent of the federal poverty guidelines.**

33 **SECTION 10.** ORS 735.722 is amended to read:

34 735.722. (1) There is established the Family Health Insurance Assistance Program in the Office
 35 of Private Health Partnerships. The purpose of the program is to remove economic barriers to
 36 health insurance coverage for residents of the State of Oregon with family income [*less than*] **at or**
 37 **below** 200 percent of the federal poverty level, [*and investment and savings less than the limit es-*
 38 *tablished by the office,*] while encouraging individual responsibility, promoting health benefit plan
 39 coverage of children, building on the private sector health benefit plan system and encouraging
 40 employer and employee participation in employer-sponsored health benefit plan coverage.

41 (2) The Office of Private Health Partnerships shall be responsible for the implementation and
 42 operation of the Family Health Insurance Assistance Program. The Administrator of the Office for
 43 Oregon Health Policy and Research, in consultation with the Oregon Health Policy Commission,
 44 shall make recommendations to the Office of Private Health Partnerships regarding program policy,
 45 including but not limited to eligibility requirements, assistance levels, benefit criteria and carrier

1 participation.

2 (3) The Office of Private Health Partnerships may contract with one or more third-party ad-
3 ministrators to administer one or more components of the Family Health Insurance Assistance Pro-
4 gram. Duties of a third-party administrator may include but are not limited to:

- 5 (a) Eligibility determination;
- 6 (b) Data collection;
- 7 (c) Assistance payments;
- 8 (d) Financial tracking and reporting; and
- 9 (e) Such other services as the office may deem necessary for the administration of the program.

10 (4) If the office decides to enter into a contract with a third-party administrator pursuant to
11 subsection (3) of this section, the office shall engage in competitive bidding. The office shall evaluate
12 bids according to criteria established by the office, including but not limited to:

- 13 (a) The bidder's proven ability to administer a program of the size of the Family Health Insur-
14 ance Assistance Program;
- 15 (b) The efficiency of the bidder's payment procedures;
- 16 (c) The estimate provided of the total charges necessary to administer the program; and
- 17 (d) The bidder's ability to operate the program in a cost-effective manner.

18 **SECTION 11. (1) As used in this section:**

19 (a) **"Employer" includes:**

20 (A) **Any person employing any individual in this state;**

21 (B) **This state or an agency or political subdivision of this state;**

22 (C) **A city, county, school district or other municipal corporation or taxing district in this
23 state; and**

24 (D) **The federal government, if the federal government consents to be subject to the tax
25 imposed by this section.**

26 (b) **"Internal Revenue Code" means the federal Internal Revenue Code, as amended and
27 in effect on December 31, 2006.**

28 (c) **"Net earnings from self-employment" has the meaning given that term in section 1402
29 of the Internal Revenue Code.**

30 (d) **"Wages" has the meaning given that term in ORS 316.162.**

31 (2) **An excise tax is imposed on each employer equal to two percent of the wages paid by
32 the employer for the employment of individuals in this state.**

33 (3) **An excise tax is imposed on each individual with net earnings from self-employment
34 that is allocated and apportioned to this state under ORS 314.280 and 314.605 to 314.675 at the
35 rate of two percent of the net earnings from self-employment that is allocated and appor-
36 tioned to this state.**

37 (4) **An employer may not make a deduction from the wages of an employee to pay all or
38 a portion of the tax imposed under this section.**

39 (5)(a) **An employer shall report and pay the tax imposed under this section at the time
40 and in the manner in which other withholding taxes are reported and paid under ORS 316.162
41 to 316.221.**

42 (b)(A) **An individual with net earnings from self-employment shall report and pay the tax
43 imposed under this section at the time and in the manner in which other withholding taxes
44 are reported and paid under ORS 316.162 to 316.221. For purposes of this paragraph, net
45 earnings from self-employment shall be considered wages and the individual earning net**

1 earnings from self-employment shall be considered an employer.

2 (B) Notwithstanding subparagraph (A) of this paragraph, if an individual has net earnings
3 from self-employment that do not exceed \$_____ for the calendar year, the individual may
4 elect to report and pay the tax imposed under this section annually, at the time and in the
5 manner prescribed by the Department of Revenue by rule.

6 **SECTION 12.** (1) Notwithstanding section 11 (2) of this 2007 Act, the rate of tax imposed
7 on wages under section 11 (2) of this 2007 Act for tax reporting periods beginning on or after
8 July 1, 2008, and before January 1, 2011, shall be 2.8 percent.

9 (2) Notwithstanding section 11 (3) of this 2007 Act, the rate of tax imposed on net
10 earnings from self-employment under section 11 (3) of this 2007 Act for tax reporting periods
11 beginning on or after July 1, 2008, and before January 1, 2011, shall be 2.8 percent.

12 **SECTION 13.** (1) If an employer or individual fails to remit the amount of taxes imposed
13 under section 11 of this 2007 Act when due, the Department of Revenue may enforce col-
14 lection by the issuance of a distraint warrant for the collection of the delinquent amount and
15 all penalties, interest and collection charges accrued thereon. The warrant shall be issued,
16 docketed and proceeded upon in the same manner and have the same force and effect as
17 prescribed with respect to warrants for the collection of delinquent state income taxes.

18 (2) Unless the context requires otherwise, the provisions of ORS chapters 305, 314 and
19 316 as to the audit and examination of reports and returns, determination of deficiencies,
20 assessments, claims for refunds, penalties, interest, jeopardy assessments, warrants,
21 confidentiality and disclosure of reports and returns, conferences and appeals to the Oregon
22 Tax Court, and procedures relating thereto, apply to the taxes imposed under section 11 of
23 this 2007 Act as if the tax were a tax imposed upon or measured by net income.

24 **SECTION 14.** (1) Revenues raised from the tax imposed under section 11 of this 2007 Act
25 shall be deposited in a suspense account established under ORS 293.445.

26 (2) The following amounts are continuously appropriated from the suspense account to
27 the Department of Revenue for the following purposes:

28 (a) Amounts necessary to make refunds of the tax imposed under section 11 of this 2007
29 Act;

30 (b) Amounts necessary to make reimbursement grants under section 20 of this 2007 Act;
31 and

32 (c) Amounts necessary to reimburse the Department of Revenue for the expenses of the
33 department in administering the tax.

34 (3) Amounts necessary to annually reimburse the General Fund for the costs of the tax
35 credit allowed under section 19 of this 2007 Act shall be transferred from the suspense ac-
36 count to the General Fund.

37 (4) After payment of the amounts described in subsections (2) and (3) of this section, the
38 net revenues from the tax imposed under section 11 of this 2007 Act shall be paid over to the
39 State Treasurer and deposited in the Oregon Health Plan Fund under ORS 414.109.

40 **SECTION 15.** ORS 316.168 is amended to read:

41 316.168. (1) Except as otherwise provided by law, every employer subject to the provisions of
42 ORS 316.162 to 316.221, 656.506 and ORS chapter 657 and section 11 of this 2007 Act, or a
43 payroll-based tax imposed by a mass transit district and administered by the Department of Revenue
44 under ORS 305.620, shall make and file a combined quarterly tax and assessment report upon a form
45 prescribed by the department.

1 (2) The report shall be filed with the Department of Revenue on or before the last day of the
2 month following the quarter to which the report relates and shall be deemed received on the date
3 of mailing, as provided in ORS 305.820.

4 [(a)] (3) The report shall be accompanied by payment of any tax or assessment due and a com-
5 bined tax and assessment payment coupon prescribed by the department. The employer shall indicate
6 on the coupon the amount of the total payment and the portions of the payment to be paid to each
7 of the tax or assessment programs.

8 [(b)] (4) The Department of Revenue shall credit the payment to the tax or assessment programs
9 in the amounts indicated by the employer on the coupon and shall promptly remit the payments to
10 the appropriate taxing or assessing body.

11 [(c)] (5) If the employer fails to allocate the payment on the coupon, the department shall allo-
12 cate the payment to the proper tax or assessment programs on the basis of the percentage the
13 payment bears to the total amount due.

14 [(d)] (6) The Department of Revenue shall distribute copies of the combined quarterly tax and
15 assessment report and the necessary tax or assessment payment information to each of the agencies
16 charged with the administration of a tax or assessment covered by the report.

17 [(e)] (7) The Department of Revenue, the Employment Department and the Department of Con-
18 sumer and Business Services shall develop a system of account numbers and assign to each employer
19 a single account number representing all of the tax and assessment programs included in the com-
20 bined quarterly tax and assessment report.

21 **SECTION 16. Sections 11 and 13 of this 2007 Act and the amendments to ORS 316.168 by**
22 **section 15 of this 2007 Act apply to withholding tax reporting periods beginning on or after**
23 **July 1, 2008.**

24 **SECTION 17. Sections 18 to 20 of this 2007 Act are added to and made a part of ORS**
25 **chapter 315.**

26 **SECTION 18. As used in sections 18 to 20 of this 2007 Act, unless the context requires**
27 **otherwise:**

28 (1) "Employer" includes a self-employed individual.

29 (2) "Health benefit plan" has the meaning given that term in ORS 743.730.

30 **SECTION 19. (1) A credit against the taxes otherwise due under ORS chapter 316 (or, if**
31 **the taxpayer is a corporation that is an employer, under ORS chapter 317 or 318) is allowed**
32 **to an employer for providing health benefit plan coverage to employees and dependents.**

33 (2) The amount of the credit allowed under this section shall equal the lesser of:

34 (a) The health benefit plan premiums paid by the employer to provide health benefit plan
35 coverage to employees and dependents in this state during the tax year; or

36 (b) The tax liability of the taxpayer.

37 (3)(a) If the taxpayer has a tax year that is less than 12 months or if the taxpayer did
38 not pay health benefit plan premiums for a full 12-month period, the limit on the amount of
39 credit established under subsection (2)(b) of this section shall be proportionally reduced to
40 reflect the shortened period.

41 (b) The Department of Revenue may adopt rules for determining proration under this
42 subsection when family members are added to or dropped from health benefit plan coverage
43 during the course of the tax year, including calculating an annual average number of covered
44 individuals and a threshold level of coverage change below which proration is not needed.

45 (4) A credit that is not used in the tax year and that, except for the provisions of sub-

1 section (2)(b) of this section, is otherwise allowable under this section may be carried for-
2 ward and offset against the taxpayer's tax liability for the next succeeding tax year. Any
3 credit remaining unused in the next succeeding tax year may be carried forward and used
4 in the second succeeding tax year, and likewise any credit not used in that second succeeding
5 tax year may be carried forward and used in the third succeeding tax year, but may not be
6 carried forward for any tax year thereafter.

7 (5) A credit under this section may be claimed by a nonresident or part-year resident
8 without proration under ORS 316.117.

9 (6) The credit under this section shall be claimed by the taxpayer on a form prescribed
10 by the Department of Revenue and shall contain the information required by the Department
11 of Revenue.

12 **SECTION 20.** (1) If an employer that is subject to tax under section 11 of this 2007 Act
13 is one described in section 11 (1)(a)(B) to (D) of this 2007 Act, the employer may annually
14 claim a reimbursement grant under this section. The amount of the grant shall equal the
15 amount of tax credit the employer would have been allowed if the employer were subject to
16 tax under ORS chapter 316, 317 or 318, computed without regard to section 19 (2)(b) of this
17 2007 Act.

18 (2) A reimbursement grant may be claimed by filing a claim form with the Department
19 of Revenue at the time, in the manner and containing the information required by the de-
20 partment.

21 (3) The department shall make reimbursement grants from the amounts continuously
22 appropriated to the department under section 14 (2)(b) of this 2007 Act.

23 **SECTION 21.** Section 22 of this 2007 Act applies to tax years beginning on or after Jan-
24 uary 1, 2009.

25 **SECTION 22.** (1) An individual may not claim a personal exemption credit under ORS
26 316.085 if the individual is not enrolled in a publicly-funded or private market health benefit
27 plan that provides coverage that satisfies criteria adopted by the Health Insurance Exchange
28 Corporation by rule.

29 (2) The Department of Revenue shall adopt rules and procedures to enforce the pro-
30 visions of this section.

31 **SECTION 23.** (1) The Administrator of the Office for Oregon Health Policy and Research,
32 in collaboration with the Oregon Health Research and Evaluation Collaborative and other
33 persons with relevant expertise, shall develop a five-year plan for evaluating the implemen-
34 tation and initial outcomes of section 3 of this 2007 Act and the amendments to ORS 414.025,
35 414.839 and 735.722 by sections 8, 9 and 10 of this 2007 Act. The evaluation plan shall include
36 measures of:

37 (a) Provider capacity;

38 (b) Population demand;

39 (c) Provider and consumer participation;

40 (d) Utilization patterns;

41 (e) Changes in health outcomes;

42 (f) Health disparities and quality;

43 (g) Financial impacts;

44 (h) The extent to which employers discontinue coverage due to the availability of publicly
45 financed coverage;

1 (i) Use of technology; and

2 (j) Transparency of costs.

3 (2) The administrator shall develop a model for a quality institute that shall:

4 (a) Develop and promote methods for improving collection, measurement and reporting
5 of quality information;

6 (b) Provide leadership and support to further the development of widespread and shared
7 electronic health records, and facilitate the development of a personal electronic health re-
8 cord, to be made available to every Oregon resident, that is portable and within the individ-
9 ual's control, use and access;

10 (c) Develop the capacity of the workforce to capitalize on health information technology;

11 (d) Encourage purchasers, providers and state agencies to improve system transparency
12 and public understanding of quality in health care;

13 (e) Support the Oregon Patient Safety Commission's efforts to increase collaboration and
14 state leadership to improve health care safety; and

15 (f) Mobilize a coordinated effort among all state purchasers of health care and insurers
16 to support delivery models and reimbursement strategies that will more effectively support
17 infrastructure investments, integrated care and improved health outcomes.

18 (3) The administrator shall identify a structure to support the activities described in
19 subsection (2) of this section and recommend legislation to put the quality institute into ef-
20 fect.

21 **SECTION 24.** There is appropriated to the Health Insurance Exchange Corporation, for
22 the biennium beginning July 1, 2007, out of the General Fund, the amount of \$_____ for the
23 purpose of carrying out the provisions of sections 1 to 6 of this 2007 Act.

24 **SECTION 25.** Sections 3 and 11 to 14 of this 2007 Act and the amendments to ORS 316.168
25 by section 15 of this 2007 Act become operative July 1, 2008.

26 **SECTION 26.** Subject to receipt of federal approval under section 7 of this 2007 Act, sec-
27 tion 22 of this 2007 Act and the amendments to ORS 414.025 by section 8 of this 2007 Act
28 become operative on January 1, 2010.

29 **SECTION 27.** Except as provided in section 26 of this 2007 Act, the amendments to ORS
30 414.839 and 735.722 by sections 9 and 10 of this 2007 Act become operative upon receipt of the
31 necessary federal approval under section 7 of this 2007 Act.

32 **SECTION 28.** ORS 414.336 is repealed.

33 **SECTION 29.** This 2007 Act takes effect on the 91st day after the date on which the
34 regular session of the Seventy-fourth Legislative Assembly adjourns sine die.

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