

**2009 Regular Legislative Session**  
**FISCAL ANALYSIS OF PROPOSED LEGISLATION**  
**Prepared by the Oregon Legislative Fiscal Office**

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**MEASURE NUMBER:** HB 2116

**STATUS:** C-Engrossed

**SUBJECT:** Establishes Health System Fund and Health Care for All Oregon Children program

**GOVERNMENT UNIT AFFECTED:** Department of Human Services, Office of Private Health Partnerships, Department of Consumer and Business Services, Department of Administrative Services

**PREPARED BY:** Kim To

**REVIEWED BY:** John Britton, Susie Jordan, Laurie Byerly

**DATE:** June 3, 2009

<REVISED>

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2009-2011

2011-2013

**EXPENDITURES:**

See Analysis Below

**REVENUES:**

See Legislative Revenue Office Analysis

**EFFECTIVE DATE:** Takes effect on the 91<sup>st</sup> day after the date on which the regular session of the Seventy-fifth Legislative Assembly adjourns sine die. Section 27 of this measure becomes operative on October 1, 2009. Sections 28 and 30 become operative January 1, 2010.

**LOCAL GOVERNMENT MANDATE:** This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

**ANALYSIS:** *Revised to include expansion of Oregon Health Plan Standard costs.* House Bill 2116 creates the Health Care for All Oregon Children program to make affordable, accessible healthcare available to all of Oregon's children. This measure establishes the Health System Fund. Amounts in the Health System Fund are continuously appropriated to the Department of Human Services to fund medical assistance and private health option and to pay refunds of hospital assessment. The bill creates an assessment on certain health insurance premiums and on capitation payments. The bill also modifies the hospital assessment and repeals the sunset on hospital assessment.

The bill directs the insurance premium assessments to be paid into the Health System Fund after October 1, 2009. It also creates an insurance premium assessment to be administered by the Department of Consumer and Business Services. It directs the assessments (minus specified amounts) to be paid into the Health System Fund. The bill creates an assessment on capitation payments to Medicaid managed care plans to be administered by the Department of Human Services (DHS) and directs assessments to be deposited in the Health System Fund. It imposes penalties for failure to pay assessments in a timely manner.

**DEPARTMENT OF HUMAN SERVICES (DHS)**

House Bill 2116 establishes the Health Care for All Oregon Children (HCAOC) program with intent of providing affordable, accessible health care to all eligible Oregon children who are legally present in the state and who have a family income at or below 200 percent of the federal poverty level (FPL). Eligible children would receive 12 months of continuous eligibility and shall be automatically renewed for successive 12 month periods as long as the child is eligible. DHS and the Office of Private Health Partnerships (OPHP) are directed to develop HCAOC program rules implementing the HCAOC program as soon as practical after receipt of the necessary federal approvals, and phasing in implementation in

accordance with available funding. The bill directs DHS to develop a system for reimbursing the OPHP for costs associated with administering the private health insurance option. The bill also requires DHS to award grants to community health care centers and safety net clinics to ensure capacity of medical assistance programs.

To carryout the Health Care for All Oregon Children provisions of this bill, DHS anticipates establishing 112 positions (106.97 FTE) in the 2009-11 biennium. DHS estimates the fiscal impact of this measure at \$177.7 million Total Funds for the 2009-11 biennium (\$12.2 million Personal Services, \$16.8 million Services and Supplies, \$1.3 million Capital Outlay, and \$147.4 million Special Payments). Funding source is estimated to be \$1.9 million Other Funds (Provider Tax), and \$115.8 million Federal Funds (Title XIX Medicaid). Costs by program area are listed below:

		2009-11			2011-13		
			Pos	FTE		Pos	FTE
<b>Medical Assistance Programs</b> (HB 2116 - Sec 27)	OF	\$39,275,765	0	0.00	\$57,812,156	0	0.00
	FF	\$100,484,361			\$128,722,873		
	<b>TF</b>	<b>\$139,760,126</b>			<b>\$186,535,028</b>		
<b>Administration</b> (HB 2116 - Sec 27)	OF	\$9,756,418	102	97.59	\$11,915,880	161	157.84
	FF	\$9,230,024			\$10,902,704		
	<b>TF</b>	<b>\$18,986,442</b>			<b>\$22,818,584</b>		
<b>Outreach</b> (HB 2116 - Sec 34)	OF	\$5,960,944	8	8.00	\$5,915,843	7	7.00
	FF	\$5,224,021			\$5,053,602		
	<b>TF</b>	<b>\$11,184,966</b>			<b>\$10,969,445</b>		
<b>Community Health Centers/Safety Net Clinic Grants</b> (HB 2116 - Sec 33)	OF	\$6,380,000	0	0.00	\$6,380,000	0	0.00
	FF	\$0			\$0		
	<b>TF</b>	<b>\$6,380,000</b>			<b>\$6,380,000</b>		
<b>Community Health Centers/Safety Net Clinic Grants Administration</b> (HB 2116 - Sec 33)	OF	\$218,160	2	1.38	\$219,408	2	1.50
	FF	\$0			\$0		
	<b>TF</b>	<b>\$218,160</b>			<b>\$219,408</b>		
<b>Foster Children 6-12 Mo Eligibility Medical Assistance Programs</b> (HB 2116 - Sec 27)	OF	\$259,187	0	0.00	\$384,506	0	0.00
	FF	\$600,314			\$646,895		
	<b>TF</b>	<b>\$859,501</b>			<b>\$1,031,401</b>		
<b>Foster Children 6-12 Mo Eligibility Administration</b> (HB 2116 - Sec 27)	OF	\$710	0	0.00	\$852	0	0.00
	FF	\$710			\$852		
	<b>TF</b>	<b>\$1,420</b>			<b>\$1,704</b>		
<b>Aged Blind and Disabled Children 6-12 Mo Eligibility Medical Assistance Programs</b> (HB 2116 - Sec 27)	OF	\$111,658	0	0.00	\$261,903	0	0.00
	FF	\$239,253			\$440,626		
	<b>TF</b>	<b>\$350,912</b>			<b>\$702,529</b>		
<b>Aged Blind and Disabled Children 6-12 Mo Eligibility Administration</b> (HB 2116 - Sec 27)	OF	\$168	0	0.00	\$337	0	0.00
	FF	\$168			\$337		
	<b>TF</b>	<b>\$336</b>			<b>\$673</b>		
<b>Totals</b>		<b>\$ 177,741,862</b>	<b>112</b>	<b>106.97</b>	<b>\$ 228,658,773</b>	<b>170</b>	<b>166.34</b>

To carryout the expansion of Oregon Health Plan Standard provisions of this bill, DHS anticipates establishing 122 positions (92.61 FTE) in the 2009-11 biennium. DHS estimates the fiscal impact of this measure at \$966.5 million Total Funds for the 2009-11 biennium (\$9.8 million Personal Services, \$8.5 million Services and Supplies, and \$948.2 million Special Payments). Funding source is estimated to be \$289.4 million Other Funds (Provider Tax), and \$658.8 million Federal Funds (Title XIX Medicaid). Costs by program area are listed below:

		2009-11			2011-13		
			Pos	FTE		Pos	FTE
<b>Medicaid Managed Care Enhanced Reimbursement</b>	OF	\$9,722,000	0	0.00	\$14,968,000	0	0.00
	FF	\$15,852,000			\$25,161,000		
	TF	<b>\$25,574,000</b>			<b>\$40,129,000</b>		
<b>Fee-For-Service Outpatient Enhanced Reimbursement</b> (HB 2116 - Sec 17, 19 )	OF	\$9,197,000	0	0.00	\$16,336,000	0	0.00
	FF	\$21,241,000			\$27,769,000		
	TF	<b>\$30,438,000</b>			<b>\$44,105,000</b>		
<b>Fee-For-Service Inpatient Enhanced Reimbursement</b> (HB 2116 - Sec 17, 19, 29 )	OF	\$34,017,000	0	0.00	\$61,358,000	0	0.00
	FF	\$78,343,000			\$103,645,000		
	TF	<b>\$112,360,000</b>			<b>\$165,003,000</b>		
<b>Diagnostic Related Groups/Managed Care Organizations 80-100% Enhanced Reimbursement</b>	OF	\$56,853,000	0	0.00	\$100,458,000	0	0.00
	FF	\$130,624,000			\$170,393,000		
	TF	<b>\$187,477,000</b>			<b>\$270,851,000</b>		
<b>Oregon Health Plan Standard Program Expansion</b> (HB 2116 - Sec 19)	OF	\$179,595,000	0	0.00	\$289,641,000	0	0.00
	FF	\$412,737,000			\$486,877,000		
	TF	<b>\$592,332,000</b>			<b>\$776,518,000</b>		
<b>Oregon Health Plan Standard Program Expansion Administration</b> (HB 2116 - Sec 19)	OF	\$8,995,000	120	90.61	\$10,703,000	127	126.54
	FF	\$8,956,000			\$10,648,000		
	TF	<b>\$17,951,000</b>			<b>\$21,351,000</b>		
<b>Provider Tax Administration</b> (HB 2116 - Sec 19)	OF	\$188,000	2	2.00	\$179,000	2	2.00
	FF	\$185,000			\$176,000		
	TF	<b>\$373,000</b>			<b>\$355,000</b>		
<b>Totals</b>		<b>\$ 966,505,000</b>	<b>122</b>	<b>92.61</b>	<b>\$ 1,318,312,000</b>	<b>129</b>	<b>128.54</b>

**OFFICE OF PRIVATE HEALTH PARTNERSHIPS (OPHP)**

In addition to establishing the Health Care for All Oregon Children (HCAOC) program, this measure establishes a separate Private Health Option Program Fund for Office of Private Health Partnerships (OPHP).

OPHP is directed to work with DHS to transition from the Oregon Health Plan program to the private health insurance and Employer Sponsored Insurance (ESI) portions of HCAOC. Under this bill, OPHP will administer ESI and private health insurance portions of this initiative.

The Office of Private Health Partnerships will:

- Establish private health insurance plans for Oregon’s children under the age of 19. These plans will provide benefits similar to the benefits provided for children covered under the Oregon Health Plan (OHP). Plans will include mental health, vision and dental services, with no medical exclusions or delay of coverage for pre-existing conditions.
- Provide premium assistance for children in eligible families with ESI and incomes less than 300 percent of federal poverty level.

- Provide premium assistance for children in families between 200 and 300 percent of the federal poverty level, who purchase the private health insurance option through OPHP.
- Allow children in families over 300 percent of the federal poverty level an opportunity to enroll in the private insurance option with no premium assistance.
- Provide outreach support to DHS for marketing and outreach efforts.

According to the 2009 recession caseload forecast completed by DHS, enrollment in the ESI and private health insurance option portions of this program is expected to reach 34,447 by the end of the 2009-11 biennium, and 21,288 by the end of the 2011-13 biennium. This caseload assumes an increase in current eligibility level with ESI starting July 1, 2009. It also assumes expansion from 185-200 percent of federal poverty level starting October 1, 2009, and enrollment in the expansion population over 200 percent of federal poverty level begins January 1, 2010.

In order to manage the program and serve these children, OPHP has proposed adding 39 positions, (33.58 FTE in the 2009-11 biennium and 38 FTE in the 2011-13 biennium), including staff for enrollment and billing, cashiering, benefit development, outreach and management. OPHP estimates the fiscal impact of this measure at \$84.2 million for the 2009-11 biennium (\$3.6 million Personal Services, \$1.9 million Services and Supplies, \$0.8 million Capital Outlay, and \$77.9 million Special Payments). Revenue is estimated to be \$23.4 million from Provider Tax and \$60.8 from Federal match.

The fiscal impact of this measure for OPHP in the 2011-13 biennium is estimated at \$116.5 million (\$5.1 million Personal Services, \$2.5 million Services and Supplies, and \$108.9 million Special Payments). Revenue is estimated to be \$32.7 million from Provider Tax and \$83.8 from Federal match.

#### **DEPARTMENT OF CONSUMER AND BUSINESS SERVICES (DCBS)**

House bill 2116 has minimal expenditure impact on DCBS. The bill authorizes provider taxes on hospitals and health insurers to fund medical assistance and pay refunds of hospital assessment. This bill creates an assessment on health insurance premiums to be administered by the Department of Consumer and Business Services and to be directed into the Health System Fund. It also imposes penalties for failure to pay assessments in a timely manner, and allows for reimbursement for expenses incurred in administering these assessments.

A provider tax on health insurers will result in a reduction in the amount of retaliatory tax that some insurers pay. Assuming a one percent assessment, with an effective date of October 1, 2009 and the first collection occurring February 15, 2010, the Division anticipates collecting \$93.1 million in assessments less \$3.3 million in retaliatory tax with a transfer to the Health System Fund of \$89.8 million for the 2009-2011 biennium. For the 2011-2013 biennium, an assessment of \$134.4 million less \$5.0 in retaliatory tax results in a transfer to the Health System Fund of \$129.4 million.

#### **DEPARTMENT OF ADMINISTRATIVE SERVICES (DAS) – PUBLIC EMPLOYEES’ BENEFIT BOARD (PEBB)**

House bill 2116 requires PEBB to pay an assessment of an indeterminate amount to DCBS on self-insured group health premiums. As written, the assessment applies to all self-insured PEBB group health premiums-medical, dental and vision, where as the provider tax excludes dental and vision. The fiscal impact assumes all group health premiums would be subject to the assessment. The assessment applies to PEBB covered lives, including employees, self-pay participants and retiree members enrolled in a self-insured health benefit plan. The assessment would be equal to the number of insured lives multiplied by

a single standard DCBS prescribes annually by rule. PEBB is also subject to the one percent premium tax for its fully insured health plans.

PEBB estimates that 85 percent of PEBB members will be enrolled in self-insured plans by 2010. Assuming that the assessment established by DCBS for PEBB self-insured covered lives will be equal to the premium assessment of one percent, PEBB estimates the cost to be \$12.5 million for the 2009-11 biennium. Note this figure is a high level approximation given the number of indeterminate variables at this time.

Under this measure, PEBB could increase premiums paid by agencies, universities and self-pay members in fully funded plans by one percent to recoup payment of an assessment. State agencies' biennial budgets include costs for employee health benefit premiums based on a composite rate. The increased in cost will have a fiscal impact for state agencies. If PEBB is unable to recoup costs through a premium increase, PEBB would have to pay for the increase out of the stabilization fund. PEBB Stabilization Fund reserves are now dedicated to establishing the minimum risk corridor for self-insurance. Using these funds to pay a new assessment may deplete reserves needed for statewide self-insurance.

**DEPARTMENT OF ADMINISTRATIVE SERVICES (DAS) – OREGON EDUCATORS BENEFIT BOARD (OEBB)**

House Bill 2116 has no programmatic or organizational impact on OEBB, but the commercial insurer assessment proposed by the Office of Oregon Health Policy and Research will affect OEBB through additional increases in the premium costs for their medical plans. The fiscal impact of the commercial health insurer assessment and the hospital assessment to OEB is indeterminate at this time.

Because OEBB's contracts allow it to renegotiate rates, it is expected that contracted health insurance carriers will seek to renegotiate rates as a result of the impact of the commercial health insurer assessment.

Any proposed legislation resulting in a fiscal impact on revenues or expenditures with regard to insurance premiums provided by OEBB will impact any educational entity that has mandated or elective coverage under OEBB. This includes school districts, community colleges, education service districts and some charter schools.