

# House Bill 2007

Sponsored by COMMITTEE ON HEALTH CARE

## 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 **as introduced**.

Requires annual reporting by health care facilities and health insurers of savings realized from health care reform. Requires facilities and insurers to rebate savings to purchasers of health services and health insurance. Authorizes exemptions from requirements.

Sunsets after three consecutive years in which 95 percent of Oregon residents have access to essential health services or insurance coverage of essential health services.

## A BILL FOR AN ACT

1  
2 Relating to rebates for consumers of savings from health care reform.

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

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

5 (a) **"Bad debt" means the difference between a health care facility's billed charge multi-**  
6 **plied by the facility's cost-to-charge ratio, and any payment received by the facility on the**  
7 **billed charge.**

8 (b) **"Base year" means the calendar year for which the Department of Human Services**  
9 **makes the calculation described in subsection (3) of this section.**

10 (c) **"Charity care" means charity care costs, as defined by the department by rule, ex-**  
11 **pressed as a percentage of net patient revenue.**

12 (d) **"Health care facility" means:**

13 (A) **A hospital;**

14 (B) **An ambulatory surgical center; or**

15 (C) **A freestanding diagnostic facility.**

16 (e) **"Health care reform" means the implementation of any change in state policy that**  
17 **increases the number of Oregon residents who have access to essential health services, or**  
18 **access to health insurance coverage of essential health services, above the number who have**  
19 **access to health services or access to health insurance coverage on the effective date of this**  
20 **2009 Act.**

21 (f) **"Net income" means operating revenue minus operating expenses.**

22 (2) **A health care facility licensed in this state shall report annually to the Office for**  
23 **Oregon Health Policy and Research, in the form and manner prescribed by the office, all of**  
24 **the following information:**

25 (a) **Total costs.**

26 (b) **Billed charges.**

27 (c) **Contractual discounts.**

28 (d) **Cost of health services provided without charge.**

29 (e) **Bad debt.**

30 (3) **The Department of Human Services shall adopt by rule a methodology for calculating**

**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 annually, for each health care facility, the change in the facility's net income that is asso-  
 2 ciated with health care reform. The methodology must, at a minimum, take into consider-  
 3 ation the following factors:

4 (a) Changes in revenue and changes in marginal expenses associated with increases in  
 5 the number of patients.

6 (b) Changes in the percentage of patients for whom a payment is made on a billed charge.

7 (c) Changes in reimbursement rates in the state medical assistance program.

8 (4)(a) Except as provided in paragraph (b) of this subsection, the department shall adopt  
 9 rules prescribing the manner in which each health care facility shall rebate annually to  
 10 purchasers of health care facility services any increase in net income calculated in accord-  
 11 ance with subsection (3) of this section.

12 (b) The department may reduce the amount of the rebate required under this section for  
 13 any health care facility:

14 (A) If the facility's charity care exceeds the statewide average for 2009 and for the base  
 15 year; and

16 (B) If the base year operating margin of the health care facility and its parent system,  
 17 if any, is less than two percent.

18 (5) The department may adopt reporting requirements for health care facilities to enable  
 19 the department to carry out its duties under this section.

20 (6) The department may conduct audits or contract with an entity to conduct audits to  
 21 ensure health care facility compliance with the requirements of this section.

22 **SECTION 2.** Section 3 of this 2009 Act is added to and made a part of the Insurance Code.

23 **SECTION 3.** (1) Except as provided in subsection (3) of this section, an insurer licensed  
 24 in this state to transact health insurance shall annually rebate to the purchasers of health  
 25 insurance increases in profits due to health care reform, as defined in section 1 of this 2009  
 26 Act, including:

27 (a) Any rebates received from health care facilities under section 1 of this 2009 Act; and

28 (b) The savings accruing to the insurer from the spreading of administrative expenses  
 29 across a larger number of insureds.

30 (2) An insurer must submit the insurer's proposed plan for complying with subsection (1)  
 31 of this section to the Department of Consumer and Business Services for approval. The de-  
 32 partment shall make the plan available for public inspection. The department may conduct  
 33 hearings with respect to the approval or disapproval of a plan.

34 (3) An insurer may be exempted by the department from the requirements of subsections  
 35 (1) and (2) of this section if the insurer agrees not to increase premiums in the current year  
 36 and to limit its nonmedical costs to seven percent of the premium amount.

37 (4) The department may adopt reporting requirements for insurers to enable the depart-  
 38 ment to carry out its duties under this section.

39 (5) The department may conduct audits or contract with an entity to conduct audits to  
 40 ensure compliance with the requirements of this section.

41 **SECTION 4.** (1) The Department of Human Services and the Department of Consumer  
 42 and Business Services shall report to each Legislative Assembly on the savings to consumers  
 43 from health care reform, as defined in section 1 of this 2009 Act, and shall make recom-  
 44 mendations for legislative action to ensure that the prices of health care services and the  
 45 premiums for health insurance continue to reflect the savings from health care reform.

1           **(2) The Office for Oregon Health Policy and Research shall determine and publish annu-**  
2 **ally the percentage of Oregon residents who had access to essential health services or access**  
3 **to health insurance coverage of essential health services for the preceding calendar year.**

4           **SECTION 5.** **The Office for Oregon Health Policy and Research shall report the percent-**  
5 **age determined under section 4 of this 2009 Act to the Legislative Counsel.**

6           **SECTION 6.** **Sections 1 to 4 of this 2009 Act are repealed on June 30 of the third con-**  
7 **secutive year in which the Office for Oregon Health Policy and Research reports a percent-**  
8 **age of 95 percent or more under section 4 of this 2009 Act.**

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