

**REVENUE IMPACT OF
PROPOSED LEGISLATION
Seventy-Seventh Oregon Legislative
Assembly
2013 Regular Session
Legislative Revenue Office**

**Bill Number: HB 2216 – B
Revenue Area: Health Care
Economist: Dae Baek
Date: 5/9/2013**

Only Impacts on Original or Engrossed Versions are Considered Official

Measure Description: Extends the sunset of an assessment on the net revenue of certain hospitals for two years until September 30, 2015, to provide healthcare services to eligible individuals. Extends the sunset of an assessment on long term care facilities for six years, until June 30, 2020. Removes provider assessment exemptions for all currently exempt long term care providers but the Oregon Veterans' Home, on January 1, 2014. Takes effect on the 91st day after adjournment sine die.

Revenue Impact (in \$Millions):

(1) Hospital Assessment

	Biennium	
	2013-15	2015-17
Oregon Health Authority (Hospital Quality Assurance Fund)	\$ 745.0	\$ 110.7
Hospital Assessment (4.32 percent assessment)	\$ 600.0	\$ 90.0
Hospital Transformation Performance Pool (1 percent assessment)	\$ 145.0	\$ 20.7

Data Source: Oregon Health Authority

(2) Long Term Care Facility Assessment

	Fiscal Year		Biennium		
	2013-14	2014-15	2013-15	2015-17	2017-19
Long Term Care Facility Quality Assurance Fund	\$ 3.9	\$ 57.6	\$ 61.5	\$ 127.7	\$ 142.0

Data Source: Oregon Department of Human Services

Impact Explanation:

(1) Hospital Assessment

Certain large hospitals in Oregon have been paying this assessment on their net revenues to help support the Oregon Health Plan (OHP) since 2004. The assessment, with the sunset extension, is expected to raise about \$600 million for the OHP in the 2013-15 biennium, assuming the current assessment rate of 4.32 percent on the total net revenue. This revenue will be distributed back to the hospitals based on certain procedures established by the Oregon Health Authority. This \$600 million in turn will be matched by \$1.014 billion in federal funds.

There is an additional one percent assessment over the current assessment rate. The revenue from this additional assessment will be distributed back to hospitals based on each hospital's achievement of

certain performance metrics. The estimated revenue from this additional assessment is \$145 million in the 2013-15 biennium. This revenue will be matched by \$245 million in federal funds.

The assessment rate is set by the director of the Oregon Health Authority in consultation with representatives of hospitals. In total, the estimated revenue of \$745 million from the assessment will bring in \$1.259 billion in federal matching funds during the 2013-15 biennium.

(2) Long Term Care Facility Assessment

This bill allows the Oregon Department of Human Services to continue to collect assessment on gross revenues of long term care facilities for six more years. Under current law, the assessment is set to expire on June 30, 2014. Collected assessments leverage matching federal funds. The bill also facilitates efforts in reducing excess capacity in long term care facilities.

This bill removes provider assessment exemptions for all currently exempt long term care providers except for the Oregon Veterans' Home, on January 1, 2014. When assessment exemptions are removed, there will be an additional assessment collection of \$3.9 million in the second half of the fiscal year (FY) 2013-14, which will leverage \$6.7 million in matching federal funds. The extension of the assessment sunset makes possible additional collections beyond FY 2013-14. \$57.6 million in the FY 2014-15 will be matched by \$98.8 million in federal funds. The assessment of \$127.7 million for the 2015-17 biennium will bring in \$218.0 million in leveraged federal funds.

Creates, Extends, or Expands Tax Expenditure: Yes No