



Oregon Health Dividend

Affordable Change

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Wellness Advocate

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House Bill 4072

Sponsored by Representative OLSON, Senator MONNES ANDERSON; Representatives BARKER, BENTZ, BOONE, CAMERON, CONGER, DAVIS, DOHERTY, ESQUIVEL, FREDERICK, GELSER, GOMBERG, HANNA, HICKS, HUFFMAN, JENSON, JOHNSON, KENNEMER, KOMP, KRIEGER, LIVELY, PARRISH, SPRENGER, THOMPSON, TOMEL VEGA PEDERSON, WEIDNER, WHISNANT, WHITSETT, Senators CLOSE, GIROD, HANSELL, KNOPP, KRUSE, ROBLAN, STEINER HAYWARD, THOMSEN (Pre-session filed.)

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**.

Creates subtraction from federal taxable income for up to \$500 in cash dividends paid by employer to employee for participation in workplace wellness program. Applies to tax years beginning on or after January 1, 2015.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1 Relating to employee wellness programs; and prescribing an effective date.

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

3 **SECTION 1.** Section 2 of this 2014 Act is added to and made a part of ORS chapter 316.

4 **SECTION 2.** (1) As used in this section, "workplace wellness program" means a program
5 in which an employee, on the basis of a health assessment, participates in one or more of
6 the following:
7

8 (a) A fitness program.

9 (b) A weight control program.

10 (c) A nutritional education program.

11 (d) A tobacco use cessation or prevention program.

12 (2) There shall be subtracted from federal taxable income an amount, not to exceed \$500,
13 equal to any cash dividends that are paid by an employer to an employee as a reward or in-
14 centive for participating in a workplace wellness program.

15 **SECTION 3.** Section 2 of this 2014 Act applies to tax years beginning on or after January
16 1, 2015.

17 **SECTION 4.** This 2014 Act takes effect on the 91st day after the date on which the 2014
18 regular session of the Seventy-seventh Legislative Assembly adjourns sine die.
19

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.

LC 226 is now HB 4072

LC 226	12/4/19	BILL BACK	Bill
Title: <u>Relating to employee wellness programs, and prescribing an effective date.</u>			
Type: <input checked="" type="checkbox"/> Member <input type="checkbox"/> Committee <input type="checkbox"/> Statewide Elected Official			
Chief Sponsor(s)/Committee Chair/Other Filer:		For Member measures only, list other Chief Sponsors here	
1. <u>Andy Olson</u> Signature (First Chief Sponsor/Committee Chair/ Statewide Elected Official) <u>Rep Andy Olson</u> Print Name		2. <u>Laurie Monnes Anderson</u> Signature (Second Chief Sponsor/Committee Chair) <u>LAURIE Monnes Anderson</u> Print Name	
Print Committee Name for Committee Measures		3. _____ Signature (Third Chief Sponsor) Print Name	
Requester(s):		(Attach list of other Chief Sponsors, if more than three)	
All agencies, organizations and persons that have formally requested the measure are named herein in accordance with ORS 171.127.			
Additional Sponsors (initial)			
<u>SENATE</u>		<u>HOUSE</u>	
_____ Baertschiger Jr	_____ Bailey	<u>JTB</u> _____ Huffman	
_____ Bates	<u>JTB</u> _____ Barker	<u>JTB</u> _____ Jenson	
_____ Beyer	_____ Barnhart	<u>JTB</u> _____ Johnson	
_____ Boquist	_____ Barton	<u>AKG</u> _____ Kennemer	
_____ Burdick	<u>CRB</u> _____ Bentz	<u>SL</u> _____ Keny-Guyer	
<u>B. Close</u> _____ Close	_____ Berger	_____ Kemp	
_____ Courtney	<u>DB</u> _____ Boone	_____ Kotek	
_____ Devlin	<u>C</u> _____ Buckley	<u>WK</u> _____ Krieger	
_____ Dingfelder	_____ Cameron	<u>DM</u> _____ Lively	
_____ Edwards	_____ Clem	_____ Matthews	
_____ Ferrioli	_____ Conger	_____ McKeown	
_____ George	<u>JG</u> _____ Davis	_____ McLane	
<u>WSH</u> _____ Girod	<u>JG</u> _____ Dembrow	_____ Nathanson	
_____ Haes	<u>SLC</u> _____ Doherty	_____ Olson	
_____ Johnson	<u>SLC</u> _____ Esquivel	<u>P</u> _____ Parrish	
<u>DP</u> _____ Knopp	_____ Fagan	_____ Read	
<u>X</u> _____ Kruse	<u>JK</u> _____ Frederick	_____ Reardon	
_____ Monnes Anderson	_____ Freeman	_____ Richardson	
_____ Monroe	_____ Gallegos	_____ Smith	
_____ Olsen	<u>SL</u> _____ Garrett	<u>SS</u> _____ Sprenger	
_____ Prozanski	_____ Gelser	_____ Thatcher	
<u>OK</u> _____ Roblan	_____ Gilliam	<u>JTB</u> _____ Thompson	
_____ Rosenbaum	<u>OK</u> _____ Gomberg	_____ Tomei	
_____ Shields	_____ Gorsek	_____ Unger	
_____ Starr	<u>DP</u> _____ Greenlick	<u>JTB</u> _____ Vega Pederson	
<u>ST</u> _____ Steiner Hayward	<u>DP</u> _____ Hanna	<u>JTB</u> _____ Weidner	
<u>CT</u> _____ Thomsen	<u>DP</u> _____ Harker	<u>DM</u> _____ Whismant	
_____ Whitsett	<u>DP</u> _____ Hicks	_____ Whitsett	
_____ Winters	<u>DP</u> _____ Holvey	_____ Williamson	
	_____ Hoyle	_____ Witt	

FOR INFORMATION ONLY:

Abby Weekly
CONTACT PERSON (Print Name)

6-1415
TELEPHONE NUMBER

Overview

“The history of health insurance has been about system changes. We have gone from fee for service to PPOs to HMOs to capitation and now to the Affordable Care Act. The Oregon Health Dividend is not about a system change, it is about financially incentivizing lifestyle changes and attacking the root cause of the cost of healthcare in United States.”

- John D. Lees, M.D.

Vision:

To use financial incentives to motivate employees to practice healthy lifestyles.

Basis:

Employees who are physically fit, of normal weight, participate in health education, and are non-smokers incur significantly lower healthcare costs.

Financial Incentive – A tax-free dividend of \$40 per month paid to participants who:

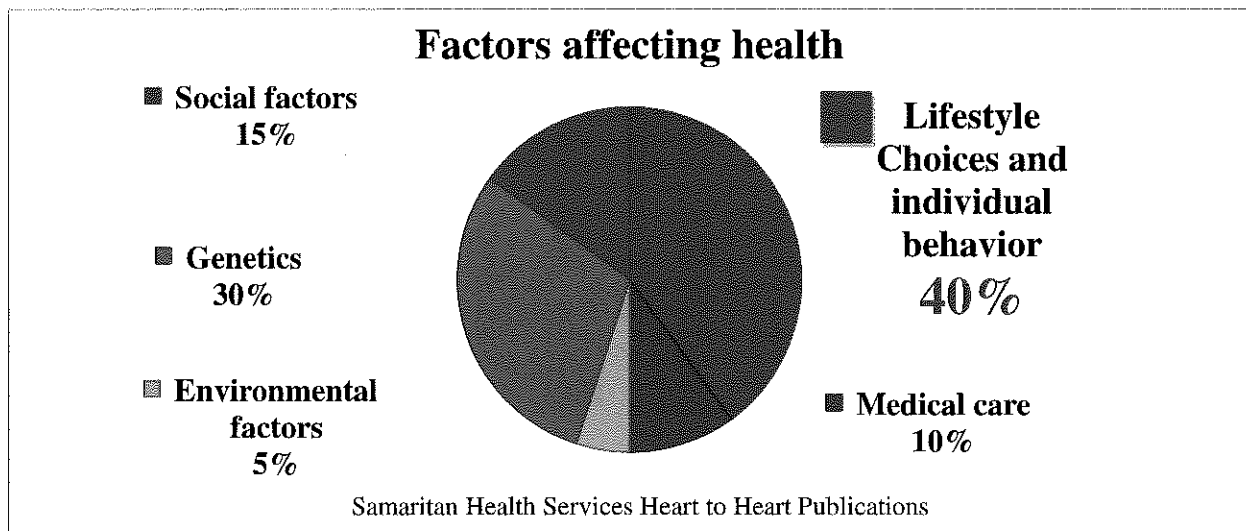
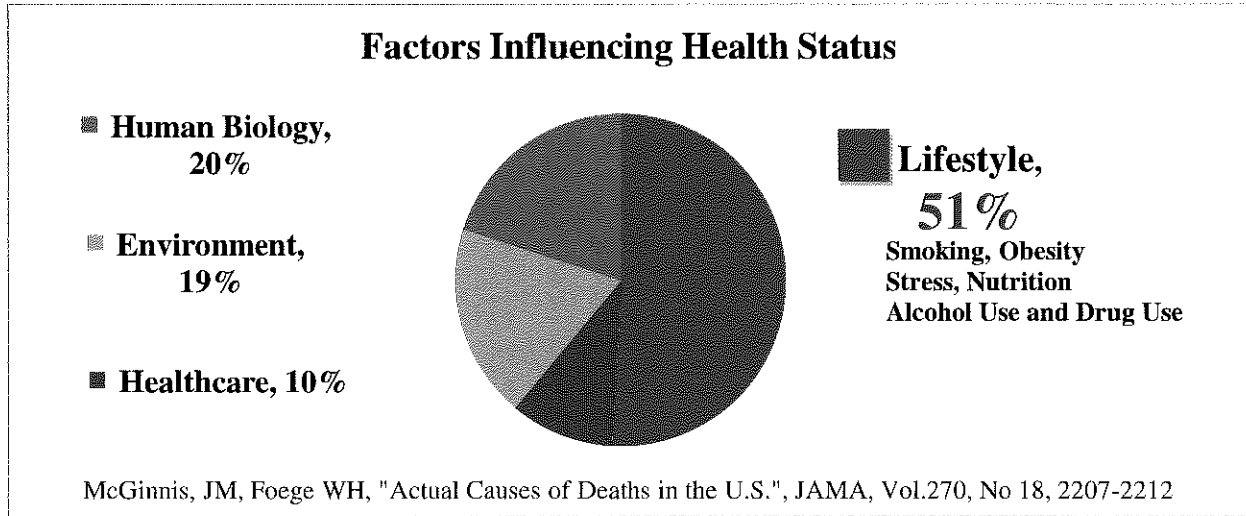
1. Pass 1 mile walk test *or participate:* in a fitness program.
2. Normal weight(BMI) *or participate:* in a weight-loss program.
3. Non-smoker *or participate:* in a smoking cessation program.
4. Attend on-site health education programs.

PARTNERSHIP GOALS OF THE OREGON TAX FREE HEALTH DIVIDEND

A Win/Win/Win/Win Legislative Bill!

- **EMPOWER EMPLOYEES** to partner with their employers and insurance companies to create voluntary tax free wellness programs.
- **EMPOWER EMPLOYERS** to partner with employees to create robust wellness programs that improve employees' health while decreasing health insurance costs. This in turn will increase corporate profits, resulting in more taxes paid and more jobs created.
- **EMPOWER INSURANCE COMPANIES** to enhance the health and financial well-being of their clients.
- **EMPOWER LOCAL POLITICAL LEADERS** to improve the health and financial well-being of their constituents while increasing jobs and state revenue.

Lifestyles Drive Healthcare Costs



Oregon spends approximately **\$34.8 billion**, and the United States spends approximately **\$2.9 trillion** on healthcare annually. **50%** of these costs are significantly influenced by lifestyle choices.

Few of these healthcare dollars are spent on disease prevention.

Financial Incentives Save Money

- Overweight patients who are paid to lose weight are **8 times more successful** than those who do not receive financial incentives. ¹
- Smokers are **3 times more likely** to succeed in quitting when given financial incentives. ²
- University of Pennsylvania School of Medicine has found that **financial reward is one of the best motivators** for losing weight. ³
- The Cleveland Clinic has found that **paying each staff member \$2,000** to adopt a healthier lifestyle saves more than the program costs. ⁴

The State of Oregon Makes Money

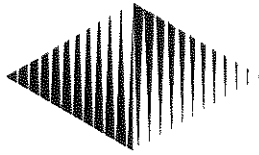
An effective wellness program could easily reduce insurance costs by 15%. This reduces corporate costs, which increases corporate profits (and the amount of corporate taxes paid.)

“If health-care costs decrease more than the amount paid as an incentive to employees, then employer-paid (or insurer-paid) costs will decrease overall. Or, to put it another way, employers and/or insurers will save money. If employers and/or insurers save money, they will have fewer tax-deductible expenses. With fewer tax-deductible expenses, employers and/or insurers will have higher taxable income. With higher taxable income, State tax liability will generally increase. An increase in the State tax liability of employers and/or insurers means more revenue will be paid to the State.”

- Thomas E. Glagau, CPA

Summary:

Physicians and health professionals agree that lifestyle choices have a major impact on healthcare costs. The Oregon Health Dividend financially incentivizes and rewards participants for making lifestyle changes. It is uniquely designed to create a partnership between employees, employers, insurance companies, and local political leadership. to create voluntary wellness programs. Oregon, with its health conscious population and enlightened political leadership, stands as the natural national leader for affordable change.



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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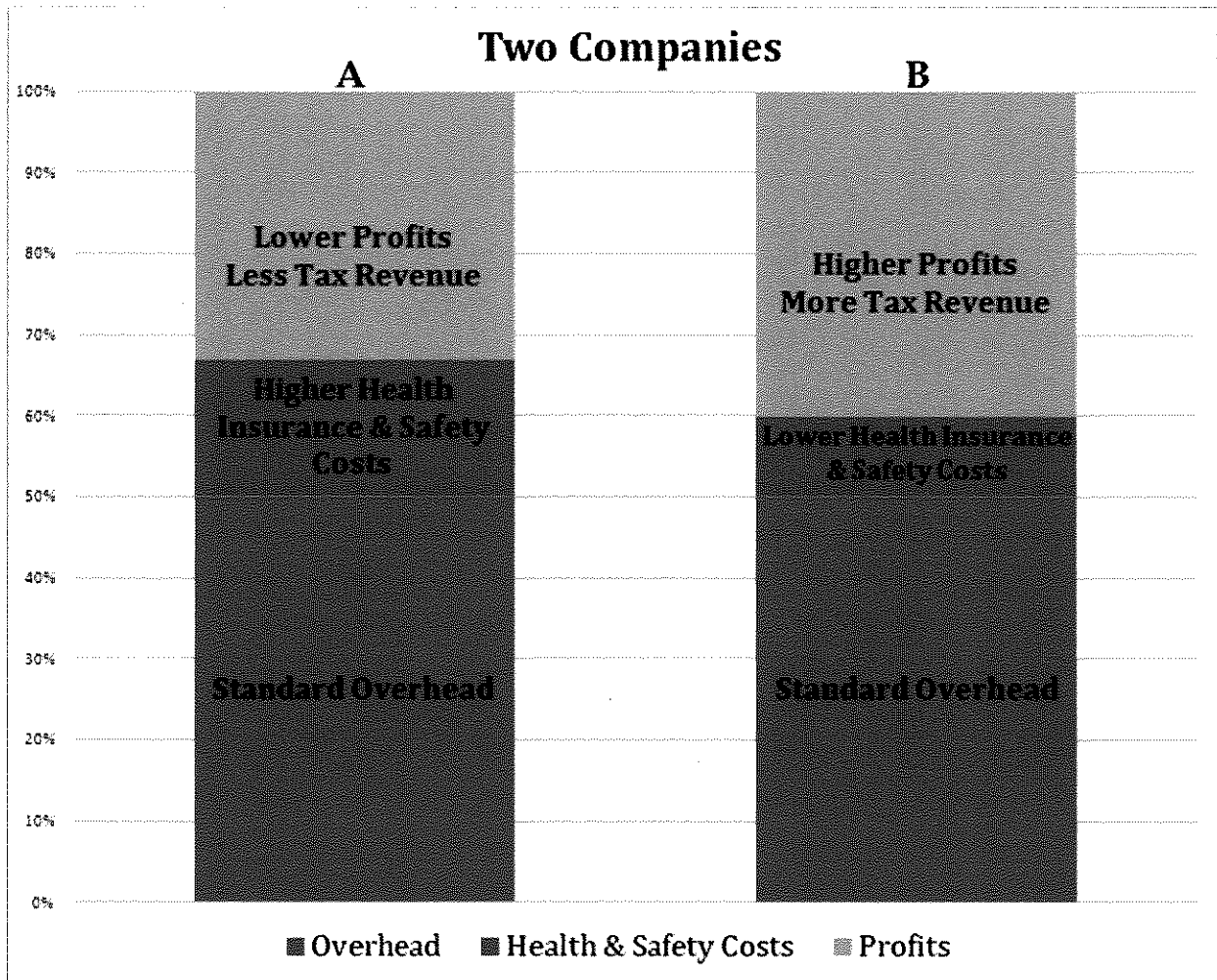
Dear Dr. Lees,

Here is the calculated tax effect of your proposed Oregon Health Dividend Plan. The calculation is based on the assumption that an employee receives \$300 tax-free from the employer, and that the plan results in an overall health care cost savings of 15% to the employer.

	per employee
Tax free dividend received by employee (reduces taxable income for employees)	\$ 300
Maximum Oregon individual tax rate	9%
Maximum estimated revenue LOST due to tax-free dividend	<u>\$ 27</u>
Estimated health care cost savings (increases taxable income of employer)	\$ 900
Oregon corporate tax rate	<u>6.67%</u>
Estimated revenue GAINED due to health care cost savings	<u>\$ 60</u>
Estimate net gain	<u>\$ 33</u>

As a point of interest, based on your assumptions the plan would only need to result in a 6.75% reduction in health care costs in order to be revenue neutral.


Thomas E. Glogau, CPA



A concept graph representing the comparison of two companies. A represents a company whose employees are: inactive, overweight, eat an American diet (omega 6) and are smokers. B represents a company whose employees are participating in a wellness program and are: active, of normal weight, eat a Mediterranean diet (omega 3) and are nonsmokers. Graphs include claims, costs and revenue differentials.

Former State Senator Supports HB 4072

From: Frank Morse
Date: Monday, January 06, 2014 10:53AM
To: Jack Lees
Cc: Andy Olson
Subject: Bill 12-23-2013

Jack,

I think you have sound policy, a good rational message and a strategy to get it implemented. It is quite a paradox that so much money is spent to treat health symptoms and so little money is spent to address the root causes of the problem. If this paradox played out in how problems are solved in day-to-day business practices, business would surely go broke! There is no substitute for going after the root causes of problems if they are to be solved. For Health costs, it should be no different.

Good luck!

Frank Morse

Former State Senator

Insurance Commissioner Correspondence

From: Cali Laura N [<mailto:laura.n.cali@state.or.us>]

Sent: Thursday, October 31, 2013 9:16 PM

To: Sen Close

Cc: WOODS Gayle; HOLMAN Jeannette

Subject: Oregon Health Dividend Plan Concept

Sen. Close,

Thank you again for asking me to meet with you, Dr. Lees, and Ms. Brooks earlier this month to discuss the Oregon Health Dividend Plan concept. I also appreciate your patience while we reviewed the materials and researched possible issues or areas of conflict that may arise. Based on the information provided by Dr. Lees and Ms. Brooks, it appears that Affordable Care Act regulations regarding incentives for nondiscriminatory wellness programs in group health plans would not impact the concept of an Oregon Health Dividend. The Insurance Code also appears to present no barriers to this concept, as we understand it. However, there may be other federal laws unrelated to insurance that impact this concept that you may wish to explore with Legislative Counsel.

Please let me know if you have any further questions we can address or would like to discuss further.

Regards,

Laura

Laura N. Cali, FCAS, MAAA

Insurance Commissioner

Chief Actuary

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- 1 - The Associated Press. (2009, Feb 12). *Paying smokers to quit boosts success rate: study*. Retrieved from <http://www.nydailynews.com/life-style/health/paying-smokers-quit-boosts-success-rate-study-article-1.393023>
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- 3 - Phend, C. (2008, Dec 09). *Financial 'carrot' keeps weight loss going short term*. Retrieved from <http://www.medpagetoday.com/PrimaryCare/Obesity/12072>
- 4 - Parade Publications. (2009, April 29). *Best weight-loss motivator*. Retrieved from <http://www.parade.com/47531/paradeeditors/cheat-sheet/>