



OREGON HEALTH

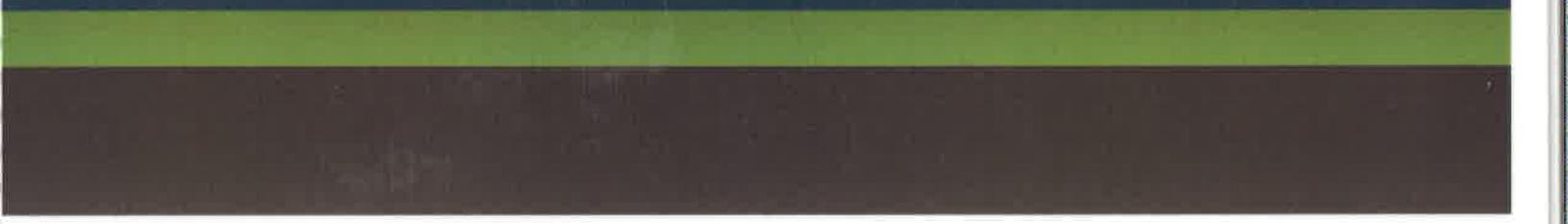
House Bill HB 2390

Supporting Documents

And

Wellness Information

**John D. Lees, MD
Nadine M. Wood, MS**



LC 420
2015 Regular Session
9/3/14 (CMT/ps)

D R A F T

SUMMARY

Creates subtraction from federal taxable income for up to \$300 in cash dividends paid by employer to employee for participation in workplace wellness program. Applies to tax years beginning on or after January 1, 2016. Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

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

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

4 **SECTION 1. Section 2 of this 2015 Act is added to and made a part**
5 **of ORS chapter 316.**

6 **SECTION 2. (1) As used in this section, “workplace wellness pro-**
7 **gram” means a program in which an employee, on the basis of a**
8 **health assessment, participates in one or more of the following:**

9 (a) **A fitness program.**

10 (b) **A weight control program.**

11 (c) **A health or wellness education program.**

12 (d) **A tobacco use cessation or prevention program.**

13 (2) **There shall be subtracted from federal taxable income an**
14 **amount, not to exceed \$300, equal to any cash dividends that are paid**
15 **by an employer to an employee as a reward or incentive for partic-**
16 **ipating in a workplace wellness program.**

17 **SECTION 3. Section 2 of this 2015 Act applies to tax years beginning**
18 **on or after January 1, 2016.**

19 **SECTION 4. This 2015 Act takes effect on the 91st day after the date**
20 **on which the 2015 regular session of the Seventy-eighth Legislative**

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 **Assembly adjourns sine die.**

2

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 \$25 per month paid to participants who:

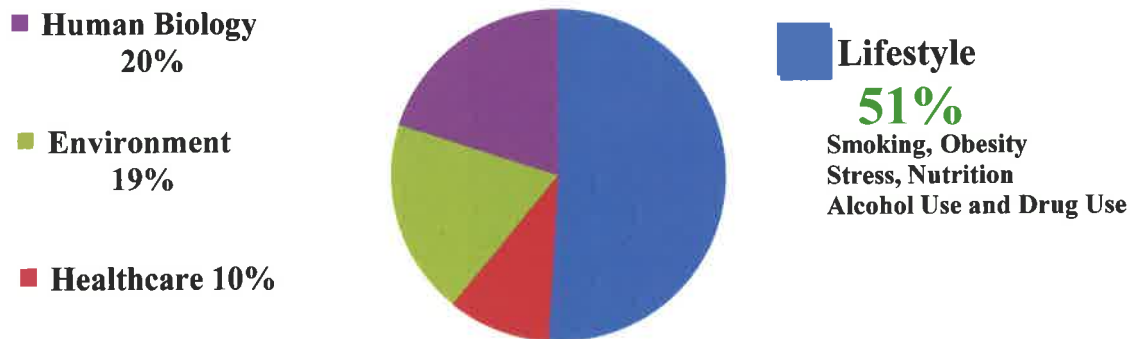
1. Pass 1 mile walk test *or participate:* in a fitness program.
2. Normal weight (BMI) *or participate:* in a weight-loss program.
3. Non-smoker *or participate:* in a smoking cessation program
4. Attend health education programs.

Partnership Goals

- **EMPOWER EMPLOYEES** to partner with their employers and insurance companies to create tax free financially incentivized 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 by using data that shows a correlation between lifestyles and health care costs.
- **EMPOWER POLITICAL LEADERS** to improve the health and financial well-being of their constituents while increasing jobs and state/federal revenue.
- **EMPOWER UNITED STATES SENATORS & REPRESENTATIVES** to obtain grant money for wellness research to improve the effectiveness of workplace wellness programs.

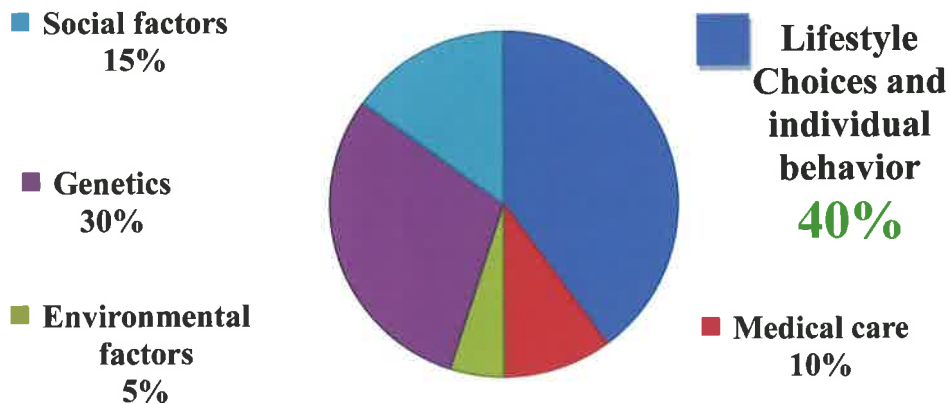
Lifestyles Drive Healthcare Costs

Factors Influencing Health Status



McGinnis, JM, Foege WH, "Actual Causes of Deaths in the U.S.", JAMA, Vol.270, No 18, 2207-2212

Factors affecting health



Samaritan Health Services Heart to Heart Publications

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.**

Healthcare dollars should be redirected towards disease prevention.

Health and Wellness Facts

Research Report:

1. Physically active men and women may be 40 to 50 percent less likely to develop **colon cancer** than sedentary people. Active women may be 30 to 40 percent less likely to develop **breast cancer**.

Eugenia Calle and Carmen Rodriguez, "Overweight, obesity, and mortality from cancer in a prospectively studied cohort of U.S. adults," New England Journal of Medicine, v. 348, April, 2003, pp. 1625-38.

2. Cardiovascular exercise is especially effective in whittling your middle. Research shows that among men with the same height and weight, the more fit men have less abdominal fat, the type linked with disease risk.¹

Workout Payoff:

1. Exercisers have about a **30 percent lower risk** of developing **high blood pressure** than couch potatoes.¹

2. Exercise lowers your risk of coronary heart disease, America's top killer, by as much as 50 percent. Sedentary folks have the same heart-disease risk as smokers.¹

3. Staying fit can reduce your chances of developing Type 2 diabetes by up to 50 percent.¹

4. A single bout of aerobic exercise lasting 25 to 60 minutes increases positive mood feelings.¹

1 - Schollosberg, S. (2012). The ultimate workout log. (4th ed.). Boston, New York: Houghton Mifflin Harcourt.

Money Changes Behavior

- 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 fact that the United States spends twice as much per person as most European countries on health care can be substantially explained, as a study released last month says, **by our being fatter.**”

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>

2 - Mauldin, J. (2012, Dec 15). *Sorting out the decade*. <http://www.financialsense.com/contributors/john-mauldin/sorting-out-the-decade>

3 - Phend, C. (2008, Dec 09). *Financial 'carrot' keeps weight loss going short term*. <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/>

5 - The Oregonian. (2009, September 19). *Eating our way to illness*. http://www.oregonlive.com/opinion/index.ssf/2009/09/eating_our_way_to_illness.html

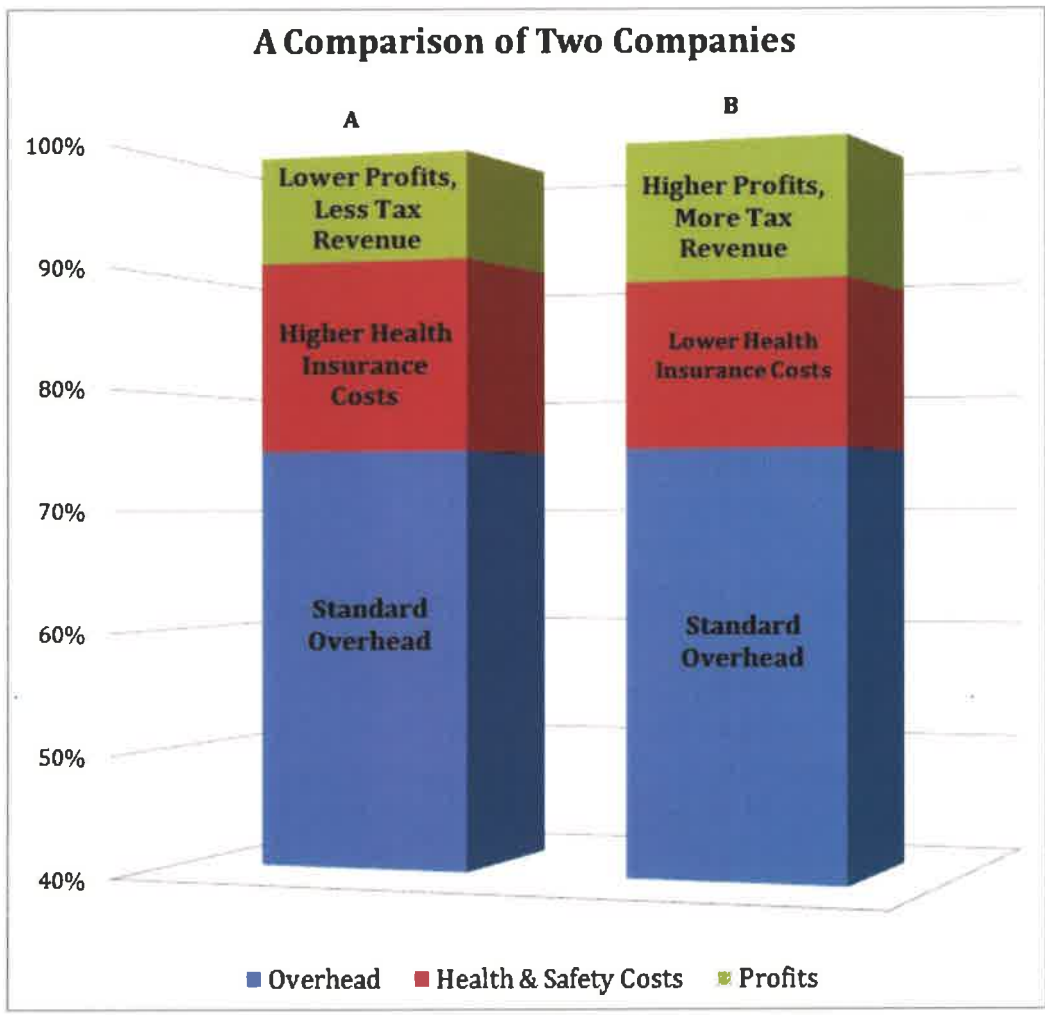


Oregon Health Dividend

John D. Lees, MD
Nadine M. Wood, MS

Business Increases Profits

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 diet rich in omega 3 and are nonsmokers. Graphs include claims, costs and revenue differentials.



LC420 Increases State and Federal Tax Revenue

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. Glogau, CPA

Summary:

Physicians and other 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 employers, employees, insurance companies, and political leaders to create voluntary wellness programs. Oregon, with its health conscious population and enlightened political leadership, stands as the natural national leader for affordable change.

Oregon Health Dividend

John D. Lees, MD
Nadine M. Wood, MS



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

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.

Tax free dividend received by employee (reduces taxable income for employees)	per employee
	<u>\$ 300</u>
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

Former Republican State Senator Supports HB 2390

From: Frank Morse
To: Jack Lees

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

Former Democratic State Senator Supports HB 2390

From: Mae Yih
To: John Lees MD

Dr. Lees,

I want to offer my congratulations for your vision, commitment of time and energy and success in the encouragement of healthy life style, containment of health care cost and increase productivity. I remember your contacting me in 1984, thirty years ago in encouraging health insurance companies to offer non-smoker discounts. The then Insurance Commissioner Josephine Driscoll was most receptive to your idea. Not only did she get the Oregon insurance companies to start offering non-smoker discounts, she also got the other states to take steps in similar direction during her National Association of Insurance Commissioners' meetings.

Regarding HB 4072, you asked for suggestions on how to make a positive impact on Rep. Olson's colleagues (not constituents) in helping to get this passed. Enclosed are my suggestions which have also been forwarded to Rep. Olson.

All best wishes for success and warm regards to you and Linda,

Mae

(Mae Yih, Former State Senator)

Insurance Commissioner Correspondence

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

Oregon Department of Consumer & Business Services, Insurance Division