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# MEMORANDUM

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**To:** Human Services Subcommittee of the Joint Committee on Ways and Means

**From:** Linda Ames, Legislative Fiscal Office  
503-986-1816

**Date:** March 4, 2015

**Subject:** HB 2395-A  
Work Session Recommendation

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HB 2395 extends the hospital assessment from September 30, 2015 to September 30, 2019. The moneys related to one percentage point of the hospital assessment will be split, with one-half distributed to hospitals based on their achievement of performance metrics and the other half distributed to coordinated care organizations (CCOs) based on recommendations from the metrics and scoring committee. The bill also repeals the sunset of statutes related to mandatory reimbursement rates by CCOs to non-contracting hospitals.

The measure previously had hearings in the House Committee on Health Care on 2/25/2015.

The measure, the original staff measure summary, and fiscal impact statement are available on the Oregon Legislative Information System (OLIS).

The fiscal impact of the bill for the 2015-17 biennium is \$3.3 billion total funds. This includes \$880 million of hospital assessments and \$2.4 billion of federal matching revenues. The revenues from the assessment are primarily used to fund the Oregon Health Plan, and to repay the hospitals as a group for the initial assessment they paid. The fiscal has been included in the Governor's budget for the Oregon Health Authority.

The measure is recommended to be moved to the Full Committee on Joint Ways and Means.

**Motion: I move HB 2395-A to the Joint Committee on Ways and Means with a "do pass" recommendation.**

**Assignment of Carriers**

Full: \_\_\_\_\_

Senate: \_\_\_\_\_

House: \_\_\_\_\_

**FISCAL IMPACT OF PROPOSED LEGISLATION**

**Measure: HB 2395 - A**

Seventy-Eighth Oregon Legislative Assembly – 2015 Regular Session  
Legislative Fiscal Office

*Only Impacts on Original or Engrossed  
Versions are Considered Official*

Prepared by: Kim To  
Reviewed by: Linda Ames  
Date: 2/26/2015

**Measure Description:**

Extends hospital assessment from September 30, 2015, to September 30, 2019.

**Government Unit(s) Affected:**

Oregon Health Authority (OHA)

**Summary of Expenditure Impact:**

	<b>2015-17 Biennium</b>	<b>2017-19 Biennium</b>
Other Funds - Special Payments	\$880,000,000	\$1,060,000,000
Federal Funds - Special Payments	2,412,000,000	2,906,000,000
<b>Total Funds</b>	<b>\$3,292,000,000</b>	<b>\$3,966,000,000</b>

**Summary of Revenue Impact:**

	<b>2015-17 Biennium</b>	<b>2017-19 Biennium<sup>2</sup></b>
Hospital Assessment	\$880,000,000	\$1,060,000,000
Federal Match <sup>1</sup>	2,412,000,000	2,906,000,000
<b>Total Funds</b>	<b>\$3,292,000,000</b>	<b>\$3,966,000,000</b>

<sup>1</sup> Estimates of Federal Match are based on forecasted mix of Oregon Health Plan (OHP) and Children’s Health Insurance Program (CHIP) clients.

<sup>2</sup> 2017-19 amounts are rough projections.

**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:**

House Bill 2395:

1. Extends hospital assessment for four more years from September 30, 2015 to September 30, 2019;
2. Extends the repeal of these assessment statutes from January 2, 2017 to January 2, 2024;
3. Extends the date for any moneys remaining in the Hospital Quality Assurance Fund to be transferred to the General Fund from December 31, 2019 to December 31, 2023;
4. Requires the Oregon Health Authority (OHA) to reapply for any necessary federal approvals from the Centers for Medicare and Medicaid Services;
5. Directs OHA to inform Legislative Counsel upon receipt of federal approval or disapproval; and
6. Repeals the sunset date of statutes related to mandatory reimbursement rates by CCOs to non-contracting hospitals.

The bill contains an emergency clause, and takes effect on passage.

The Oregon Health Authority estimates the extension of the hospital assessment will generate \$880 million in Other Funds revenue and \$2,412 million in federal matching funds, totaling \$3,745 million Total Fund impact for 2015-17 biennium; and \$1,060 million in Other Funds revenue and \$2,906 million in

federal matching funds, totaling \$3,966 million Total Fund for the 2017-19 biennium. A portion of the revenues will be used to fund the Oregon Health Plan. Moneys from an amount equal to the federal financial participation received from one percentage point of the hospital assessment will be split, with one-half used for a hospital performance program based on achievement of the performance standards recommended by the hospital performance metrics advisory committee. The other half will be annually distributed to coordinated care organizations (CCOs), based on recommendations made by the metrics and scoring committee.

This bill is anticipated in the Oregon Health Authority Governor's Budget.

**Seventy-Eighth Oregon Legislative Assembly - 2015 Regular Session**  
**STAFF MEASURE SUMMARY**  
**House Committee On Health Care**

**MEASURE: HB 2395 A**

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**Fiscal:** Fiscal impact issued  
**Revenue:** Revenue impact issued

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**Action Date:** 02/25/15  
**Action:** Do Pass As Amended, Be Printed Engrossed, Rescind Subsequent Referral To Revenue, And Be Referred To Ways And Means.  
**Meeting Dates:** 02/25  
**Vote:**  
Yeas: 8 - Buehler, Greenlick, Hayden, Kennemer, Keny-Guyer, Lively, Nosse, Weidner  
Exc: 1 - Clem  
**Prepared By:** Sandy Thiele-Cirka, Committee Administrator

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**WHAT THE MEASURE DOES:**

Extends hospital assessment from September 30, 2015 to September 30, 2019. Extends the repeal of the assessment statutes to January 2, 2024. Specifies that half of the moneys collected are distributed to hospitals based on their achievement of performance metrics and the other half is distributed to coordinated care organizations based on recommendations of the Oregon Health Authority (OHA) metrics and scoring committee. Directs OHA Director to reapply to the federal Centers for Medicare and Medicaid Services for any approval needed to continue federal financial participation and to notify Legislative Counsel upon receipt of federal approval or disapproval. Declares emergency, effective on passage.

**ISSUES DISCUSSED:**

- Need to maintain current revenue structure
- Public-private process and funding relationship
- Need for stable financing model
- Maintain momentum for the healthcare transformation initiatives
- Proposed amendment

**EFFECT OF COMMITTEE AMENDMENT:**

Extends the hospital assessment to September 30, 2019. Extends the repeal of the assessment statutes to January 2, 2024. Specifies that half of the moneys collected are distributed to hospitals based on their achievement of performance metrics and the other half is distributed to coordinated care organizations based on recommendations of the Oregon Health Authority (OHA) metrics and scoring committee. Directs OHA Director to reapply to the federal Centers for Medicare and Medicaid Services for any approval needed to continue federal financial participation and to notify Legislative Counsel upon receipt of federal approval or disapproval.

**BACKGROUND:**

In 2003, the Legislative Assembly created the hospital assessment as a revenue source to fund the Oregon Health Plan (OHP). The statutory authority for this assessment is set to expire in 2015. House Bill 2395-A extends the hospital assessment to 2019. Proponents assert that the assessment is an essential part of the Governor's budget, and will help ensure funding for the OHP's continued transformation.