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Salem Area Chamber of Commerce
1110 Commercial Street NE
Salem, Oregon 97301
503-581-1466; Fax 503-581-0972
Salemchamber.org

April 8, 2015

From: Salem Area Chamber of Commerce
To: Chair Dembrow and Members of the Senate Committee on Workforce
Re: SB 845 relating to penalties for employers not providing health care coverage

We want to thank the Senate Committee on Workforce for allowing us the opportunity to provide written testimony for the record.

Senate Bill 845 has our attention given the nature of what is proposed in the way of penalties for employers with 50 or more employees when they do not provide health care coverage to their staff. The cost of that penalty (90% of what an individual would pay at the 'silver level') to employers seems incredibly high. Our understanding is that the rate of reimbursement provided by the state to medical providers for Oregonians under the Oregon Health Plan is no more than 40% of billable costs. In addition, other employees deemed as covered under this plan fall into the Medicaid population as part of the Affordable Care Act provisions. The state currently pays nothing for this population base.

So the real question is why should employers pay 90% of the cost of silver level plans if the rate of reimbursement for other defined groups (Medicaid & Oregon Health Plan) is so much lower?

If employers paid a 90% penalty based on this formula it seems as though the state would realize a new revenue stream disconnected from the actual costs of coverage.

For us it helps to use an example of how this would seem to work in practice. Worker A does not receive health benefits from their employer and works for a company that currently employs 50 or more employees. The employer therefore pays a 90% penalty to the state for the current cost of an individual 'silver plan' health care package.

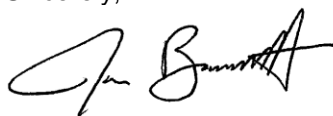
Worker A qualifies for the Oregon Health Plan or for Medicaid and signs up accordingly. Worker A uses their health coverage to receive health care from a provider which is ultimately reimbursed at a level of 40% or less either by the state and/or federal government.

The state therefore generates 'a profit' in essence that is received and could be used for state programs or services that have no connection to the imposed penalty on employers.

Talking through this systematically has helped us realize we have significant concern with the ability for employers in certain industries to pay for health care costs or for an inflated health care penalty imposed by the state.

Thank you for listening to our concerns and please feel free to reach out to us at anytime with questions.

Sincerely,



Chief Executive Officer
Salem Area Chamber of Commerce
Cell Phone: 503-302-5060