

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:

Establishes the Health System Fund and the Oregon Reinsurance Program.

Government Unit(s) Affected:

Oregon Health Authority (OHA), Department of Consumer and Business Services (DCBS), Department of Justice (DOJ), Employment Department

Summary of Revenue Impact:

| | 2017-19 Biennium | 2019-21 Biennium |
|---|------------------------|------------------------|
| Revenue Transfers to Health System Fund | | |
| 1 Transfer from Health Insurance Exchange Fund | 7,000,000 | 0 |
| 2 Transfer from Oregon Medical Insurance Pool Account | 50,000,000 | 0 |
| Total Revenue Transfers to Health System Fund | \$57,000,000 | \$0 |
| Assessments Paid to DCBS - Health System Fund | | |
| 3 Insurers Assessment | 78,002,219 | 116,667,780 |
| 4 PEBB Assessment | 12,000,000 | 4,000,000 |
| Total Assessments Paid to DCBS Health System Fund | \$90,002,219 | \$120,667,780 |
| 6 CCOs Assessment Paid to OHA - Health System Fund | \$104,000,000 | \$77,000,000 |
| 7 Hospital Transformation Performance Pool | \$68,000,000 | \$68,000,000 |
| 8 Hospital Assessments / OHSU | \$354,000,000 | \$322,000,000 |
| Total Other Funds | \$673,002,219 | \$587,667,780 |
| Federal Match | | |
| 3,4 Insurers and PEBB Assessment from DCBS | 381,000,000 | 127,000,000 |
| 5 CCOs Assessment | 312,000,000 | 104,000,000 |
| 6 Hospital Transformation Performance Pool | 111,000,000 | 111,000,000 |
| 7 Hospital Assessment / OHSU | 1,062,000,000 | 966,000,000 |
| Total Federal Funds | \$1,866,000,000 | \$1,308,000,000 |
| * Reinsurance Program Carry Forward | (\$19,848,166) | \$19,848,168 |
| TOTAL REVENUE | \$2,519,154,053 | \$1,915,515,948 |

Summary of Expenditure Impact:

| | 2017-19 Biennium | 2019-21 Biennium |
|-----------------------------------|------------------------|------------------------|
| OHA | | |
| Other Funds - Special Payments | 653,000,000 | 467,000,000 |
| Federal Funds - Special Payments | 1,866,000,000 | 1,308,000,000 |
| Total Funds | \$2,519,000,000 | \$1,775,000,000 |
| DCBS | | |
| Other Funds - Personal Services | 154,053 | 110,288 |
| Other Funds - Reinsurance Program | 0 | 140,405,658 |
| Total Funds | \$154,053 | \$140,515,946 |
| Positions | 1 | 1 |
| FTE | 0.88 | 0.63 |
| TOTAL EXPENDITURE | \$2,519,154,053 | \$1,915,515,946 |

Analysis:

House Bill 2391 modifies statutes relating to hospital assessment, including extending hospital assessment for two more years from September 30, 2019 to September 30, 2021. In addition, the bill establishes the Oregon Reinsurance Program within the Department of Consumer and Business Services (DCBS). The effective date of the Oregon Reinsurance Program is the later of the date of approval by the United States Department of Health and Human Services or January 1, 2018. The bill repeals the Oregon Reinsurance Program on January 2, 2024. The bill takes take effect on the 91st day after sine die.

Department of Consumer and Business Services (DCBS)

Revenue Impact

| | 2017-19 Biennium | 2019-21 Biennium |
|--|---------------------|----------------------|
| Revenue Transfers to Health System Fund | | |
| ¹ Transfer from Health Insurance Exchange Fund | 7,000,000 | 0 |
| ² Transfer from Oregon Medical Insurance Pool Account | 50,000,000 | 0 |
| Total Revenue Transfers - Other Funds | \$57,000,000 | \$0 |
| Assessments Paid to DCBS - Health System Fund | | |
| ³ Insurers Assessment | 78,002,219 | 116,667,780 |
| ⁴ PEBB Assessment | 12,000,000 | 4,000,000 |
| Total Assessments Paid to DCBS - Other Funds | \$90,002,219 | \$120,667,780 |
| ⁵ Transfer to OHA | (\$127,000,000) | 0 |
| * Reinsurance Program Carry Forward | (\$19,848,166) | \$19,848,166 |
| TOTAL REVENUE | \$154,053 | \$140,515,946 |

The bill establishes the Health System Fund, continuously appropriating amounts in this Fund to DCBS to administer the Oregon Reinsurance Program (ORP) and to transfer funds to the Oregon Health Authority (OHA) to provide medical assistance and other health services, as well as to refund coordinated care organizations. Revenue projection amounts in the table above reflect:

- ¹ The transfer of any remaining unexpended balance of the Health Insurance Exchange Fund to the Health System Fund. This amount is estimated at \$7 million Other Funds for the 2017-19 biennium.
- ² The transfer of any remaining unexpended balance of the Oregon Medical Insurance Pool Account to the Health System Fund. This amount is estimated to be \$50 million Other Funds for the 2017-19 biennium.
- ³ The bill requires insurers to pay to DCBS into the Health System Fund, no later than 45 days following the end of a calendar quarter, an assessment at the rate of 1.5% of the gross amount of premium equivalents earned by the insurer during the calendar quarter from health plans insuring Oregon residents or delivered/issued for delivery in Oregon. This requirement applies to premiums earned by an insurer for a period of eight calendar quarters beginning on or after January 1, 2018. This amount is projected at \$78,002,219 Other Funds for the 2017-19 biennium.
- ⁴ The bill requires the Public Employees' Benefit Board (PEBB) to pay to DCBS into the Health System Fund, no later than 45 days following the end of a calendar quarter, an assessment at the rate of 1.5% of the gross amount of premium equivalents received during the calendar quarter. This requirement applies to premiums earned by an insurer for a period of eight calendar quarters beginning on or after January 1, 2018. This amount is projected at \$12 million Other Funds for the 2017-19 biennium.
- ⁵ * Payments to OHA are expected to commence early in 2018. DCBS estimates payments to OHA to be approximately \$127 million during the 2017-2019 biennium with the first quarterly payment occurring in the first quarter of 2018. This amount includes all anticipated revenue deposited into the Health System Fund less \$20,002,219 which consists of \$154,053 for Reinsurance Program administrative

expenses plus \$19,848,166 to cover 2019-21 reinsurance payments in anticipation of a temporary cash flow issue resulting from the timing of the receipt of assessment revenue.

For the 2019-2021 biennium, the assessment from insurers and PEBB is estimated to be \$120,667,780. DCBS will submit an application for a 1332 waiver with the Department of Health and Human Services. If the waiver is approved, additional federal funds would be available to DCBS to supplement the Reinsurance Program and to transfer to the Oregon Health Authority.

Expenditure Impact

| | 2017-19 Biennium | 2019-21 Biennium |
|---|------------------|----------------------|
| A Personal Services | 154,053 | 110,288 |
| B Special Payments - Reinsurance Payments | 0 | 140,405,658 |
| Total Other Funds | \$154,053 | \$140,515,946 |
| Positions | 1 | 1 |
| FTE | 0.88 | 0.63 |

^A With assessment payments, insurers and PEBB must include reporting. DCBS is required to receive these quarterly reports and assessment payments from PEBB and insurers no later than 45 days following the end of the calendar quarter beginning in 2018. DCBS must analyze and review each report for accuracy. If DCBS determines a discrepancy exists between the assessment owed and the assessment paid, DCBS must confirm the correct assessment amount and either credit or charge PEBB or the insurer the difference. DCBS anticipates using existing actuarial staff to conduct the required analysis of the quarterly reports submitted to DCBS to determine if assessment payments are correct. With passage of this bill, DCBS anticipates establishing one limited duration Operation and Policy Analyst 3 position with a phase-in date of October 1, 2017 and phase-out September 30, 2020 to assist existing staff with the rulemaking process to implement the reinsurance program, as well as with the 1332 waiver submission process, coordinate the reinsurance payment process, and answer questions regarding implementation and management of the program. Personal Services expense for this position is estimated at \$154,053 for the 2017-19 biennium, and \$110,288 for the 2019-21 biennium.

Services and Supplies expenses not included in the fiscal impact are potential Department of Justice (DOJ), Office of Administrative Hearings (OAH), and information technology costs. Because the bill allows both PEBB and insurers to appeal the decision should DCBS determine the assessment amount to be incorrect, increased DOJ and OAH costs are likely; DCBS anticipates using existing staff and resources to absorb this work and associated costs. Should an electronic reporting system be required, there exists database and software code from a previous tax system within DCBS. The Department estimates approximately 80-100 hours to reactivate the system. If additional requirements require system enhancements, an additional 200-300 hours of programming would be required. This workload would be conducted using existing staff and responsibilities would be prioritized in order to absorb the additional workload.

^B Reinsurance payments are expected to commence in 2019 for the 2018 insurance plan year. Reinsurance payments issued to insurers will be treated as Special Payments and will be issued to qualifying insurers once in July 2019 and again in July 2020. DCBS estimates reinsurance payments for 2019 to be approximately \$90 million and approximately \$50.4 million in 2020.

Oregon Health Authority (OHA)

Revenue Impact

| | 2017-19 Biennium | 2019-21 Biennium |
|--|------------------------|------------------------|
| 5 Revenue Transfer from DCBS to OHA | \$127,000,000 | \$0 |
| 6 CCOs Assessment | \$104,000,000 | \$77,000,000 |
| 7 Hospital Transformation Performance Pool | \$68,000,000 | \$68,000,000 |
| 8 Hospital Assessments / OHSU | \$354,000,000 | \$322,000,000 |
| Total Other Funds | \$653,000,000 | \$467,000,000 |
| Federal Match | | |
| 3,4 Insurers and PEBB Assessment from DCBS | 381,000,000 | 127,000,000 |
| 6 CCOs Assessment | 312,000,000 | 104,000,000 |
| 7 Hospital Transformation Performance Pool | 111,000,000 | 111,000,000 |
| 8 Hospital Assessment / OHSU | 1,062,000,000 | 966,000,000 |
| Total Federal Funds | \$1,866,000,000 | \$1,308,000,000 |
| TOTAL REVENUE | \$2,519,000,000 | \$1,775,000,000 |

Passage of this bill is projected to increase revenue received by OHA by an estimated \$653 million Other Funds in the 2017-2019 biennium, and the projected federal match is estimated to be \$1,886 million equaling \$2,519 million Total Funds. These amounts include:

- 5* Payments from DCBS to OHA are expected to commence early in 2018. DCBS estimates payments to OHA to be approximately \$127 million during the 2017-2019 biennium with the first quarterly payment occurring in the first quarter of 2018. This amount includes all anticipated revenue deposited into the Health System Fund less \$20,002,219 which consists of \$154,053 for Reinsurance Program administrative expenses plus \$19,848,166 to cover 2019-21 reinsurance payments in anticipation of a temporary cash flow issue resulting from the timing of the receipt of assessment revenue.
- 6 The bill requires coordinated care organizations (CCOs) to pay to OHA into the Health System Fund, no later than 45 days following the end of a calendar quarter, an assessment at the rate of 1.5% of the gross amount of total payments made to the CCO by OHA for providing medical assistance health services during that calendar quarter. This requirement applies to payments made from January 1, 2018 through December 31, 2019. This amount is projected at \$104 million Other Funds for the 2017-19 biennium.
- 7 The bill authorizes OHA to repurpose moneys currently dedicated to the Hospital Transformation Performance Pool to provide medical assistance and other health services. This amount is projected at \$68 million Other Funds for the 2017-19 biennium.
- 8 The bill extends hospital assessments for two more years from September 30, 2019 to September 30, 2021, and extends the repeal of these assessment statutes from January 2, 2024 to January 2, 2026. The bill changes the definition of hospital to exclude hospitals that provide only psychiatric care, hospital providing care to children at no charge, and public hospitals other than hospitals created by health districts; and to include small and remote/rural hospitals that has 50 or fewer beds and is more than 30 miles from another acute inpatient care facility (Type A and B hospitals). The bill establishes an additional 0.7% assessment on net revenues of hospitals, excluding Type A and B hospitals (effective October 1, 2017 to December 31, 2019). The bill allows OHA Director to impose a lower rate on Type A & B hospitals, depending on their financial condition. The assessment on Type A & B hospitals is dependent on approval from the Centers for Medicare and Medicaid Services (CMS). The bill limits the assessment rate to 5.3%, excluding the 0.7% assessment described above, and extends

the final calendar assessment quarter to September 30, 2021 (final collection by December 15, 2021). These provisions are estimated to result in approximately \$354 million in Other Funds revenue.

Expenditure Impact - OHA:

| | 2017-19 Biennium | 2019-21 Biennium |
|--|------------------------|------------------------|
| ^c Payments to CCOs, Type A&B Hospitals, DRG Hospitals, OHSU | | |
| Other Funds - Special Payments | 59,000,000 | 53,000,000 |
| Federal Funds - Special Payments | 176,000,000 | 161,000,000 |
| Total Increased Premiums | \$235,000,000 | \$214,000,000 |
| ^d Oregon Health Plan | | |
| Other Funds - Special Payments | 594,000,000 | 414,000,000 |
| Federal Funds - Special Payments | 1,690,000,000 | 1,147,000,000 |
| Total Oregon Health Plan | \$2,284,000,000 | \$1,561,000,000 |
| Total Funds | \$2,519,000,000 | \$1,775,000,000 |

^c Of the gross revenue received by OHA, \$59 million Other Funds and \$176 million Federal Funds, equaling \$235 million Total Funds, will fund disbursements to managed care organizations, qualified directed payments to Type A & B hospitals, enhanced payments to DRG hospitals, and payments to Oregon Health and Science University (OHSU). The bill requires OHA to ensure that OHSU receives net reimbursement of at least 84% but no more than 100% of the university's costs of providing services that are paid for, in whole or in part, with Medicaid funds.

^d \$594 million Other Funds and \$1,690 million Federal Funds, equaling \$2,284 million Total Funds, will be used to fund the Oregon Health Plan during the 2017-19 biennium.

Department of Justice (DOJ), Employment Department

Passage of this bill is anticipated to have minimal impact on the Department of Justice and the Employment Department. The bill allows both PEBB and insurers to appeal the decision should DCBS determine the assessment amount to be incorrect. This fiscal assumes that the Department of Justice and the Employment Department will use existing staff and resources to handle any increase in appeals cases and administrative hearings.

This bill is anticipated in the DCBS and OHA agency budgets.