

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 2010 - 3

80th Oregon Legislative Assembly – 2019 Regular Session
Legislative Fiscal Office*Only Impacts on Original or Engrossed
Versions are Considered Official*Prepared by: Kim To
Reviewed by: Tom MacDonald, Michelle Deister, Matt Stayner, Gregory Jolivet
Date: 2/11/2019**Measure Description:**

Extends Oregon Reinsurance Program and authorizes Department of Consumer and Business Services to request extension of waiver for state innovation.

Government Unit(s) Affected:

Department of Consumer and Business Services (DCBS), Oregon Judicial Department (OJD), Employment Department (OED), Oregon Health Authority (OHA)

Summary of Fiscal Impact:

Costs related to the measure may require budgetary action - See analysis.

Summary of Expenditure Impact:

	2019-21 Biennium	2021-23 Biennium
Department of Business and Consumer Services (DCBS)		
Other Funds		
Personal Services	200,113	200,113
Services and Supplies	13,449	19,774
Contractual Services	120,000	120,000
Special Payments - Reinsurance Program	0	149,600,000
Total Other Funds	\$333,562	\$149,939,887
Federal Funds		
Special Payments Reinsurance Program	0	60,000,000
Total Federal Funds	\$0	\$60,000,000
TOTAL FUNDS - DCBS	\$333,562	\$209,939,887
Positions	1	1
FTE	1.00	0.00

	2019-21 Biennium	2021-23 Biennium
Oregon Health Authority (OHA)		
Special Payments - Other Funds	343,210,000	1,668,782,045
Special Payments - Federal Funds	137,000,000	184,000,000
TOTAL FUNDS - OHA	\$480,210,000	\$1,852,782,045

Summary of Revenue Impact:

	2019-21 Biennium	2021-23 Biennium
Department of Consumer and Business Services (DCBS)		
Other Funds	152,490,000	325,188,703
Other Funds - Transfer to OHA	(144,000,000)	(153,550,000)
Federal Funds	0	60,000,000
TOTAL REVENUE - DCBS	\$8,490,000	\$231,638,703

	2019-21 Biennium	2021-23 Biennium
Oregon Health Authority (OHA)		
Commercial Insurers and PEBB - Transfer from DCBS	144,000,000	153,550,000
CCO/MCO Assessment	182,000,000	254,000,000
Diagnostic Related Group Hospitals	0	1,072,232,045
Rural A&B Hospitals	0	160,000,000
Total Other Funds	\$326,000,000	\$1,639,782,045
Federal Match		
Total Federal Funds	\$137,000,000	\$184,000,000
TOTAL REVENUE - OHA	\$463,000,000	\$1,823,782,045

Analysis:

HB 2010 extends the sunset on the Oregon Reinsurance Program (ORP) administered by the Department of Consumer and Business Services (DCBS) from January 2, 2024 to January 2, 2028; increases the assessment paid by commercial insurers, the Oregon Public Employees' Benefits Board (PEBB), and coordinated care organizations (CCO) from 1.5% to 2% for the period from January 1, 2020 to December 31, 2026; expands the 2% assessment on premiums to include stop-loss insurance; specifies that the 2% assessment paid by PEBB shall be excluded in determining the 3.4% annual increase in per-member expenditures for health services; and extends the sunset on hospital assessments from September 30, 2021 to September 30, 2025.

The -3 amendment requires that the Oregon Health and Science University (OHSU) receives a net reimbursement of at least 87% of the university's costs. The -3 amendment does not change the original fiscal determination because the original fiscal calculations assume a net reimburse of 87% based on the most recent cost reports shared by OHSU with the Oregon Health Authority.

Department of Consumer and Business Services (DCBS)

DCBS estimates the fiscal impact of this measure to be \$333,562 Other Funds, one position, and 1.00 FTE for the 2019-21 biennium. This amount reflects:

- Personal services and related services and supplies for a Policy Analyst 3 position to assist existing staff with administering the reinsurance program, including submission of the state innovation waiver and coordinating the reinsurance payment process.
- Professional services costs to contract for supplementary actuarial analysis.

The bill directs DCBS to apply for renewal of the state innovation waiver. DCBS projects the federal waiver to be \$30,000,000 for each year the reinsurance program is fully funded.

Oregon Health Authority (OHA)

HB 2010 increases the assessment paid to DCBS by commercial insurers and PEBB from 1.5% to 2% and expands the 2% assessment to stop-loss insurance. The bill also increases the managed care assessment paid to OHA by CCOs from 1.5% to 2%. The bill authorizes the 2% assessment on these plans for the period of January 1, 2020 to December 31, 2026.

The assessments paid to DCBS by commercial insurers and PEBB are deposited into the Health System Fund. The estimated assessment revenue collected by DCBS in the 2019-21 biennium totals \$152,490,000, which includes approximately \$131,310,000 from commercial insurers, \$17,210,000 from PEBB, and \$3,970,000 from stop-loss insurance plans. Of the total amount, DCBS will retain \$8,490,000 Other Funds to administer the Oregon Reinsurance Program and transfer \$144,000,000 Other Funds to OHA. This amount, along with an estimated \$182,000,000 paid by CCOs to OHA from the 2% managed care assessment, total \$326,000,000 Other Funds. OHA will use approximately \$45,000,000 of this amount as the state's share to cover the costs of the assessment on

CCOs. The remaining \$281,000,000 would be available for the Oregon Health Plan. For the 2021-23 biennium, DCBS will retain \$171,638,703 Other Funds to administer the Oregon Reinsurance Program and transfer \$153,550,000 Other Funds to OHA. This amount, along with an estimated \$254,000,000 paid directly to OHA from the assessment on CCOs, total \$407,550,000 Other Funds. OHA will use approximately \$70,000,000 of this amount as the state's share to cover the costs of the assessment on CCOs. The remaining \$337,550,000 would be available for the Oregon Health Plan.

In addition, the bill modifies the sunset date for hospital assessments by extending the assessments paid by Diagnostic Related Group (DRG) and rural type A/B hospitals from September 30, 2021 to September 30, 2025. For DRG hospitals, the agency will continue to be able to collect up to 6% under the fully reimbursable hospital assessment structure, which is not expected to result in a fiscal impact for 2019-21. For the 21 months of the 2021-23 biennium after the September 30, 2021 sunset date, OHA anticipates approximately \$1,072,232,045 in DRG hospital assessment revenue. Current law authorizes OHA to collect a lower assessment paid by rural type A/B hospitals. OHA anticipates approximately \$160,000,000 in revenue for the 21 months of the 2021-23 biennium based on the extension of the sunset.

Oregon Judicial Department (OJD), Oregon Employment Department,
HB 2010 is anticipated to have minimal impact on OJD and OED. The measure authorizes DCBS to impose a civil penalty against insurers who fail to timely file a verified form or pay a required assessment. This fiscal assumes that OJD and OED will use existing staff and resources to handle any increase in appeals cases and administrative hearings.

The fiscal impact of this bill is anticipated in both the DCBS and OHA agency budgets.