

HB 2010:

Please oppose a Medicaid Tax Plan that includes individuals, small groups and our school districts and adopt the -3 Amendment.

Why are we moving this bill this early with almost no discussion?

The -3 amendment seeks to protect working class Oregonians who have been shouldering the burden of these insurance taxes since 2018.

The legislature doesn't consider this to be a tax needing a 3/5 vote because we gave the insurance companies the right to pass the taxes onto the people buying insurance. The end user has no legal recourse when these taxes are passed onto them.

Who does the -3 amendment cover? Those in the individual and small group markets, and school districts in the large group market.

School districts right now are making the decision to cut teachers all over the state. Renewing a tax that has compounded year over year on our school districts is wrong.

So why are we moving this bill without further study?

We've learned from our good folks in Legislative Fiscal that the line item of impact on OEBC is not complete because they were not given the data to give us a complete view of this cost item to our schools. Why would we move a bill where the fiscal impact on schools is not known?

What we do know from looking at past fiscals when the fiscal was just for an assessment on PEBB, and from the large group line trends of data given to us by Leg Fiscal, is that there is no possible way the assessment on the lives in OEBC is accounted for properly, and we estimate it's millions more in costs for schools. In 2019, the line item assessment to PEBB for the full biennium following passage of the tax to 2% was \$29M. The cost of insurance has risen, and the lives in PEBB have increased since then. But the estimate with OEBC now included is only \$43M for the full next biennium after this bill passes? That's impossible - the math doesn't math.

But setting aside the issues with schools, let's talk about how the math is working for working class Oregonians.

In the individual market, the cost of this bill for every man, woman and child works out to be **a \$335 per person biennial tax** that the insurance companies can shift to the consumer. These are the people who have no employer covering their healthcare. And this \$335 per person tax will increase in every subsequent year with each rate increase DCBS increases for insurance companies. **In 2032 dollars this tax at the next sunset, if insurance companies keep getting a historical average increase on rates of even 7% per year will be a tax passed to working Oregonians of about \$575 per biennium** for every man woman and child in the individual market.

But the real thing you have to understand is that this compounding tax has been in place since 2018. And the effect it's had on the individual market is that roughly 63,000 less Oregonians are buying their own insurance from the exchange. In fact, in 2017, where we had nearly 97% of insurance coverage for Oregonians, that has fallen to about 94%. We're going backwards here, not forwards, and the cost of insurance continues to rise for consumers.

The -3 Amendment puts about \$53M in biennial back in the pockets of working Oregonians who buy their insurance on the individual market.

The same story is unfolding in the small group market. There, the -3 Amendment would direct \$50M in biennial savings back to small mom and pop business owners who are in the small group market, trying to provide a good life for their employees. But, once again, we've seen a drop in participation since compounding sales taxes on insurance have been allowed to be passed to the consumer. Since 2017, the small group market has lost 25,000 lives. This also makes those insurance risk pools smaller, so it drives costs into the system that drive the premium tax costs - it's a doom loop death spiral for the small group market if we can't control costs.

The large group market line trend is flat. That tells me that school districts are likely still in the large group market because there wasn't an earth-shattering shift of lives out of the large group market since 2017. That also means school district budgets are being eroded by compounding sales taxes on insurance, and this bill without a carveout for schools in this amendment will continue to pull money out of our classrooms.

But where the biggest shift has occurred is in ERISA plans. As a cost shifting measure, since 2017, ERISA plans have grown by roughly 250K lives. In 2017, this legislature allowed ERISA plans to escape participation in this tax. It saved the largest corporations over \$2 billion dollars in averted health care costs. So think about that for a minute - we've asked the smallest mom and pop businesses to shoulder this cost, we've asked working Oregonians to shoulder this cost, but the largest corporations in Oregon have no cost share of our Medicaid.

In fact, by carving them out of this bill again, the legislature is forgoing over \$2.5 billion dollars in today's dollars between now and the next sunset of these compounding health care taxes in what it could tax ERISA plans. Or, if we weren't moving this bill today, we could have an honest conversation about how to bring the rates down for everyone by including the nearly 1.1 million lives covered by ERISA plans. And we believe it's legal to include them. The 6th Circuit Court of Appeals concluded that as an assessment for Medicaid, ERISA plans were not exempt and the legislature wasn't preempting federal law. That's not binding on Oregon, but it is strongly persuasive.

But there are also about 15 other provider types we don't do closed loop assessments on like the hospital tax. And we are going to need to consider using those provider assessments because this state since 2017 has also grown our Medicaid population by nearly a half million Oregonians. It's not sustainable, and neither is HB 2010 when it includes individuals, small group market buyers and our schools.

If we don't move this bill today, I'm committed to working this until the end of the session so that we have a balanced way to fund Medicaid. Lastly, I want to remind people, that this body in 2018 told voters that these taxes would be TEMPORARY. Not only are they no longer temporary, we've increased them, we're now contemplating kicking out the sunset nearly a decade, and we're allowing a compounding sales tax to push people out of the health care market. We are going in the wrong and we can do something about it now, in this session. As drafted, HB 2010 could cost people their insurance, and it will cost people their lives.

The loss of purchasers in the individual market and small group market since 2017 also represents over a billion dollars of premiums that people are no longer paying cash money for. We're jumping over a billion dollars to pick up about \$100M in tax money. We have time to get this right this time. I'm ready to work this through to the end of the session to get these taxes right, ensure our Medicaid plans are working, and that we keep Oregonians covered with lower cost, quality health plans.

Sincerely,

Sen. Cedric Hayden