
Oregon Health Plan Financing and Provider Taxes

February 7, 2019

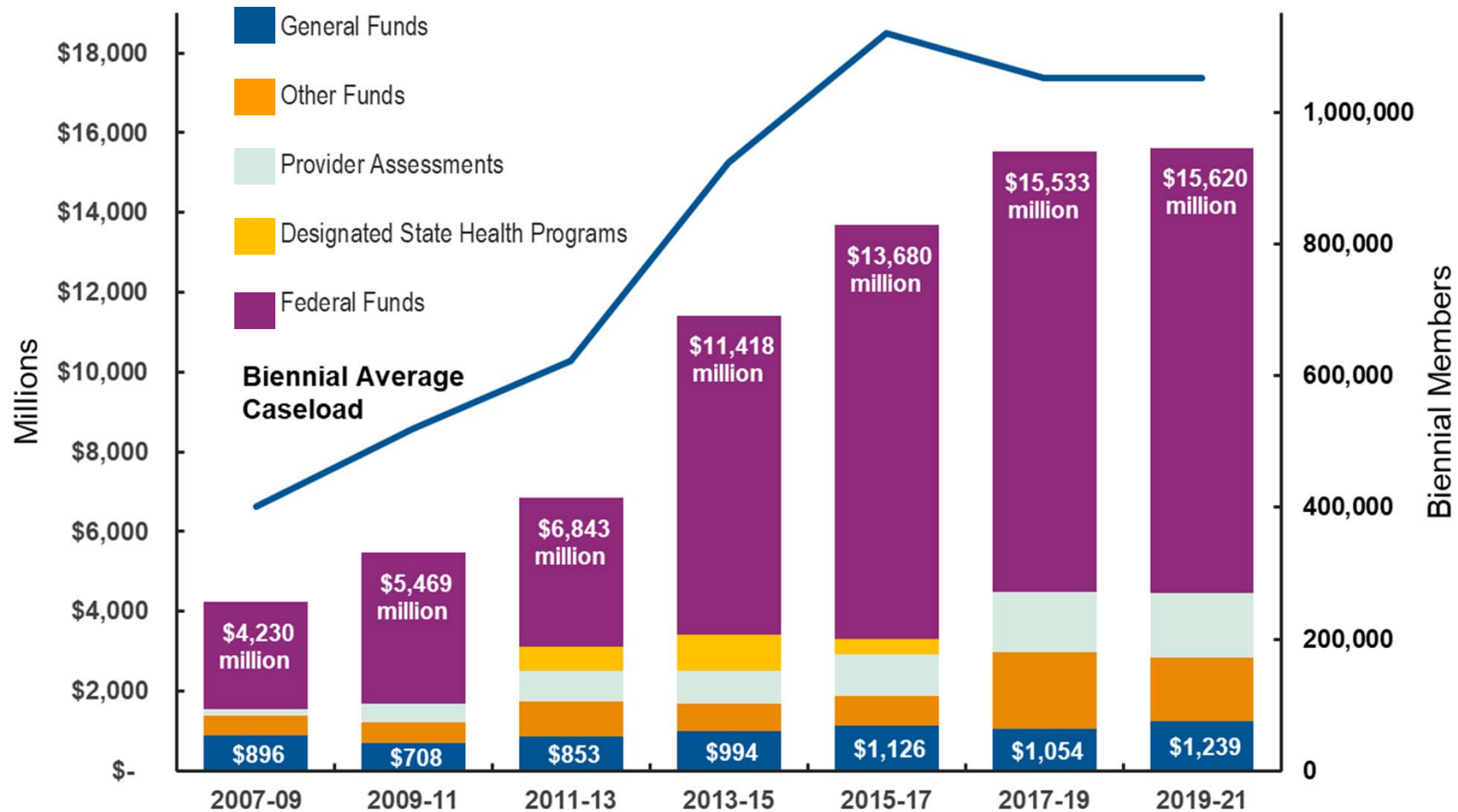
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What we will cover:

- Oregon Health Plan budget and budget drivers
- Provider tax overview and requirements
- Overview of current provider taxes
- 19-21 Governor's Budget package new revenues

Medicaid Historical Funding Sources



¹Includes program and administrative costs

²Provider assessments includes hospital and insurer tax revenues

OHP Budget Drivers & Risks

Caseloads

- Caseloads are a major cost driver for OHA and are sensitive to economic factors.

Expenditures

- CCO capitation rates
 - Rising pharmacy costs
 - Substance Abuse treatment utilization has increased
 - Increases in rural hospital costs
- Fee-For-Service inflation

Revenues

- Tobacco Tax revenues – history of ups and downs in forecasts
- General Fund revenue
- Federal match rates
 - Economic growth can result in decreased match rates
 - Scheduled decrease in ACA expansion program

Policy

- Uncertainty at the federal level

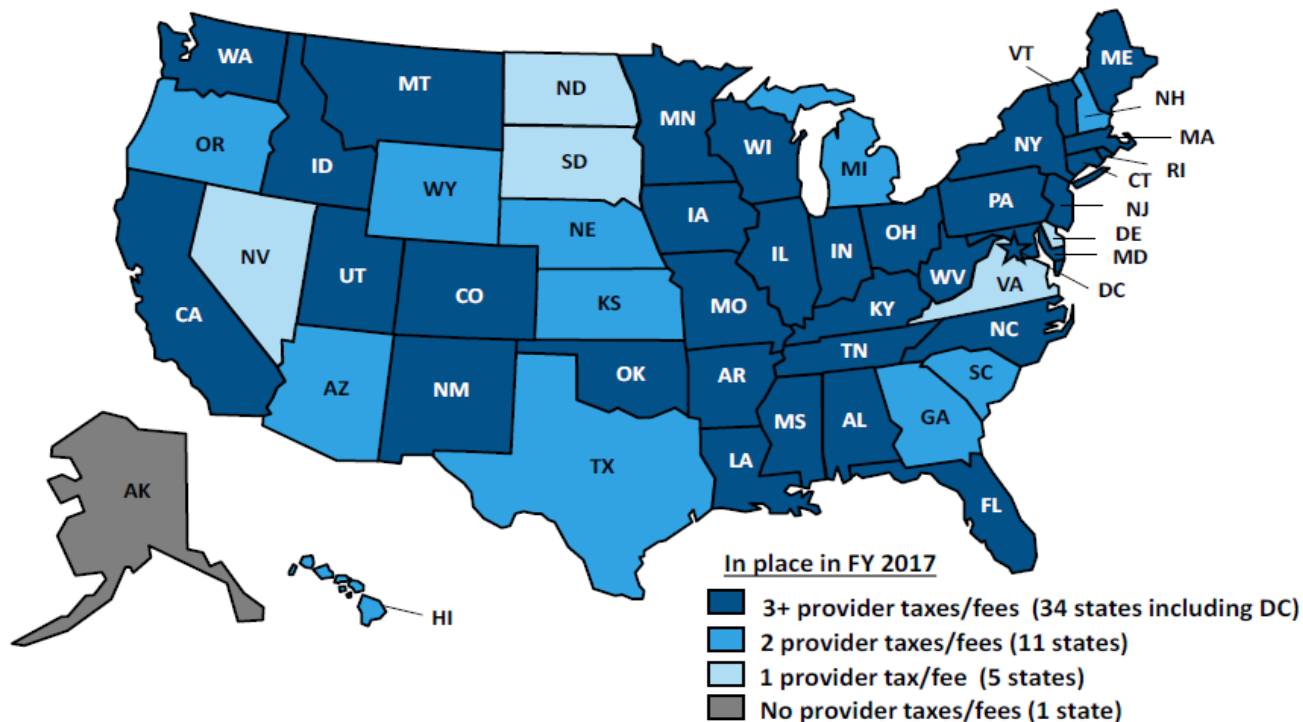
What's a provider tax?

A tax on health care providers used to cover the state's share of the Medicaid program, allowing the state to obtain federal matching funds.

49 states use provider taxes

Figure 9

States with Provider Taxes or Fees in Place in FY 2017



NOTES: Includes Medicaid provider taxes as reported by states. States may have other taxes on health insurance premiums or health insurance claims that are not reflected here.

SOURCE: KFF survey of Medicaid officials in 50 states and DC conducted by HMA, October 2017.



Federal Rules for Provider Taxes

Provider taxes can take many forms such as assessments, fees, or taxes.

In order to receive federal match, a provider tax must be:

1. Broad-based: Tax must be imposed on all providers within a class of services.
2. Uniform: Tax must be imposed on all providers within a class of services at the same rate.
3. Not hold harmless: The state cannot *directly or indirectly guarantee* the tax-paying entities will have the tax repaid through increased Medicaid payments.

Direct: Cannot promise to make individual tax payer whole for cost of tax through increased reimbursement.

Indirect: Safe harbor if the rate on net patient review of a tax (or combination of taxes if more than one) is not more than 6% of net patient revenue.

Oregon currently has four provider taxes:

- ✓ Hospital Assessments provide funding for OHP and other hospital initiatives
 - Diagnostic Related Group (DRG) hospitals
 - Average biennial tax of 5.9% on net patient revenue
 - Rural Type A and Type B hospitals
 - Average biennial tax of 4.5% on net patient revenue
- ✓ Insurers Assessment provides funding for OHP and commercial reinsurance pool
- ✓ Long Term Care Facility Tax offsets DHS General Fund expenditures for Nursing Facility services

History of provider taxes*

2003	Hospital program first created, used to replace general fund	Rate capped at 3%
2007	Hospital program extended for two years but limited to funding hospital services only	Rate capped at 1.5%
2009	<ul style="list-style-type: none"> - Hospital program extended for four years to expand coverage to adults on OHP (“Standard” program) - Insurer tax enacted for four years to expand coverage to children up to 300% FPL 	Rate capped at 5.5% then 6.0% Actual Average Rate: 3.12% Rate set at 1%
2011	Hospital program rate increased to buy back hospital rate cuts	
2013	<ul style="list-style-type: none"> - Extended for two years; created Hospital Transformation Performance Program - Insurer tax expired and replaced instead with assessment to fund reinsurance program (2014-2016) 	Rate capped at 6.0% Actual Average Rate: 4.81%
2015	Hospital program extended for four years; HTPP funding split with CCOs	Rate capped at 6.0% Actual Average Rate: 5.55%
2017	<ul style="list-style-type: none"> - DRG regular hospital tax extended to 2021; true tax of 0.7% to 2019; New hospital tax on rural hospitals - Insurer tax re-enacted for two years. 	DRG hosp. rate: 5.3% +0.7% Rural hosp. rate: 4.0% Insurer tax rate: 1.5%

*Excluding long term care nursing home tax

Oregon Hospital Assessment Program

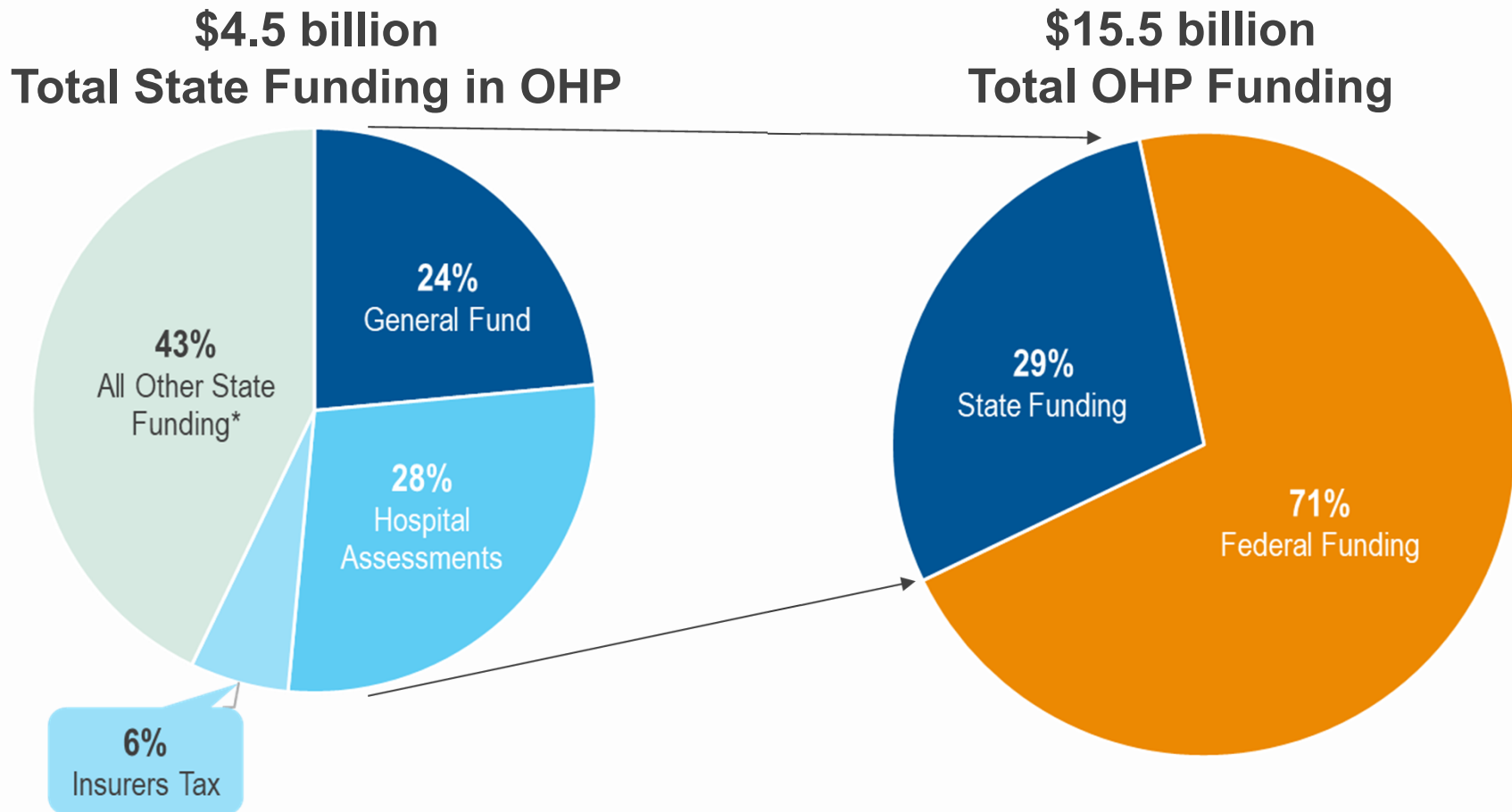
Hospital tax program was originally created in 2003 to generate revenue to expand coverage and increase hospital reimbursement levels.

The hospital tax program was modified in the 2017 legislative session to include rural type A/B hospitals and exclude Oregon Health & Sciences University.

The program is currently used to fund:

- Oregon Health Plan, offsetting General Fund need
- Enhanced Hospital Payments and Rates
- Rural Hospital Quality & Access Pool
- Disproportionate Share Hospital Program (DSH)

Hospital Assessment funding is 28% of state funding for Oregon Health Plan in 2017-19



*All Other State Funding includes OHSU Transfer, Tobacco Tax, Drug Rebates, Tobacco Master Settlement Agreement and Leverage/Limitation funding

Revenue from provider taxes

Provider Tax	2017-19 Revenue Est.	Statutory Sunset	Provider Tax	2019-21 Revenue Est.
5.3% DRG Hospital Tax	\$962 million	Sept. 30, 2021		
0.7% DRG Hospital Tax (true tax)	\$111 million	June 30, 2019	6.0% DRG Hospital Tax	\$1,112 million
4.0% Rural A/B Hospital Tax	\$123 million	Sept. 30, 2021	4.0% Rural A/B Hospital Tax	\$155 million
1.5% Insurance Premium Tax	\$254 million	Dec. 31, 2019	2.0% Insurance Premium Tax	\$320 million
Long-Term Care Facility Tax	\$125 million	June 30, 2026	Long-Term Care Facility Tax	\$136 million
Total Est. Revenue	\$1,575 million			\$1,723 million

2019-21 Governor's Budget Includes

(in millions)

Additional General Funds	\$ 125
Hospital Tax (Add'l DRG .7 % as an assessment)	\$ 98
Insurers Tax @ 2%	\$ 320
Tobacco Tax increase	\$ 95
Subsidized Employer Assessment	\$ 120
Total	\$ 758