

July 20, 2022

Oregon State Legislature
Joint Task Force on Universal Health Care
900 Court St. NE
Salem, OR 97301

Chair Goldberg, and members of the Joint Task Force:

Thank you for the opportunity to respond to the current draft plan of the Joint Task Force on Universal Health Care. Our organizations provide coverage to more than one million Oregonians across the state^[1] and have decades of experience in administering health benefit plans. We employ thousands of Oregonians, are actively involved in our communities, and have partnered with policymakers over the years to increase access to health care for all Oregonians. Our expertise gives us a unique lens on the single payer proposal your Task Force is considering. We are writing to express concern with both the approach the Task Force chose in interpreting its charge under Senate Bill 770, as well as concerns with the underlying proposal.

In the past three years, since SB 770 was passed, the state has taken several incremental steps to improve Oregon's health care system, and our organizations have all been actively engaged in these collaborative efforts at the state and federal level. Together, we have worked on policies and practices that have resulted in a decline in Oregon's uninsured rate even while there have been unprecedented challenges. Since this law was enacted, the entire health care system has been rocked by COVID-19 and continues to be under enormous pressure. To preserve the gains in coverage we have made, we believe the state's focus now should be to stabilize our system and the health care markets through supportive and predictable policy making – minimizing care disruption and unintended consequences.

We do not believe the proposal is consistent with those goals. It attempts to do too much, ignores significant legal and financial challenges, and has no precedent of success in the United States.

Given the experience of other states, and dynamics specific to Oregon, there is no basis upon which to think such a program would be successful. In a state with a largely unstable tax-base and the inability to run a deficit, a program like single-payer health care is financially irresponsible. We need to continue to work together to lower health care costs for every Oregonian. That means increasing engagement of all stakeholders in finding ways to lower the cost of care and providing Oregon consumers greater choice and control over their coverage that meets their immediate needs. Offering all Oregon citizens a one-size-fits-all government-run insurance system, while doubling their tax payments, is not a realistic solution.

With this understanding we would like to highlight a few assumptions, estimates, and omissions that we find particularly concerning.

Taxes – The Task Force is proposing two taxes that would total \$20+ billion – roughly the same amount as the state's current biennial tax revenue. Expecting that any legislative body or electorate would vote to increase taxes this much is illogical and unsound. In the past few years, Oregon has significantly

^[1] See <https://dfr.oregon.gov/business/reg/reports-data/annual-health-insurance-report/pages/health-ins-enrollment.aspx>

increased state and local taxes making it one of the highest tax states in the country for both individuals and business. This proposal would put Oregon in its own bracket with no other state remotely close.

The Task Force has not conducted any analysis of the impact this new tax would have on Oregon's competitiveness and economy. In early meetings of the Task Force, it was presented that these new taxes would need to be implemented one year before the single payer health care plan could be implemented. If this is still true, Oregonians would have to pay these astronomical taxes while also paying private insurance premiums. The Task Force also heard repeatedly that small businesses would face the highest cost impact from this proposal. Oregon is a small business state - how will the state justify placing the highest cost burden for health care on mom-and-pop shops and entrepreneurs? And finally, the Task Force estimates clearly demonstrate that this plan will ask younger Oregonians to pay more to subsidize older generations, at the same moment that policymakers are acknowledging that young people face the highest cost of living of any generation in American history.

It is our experience that Oregonians want health care access that is affordable, but not a one-size-fits-all plan. This proposal will lead to higher taxes and lower quality of care. Thousands of Oregonians will pay more only to wait longer for worse care. We need to focus more closely on our work with all stakeholders on the Sustainable Health Care Cost Growth Committee to find comprehensive ways that will increase access while lowering overall cost.

Job Losses – The Task Force has made the choice to gloss over the reality that there will be significant job losses should a single payer plan come forward. During the May meeting it was acknowledged that there will be “non-trivial” impact on small businesses in Oregon. It was also briefly acknowledged that the proposal would end all local jobs connected to private health insurance.

These considerations are indeed “non-trivial,” and no proposal should be considered without understanding the impacts. Small businesses are the backbone of local communities, and the opportunity to start a local business often helps lift disadvantaged Oregonians out of poverty. Separately, local jobs tied to the private health insurance industry number in the thousands and should not be ignored. We believe these impacts will lower the state's projected revenue estimates and create a giant hole in Oregon's economy.

Cost Savings – The proposal assumes \$1 billion in savings by assigning a 4% administration fee instead of a more realistic 6% fee. Our organizations have decades of experience administering health insurance and understand that a 4% administrative fee is not realistic. This underestimation is a good example of the theoretical nature of the entire plan.

The Task Force estimates that its single payer proposal will eliminate \$650 million in waste. This is highly speculative and not based on precedent. We operate in a competitive environment and continually look for ways to provide our services more efficiently to remain competitive and keep down costs for Oregonians. We disagree that a single payer system would have more success achieving this goal than the current system. We question whether other assumptions made in the plan to save money are also realistic. For example, it is hard to imagine that all of Oregon's providers are going to willingly accept a cut in pay to work in a state-run system.

Medicare Waiver – The Task Force report discusses how Oregon might obtain a waiver of Medicare requirements to unify the administration of health care benefits across the state. It is ill advised to base a single-payer strategy on an untested legal theory.

Employee Retirement Income Security Act of 1974 (ERISA) – The Task Force assumes that a state-run single payer plan can successfully bypass ERISA, the federal law protecting employer-based benefits that also insulates self-funded health benefit plans from most state-level regulation. We see no viable legal path to support this assumption. If the state attempted to bypass ERISA, we expect the state would face years of legal challenges costing millions of dollars and setting back the implementation timeline.

We recognize that although our current health care system is not perfect, it in many ways works well in a very complex and difficult environment. If we could go back in time and re-design it from scratch, it would likely look much different than it does today, but we can't. Providing every Oregonian with high-quality, culturally competent health care that is accessible, affordable, and efficiently administered is a goal we share. We cannot, however, risk the lives and livelihoods of millions of Oregonians in the hopes of achieving an outcome that has no basis for success and will not serve Oregonians well.

Oregon has been most successful in health care transformation when we have taken incremental steps together. When we have attempted to do too much, relying fully on the state – we have failed and wasted valuable state resources. After three years of discussion and analysis and several million dollars from the legislature, it is time to move on and focus on attainable solutions.

Sincerely,



Regence



KAISER
PERMANENTE®

