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February 15, 2023

To: The Senate Committee on Health Care
From: Anthony K. Smith, National Federation of Independent Business
Re: NFIB Written Testimony in Opposition to SB 704

Chair Patterson, Vice-Chair Hayden, and Members of the Committee:

On behalf of the thousands of Oregon small business members of the National Federation of Independent Business, many being the smallest of small businesses, I would like to express our opposition to SB 704, which would establish a Universal Health Plan Governance Board and direct the board to create a comprehensive plan for implementing a Universal Health Plan beginning in 2027.

In 2019, the Oregon Legislature passed Senate Bill 770, which established a Task Force on Universal Health Care. This Task Force was charged with recommending a universal health care system that is equitable, affordable, and comprehensive, provides high quality health care, is publicly funded, and is available to every individual residing in Oregon. The Task Force submitted its final proposal to the Legislature in late 2022, but did not include a final recommendation for funding the program.

During its work on the proposal, the Task Force considered two new taxes to pay for the program: an employer payroll tax designed to generate \$12.85 billion per year and a personal income tax (in addition to the existing state personal income tax Oregonians already pay) designed to generate \$8.5 billion per year, **for a total of \$21.35 billion in new taxes per year**. This would place an unprecedented tax burden on all employers, including the smallest of small businesses, and increase middle class income tax rates to among the highest in the nation.

To put this in perspective, at the close of the 2021 legislative session, the state's net general fund (personal income taxes, corporate excise taxes, etc.) and lottery resources were estimated to be \$27.73 billion for the entire 2021-23 biennium.

Even if the program successfully operates as intended, **this cost is far too great for Oregon's small businesses and far from equitable** – clearly picking winners and losers, as noted by the aggregate financial impacts and distributional impacts in the Task Force's [presentation on May 19, 2022, by Optumas](#) (bold added by for emphasis):

- *"The divisions between individual impact and employer impact is complicated; increases in employer taxation is likely to put downward pressure on wage growth or*

- increases in the costs of goods and services, indirectly passing the UHC impact onto individuals. These factors are not accounted for in the statistics above.” – Optumas, slide 13, May 19, 2022.*
- *“While there are aggregate savings estimated for both individuals and employers, the aggregate impacts do not reflect the significant distributional impacts from transitioning from a premium-based financing system to tax-based financing system. Even with all statistics moving downward, some individuals and employers will end up paying more.” – Optumas, slide 14, May 19, 2022.*
 - Self-employed Oregonians (~12% of tax filers in Oregon) would experience less benefit/more cost under the program: **“Self-employed individuals would have to pay both employer and individual tax – very likely to exceed existing premium costs.”** – Optumas, slide 15, May 19, 2022.
 - Employers that today offer minimal coverage would experience less benefit/more cost: *“Holding all else constant employers that offered minimal benefits could see increases in costs under a state-wide benefit package.”* – Optumas, slide 16, May 19, 2022.
 - Employers with employees that have younger, healthier employees would experience less benefit/more cost: *“Employers with younger, healthier staff likely paid less in premiums than those with greater disease burden.”* – Optumas, slide 16, May 19, 2022.
 - **Small employers (below 25 employees and not providing insurance coverage) would experience less benefit/more cost:** *“Businesses not previously required to contribute to health care costs required to do so through tax policy.”* – Optumas, slide 16, May 19, 2022.
 - Employers with higher levels of premium contribution would experience less benefit/more cost: *“The more an employer required its employees to contribute to their own health care premiums, the greater they would be impacted under the UHC model.”* – Optumas, slide 16, May 19, 2022.
 - Employers with high employee wages would experience less benefit/more cost: *“The greater the wages, the greater the payroll tax. **Two-fold incentive to put downward pressure on wages.**”* – Optumas, slide 16, May 19, 2022.
 - Implications for Health Plan Employers: *“Plans and businesses that support plans would no longer serve their current roles. **Business closures and layoffs for all employees in this sector would be anticipated.** Some employees could transition to support administration of the single payer health plan.”* – Optumas, slide 16, May 19, 2022.

Case Study Observations from [Optumas presentation](#), May 19, 2022 (again, bold added):

- *“Employers that did not previously provide insurance benefits will under a payroll tax. This adds new costs for small businesses; **small businesses will subsidize large businesses.** • **This could have significant and lasting economic effects.**”* – Optumas, slides 24 & 31, May 19, 2022.
- *“A payroll tax on self-employed individuals is likely to create a cost shift to the self-employed population due to only paying premiums in current state and paying both payroll and income tax in future state; **self-employed individuals subsidize large employers.**”* – Optumas, slide 34, May 19, 2022.

Some additional questions are concerns:

- Small business owners, including all self-employed individuals, would pay both taxes (unless their income is low enough to qualify for Medicaid) while those Oregonians who work for someone else will pay only the new personal income tax. This is not equitable.
- Self-employed individuals on Medicaid will still have to pay the payroll tax. All others on Medicaid would pay nothing. This is not equitable.
- The payroll tax does not align with the Paid Leave Oregon payroll. tax which began January 1, 2023. This new tax does not require employers with fewer than 25 employees to pay into the system. This was heavily negotiated based on small employers' unique challenges and their ability to pay more in taxes. Why the inconsistency?
- If one of the stated goals of the Universal Health Plan is to separate employment from coverage, what is the point of a payroll tax? Why tie the program's funding to employment at all?

A 2023 survey of NFIB's membership in Oregon found that 89.6% of our small business members oppose replacing private insurance plans with a government-run "single-payer" health care system.

The state is as close as it's ever been to achieving universal health coverage for all Oregonians. This committee's efforts would be better directed towards identifying innovative, affordable, and responsible ways to provide coverage options for the relatively small number of Oregonians who are still uninsured, **not moving forward with a Governance Board** whose final product would be irrelevant without a \$20 billion per year tax that will force thousands of small businesses to close or relocate out of state.

NFIB respectfully asks you to vote NO on SB 704.

Thank you for your time and consideration,



Anthony K. Smith
NFIB Oregon State Director

Link to Optumas Presentation on OLIS, May 19,2022:

<https://olis.oregonlegislature.gov/liz/202111/Downloads/CommitteeMeetingDocument/255415>