



Legislative Fiscal Office
83rd Oregon Legislative Assembly
2025 Regular Session

Prepared by: MaryMichelle Sosne
Reviewed by: Matt Stayner, Emily Coates
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Bill Title: Relating to funding to improve access to health care; prescribing an effective date.

Government Unit(s) Affected: Department of Consumer and Business Services, Oregon Health Authority

Summary of Fiscal Impact

Costs related to the measure are anticipated to have a fiscal impact - see analysis.

Measure Description

The measure extends sunsets on health insurance premium assessments, assessments on premium equivalents received by the Public Employees' Benefit Board (PEBB), and payments made to managed care organizations by the Oregon Health Authority (OHA). The measure also extends the sunset of the enhanced cost recovery rate for certain services provided by Oregon Health and Science University.

Fiscal Analysis

Change in revenue due to the extension of the insurers assessments.

The Department of Consumer and Business Services (DCBS) collects assessments on commercial health insurance premiums and premium equivalents of PEBB. Under current law, the collection of these assessments is set to sunset December 31, 2026. However, the measure extends the sunset to December 31, 2032, resulting in an estimated increase of \$86.2 million in assessment revenue for the 2025-27 biennium. This amount represents two quarters (or six months) of additional revenue, of which \$41 million is transferred to the Oregon Health Authority to support the Oregon Health Plan (OHP). The remaining balance is retained by the agency for program expenditures.

In the 2027-29 biennium, DCBS anticipates collecting \$374.1 million Other Funds from these assessments. Additionally, the agency anticipates receiving \$87.4 million Federal Funds through Section 1332 waivers. These waivers are approved for periods up to five years, with the current waiver authorized through 2027.

Collections by OHA of assessments on payments to managed care organizations in excess of amounts currently included in the current service level budget of the agency due to the extension are anticipated to be \$124.3 million for the 2025-27 biennium. This amount represents two quarters (or six months) of additional revenue due to the extension.

Change in revenue due to the extension of the Hospital assessments.

The sunset on hospital assessments is extended by the measure from September 30, 2025, to December 31, 2032. This change results in the application of assessments for six additional quarters in the 2023-25 biennium resulting in an additional \$2 billion in anticipated revenues. These revenue projections include amounts that are resultant from the application of a change in assessment methodology that has been reported by OHA as a best practice by the Centers for Medicare and Medicaid Services (CMS) but will require explicit CMS approval. OHA intends to seek this approval following the adoption of the measure and extension of the assessment sunset. The \$2 billion includes \$1.7 billion in assessments from diagnostic related group (DRG) hospitals and \$312.1 million from Type A and Type B rural hospitals. In the 2027-29 biennium, hospital assessment revenues are

projected to be \$2.5 billion reflecting a full 24 months of assessment collection.

Fiscal impact to DCBS

The fiscal impact on DCBS is minimal in the 2025-27 biennium. Since the agency issues reinsurance payments in November of each year, the extension of the program will not require additional expenditure limitation.

The fiscal impact on DCBS is indeterminate for the 2027-29 biennium. The total amount of reinsurance payments and the amount transferred to OHA is currently unknown as further analysis is needed to determine the appropriate claim amount to be paid to insurers to maintain a net 6% reduction in individual market premiums and, the agency will need to seek approval for a federal fund waiver extension.

Fiscal impact to OHA

Of the additional revenues in the 2025-27 biennium anticipated to be received by OHA due to the extension of the insurer assessment in excess of the current service level budget for the agency, \$40.3 million, or roughly 29.5%, will be used to match federal Medicaid assistance funds of \$87.6 million. These funds will be used to make directed payments to managed care organizations that, in the aggregate, are equal to the assessments paid by those organizations. The remaining \$109.3 million will be used to support the Oregon Health Plan and is assumed to supplant currently budgeted General Fund expenditures for the program.

Of the additional revenues in the 2025-27 biennium anticipated to be received by OHA due to the extension of the Hospital assessments in excess of the current service level budget for the agency, \$583.3 million, or roughly 28.3%, will be used to match federal Medicaid assistance funds of \$1.5 billion to be used to make directed payments to managed care organizations that, in the aggregate, are equal to the assessments paid by those organizations. \$19.1 million in new revenues will be used as the state match for an additional \$52.1 million in federal revenues to support the Disproportionate Share Hospital program. Another \$73.7 million of the new revenues will be used to match federal Medicaid funds of \$188.8 million for enhanced provider rates. The remaining \$1.386 billion will be used to support the Oregon Health Plan and is assumed to supplant currently budgeted General Fund expenditures for the program.

Although total revenues for the 2027-29 biennium have been estimated, the actuarial estimates of the total amount of insurer assessment revenues needed to be retained by DCBS for the reinsurance program have not been completed and therefore the impact to 2027-29 expenditures has yet to be determined.

Relevant Dates

Extends sunset for OHSU reimbursements from July 1, 2025, to July 1, 2032.

Extends hospital assessments from September 30, 2025, to December 31, 2032.

Extends sunset from December 31, 2026, to December 31, 2032, for:

- Assessments on premium equivalents received by PEBB.
- Assessments on health insurance premiums.
- Payments made to managed care organizations.

Repeals the Oregon Reinsurance Program and provisions related to governance, hospital assessments, health insurance assessments and the Health System Fund on January 2, 2038.

Amendments to statute by sections 4 and 16-21 become operative January 2, 2038.

The remaining provisions take effect on the 91st day after sine die.