



MEMORANDUM

To: Sen. Mark Meek, Chair, Senate Finance and Revenue Committee
Sen. Mike McLane, Vice-Chair
Members of the Senate Finance and Revenue Committee

From: Bryan Boehringer, Executive Vice President, Oregon Medical Association

Date: February 24, 2025

Re: OMA support for SB 125 – Public Payer exemption for the Corporate Activities Tax

We represent approximately 7000 physicians and physician associates who practice across the state and ask you to support SB 125 to exempt clinics' business receipts associated with Medicaid, Medicare and prescription drug service payments.

As you have heard, including public payers in the Corporate Activities Tax base has the unintended effect of decreasing access to physician services. Public payers like Medicaid and Medicare already reimburse clinics at a lower rate^{1 2} than commercial payers while the costs of delivering care continues to rise.

Additionally, our clinics' suppliers frequently pass their portion of the tax onto our members, forcing those costs onto Oregon's clinics. Finally, our clinics cannot - and would not - pass those taxes on to their patients and must find a way to pay for these increased costs with shrinking healthcare revenue.

This is what you need to know; there is a great deal of instability in our healthcare system today. The pandemic brought into sharper focus a healthcare labor supply that continues to be scarce and expensive. Additionally, worldwide inflation and supply chain issues have contributed to and worsened supply shortages. As a result, healthcare systems continue to accumulate financial losses. The situation for independent clinics is not any better. Clinic staff vacancy rates are near all-time highs. The labor shortage has increased costs and put the existing clinic workforce into a situation where they are

¹ According to the American Medical Association, Medicare reimbursement rates have decreased 33% since 2001 while the cost of medical care has increased by 121%.

² The Kaiser Family Foundation Medicaid-to-Medicare Fee Index measures each state's physician fees relative to Medicare fees in each state. The index for all services in Oregon is .83.

understaffed and overworked – creating burnout at historical levels and threatening patient access across the state³.

All aspects of the healthcare system need assistance and relief to prevent an already fragile system from total collapse. Without any help, clinics will continue to struggle to operate, having to curtail services and operate without needed staff OR if their financial picture becomes too dire, vertically integrate with existing systems or sell to outside interests. I would add that these margins are even tighter in Oregon's rural areas. All of these choices lead to fewer services available to Oregon's patients.

Despite this, our clinics are willing to help pay their portion of the Corporate Activities Tax on their commercial revenues. They are simply looking for some assistance in eliminating the unfair burden of paying the tax on public payers.

Finally, the hallmark of good public policy is continuing to evaluate and re-evaluate the tools of government. Like other improvements and modifications to the Corporate Activities Tax in prior sessions, this proposed change would improve the law and help provide Oregon clinics some financial relief to ensure that Oregonians continue to have broad access to health care services. We encourage you to exempt public payers from clinic's taxable receipts.

The Oregon Medical Association (OMA) is a nonprofit organization that engages in advocacy, policy, and community engagement for over 7,000 physicians, physician associates, and medical and PA students in Oregon. The association serves and supports members in their efforts to practice medicine better, improve the health of Oregonians and provide the best care for their patients. Additional information can be found at www.theOMA.org.

³ The 2022 *Survey of Physician Appointment Wait Times and Medicare and Medicaid Acceptance Rates* conducted by AMN Healthcare and Merritt Hawkins measured the average wait time to see a family medicine physician. The average wait time is 20.6 days, down from 29.3 days in 2017, a decrease of 30%. Average wait times to see a family medicine physician range from a high of 44 days in Portland, Oregon to a low of 8 days in Washington, D.C. At 45.6 days, Portland, Oregon has the highest average new patient physician appointment wait time across all five specialties of the 15 large metro markets surveyed.