

Secretary of State
NOTICE OF PROPOSED RULEMAKING*
A Statement of Need and Fiscal Impact accompanies this form.

Department of Human Services, Division of Medical Assistance Programs **410**
Agency and Division Administrative Rules Chapter Number

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Rules Coordinator Address Telephone

RULE CAPTION

Hospital Provider Tax Rate Decrease

RULEMAKING ACTION

AMEND: OAR 410-050-0861

REPEAL: OAR 410-050-0861 (T)

Stat. Auth.: ORS 413.042

Other Auth.:

Stats. Implemented: OL 2009, Ch. 867 §17, 2007 OL Ch. 780 § 1, and 2003 OL Ch. 736 § 2 & 3

RULE SUMMARY

This proposed hospital provider tax rule decreases the hospital provider tax rate from 5.08% to 4.32% effective January 1, 2012. Upon adoption of this rule, the temporary rule, effective January 1, 2012, will be repealed.

Proposed rules are available on the DHS Website: <http://www.oregon.gov/DHS/admin/dwssrules/index.shtml>.
For hardcopy requests, call: (503) 947-5250.

The agency requests public comment on whether other options should be considered for achieving the rule's substantive goals while reducing the negative economic impact of the rule on business.

February 22, 2012; 5:00pm

Last Day for Public Comment (Last day to submit written comments to the Rules Coordinator)



Signature

Jennifer Bittel, Rules Coordinator

Printed name

1/9/12

Date

*Rulemaking Notices published in the Oregon Bulletin must be submitted by 5:00 pm on the 15th day of the preceding month unless this deadline falls on a weekend or legal holiday, upon which the deadline is 5:00 pm the preceding workday. A public rulemaking hearing may be requested in writing by 10 or more people, or by an association with 10 or more members, within 21 days following the publication of the Rulemaking Notice in the Oregon Bulletin or 28 days from the date Notice was sent to people on the agency mailing list, whichever is later. If sufficient hearing requests are received, notice of the date and time of the rulemaking hearing must be published in the Oregon Bulletin at least 14 days before the hearing.

ARC 923-2005

Secretary of State
STATEMENT OF NEED AND FISCAL IMPACT

A Notice of Proposed Rulemaking Hearing or a Notice of Proposed Rulemaking accompanies this form.

Oregon Health Authority, Division of Medical Assistance Programs

410

Agency and Division

Administrative Rules Chapter Number

In the Matter of:

The proposed amendment of OAR 410-050-0861 and the proposed repeal of OAR 410-050-0861(T).

Rule Caption: (Not more than 15 words that reasonably identify the subject matter of the agency's intended action.)

Hospital Provider Tax Rate Decrease

Statutory Authority: **ORS 413.042**

Other Authority:

Stats. Implemented: **OL 2009, Ch. 867 §17, 2007 OL Ch. 780 § 1, and 2003 OL Ch. 736 § 2 & 3**

Need for the Rule(s):

The hospital provider tax rule, OAR 410-050-0861, was amended by temporary rule to decrease the tax rate from 5.08% to 4.32%, effective January 1, 2012. This permanent filing will replace that temporary rule. This change is needed to comply with HB 2116 (2009) and estimates for hospital service expenditures under the hospital provider tax law for the biennium. HB 2116 § 19 restricted the use of hospital provider tax revenues to hospital services expenditures, along with the requirement that these hospital taxes must not supplant, directly or indirectly, other moneys paid for hospital services. The Director of the Oregon Health Authority (Authority) sets the tax rate based on client caseload forecasts and expenditures for hospital services for the biennium. The current projections indicate that a tax rate decrease to 4.32%, effective January 1, 2012, would be the best estimate of the rate needed to generate the revenue budgeted for hospital services paid under the hospital provider tax for the biennium.

Documents Relied Upon, and where they are available:

SB 5529 (2009), Oregon Laws 2009, Chapter 867; Oregon Laws 2007 Chapter 780 and Oregon Laws 2003 Chapter 736; caseload estimates and forecasts; and equilibrium model calculations. Please contact Roger Staples (roger.staples@state.or.us) for copies of these documents.

Fiscal and Economic Impact:

There are no additional costs of compliance to hospital providers resulting from the proposed decrease in the hospital provider tax. Hospital providers that are subject to the tax will continue to report and pay quarterly taxes with annual reconciliation. The hospital provider tax decrease has no impact on managed care organizations or individual health care providers. Managed care organizations and individual health care providers are not subject to the hospital provider tax. The hospital provider tax decrease is neutral for the Authority. The rate decrease does not negatively impact cash flow or the use of general funds. The rate decrease does not result in a reduction in the number of Oregon Health Plan (OHP) clients served by the Authority.

Statement of Cost of Compliance:

1. Impact on state agencies, units of local government and the public (ORS 183.335(2)(b)(E)):

There is no fiscal impact on other state agencies or local governments. Hospital districts operate small hospitals but those hospitals are excluded from the hospital provider tax. The impact of the hospital provider tax decrease on Authority clients and the public is neutral. In general, Authority clients are positively impacted because the Authority is able to provide health services through funding the OHP Standard plan with hospital tax revenues. Hospital provider taxes can only be used to fund hospital services in the manner provided by the hospital provider tax rule.

2. Cost of compliance effect on small business (ORS 183.336):

a. Estimate the number of small businesses and types of business and industries with small businesses subject to the rule:
There is no fiscal impact on small businesses. Small businesses, including rural hospitals, are not subject to the tax.

b. Projected reporting, record keeping and other administrative activities required for compliance, including costs of professional services:

The Authority does not anticipate any additional administrative activities required for compliance or costs of professional services. The reporting and record keeping activities currently required will remain unchanged.

c. Equipment, supplies, labor and increased administration required for compliance:

There are no additional costs for equipment, supplies, labor, or increased administration in order to comply with this change.

How were small businesses involved in the development of this rule?

Small hospitals are exempt from paying the hospital provider tax and are not considered small businesses under ORS 183.310 and 183.335.

Administrative Rule Advisory Committee consulted? If not, why?:

Yes. The Director of the Authority discussed the tax rate change with the Oregon Hospital Association, stakeholders, and other affected parties that pay the provider tax. They are involved in tax rate discussions and are consulted as part of the rate setting process.



Signature

Jennifer Bittel, Rules Coordinator

Printed name

1/9/12

Date

**CHAPTER 410
OREGON HEALTH AUTHORITY,
DIVISION OF MEDICAL ASSISTANCE PROGRAMS**

**DIVISION 50
TAX RULES**

Hospital Tax

410-050-0861

Tax Rate

- (1) The tax rate for the period beginning January 1, 2005 and ending June 30, 2006 is .68 percent.
- (2) The tax rate for the period beginning July 1, 2006 and ending December 31, 2007 is .82 percent.
- (3) The tax rate for the period beginning January 1, 2008 and ending June 30, 2009 is .63 percent.
- (4) The tax rate for the period of January 1, 2008 through June 30, 2009 does not apply to the period beginning July 1, 2009.
- (5) The tax rate for the period beginning July 1, 2009 and ending September 30, 2009 is .15 percent.
- (6) The tax rate for the period beginning October 1, 2009 and ending June 30, 2010 is 2.8 percent.
- (7) The tax rate for the period beginning July 1, 2010 and ending June 30, 2011 is 2.32 percent.
- (8) The tax rate for the period beginning July 1, 2011 and ending September 30, 2011 is 5.25 percent.
- (9) The tax rate for the period beginning October 1, 2011 and ending December 31, 2011 is 5.08 percent.
- (10) The tax rate for the period beginning January 1, 2012 is 4.32 percent.

Stat. Auth.: ORS 413.042

Stats. Implemented: 2009 OL Ch. 867 | 17, 2007 OL Ch. 780 | 1 & 2003 OL Ch. 736 | 2 & 3