



July 30th 2020

To: Chair SOS Clarno and members of the Financial Estimate Committee
Re: Draft Financial Impact Statement for IRR 402 (HB 2270)

Thank you for your work on the draft of the Financial Estimate that will help Oregonians understand the effects of their vote on this measure. Our testimony will be focused on suggestions to give a more complete description of the total fiscal impact of IRR 402, the net increased revenue it will bring in for the Oregon Health Plan and tobacco cessation / prevention services, and the cost savings that will come from reduced smoking.

To that point, we recommend that the Financial Estimate provide:

- **Clear and accessible communication about the increased revenues** from the \$2.00 additional cigarette tax, projected increase from lifting the current cigar tax and creation of a new nicotine vape tax. The net increase in revenue will far outstrip any potential reduction in smoking so revenues will increase, not decrease. Additionally, IRR 402 does not alter where the current \$1.33 tax is allocated. The statement as it is currently written leaves the opposite - and incorrect - impression.
- **Articulation of the increased federal dollars for OHP that IRR 402 would bring and a total funds estimate.** If IRR 402 is approved, 90% of the dollars will go into the Oregon Health Plan, the state's Medicaid program. Under federal law those dollars will be greatly increased by the federal government. For every dollar that comes from IRR 402 for OHP, the federal government will pay \$2.66 for the remainder of the 2019-21 biennium and \$2.72 for 2021-2023, according to the Oregon Health Authority and based on the Federal Medical Assistance Percentage (aka, "Federal Match") that the state will receive on the new dollars. The federal match should be calculated and articulated to show voters the total funds impact of passage of IRR 402.
- **Discussion of probable savings to the state.** Should there be smoking reductions, in addition to a net increase in revenue, there will also be significant

savings for the Oregon Health Plan as fewer people use tobacco. Today the state pays about \$347 million in smoking related health care costs for Medicaid alone and there will be additional savings in PEBB and OEGB.

- **Clarity that under IRR 402, the revenue can only be used by OHA for:**
“purposes of funding the maintenance and expansion of the number of persons eligible for medical assistance (OHP) and funding the maintenance of benefits available under the medical assistance program, including mental health services,” (90% of new revenues), and “Distribution to tribal health providers, Urban Indian Health programs, regional health equity coalitions, culturally specific and community-specific health programs and state and local public health programs that address prevention and cessation of tobacco and nicotine use by youth and adults, tobacco-related health disparities and the prevention and management of chronic disease related to tobacco and nicotine.” (10% of new revenues).
- **Correction of misleading information.** The current structure of the Draft Financial Impact Statement is misleading and fails to emphasize an essential question voters will have: The ballot title clearly states that the new taxes will be dedicated to OHP and tobacco prevention and cessation. Voters will want to know how much that increase will be. While the projected increased revenue to the state of \$111.1 million in 2019-21 and \$331.4 million in 2021-23 is buried in the narrative, there is a table on the page focusing solely on speculative losses with reduced smoking rates. The table has no context and captures the attention of the reader and is misleading and confusing and for that reason we recommend deleting it. Furthermore, the way the current draft describes a reduction in smoking is as a “behavior change”. This phrase has no obvious connection to a reduction in smoking. In actuality the “behavior change” the draft refers to is a reduction in smoking. In the interest of clarity, we urge you to define behavior change in a way that more directly describes what the behavior change is.

Thank you again for your work bringing clarity to the public on this very important measure.

Catie Theisen, Oregon Nurses Association
Jessica Adamson, Providence Health & Services