Health Care Tax Would Hurt Middle Class

By Eric Fruits, Ph.D.

Many Oregonians are now spending as much on health insurance and health care as they are on their mortgage payments. The Oregon legislature recently passed House Bill 2391 (signed by Governor Kate Brown) that will spike these costs even higher.

The law provides $605 million in new funds to the Oregon Health Authority. The money is meant to fill the fiscal hole made by the state’s costly expansion of Medicaid under the Affordable Care Act (ACA). Most of the money will come from taxes on health insurance providers, hospitals, managed care providers, and insurance provided through the Public Employee Benefits Board (PEBB).

Two of Oregon’s largest insurance providers on the ACA exchange have been approved for double-digit premium increases: Kaiser at almost 15 percent and Providence at more than 10 percent. For a 40-year-old with a Silver ACA plan, that amounts to an increased cost of about $500 a year.

The law explicitly allows the new taxes on health insurance providers to be passed on to consumers. With these new taxes, that Silver ACA plan will cost about $625 more in 2019 than in 2018. It’s not just 40-year-olds who will get hit with the insurance tax. Nearly 12,000 college students who buy their own health care as a requirement of attending a public college will pay the tax. Small group employers—such as the local coffee shop, auto repair, or bookstore—will pay the new tax.

Taxes on hospitals will raise the costs of care across the board. Emergency room visits, surgeries, diagnostics, and even childbirth will be hit with this new sales tax on hospital services.

Because of the tax on the PEBB, local governments and school districts will also pay higher prices to insure their employees. These higher costs will lead to further cuts in staffing and services. Oregon’s already crowded classrooms will almost certainly get more crowded as districts struggle to fund the PERS crisis and higher insurance costs.

Medicaid providers are also hit with the tax. Because they do not have the pricing flexibility of other providers, they will have a harder time passing on the higher
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These taxes can be stopped. StopHealthCareTaxes.com is now collecting signatures to put Referendum 301 on the ballot, allowing voters to repeal about $320 million in new taxes on health insurance and health care. It would save the average household more than $200 a year in new taxes. Middle-class families will see even bigger savings. The referendum won’t stop the cost of health care from rising, but it will stop things from getting worse than they already are for Oregon’s middle class.

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