

Ohio Association of Health Underwriters Legislative Update

April 28, 2015

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Ohio House Passes Budget Bill

On April 22, 2015 the Ohio House passed the state biennial budget (H.B. 64) by a vote of 63-36. The bill now goes to the Senate for further consideration. Most of Governor Kasich's tax proposals were removed or significantly altered. A couple of weeks ago, the Ohio Chamber of Commerce and 8 major regional chambers of commerce released a study by EY that raised significant concerns with Kasich's budget tax proposals.

Key findings of the study included:

Increasing the Commercial Activity Tax rate on gross receipts has the potential to magnify economic distortions caused by tax pyramiding. At its current 0.26 percent rate, the distortions are small. However, at an increased rate, the distortions grow and could increase in-state costs for Ohio businesses selling outside the state as compared to businesses located outside the state.

Extending the sales tax to household services moves the sales tax base closer to a true consumption tax, but including business services results in tax pyramiding. An estimated 62% of the sales tax base expansion will be on business-to-business transactions. For companies exporting their products to national or global markets, this tax on business inputs increases in-state costs relative to businesses located outside the state.

The complete exemption of pass-through income for firms with \$2 million or less of receipts would result in high marginal effective tax rates on additional revenue earned by firms just over the size threshold. While the exemption provides a low-tax environment for small businesses, these types of "cliffs" in effective tax rates can cause economic distortions.

Using a receipts test for the pass-through income exemption may result in significantly different effective tax rates for owners of firms that have similar dollar amounts of profits but different amounts of receipts. Firms can generate equal dollar amounts of profits by various combinations of sales volume and profit margin. The current proposal imposes a higher tax on low-margin, high-volume firms relative to high-margin, low-volume firms. The unequal treatment of firms earning the same amount of profit creates horizontal inequity.

Individual income tax rate cuts provide benefits to households at all income levels, while the exemption increase provides benefits to households with under \$80,000 of income. The 23 percent individual income tax rate decrease combined with the expanded exemptions results in an overall 43 percent decrease in tax liability for a household with approximately \$38,000 of adjusted gross income and three exemptions. Income tax reductions provided to households in the first and second quintile of income earners help to offset the regressive effect of sales taxes increases on these households.

Although senior tax credits and deductions for certain types of retiree income are reduced by the plan, retirees still experience an overall reduction in tax due to lower rates. A large portion of the average social security benefit of approximately \$15,600 becomes subject to tax for higher income retiree households, but the incremental tax on this additional income is offset by lower rates.

After the state and local Chambers' (along with other stakeholders) input the following proposed tax increases were removed:

- \$991 million in new cigarette and other tobacco taxes
- \$1.55 billion due to a proposed .50% increase in the state sales tax
- \$928 million in expansion of the state sales tax to several business-to-business related services
- \$691 million in increases to Ohio's Commercial Activity Tax
- \$325 million in increases to the oil and gas severance tax

However, a significant **\$1.2 billion income tax cut** for individuals/families and small businesses and sole proprietors was included in the budget. The income tax cut is a 6.3% across-the board cut which means the top rate is now below 5%. The small business cut includes a permanent 75% tax deduction on the first \$250,000 of income.

Pending Healthcare/Health Insurance related Legislation

House Bills

HB 4 OVERDOSE DRUGS (Sprague & Rezabek) (Introduced 1/28/2015) Regarding authority to furnish or dispense naloxone to a person who may be at risk of an opioid overdose or a person who may be in a position to assist a person who is at risk. The bill passed the Ohio House on March 4, 2015 and received its third hearing in the Senate Health & Human Services Committee on April 22, 2015.

HB 14 POWDERED ALCOHOL (Gerberry & Buchy) (Introduced 1/28/2015) To prohibit the sale of powdered or crystalline alcohol for human consumption. The bill passed the House on February 18, 2015 and has been referred to the Senate Government Accountability & Oversight Committee.

HB 33 MEDICAL CANNABIS (Retherford & Rogers) (Introduced 2/3/2015) To authorize for persons diagnosed with seizure disorders certain uses of cannabidiol and other drugs or substances derived from cannabis. The bill has been referred to the House Health & Aging Committee.

HB 34 HEALTH CARE COMPACT (Retherford & Boose) (Introduced 2/3/2015) To enter into the Health Care Compact. The bill is scheduled for its third hearing in the House State Government Committee on April 29, 2015.

[HB 39](#) **INHALER USE** (Duffey & DeVitis) (Introduced 2/4/2015) To permit schools and camps to procure and use a metered dose inhaler or dry powdered inhaler used to alleviate asthmatic symptoms in accordance with prescribed policies and to exempt them from licensing requirements related to the possession of these inhalers. The bill passed the House on March 18, 2015 and has been referred to the Senate Health & Human Services Committee.

[HB 64](#) **BIENNIAL BUDGET** (Smith, R) (Introduced 2/11/2105) To make operating appropriations for the biennium beginning July 1, 2015, and ending June 30, 2017, and to provide authorization and conditions for the operation of state programs. The passed the Ohio House on April 22, 2015 and now goes to the Senate for further consideration.

[HB 95](#) **DENTAL SERVICES** (DeVitis) (Introduced 3/3/2015) To prohibit a health insurer from establishing a fee schedule for dental providers that are not covered by any contract or participating provider agreement between the health insurer and the dental provider. The bill is scheduled for its third hearing in the House Health & Aging Committee on April 29, 2015.

[HB 96](#) **PRESCRIPTIONS** (Pelanda & Bishoff) (Introduced 3/3/2015) To authorize a person not otherwise authorized to do so to administer certain drugs pursuant to delegation by an advanced practice registered nurse who holds a certificate to prescribe. The bill has received sponsor testimony in the House Health & Aging Committee.

[HB 109](#) **OHIO HEALTH BENEFITS EXCHANGE** (Stinziano & Antonio) (Introduced 3/10/15) To create the Ohio Health Benefits Exchange. The bill received sponsor testimony in the House Insurance Committee on April 28, 2015.

[HB 116](#) **PARTIAL PRESCRIPTION REFILLS** (Brown & Ginter) (Introduced 3/11/2015) To provide for partial drug prescription refills for the purpose of synchronizing multiple prescriptions for one patient. The bill is scheduled for all testimony and a possible vote in the House Health & Aging Committee on April 29, 2015.

[HB 124](#) **STD PRESCRIPTIONS** (Johnson & Huffman) (Introduced 3/18/2015) Regarding the authority to prescribe without examination a drug for a sexual partner of a patient diagnosed with chlamydia, gonorrhea, or trichomoniasis. The bill is scheduled to receive its second hearing in the House Health & Aging Committee on April 29, 2015.

[HB 127](#) **PHARMACY BENEFIT MANAGERS** (Brown & Cera) (Introduced 3/18/2015) To regulate pharmacy benefit managers. The bill has been referred to the House Insurance Committee. However, some of the provisions of the bill have been included in the House-passed version of H.B. 64.

[HB 157](#) **HEALTH INSURANCE** (Butler & Johnson) (Introduced 4/15/2015) To revise the laws governing health insurance coverage, medical malpractice claims, the Medicaid program, health care provider discipline, and required and permitted health care provider disclosures; and to create the Nonstandard Multiple Employer Welfare Arrangement Program and to terminate

that program after five years. The bill received sponsor testimony in the House Insurance Committee on April 28, 2015.

Senate Bills

SB 9 INFANT MORTALITY (Jones & Lehner) (Introduced 2/4/2015) Regarding data collection on state-administered services provided in the home that are aimed at reducing infant mortality and negative birth outcomes or health disparities among women who are pregnant or capable of becoming pregnant and who belong to a racial or ethnic minority and Medicaid coverage of certain services for pregnant women, new mothers, or women who may become pregnant. The bill has been referred to the Senate Medicaid Committee.

SB 10 MEDICAL ASSISTANCE (Burke) (Introduced 2/2/2015) To establish a process for identifying individuals who are medical assistance recipients that may be eligible to receive federal military-related health care benefits. The bill passed the Senate on April 15, 2015.

SB 14 NEWBORN SCREENING (Faber & Lehner) (Introduced 2/4/2015) To require that Krabbe disease be included in the Newborn Screening Program. The bill has been referred to the Senate Health & Human Services Committee.

SB 15 DRUG PRISON (Uecker & Faber) (Introduced 2/4/2015) To require the Department of Rehabilitation and Correction, by December 15, 2015, to study the feasibility of converting an existing facility into a substance abuse recovery prison and to specify that the General Assembly is to consider expanding the pilot program for medication-assisted treatment for drug offenders. The bill has been referred to the Senate Government Oversight & Reform Committee.

SB 17 MEDICAID COVERAGE (Cafaro) (Introduced 2/4/2015) To require the Medicaid program to cover the eligibility expansion group authorized by the Patient Protection and Affordable Care Act and to make an appropriation. The bill has received sponsor testimony in the Senate Medicaid Committee.

SB 31 HEALTH INSURANCE (Tavares) (Introduced 2/9/2015) To prohibit health insurers from denying payment for a service during or after the performance of the service if the insurer provided prior written authorization for the service. The bill has been referred to the Senate Insurance Committee.

SB 32 TELEMEDICINE (Tavares) (Introduced 2/6/2015) Regarding insurance and Medicaid coverage of telemedicine services. The bill has received sponsor testimony in the Senate Medicaid Committee.

SB 33 CULTURAL COMPETENCY (Tavares) (Introduced 2/9/2015) To require certain health care professionals to complete instruction in cultural competency. The bill has received sponsor testimony in the Senate Health & Human Services Committee.

[SB 42](#) **OUTPATIENT TREATMENT** (Beagle) (Introduced 2/10/2015) Regarding minors and outpatient mental health treatment. The bill has received sponsor testimony in the Senate Health & Human Services Committee.

[SB 55](#) **PHYSICIAN ASSISTANTS** (Burke) (Introduced 2/17/2015) To revise the law governing the practice of physician assistants. The bill has received sponsor testimony in the Senate Health & Human Services Committee.

[SB 68](#) **CONTRACEPTION COVERAGE** (Tavares) (Introduced 2/23/2015) To require health insurers to provide coverage for contraceptive drugs and devices approved by the United States Food and Drug Administration and to prohibit employment discrimination under the Ohio Civil Rights Law on the basis of reproductive health decisions made by a person or a person's dependent or on the basis of the employer's personal beliefs about drugs, devices, and services related to reproductive health. The bill has received sponsor testimony in the Senate Insurance Committee.

[SB 98](#) **HEARING AIDS** (Tavares & Thomas) (Introduced 3/3/2015) To require health insurers to offer coverage for hearing aids. The bill has received sponsor testimony in the Senate Insurance Committee.

[SB 101](#) **CONTRACEPTION COVERAGE** (Cafaro) (Introduced 3/3/2015) Regarding coverage for prescription contraceptive drugs and devices, the provision of certain hospital and pregnancy prevention services for victims of sexual assault, and comprehensive sexual health and sexually transmitted infection education in schools. The bill has been referred to the Senate Health & Human Services Committee.

[SB 110](#) **DRUG ADMINISTRATION** (Burke) (Introduced 3/3/2015) To authorize administration of certain drugs pursuant to delegation by an advanced practice registered nurse who holds a certificate to prescribe and to revise the law governing billing for anatomic pathology services performed on dermatology specimens. The bill passed out of the Senate Health & Human Services Committee on April 22, 2015.

[SB 129](#) **PRIOR AUTHORIZATIONS** (Gardner & Cafaro) (Introduced 3/16/2015) To amend the law related to the prior authorization requirements of insurers. The bill has received sponsor testimony in the Senate Insurance Committee.

[SB 132](#) **HEALTH BENEFIT EXCHANGE** (Skindell & Tavares) (Introduced 3/17/2015) To establish the Ohio Health Benefit Exchange Program consisting of an exchange for individual coverage and a Small Business Health Options Program. The bill has been referred to the Senate and Insurance Committees.

[SB 135](#) **PRESCRIPTION DRUGS** (Cafaro & Jones) (Introduced 3/25/2015) To limit the out-of-pocket cost to an individual covered by a health plan for drugs used to treat rare diseases. The bill received sponsor testimony in the Senate Insurance Committee on April 21, 2015.

[SB 137](#) **UNIVERSAL HEALTH CARE** (Skindell & Tavares) (Introduced 4/6/2015) To establish and operate the Ohio Health Care Plan to provide universal health care coverage to all Ohio residents. The bill has been referred to the Senate Insurance Committee.

[SB 141](#) **PHARMACIST AGREEMENTS** (Burke & Manning) (Introduced 4/14/2015) To revise the laws governing pharmacist consult agreements and the laws governing the circumstances under which a pharmacist may dispense or sell a drug without a prescription. The bill has been referred to the Senate Health & Human Services Committee.

Resolutions

[HR 27](#) **CHILDREN'S HEALTH INSURANCE** (Sykes) (Introduced 3/4/2015) To urge the President of the United States to reauthorize the Children's Health Insurance Program. The bill has been referred to House Health & Aging Committee.

[HCR 12](#) **INFANT MORTALITY** (LaTourette & Antonio) (Introduced 4/14/2015) To declare Ohio's rate of infant mortality a public health crisis and urge comprehensive preterm birth risk screening for all pregnant women in Ohio. The bill is scheduled for all testimony and a possible vote in the House Health & Aging Committee on April 29, 2015.

[SCR 2](#) **DIABETES RESEARCH** (Balderson & Gentile) (Introduced 4/14/2015) To urge the United States Congress to increase federal funding for research and development involving advanced medical technology used in the treatment of type 1 diabetes. The bill has been referred to the Senate Health & Human Services Committee.