

Ohio Association of Health Underwriters Legislative Update

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Prepared by John T. McGough

House Finance Committee continues hearings on State Budget

During the past few weeks, House Finance Committee subcommittees have been holding hearings on H.B. 64, Governor Kasich's proposed state budget that will fund state government from July 1, 2015 through June 30, 2017. This past week the Ohio Chamber of Commerce and 8 major regional chambers of commerce released a study by EY that raises concerns about Kasich's budget tax proposals which the chambers conclude could stall Ohio's recent economic rebound.

Key findings of the study include:

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.

Below is a summary of the H.B. 64 tax provisions as introduced:

- Total budget (state & federal funds) of \$68.5 billion in Fiscal Year 2016 (a 2% increase over estimated FY 2015 spending) and \$70.2 billion in Fiscal Year 2017 (a 2.5% increase over FY 2016).
- **Tax cuts of \$5.696 billion and tax increases of \$5.173 billion for a net tax cut of \$523 million.**
 - **Tax cuts**
 - \$696 million due to elimination of income taxes for small businesses with annual gross of \$2 million or less.
 - \$4.628 billion due to a 23% cut in personal income taxes
 - \$372 million due to a nearly doubling of the personal income tax exemption for those with incomes of \$80,000 or less.
 - **Tax increases**
 - \$991 million in new cigarette and other tobacco taxes
 - \$1.553 billion due to a .50% increase in the state sales tax
 - \$928 million due to an expansion of the state sales tax to apply to the following services:
 - Lobbying, Market Research/Opinion Polling, Public Relations, Management Consulting, Debt Collection, Cable Subscriptions, Parking and Travel.
 - Increases in the following taxes/reduction in credits:
 - Commercial Activity Tax - \$691 million
 - Oil & Gas Severance Tax - \$325 million
 - Reduction in Used-Car & Watercraft Trade-in Discount - \$216 million
 - Reduction in Sales Tax discount to Vendors – \$62 million
 - Means testing Income tax credits
 - Social Security deduction - \$264 million
 - Retirement income - \$46 million
 - Senior credit - \$8 million
 - Eliminate Deduction for Early Beer/Wine Payment - \$3 million
 - .5% increase on Base Expanders - \$86 million

Healthcare/Health Insurance related Legislation

[**HB 14 POWDERED ALCOHOL**](#) (Gerberry & Buchy) (Introduced 1/28/2015) To prohibit the sale of powdered or crystalline alcohol for human consumption. The bill has been referred to the House 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 Sponsor testimony in the House State Government Committee on March 18, 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 out of the House Health & Aging Committee on March 11, 2015.

[**HB 64 BIENNIAL BUDGET**](#) (Smith, R) (Introduced 2/11/2015) 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 bill is pending in the House Finance Committee.

[**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 has been referred to the Senate Government Oversight & Reform Committee.

[**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 been referred to 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 been referred to 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 been referred to 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 been referred to the Senate Health & Human Services Committee.

[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 proponent testimony in the House Health & Aging Committee on March 18, 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 been referred to the House Health & Aging Committee.

[SB 98](#) **HEARING AIDS** (Tavares & Thomas) (Introduced 3/3/2015) To require health insurers to offer coverage for hearing aids. The bill has been referred to 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 has been referred to the Senate Health & Human Services Committee.

[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.

[HB 109](#) **OHIO HEALTH BENEFITS EXCHANGE** (Stinziano & Antonio) (Introduced 3/10/15) To create the Ohio Health Benefits Exchange. The bill has been referred to the House Insurance Committee.

[HB 116](#) **PARTIAL PRESCRIPTION REFILLS** (Introduced 3/11/2015) To provide for partial drug prescription refills for the purpose of synchronizing multiple prescriptions for one patient.