



Testimony in Support of House Bill 2266 -5  
House Committee on Rules

Speaker of the House Tina Kotek  
June 3, 2019

Thank you for the opportunity to testify in support of House Bill 2266 with the -5 amendment.

The -5 amendment replaces the underlying measure. This amendment makes changes to a broader package of cost containment policies enacted by the Legislature in 2017 through Senate Bill 1067. This package included several policy changes to the Public Employees Benefit Board (PEBB) and Oregon Educators Benefit Board (OEBB) that resulted in approximately \$149.2 million in savings for PEBB and OEBB in the 19-21 biennium.

For example, in 2017 the PEBB medical trend was 7.2%. For the upcoming benefit year, initial renewal requests are as low as 0.6%. For OEBB, the board has decided to apply half of the savings to this benefit year and bank nearly \$21 million in savings to offset future premium increases.

These savings have a real impact on agency and district budgets, as well as the over 300,000 lives covered by the boards.

However, not all policies enacted by SB 1067 have contributed to these premium reductions. A few are administratively burdensome, dampen total savings, and will result in unanticipated employee hardship. HB 2266 with the -5 amendment restores several policies restricted by the cost containment package while retaining our observed cost savings.

Specifically, the -5 amendment:

- Restores the full ability for each board to provide opt-out payments;
- Restores the ability of state workers to access supplemental insurance like their peers who may have supplemental coverage through their spouse's private employer;
- Requires the boards to conduct dependent eligibility reviews on a frequency comparable to commercial best practice;
- Requires specific and ongoing reporting to the Legislature by each board outlining annual rate increases or decreases and strategies implemented to further reduce costs; and
- Clarifies the application of billing protections and limits to in-state charges.

Additionally, the -5 amendment requires each board to enact a new spousal or dependent surcharge on employee premiums if an employee enrolls a spouse in secondary state coverage when that spouse or dependent is eligible for insurance through their state employer.

## **Opt-out Payments**

Opt-out payments are made when an employee forfeits primary coverage. The cost containment bill prohibited opt-out payments when an employee forfeits primary coverage but remains covered by the state as a spouse or dependent.

A fiscal impact was not provided for this policy change due to varying collective bargaining agreements and varying payment amounts. We estimate (\$3.3 million) would be saved in PEBB only. These savings would be captured at the agency and university level (premium payer). However, this would cost the board \$1.1 million since the board receives a portion of the total opt-out payment paid to an employee.

For OEGB, opt-out payments are distributed at the school district level and many are subject to CBAs. This complicates policy implementation and our ability to determine potential savings or costs. Opt-out amounts may vary, and employees and spouses may be employed by different districts – making it incredibly difficult to track a dollar. Generally, opt-out payments serve as a cost containment tool and prohibiting their use in one circumstance is not ideal for districts.

Approximately 2,066 employees opt-out of OEGB and remain covered by a spouse under OEGB. Approximately 647 employees opt-out of OEGB and remain covered by a spouse under PEBB.

## **Supplemental Coverage**

We now estimate this practice would yield \$3 million in savings over the 19-21 biennium for both PEBB and OEGB. However, these savings are spread inequitably between the two boards resulting in an increase for one and a transfer of savings for the other.

Approximately 1,484 employees are enrolled in supplemental coverage through two OEGB plans and 632 are enrolled in supplemental coverage through OEGB (primary) and PEBB (secondary). The actuaries assume 100% of employees will retain PEBB coverage over OEGB. This results in a shift, increasing premiums by 1.1-1.4% on OEGB to be paid by districts. This increase is embedded in the 19-20 benefit year and dampens the total decrease that SB 1067 otherwise provides.

The loss of benefit coordination for the 1,484 employees who retain OEGB-OEGB coverage will increase their out-of-pocket costs by approximately \$2.5 million.

## **Spousal or Dependent Surcharge**

Generally, employees may enroll in supplemental coverage for two reasons. First, their deductibles are significant, and they actively use supplemental coverage to coordinate benefits for significant one-time events or maintain chronic needs. Or, others may enroll in supplemental coverage simply because it is available.

HB 2266 -5 requires the boards to institute a spousal or dependent surcharge when an employee covers a spouse or dependent who is otherwise offered health insurance through the state. The -5 amendment asks the boards to broaden or enact a spousal surcharge to disincentivize taking supplemental coverage.

Colleagues, the -5 amendment will restore a necessary tool to districts, mitigate unanticipated employee cost sharing, and relieve PEBB and OEBB from an onerous implementation process.

Thank you for your consideration of these important issues.