

2009 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 2557

STATUS: A-Engrossed

SUBJECT: Health care benefits for part-time faculty members eligible for PERS; annual reviews and report of the employment of full-time faculty working less than full-time

GOVERNMENT UNIT AFFECTED: Department of Higher Education, Department of Community Colleges and Workforce Development, community colleges, Department or Administrative Services – Oregon Educators Benefit Board

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DATE: June 2, 2009

2009-2011

2011-2013

EXPENDITURES: See Comments

EFFECTIVE DATE: January 1, 2010

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

ANALYSIS: The measure provides that a part-time faculty member at a public institution of higher education is eligible for the same health care benefits as full-time faculty members if the part-time faculty member is eligible for membership in the Public Employees Retirement System (PERS) and teaching at a single public institution of higher education or in aggregate at multiple public institutions of higher education the equivalent of a full teaching load during the prior year. The measure directs that the part-time faculty member must pay all premiums for health care benefits unless otherwise specified or negotiated by contract. The measure also requires the State Board of Education and the State Board of Higher Education to establish part-time faculty baselines and conduct annual reviews of each public institution of higher education with respect to the employment of full-time faculty and of faculty working less than full-time; the boards are to report the results of these reviews to the Legislative Assembly and the Governor's office prior to October 1 of each year.

The Department of Administrative Services – Oregon Educators Benefit Board (OEBB) reports that 333 community college/university employees would become eligible for participation in OEBB's medical plans as a result of this measure based on current PERS records. OEBB anticipates that the self-pay requirement in the bill will limit the participation of eligible employees to 166 employees. OEBB also reports that history predicts that individuals required to self-pay for medical insurance tend to enroll if they have ongoing health conditions and that these persons tend to have a higher rate of utilization. This effect is known as adverse selection. OEBB estimates the fiscal impact associated with adding these 166 employees could be an overall increase in premium costs for OEBB's medical plans, which it estimates to be \$1.3 million due to added claims costs. This added claims costs will affect the rest of the population because they will be factored into the overall premium rates for the following years. For 2008 OEBB paid out approximately \$477 million in claims; potentially adding \$1.3 million to this total represents a small portion of the total claims cost incurred by OEBB. OEBB anticipates only minimal

administrative costs to process and track the enrollment and participation of the newly eligible employees, and reports that it can absorb this workload into its existing resources.

The fiscal impact to community colleges and the Department of Higher Education (DHED) will be the potential increased health care costs associated with broadening the eligibility requirements to include part-time faculty that are eligible for PERS. DHED anticipates that it could incur increased health care costs through institution policy or collective bargaining in the future. These costs cannot be determined as the outcome of future bargaining or policy changes are unknown. DHED and community colleges report that there would be some administrative costs associated with the measure, including costs to process the enrollment and paperwork of each of the newly eligible employees. DHED estimates administrative costs to be \$50 per newly eligible employee, however it is not known whether DHED will incur this full amount or if it will split the cost with community colleges.

The bill also requires the State Board of Education and the State Board of Higher education to establish baselines and conduct annual reviews of each public institution of higher education and community colleges regarding utilization of part-time instructors. DHED believes there will be additional costs of \$61,500 to implement the provisions of Section 3 of the bill due to lack of clear definition in determination of reporting categories and time periods of annual reporting required by the bill. The timing of reporting is especially difficult given the October 1 deadline for the required report each year because this time of year is historically a “high workload volume” time of year for the DHED Institutional Research office which would provide the annual review report information. Because of the above, the cost is determined by assuming that part time staff (.33 FTE) will be needed to assist with the additional reporting requirements of this bill.