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# MEMORANDUM

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**To:** Human Services Subcommittee of the Joint Committee on Ways and Means

**From:** Kim To, Legislative Fiscal Office, 503-986-1830

**Date:** June 12, 2013

**Subject:** HB 2279 Relating to participation of employees of local governments in certain benefit plans  
Work Session Recommendation

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House Bill 2279 allows the governing bodies of local governments to elect to participate in plans offered by the Oregon Educators Benefit Board (OEBB) and the Public Employees' Benefit Board (PEBB) at the discretion of the governing bodies; and allows the governing bodies of local governments to terminate participation in a Board plan in order to participate in a plan offered by the Oregon Health Authority that is in conformity with the Affordable Care Act. The bill changes the composition of the OEBB and PEBB boards to allow for representation by local governments if a local government elects to participate in one of the plans. The ability of local government employees to participate in these plans requires the local government governing board to first elect to participate in the plan. The bill also specifies that the director of the Oregon Health Authority will appoint an executive director for the board, who will report to the Director of OHA.

The measure previously had hearings in the House Committee on Health Care on 2/22/2013, 4/15/2013, and 4/17/2013.

The original staff measure summary and fiscal impact statement are attached to this memo, and are available on the Oregon Legislative Information System (OLIS).

## **Fiscal impact**

There is an indeterminate Other Funds fiscal impact on OEBB and PEBB.

**Recommendation**

The measure is recommended to be moved to the Full Committee.

**Motion**

Motion: Senator/Representative \_\_\_\_\_:

**I move HB 2279 to the Full Committee with a “do pass” recommendation.**

**Assignment of Carriers**

Full: \_\_\_\_\_

Senate: \_\_\_\_\_

House: \_\_\_\_\_

**FISCAL IMPACT OF PROPOSED LEGISLATION**

**Measure: HB 2279 - A**

Seventy-Seventh Oregon Legislative Assembly – 2013 Regular Session  
Legislative Fiscal Office

*Only Impacts on Original or Engrossed  
Versions are Considered Official*

Prepared by: Kim To  
Reviewed by: Linda Ames  
Date: 5/2/2013

**Measure Description:**

Allows employees of local governments to participate in benefit plans provided by Public Employees' Benefit Board and Oregon Educators Benefit Board.

**Government Unit(s) Affected:**

Oregon Health Authority (OHA)

**Local Government Mandate:**

This bill affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

**Analysis:**

House Bill 2279 A-Engrossed allows the governing bodies of local governments to elect to participate in plans offered by the Oregon Educators Benefit Board (OEBB) and the Public Employees' Benefit Board (PEBB) at the discretion of the governing bodies; and allows the governing bodies of local governments to terminate participation in a Board plan in order to participate in a plan offered by the Oregon Health Authority that is in conformity with the Affordable Care Act. The bill changes the composition of the OEBB and PEBB boards to allow for representation by local governments if a local government elects to participate in one of the plans. The ability of local government employees to participate in these plans requires the local government governing board to first elect to participate in the plan. The bill also specifies that the director of the Oregon Health Authority will appoint an executive director for the board, who will report to the Director of OHA.

This bill is anticipated to have a fiscal impact on OEBB and PEBB. At this time the full impact is indeterminate. As a frame of reference, the Oregon Health Authority provides the following information:

The operational costs added to OEBB and PEBB will depend on the number of local government bodies that elect to join. The Oregon Health Authority reports that there are currently approximately 1,220 cities, counties and special districts containing 43,200 potential enrollees that would be eligible to join OEBB and PEBB should this bill become law. OEBB and PEBB estimate that for every 25% of this eligible group that joins OEBB or PEBB, each Board would require one additional FTE at a cost of \$124,548 per FTE during the 2013-15 biennium and \$153,040 per FTE during the 2015-17 biennium.

Also, the Boards will incur communication costs. OEBB estimates the cost at approximately \$16,725 per 25% of the eligible groups that join. PEBB estimates communication costs at approximately \$240,000 per 25,000 enrollees.

In addition, the ability of local governments to enroll in PEBB will result in initial costs to interact with the local governments' payroll systems. This cost of system integration is estimated at \$80,000 per biennium for on-going maintenance, and an additional \$70,000 for system changes that would be needed as local governments join and leave PEBB.

Furthermore, an addition of new groups to OEBB and PEBB could also impact premium rates for two reasons: First, because the number of groups electing to join OEBB or PEBB is unknown, the uncertainty around potential newly assumed risk could lead to increased rates, and because the bill

does not require all local governments to join, it is predicted that the local governments most likely to join will be those whose premium costs are similar or greater than the OEGB or PEGB premiums, which is likely due to high utilization and/or costs. Second, because local governments can terminate participation in OEGB and PEGB for plans offered by OHA, the potential “churn” of local governments into and out of OEGB and PEGB could impact rates. Because these variables are currently unknown the impact on premium rates is indeterminate.

**REVENUE:** No revenue impact

**FISCAL:** Fiscal statement issued

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<b>Action:</b>	Do Pass as Amended and Be Printed Engrossed and Be Referred to the Committee on Ways and Means by Prior Reference
<b>Vote:</b>	6 - 3 - 0
<b>Yeas:</b>	Clem, Harker, Keny-Guyer, Lively, Thompson, Greenlick
<b>Nays:</b>	Conger, Kenemer, Weidner
<b>Exc.:</b>	0
<b>Prepared By:</b>	Tyler Larson, Administrator
<b>Meeting Dates:</b>	2/22, 4/15

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**WHAT THE MEASURE DOES:** Allows local government governing body elect to participate in benefit plan offered by Public Employees' Benefit Board (PEBB) or Oregon Educators Benefit Board. Requires Governor appoint two voting members to PEBB or OEGB for each local government electing to participate in plan offered by board and two additional members for each 25,000 eligible employees. Clarifies decision to participate in benefit plans offered by PEBB and OEGB is made by governing body and not subject to collective bargaining. Allows local government governing body leave benefit plan offered by PEBB and OEGB to participate in benefit plan offered through the Oregon Health Authority (OHA) that conforms with Patient Protection and Affordable Care Act. Requires OHA Director appoint executive director of PEBB who shall report directly to OHA director.

**ISSUES DISCUSSED:**

- Provisions of the bill
- Impact of rising health care costs on local government

**EFFECT OF COMMITTEE AMENDMENT:** Replaces the measure.

**BACKGROUND:** The Public Employees Benefit Board (PEBB) is a labor-management board whose purpose is to provide high quality and affordable benefits to state employees. The Oregon Educators Benefit Board (OEGB) provides a similar function for Oregon's school districts. Because of the large membership, both boards are able to negotiate lower rates with carriers for their participants.

Oregon cities, counties and special districts each negotiate their own benefits with carriers. House Bill 2279-A allows these local government entities to participate in benefit plans offered by PEBB and OEGB, which proponents assert will help manage rising health care costs.

4/17/2013 11:11:00 AM

*This summary has not been adopted or officially endorsed by action of the committee.*