



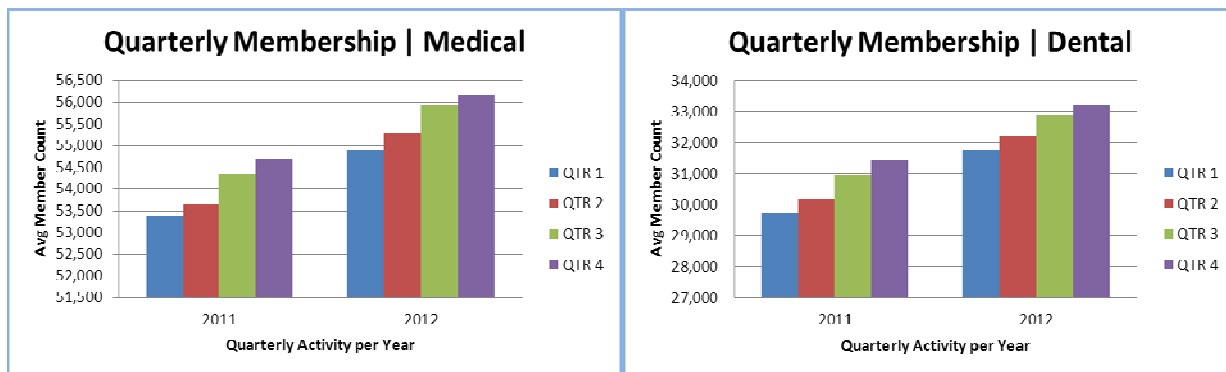
Overview of Policy Option Package 102 – Retiree Health Insurance Program

Within this program, PERS administers three statutorily created trust funds:

- SRHIA – Standard Retiree Health Insurance Account authorized under ORS 238.410
- RHIPA – Retiree Health Insurance Premium Account authorized under ORS 238.415
- RHIA – Retirement Health Insurance Account authorized under ORS 238.420

The goal of the PERS Health Insurance Program (PHIP) program since it was established in the 1950’s is to provide PERS members with options for their post-retirement health care insurance needs. The majority of revenue for the program, about \$170 million a year, comes from member paid insurance premiums and an additional \$34 million comes from RHIA and RHIPA subsidies. Participating employers make contributions to fund the subsidies provided under RHIPA and RHIA.

The agency is committed to strong controls over fiscal processes and sufficient oversight of the service delivery by the carriers, the Third Party Administrator (TPA), and our consultant. The program enlists the aid of consultants to evaluate claims experience, monitor changes in the healthcare industry, and assist in business processes. The program also uses a TPA to assist with plan enrollment and the member-to-carrier payment process.



With the growth in membership, the fiscal accountability grows alongside it.

The PHIP’s near-term objectives are to:

- Provide for the oversight and administration of all aspects of the customer service and financial components of the PERS Health Insurance Program.
- Provide direct supervision, training, and guidance related to the health benefit management system.
- Evaluate the quality of PHIP services and direct the actions necessary to ensure compliance with established policies, objectives, program priorities, and applicable healthcare laws, rules, and federal regulations.
- Seek business process improvements that will create more efficient premium processing at lower unit costs by studying and refining our banking processes and our inter-entity payment processes.

The current model with only two staff in PHIP servicing 55,000 members and monitoring the customer service and fiscal processes of the program and contractors is inadequate. Some 95% of the PHIP members are Medicare-eligible. The program, like PEBB and OEBC, needs a proper mix of professional staff with health insurance expertise that can adequately monitor and facilitate the necessary contracting, customer service, accounting, and overall program management duties that are required.

Category	PEBB	OEBC	Current PHIP	Proposed PHIP
Membership	127,000	170,000	55,000	55,000
Program Staff	21	19	2	5
Member to FTE Ratio	6,048	8,947	27,500	11,000

PERS proposed Policy Option Package (POP 102) to adequately address four risk areas:

1. Program Governance – The current program lacks defined goals and organizational structure. The PHIP governance and program management model do not provide the principles and structure necessary to provide adequate strategic planning and oversight to the program.
2. Fund Management and Reporting – Financial processes and controls are not adequate to manage the various PHIP funds, which have led to the inability to monitor the financial aspects of the program and inaccurate financial reporting.
3. Member Eligibility – The program lacks adequate staffing and technical resources. Eligibility processing is not routinely integrated into PERS operations or otherwise structured to facilitate efficient determinations, which could potentially result in eligibility errors and increased appeals exposure.
4. Contract Administration – The program has an excess of reliance on contractors without checks and balances. Multiple health care providers, Benefit Health Solutions (BHS), and consultants play a role in managing this program; however, there is insufficient oversight which leads to lack of transparency and accountability.

The staffing impact of this package is as follows:

- One permanent Principal Executive Manager E (1.00 FTE), position number 1510201
- One permanent Procurement & Contract Specialist 3 (1.00 FTE), position number 1510202
- One permanent Accountant 3 (1.00 FTE), position number 1510203

POP 102 is for \$805,913 Other Funds, which is the cost of establishing these three new positions (3.00 FTE), and a \$250,000 increase in budget limitation for actuarial and consulting support.

With all the projected changes in the health insurance area, POP 102 may evolve as these solutions are integrated into the broader discussion of Oregon’s evolving health insurance picture.