

## Testimony on SB 489

to the Senate General Government,  
Consumer and Small Business Protection Committee

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### Summary:

It's important to recognize that the mandate in ORS 243.303 has a cost. Local government employers, the active employees who pay part of their premiums, and by extension, local taxpayers, are charged more than they would be if retirees weren't covered.

Under current law, those additional costs can't be mitigated by providing a lower cost plan, or shared with those who are incurring them through higher premiums.

### Supporting Data

CIS (Citycounty Insurance Services) is an intergovernmental entity providing employee benefits to 269 city and county members. CIS covers more than 25,000 lives (employees + dependents) in its program.

Our program is structured to comply with ORS 243.303; one of the services we provide to our city and county members is to bill and collect premiums from retirees who continue on the employer's plan.

As of March 1, 8,939 active and former employees were covered by one of our medical plans. Of those, 556 were retirees under age 65, the group addressed by ORS 243.303. This ratio of retirees to actives has been consistent over the past several years. About 84% of the covered retirees pay the full amount of their premium; the rest have some kind of subsidy from their former employer.

We looked at a compilation of claims for the past three years (Feb. 2010 – Jan. 2013) for active and retired employees, and their enrolled family members. The data in Table A below shows the differences between them on a per-member individual, per-month (PMPM) basis. In all cost categories, retirees had significantly higher costs than the actives, starting with a medical plan paid costs of \$604.54 per person, 2.62 times higher than the active per-person plan paid cost of \$230.53.

It's logical that the retiree costs would be higher: the average age of employees plus dependents on the retiree plans is 58.6 years, compared with 34.3 years for the actives. But

when we compare the retiree population to active employees and dependents of the same age, the results still show higher costs for the retirees.

The comparison looked at the claims of those between 55 and 68 in the active and retiree classes. The per member per month cost for this retiree group was \$703.46, while the actives cost \$481.03 PMPM. Large claims (over \$75,000) were more prevalent among the retirees: 4.4% had large claims, versus 3.6% for the actives. Retirees had 41% more hospital admissions and 25% more trips to the emergency room than the actives in the same age bracket.

### Conclusion

ORS 243.303 does not provide public employers with the option to offer their retirees a lower cost plan, nor to charge a premium that better reflects the claims costs of the retiree group. There is no option other than to spread the cost to the group as a whole, raising costs for the actives above what they would otherwise be.

Table A

#### Comparison of Cost and Utilization - Active Class to Retiree Under 65 Class in CIS Medical Plans

Application Name:		City County Insurance Services	
Cycle Period:		Feb 10 thru Jan 13	
Payor:		All	
Trust:		All	
Division:		All	
Class:		ACTIVE	
Analysis Period:		Full Cycle (Feb 10 thru Jan 13)	
Reporting By:		Paid Date	
		Full Cycle	
Cost Summary			
Medical Plan Paid	\$ 198,559,294		
Pharmacy Plan Paid	\$ 27,875,633		
Dental Plan Paid	\$ 759,192		
Vision Plan Paid	\$ 191,400		
Total Plan Paid	\$ 227,385,519		
Total % Employee Paid	12.5		
PMPM Summary			
Medical Plan Paid PMPM	\$ 230.53		
Pharmacy Plan Paid PMPM	\$ 32.59		
Place of Service Summary (PMPM)			
Inpatient Hospital Plan Paid	\$ 71.83		
Outpatient Hospital Plan Paid	\$ 70.84		
Office Plan Paid	\$ 57.87		
Emergency Room Plan Paid	\$ 7.71		
Utilization Metrics			
Inpatient Days Per 1000	160.8		
Total Admissions Per 1000	44.1		
ER Visits Per 1000	146.0		
Total Office Visits Per 1000	3,312.6		
Prescriptions Per 1000	7,096.8		
Prescriptions % Generic	73.9		

  

Application Name:		City County Insurance Services	
Cycle Period:		Feb 10 thru Jan 13	
Payor:		All	
Trust:		All	
Division:		All	
Class:		RETIREE UNDER 65	
Analysis Period:		Full Cycle (Feb 10 thru Jan 13)	
Reporting By:		Paid Date	
		Full Cycle	
Cost Summary			
Medical Plan Paid	\$ 26,309,169		
Pharmacy Plan Paid	\$ 3,956,564		
Dental Plan Paid	\$ 41,258		
Vision Plan Paid	\$ 10,150		
Total Plan Paid	\$ 30,317,141		
Total % Employee Paid	9.5		
		Ratio -	
		Retiree to Active	
Medical Plan Paid PMPM	\$ 604.54		262%
Pharmacy Plan Paid PMPM	\$ 92.96		285%
Place of Service Summary (PMPM)			
Inpatient Hospital Plan Paid	\$ 230.54		321%
Outpatient Hospital Plan Paid	\$ 166.36		235%
Office Plan Paid	\$ 125.96		218%
Emergency Room Plan Paid	\$ 12.03		156%
Utilization Metrics			
Inpatient Days Per 1000	425.5		265%
Total Admissions Per 1000	82.2		186%
ER Visits Per 1000	193.6		133%
Total Office Visits Per 1000	5,377.0		162%
Prescriptions Per 1000	17,790.8		251%
Prescriptions % Generic	73.0		99%