



Oregon

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Public Employees Retirement System

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TO: Joint Committee on Ways & Means, Subcommittee on General Government
FROM: Steven Patrick Rodeman, Executive Director
SUBJECT: Senate Bill 5537(2013) – Budget Note on PERS Health Insurance Program

The following budget note was included with SB 5537 (2013):

“PERS is directed to review the healthcare insurance marketplace and report back to the Joint Committee on Ways and Means during the 2015 session on whether the pre-Medicare population within the PERS Health Insurance Program should be combined with other groups in acquiring healthcare coverage under the Cover Oregon plans and whether the Affordable Care Act or Cover Oregon could provide coverage for the Medicare Plan policy holders under the PERS Health Insurance Program.”

OVERVIEW OF PHIP

The PERS Health Insurance Program (PHIP) offers health, dental, and long-term care insurance coverage for eligible PERS retired members, as well as their spouses, and dependents. PHIP provides high quality, comprehensive coverage at the most cost-effective rates available to the program. ORS 238.410 further directs PERS to continually study and investigate all matters connected with providing health care insurance to eligible members. PHIP provides coverage for those members not yet eligible for federal Medicare, and Medicare-related coverage for those members enrolled in the federal program. The average age of enrollees in our pre-Medicare coverage is 57, and for those in our Medicare-related coverage have an average age of 75.

Our members value stability of premium amounts, coverage, and carriers. Program enrollment (as of November 2014) is shown in the chart below:

Medical Plan

Retired Members			Total Plan Membership (with spouses and dependents)		
Non-Medicare	Medicare	Total Membership	Non-Medicare	Medicare	Total Membership
1,641	46,409	48,050	2,720	56,621	59,341

Dental Plan

Retired Members			Total Plan Membership (with spouses and dependents)		
Non-Medicare	Medicare	Total Membership	Non-Medicare	Medicare	Total Membership
1,160	27,811	28,971	1,476	34,659	36,135

PHIP AND THE ACA

According to the U.S. Department of Health & Human Services, the Affordable Care Act (ACA) was enacted with the goals of increasing the quality and affordability of health insurance, lowering the uninsured rate by expanding public and private insurance coverage, and reducing the costs of healthcare.

The ACA is focused on individual and employer-sponsored coverage. PHIP does not qualify as employer-sponsored coverage; rather, PHIP is a “Retiree” Group Plan, and as such, cannot provide coverage within the ACA.

A small group of PHIP members (2,720 or 4.6%) receive pre-Medicare coverage. These members could seek individual coverage under the ACA or Cover Oregon, or in fact from any commercially-available health plan. In deciding whether to enroll with PHIP or another provider, members who retired directly from service with the state of Oregon need to consider that the PERS Retiree Health Insurance Premium Account (RHIPA) subsidy is not paid on coverages outside PHIP. This subsidy, created by ORS 238.415, varies based on the member’s years of service. In 2014, the individual subsidy towards their monthly premium ranged from \$163.39 for at least eight years of service to \$326.79 per month for 30 or more years of service. As of November 2014, 1,287 members received the RHIPA subsidy.

By far, most PHIP members are receiving Medicare-related coverage (56,621 members, or 95.4% of the total membership). No coverage is provided under the ACA for this population; Medicare Supplement, Medicare Advantage, or Medicare Part D (all available under PHIP) are not part of the ACA’s marketplace. Eligible members in this population can receive a subsidy under the Retiree Health Insurance Account (RHIA) provided under ORS 238.420. That subsidy is capped at \$60 per month for members with at least eight years of service. As of November 2014, 44,580 members received a RHIA subsidy.

BUDGET NOTE CONSIDERATIONS

The budget note first directs PERS to address whether the pre-Medicare population should be combined with other groups in Cover Oregon. Administration of the RHIPA subsidy (paid to about 78.4% of retired members) would have to be altered to allow PERS to provide that subsidy to plans outside of PHIP. Eligibility and enrollment are closely associated with service data shared with PERS by public employers. If these determinations involve other entities, PERS would have to balance the data access and security needs with the risk of outside exposure. Also, plan liabilities would change under this structure and employer rates would need to be adjusted.

If members were to transition from PHIP to different entities, then PERS and the new carriers would need to prepare for an increase in member concerns with the move and changes to plan benefits, enrollment, eligibility, and service levels. The 2014 PHIP Customer Satisfaction Survey indicates that 92% of respondents felt the premium reflected the value of the benefits offered under the program and 93% of respondents were satisfied with their medical coverage. Overall satisfaction of the program was positive, with 97% of respondents indicating no dissatisfaction with PHIP.

Second, the budget note directs us to report on whether the ACA or Cover Oregon should provide coverage for the Medicare-related policies. Under current law, those coverages are not available. Generally, the PHIP population is elderly and not accustomed to significant changes.

CONCLUSION

In support of our statutory obligations of the program, PHIP will continue to study and monitor the ACA as it is implemented for employers and individuals. PHIP will continue to monitor ACA for new requirements and changes to the law that impact the PHIP Medicare population.