

Joint Ways and Means Subcommittee on Human Services  
Additional Information

Several questions arose during the PEBB and OEBC presentation to the Joint Ways and Means Subcommittee on Human Services on Monday, March 30, 2015. This document provides additional information in response to those questions.

**Sen. Steiner-Hayward – Can you expand on the financial model and per member costs for PEBB? Can you compare PEBB premium to those offered on the exchange.**

This report provides a summary of the Public Employees' Benefit Board's (PEBB) Self-Insured plans and Fully Insured plans, the 2013-15 Legislatively Approved Budget allocation to PEBB, and the relationship between funding employee benefit costs provided to state agencies and actual costs incurred by PEBB. PEBB manages contracts for "core" employee benefit plans, including medical, prescription, dental, vision, and basic life insurance where premiums are shared approximately 95% Employer paid and 5% Employee paid. PEBB also manages contracts for 100% Employee paid benefit plans such as short- and long-term disability, accidental death and dismemberment (AD&D), long term care and flexible spending accounts (FSA) for active agency, university and semi-independent agency employees. PEBB also manages benefits for pre- age 65 retirees, COBRA participants and self-pay members and their eligible dependents.

2014 PEBB Plan Year Expenditures (by Category) "Outflows from PEBB"		Average Expenditure Proportion Per Subscriber Per Month	Proportion of Total
Wellness Programs / HEM Incentives	\$ 15,112,125.00	\$ 24.00	1.86%
Optional Benefits (Employee Paid)	\$ 31,331,232.00	\$ 49.75	3.86%
Self-Insured Plans Claims Costs	\$ 579,113,630.00	\$ 919.59	71.26%
Self-Insured Admin, Taxes, Fees	\$ 41,802,362.00	\$ 66.38	5.14%
Fully Insured Premiums	\$ 145,356,368.00	\$ 230.82	17.89%
<b>TOTAL</b>	<b>\$ 812,715,717.00</b>	<b>\$ 1,290.54</b>	<b>100.00%</b>
<b>Average Subscribers Per Month:</b>		*52,479	*Includes Actives, Retirees, COBRA, and Self-Pay Subscribers.
<b>Total Subscriber Months in 2014:</b>		629,751	
<b>Cost Per Subscriber Per Month:</b>		\$ 1,290.54	

PEBB contracts with carriers using two different funding arrangements:

- Fully insured plans (Kaiser plans, AllCare PEBB, Moda Summit, Moda Synergy, Willamette Dental):
  - Insurance carrier receives a per employee per month (PEPM) premium
  - They cover all contracted services
  - Accepts any risk if cost of services exceeds premium
  - Carrier determines premiums based on past experience, cost of services, age of population, risk of population, etc.
  - PEBB negotiates with the plans for the best premiums

- Premium includes a 0.4% PEBB administrative fee (PEBB operating budget); a 0.16% consultant fee and a federal reinsurance assessment of \$63 PMPY. The consultant fee is lowered to 0.13% starting in 2016.
- Self-insured plans (Providence Choice, PEBB Statewide, Balance by Trillium, ODS Dental, Vision Service Plan):
  - The PEBB Board develops the plan design for self-insured medical plans; Providence does not decide deductible, coinsurance rate, copayment rate, etc.
  - As PEBB's administrative service organization, the insurance carrier receives a per employee per month administrative fee to contract with providers, adjudicate claims, provide care coordination and member services
  - PEBB receives the monthly premiums
  - Carrier pays provider claims then bills PEBB for the claim costs, PEBB repays the carrier dollar for dollar
  - PEBB accepts all risk if cost of services exceeds premium
  - Mercer (PEBB's actuary consultant) determines premium equivalent based on past experience, cost of services, age of population, risk of population, etc.
  - PEBB must maintain a reserve fund to cover any unforeseen/catastrophic run on claims
  - Required reserve amount is determined by Mercer, called Risk Based Capital (RBC) and is related to claim costs, number of enrollees, etc.
  - PEBB is building reserves to a midpoint between the low RBC and the middle RBC
  - Premium includes a .4% PEBB administrative fee (our operating budget) and a .16% consultant fee. State and Federal Re-insurance fees are also included.

When the PEBB Board moved forward with Self-Funding in 2010 it allowed PEBB administrative and programmatic flexibilities that have had a positive impact on long-term cost and utilization trends. Self-insuring has allowed the Board greater flexibility in plan design, greater latitude in implementing value-based benefits, and enhanced flexibility to pursue programmatic initiatives that align with the Board's priorities around Wellness, Medical Homes/Patient Centered Primary Care Homes, and Health Information Technology. In summary, self-insurance has given the Board the ability to tailor program design and management in critical areas that drive costs such as disease management, case management, and prescription drugs.

There are a number of factors that have contributed to year-over-year changes in PEBB's aggregate healthcare costs. Major Cost Drivers for PEBB include: Group Demographics (Family Size and Enrollment counts), Cost Sharing (changes in deductibles, co-insurance, co-pays), High-Cost Claimants (Individuals with claims over \$50,000), and the Price and Utilization of services. Increases in utilization are the greatest cost driver for PEBB. Mercer, uses national benchmark indicators adjusted for PEBB's unique group characteristics to report annually to the PEBB Board on how PEBB measures up against those national benchmarks.

A comparison of PEBB premium rates to premium rates of plans offered on the exchange is outlined on page 8 of this response. Additional information related to PEBB rates compared to market rates is included in Appendix B – Mercer Survey PEBB-2014 Benchmarking (Page 10) attached to this response.

**Agency Funding/Budget Composite Rate vs. PEBB Incurred Costs to Plan Carriers Per Employee:**

Each year approximately 8 months prior to the start of the next plan year, Mercer develops a revenue requirement to fund all PEBB self-insured plan costs and recommends to the PEBB Board a Reserve funding requirement level the board deliberates on and adopts. That sets in motion the following process in developing a per employee per month (PEPM) composite rate agencies use to budget their own funding requirements:

- Once all premium rates are determined, Mercer uses a weighted average that includes all “core” self-insured and fully-insured medical, dental, vision and basic life insurance plan rates.
- It is referred to as the PEBB “Funding composite rate” (2014 composite rate = \$1,339.79)
- Agencies receive approximately 95% of the PEBB composite rate in budget limitation for each FTE in their agency. This is their “employer share”, the employee picks up the other 5% as their share.
- When the plan year begins, agencies and universities pay PEBB based on the actual premium due by tier, rather than the composite rate they used to budget with.

Example:

Premium	Employee and Family	Employee only
PEBB Statewide	\$1,425.96	\$1,040.96
ODS Traditional	\$113.77	\$83.03
Basic Life	\$1.00	\$1.00
Total Premiums	\$1,540.73	\$1,124.99
Member Share (5%)	\$77.36	\$56.25
Agency Share (95%)	\$1,463.69	\$1,068.74
Agency funding	\$1,339.79	\$1,339.79
Agency Bottom Line (Composite rate less agency premium share)	(\$123.90)	\$271.05

In the two examples shown above, the agency does not receive sufficient limitation to cover the cost of the employee and family coverage, but the agency received more budget limitation than needed to cover the employee only premiums. Across an agency, it is expected the budget limitation received by the agency will be sufficient to cover the employer share of core benefits.

Appendix A (page 9) provides additional information comparing annual composite rates as outlined above.

**PEBB 2013-15 LAB Budget versus Actual Costs**

PEBB’s 2013-15 LAB budget was determined based on costs incurred in plan year 2012 for self-insured and fully-insured plans. The PEBB Funding composite rate (mentioned above) is a budget projection provided to agencies prior to a plan year beginning. Premium payments to PEBB are reported against each state agencies budget limitation. The actual costs paid by PEBB to insurance plan carriers in the form of premiums, administrative costs and claims costs, are reported against PEBB’s budget limitation. In budgetary terms, costs are “double-counted”. If the premiums paid to PEBB for self-insured plan coverage are higher than the actual costs paid out by PEBB, the excess funds are retained in the PEBB Reserve account. The following are biennial charts highlighting PEBB’s costs paid out against what was originally budgeted for PEBB.

Plan Year	LAB Budget Per Employee	Actual Costs Per Employee	% diff
2013	\$ 1,201.75	\$ 1,211.05	0.8%
2014	\$ 1,242.61	\$ 1,238.32	-0.3%
2015	\$ 1,284.86	NA	

\*Core Benefits only (Medical, Dental, Vision, Basic Life)

Plan Year	LAB Budgeted Employees	Actual Active Employees	% diff
2013	48,889	49,564	1.4%
2014	49,500	50,812	2.7%
2015	50,000	NA	

Plan Year	Budgeted Expenditures	Actual Expenditures	% diff
2013	\$352,513,665	\$370,561,853	5.1%
2014	\$738,109,060	\$766,272,360	3.8%
2015	\$385,456,954	NA	

Appendix C-PEBB Funding Basics (page 11) provides additional detail related to the PEBB budgeting process.

**Rep. Boone/Sen. Steiner-Hayward – How does the Fitness Facility Membership Reimbursement Program work? How can someone count home workouts or log their own hours?**

PEBB currently offers a rewards program called ExerciseRewards™ that reimburses members enrolled in a medical plan (employees, spouses, domestic partners) a portion of the cost of membership in a qualified fitness facility. The program is available to both HEM participants and nonparticipants. It does not reimburse members for exercising outside of a qualified fitness facility (e.g., exercising at home, riding a bike, ballroom dancing, etc.), although these are all legitimate ways to exercise. The current program is limited to fitness facility membership fees, but the board has indicated interest in expanding member options. The board intends to have staff administer the program in-house later in 2015.

HEM program participants commit to two health actions during the year. Choice of health actions is up to the member. Along with completion of their personal health assessment, the health actions qualify the member for \$17.50 per month for a single person or \$35 per month for a couple. The health actions do not have to be PEBB-sponsored programs such as ExerciseRewards™.

**Rep. Keny-Guyer – Why has OEGB seen a decline in enrollment?**

OEGB's enrollment numbers declined between 2011 and 2014 for the following reasons: educational entities reduced staff, fewer dual-eligible families elected double coverage, and more members opted out of or waived OEGB medical coverage.

**Rep. Nathanson – What is the difference between opting out and waiving coverage?**

**Rep. Boone – Why would someone waive coverage?**

Employees eligible for coverage through PEBB or OEBC have the ability to opt out of medical insurance or waive or decline coverage. To avoid penalties under the shared responsibility rules of the Affordable Care Act, employers must allow employees to decline to enroll unless the benefits are at no cost to the member. Under OEBC, if an employee is not going to receive cash or other type of monetary remuneration for not enrolling in medical coverage, the election not to enroll is considered waiving coverage. Employees under both PEBB and OEBC may choose to waive medical coverage to avoid any payroll deductions for coverage and may not be eligible for or wish to receive additional taxable income in the form of an opt out contribution.

Members opting out of medical coverage may receive cash or, for OEBC, contributions to a Health Savings Account or Health Reimbursement Account in lieu of coverage, and must have other group health insurance. Government programs such as Medicare, Veterans Administration, or the Oregon Health Plan may not qualify a member to opt out. The PEBB Board determines the amount of cash paid to state employees who opt out, and the employer or collective bargaining agreements determine the compensation for school and local government employees under the OEBC program.

Members opting out of medical insurance can still enroll in a dental or vision plan as well as optional benefits such as additional life or disability insurance under both the PEBB and OEBC benefit programs.

PEBB employees who “decline” enrollment, are not eligible for any benefits, including optional insurance. They receive no cash in lieu of coverage. OEBC members can elect to decline (or waive) medical coverage and enroll in dental, vision and/or any of the optional insurance plans and be covered on the basic life and disability coverages.

In most cases, members who opt out of medical coverage or waive or decline all enrollment are not eligible for federal subsidies for insurance purchased through the exchange.

Future ACA regulations will require employers to automatically enroll new full-time employees in their employer-sponsored health plans, but also allow employees to opt out, waive or decline coverage. The automatic enrollment regulation has not yet been released.

Outside of IRS regulations, many collective bargaining agreements, employer policies and contracts include language that allows employees to opt out, waive or decline coverage.

The charts below show the number and percent of PEBB and OEBC members who have opted out, waived or declined medical coverage over the past 5 years.

PEBB	Waived / Declined Medical Coverage		Opted Out of Medical Coverage		Enrolled in Medical Coverage		Total # Subscribers
	# of Subscribers	% of Total Subscribers	# of Subscribers	% of Total Subscribers	# of Subscribers	% of Total Subscribers	
Year	# of Subscribers	% of Total Subscribers	# of Subscribers	% of Total Subscribers	# of Subscribers	% of Total Subscribers	Total # Subscribers
2011	137	0.26%	2,012	3.82%	50,505	95.92%	52,654
2012	251	0.48%	2,121	4.08%	49,666	95.44%	52,038
2013	197	0.39%	2,012	3.94%	48,889	95.68%	51,098
2014	238	0.46%	2,047	3.95%	49,478	95.59%	51,763
2015	292	0.55%	2,382	4.46%	50,738	94.99%	53,412

OEBB	Waived / Declined Medical Coverage		Opted Out of Medical Coverage		Enrolled in Medical Coverage		Total # Subscribers
	# of Subscribers	% of Total Subscribers	# of Subscribers	% of Total Subscribers	# of Subscribers	% of Total Subscribers	
Year	# of Subscribers	% of Total Subscribers	# of Subscribers	% of Total Subscribers	# of Subscribers	% of Total Subscribers	Total # Subscribers
2011	2,343	3.78%	3,875	6.24%	58,177	93.76%	62,052
2012	2,194	3.69%	4,444	7.47%	52,862	88.84%	59,500
2013	2,236	3.75%	4,952	8.31%	52,413	87.94%	59,601
2014	1,918	3.23%	5,322	8.97%	52,119	87.80%	59,359
2015	2,648	4.37%	5,402	8.91%	52,555	86.72%	60,605

**Rep. Nathanson – Can you expand on Flexible Savings Account (FSA) and Health Savings Account (HSA)? How many are enrolled and what is the availability?**

All PEBB members enrolled in a medical plan or opting out can utilize the health care FSA and/or the dependent care FSA. PEBB also offers a pre-tax savings program for commuter benefits such as bus passes and van pools, and one for parking. PEBB does not offer a high deductible health plan with a corresponding HSA.

PEBB has contacted Providence Health Plans, PEBB's plan with the largest enrollment, and ASIFlex, PEBB's FSA vendor, regarding the possible submission of FSA claims by Providence directly to ASIFlex. A pilot project may be a possibility for the 2016 plan year.

PEBB enrollment numbers in these programs follow:

PEBB	Health Care FSA		Dependent Care FSA		Commuter		Total FSA		Total # Employees
	# Enrolled	% Total Employees	# Enrolled	% Total Employees	# Enrolled	% Total Employees	# Enrolled	% Total Employees	
2011	5,809	11.03%	1,178	2.24%	n/a	n/a	6,987	13.27%	52,654
2012	6,785	12.99%	1,247	2.39%	n/a	n/a	8,032	15.38%	52,228
2013	7,597	14.90%	1,353	2.65%	n/a	n/a	9,554	18.74%	50,989
2014	8,287	16.01%	1,481	2.86%	n/a	n/a	10,455	20.20%	51,763
2015	8,870	16.61%	1,565	2.93%	1043	1.95%	11,478	21.49%	53,412

OEBB works with 247 distinct entities. Each of these entities has the option of offering an FSA or not, and the option of offering a high deductible health plan with or without an OEBB HSA. The availability of these options makes it difficult to compare OEBB and PEBB FSA and HSA enrollment data.

OEBB has seen an increase in the number of employees enrolled in the high deductible health plans over the years and expects the number of entities offering a health savings account (HSA) to increase in the next plan year and future plan years.

*Note: OEBB-participating entities are allowed to offer FSA and HSA accounts through any vendor they choose. The OEBB-preferred vendor is just one option among many and OEBB does not have access to data from the non-OEBB vendors. The information provided below is limited to the OEBB-preferred vendors.*

OEBB FSA/HSA benefit enrollment information:

#### FSA

- 9 entities offer an FSA through OEBB
- 356 employees are enrolled in the OEBB health care FSA
- 47 employees are enrolled in the OEBB dependent care FSA
- 3 employees are enrolled in the OEBB domestic partner FSA

#### HSA

- 10,292 employees are enrolled in an HSA-compliant high deductible health plan
- 2,312 (22.46%) of these 10,292 employees are enrolled in an OEBB HSA

OEBB currently contracts with Chard Snyder as the OEBB-preferred FSA vendor. OEBB staff is unaware of any complaints or issues employees or entities have had working with Chard Snyder. OEBB recently released a request for proposal for an FSA/HSA vendor. OEBB chose Wage Works as the new vendor for the 2015-16 plan year effective October 1, 2015. There are no current plans for Moda Health, the OEBB plan with the largest enrollment, to submit FSA reimbursement requests directly to Wage Works.

FSA and HSA plans are IRS regulated, so many of the rules related to these programs are out of PEBB's and OEBB's control. PEBB and OEBB are unaware of any system-wide issues with their FSA or HSA programs. Members experiencing issues with the FSA or HSA vendors should contact us for assistance.

**Senator Steiner-Hayward: How do premiums on the Oregon Health Insurance Exchange compare to PEBB?** Below is a comparison of PEBB's full time plans with two platinum plans available on the exchange. PEBB's plan designs tend to have better benefits, particularly when comparing deductibles and copayments and coinsurance amounts for primary care, specialist emergency department visits. PEBB's premiums are also higher than the exchange plans.

**2015 PEBB Plans vs Individual Market Exchange Plans**

*Based on Individual (age 47) and Spouse/Partner tier*

	Health Republic	Health Republic	PEBB Full-Time HEM Participant							
	CoreCare (EPO) Platinum Plan	FoundationCare (EPO) Platinum Plan	AllCare	Kaiser HMO	Kaiser Deductible	Moda Synergy	Moda Summit	PEBB Statewide	Providence Choice	Trillium
<b>Premium</b>	\$798	\$810	\$1,215	\$1,402	\$1,289	\$1,272	\$1,272	\$1,397	\$1,217	\$1,222
<b>Family Deductible (2 people)</b>	\$1,000	\$2,000	\$500	\$0	\$500	\$500	\$500	\$500	\$500	\$500
<b>Max Out of Pocket (2 people)</b>	\$2,000	\$2,000	\$3,000	\$1,200	\$1,200	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
<b>Primary Doctor</b>	50%	\$10	\$5	\$5	\$5	\$5	\$5	15%	\$5	\$5
<b>Specialist Doctor</b>	50%	\$25	\$20	\$5	\$5	\$5	\$5	15%	\$5	\$5
<b>Emergency Room Care</b>	50%	\$250	\$100	\$75	\$75	\$100	\$100	\$100 + 15%	\$100	\$100
<b>Generic Drugs</b>	\$10	\$5	\$10	\$1	\$5	\$10	\$10	\$10	\$10	\$10

*Specialist doctor amounts are with referral for all plans except PEBB Statewide*

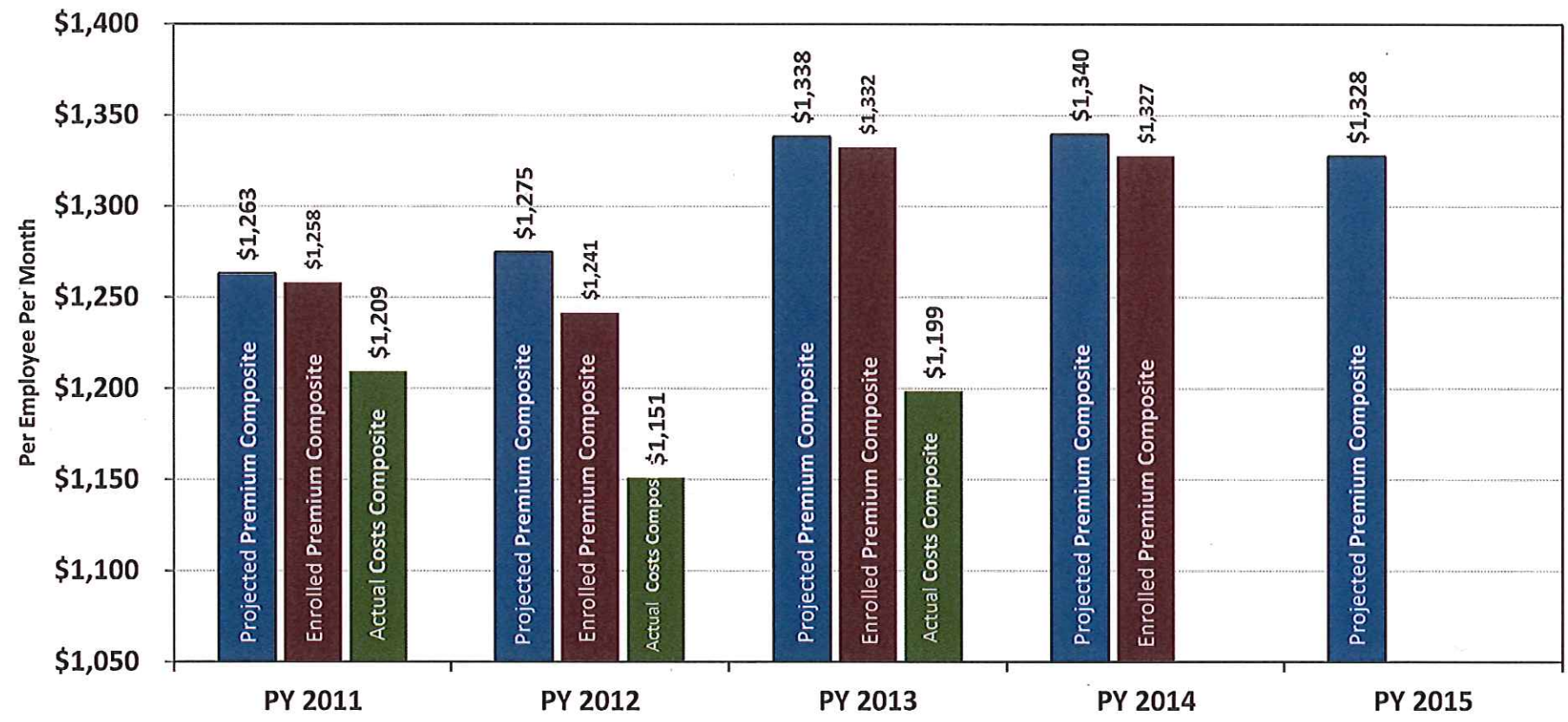
**Notes:**

- Exchange rates are for individual market and were obtained from <https://www.healthcare.gov/>. Rates are based on Individual (age 47) & Spouse (age 44) in Multnomah County.
- Deductibles and max out of pocket amounts listed are for the family (individual and spouse/partner). Copayment amounts and coinsurance percentages are the general amounts but each plan's benefit summary and contract materials must be consulted for caveats and additional information.
- PEBB plans listed are for full-time employees participating in PEBB's health engagement model (HEM, 80% of PEBB employees).
- PEBB plans available in Multnomah County include Kaiser, Moda Synergy, PEBB Statewide, and Providence Choice; AllCare is available in Southern Oregon, Trillium is available in Lane County, Moda Summit is available in Eastern Oregon.
- Actuarial values for 2014 PEBB plans range from 89% (PEBB Statewide) to 98% (Kaiser HMO).
- There are only two platinum plans (actuarial value ≈ 90%) in the individual market exchange, both offered by Health Republic and both are EPOs (Exclusive Provider Network).
- There are 23 gold plans (actuarial value ≈ 80%). The majority of these plans have a \$2,600 family deductible and a \$12,700 estimated family max out of pocket. Premiums range from \$619 to \$743.

Federal and state reinsurance and risk adjustment programs apply to the individual market exchange until 2017.



### PEBB Composite Rates - Plan Year (PY) Comparison (2011-2015)



■ **Projected Funding Composite**    
 ■ **Census Enrolled Composite**    
 ■ **Actual Costs Composite**

**Projected Funding Composite Rate:**  
Determined after Board Plan Design Changes and Premium rates are adopted by the Board approximately 8 months prior to the Plan year starting.

**Enrolled Composite Rate:**  
Determined by actual enrollment in plans using March Census approximately 3 months into the Plan year.

**Actual Costs Composite Rate:**  
Determined by dividing Total Claims paid by Total Member months approximately 4 months after the Plan year ends.

# MERCER'S NATIONAL SURVEY OF EMPLOYER-SPONSORED HEALTH PLANS 2014

Oregon PEBB  
January 2015

# Contents

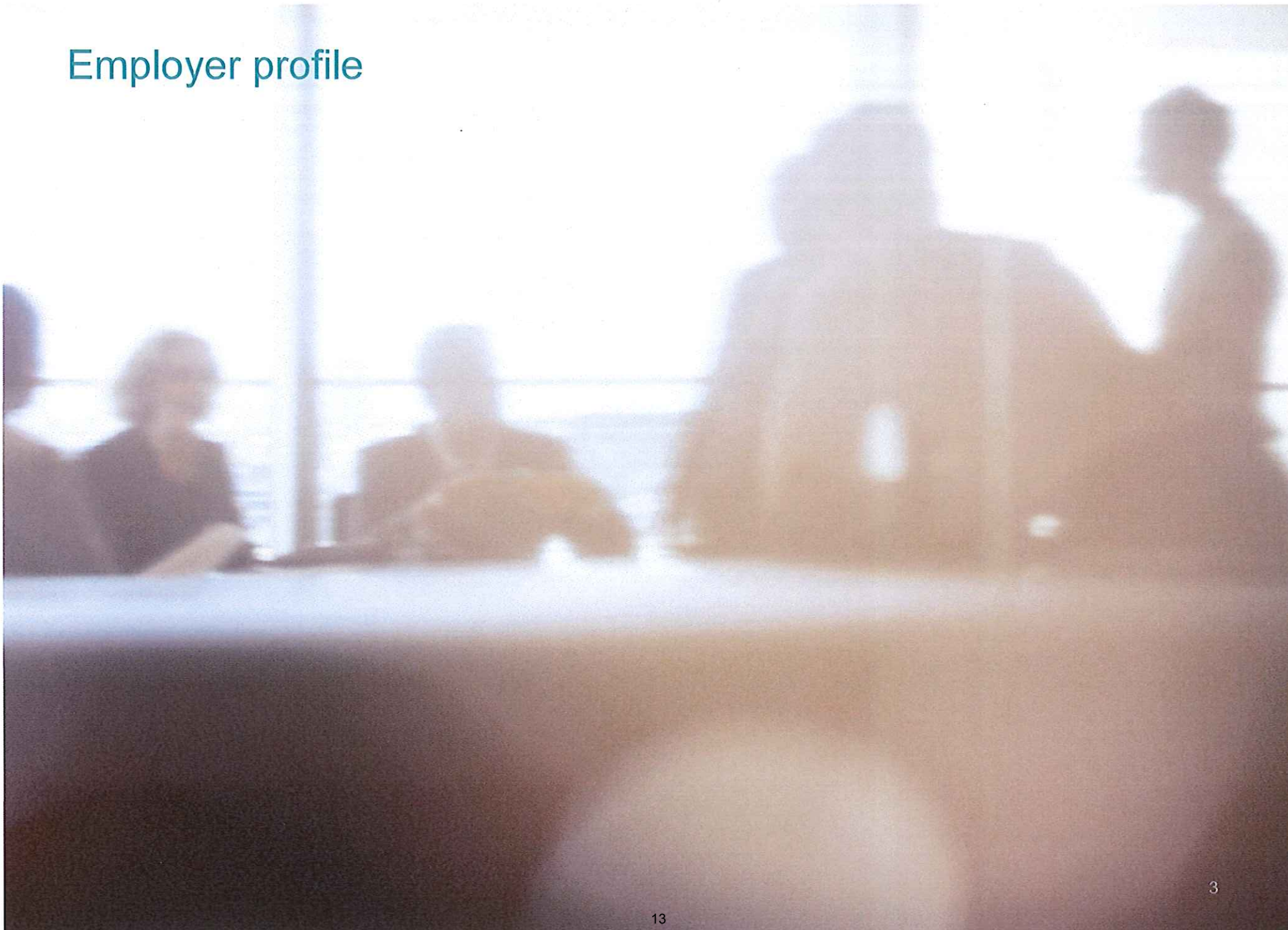
- Employer profile
- Cost, contributions and funding
- Defined Contributions
- Preferred Provider Organizations / Point-Of-Service Plans (PPO / POS)
- Health Maintenance Organizations (HMO)
- HSA-eligible CDHPs
- HRA-based CDHPs
- Dental benefits
- Retiree health care

## About the survey

- The largest and most comprehensive annual survey on the subject
- Established in 1986, national probability sample used since 1993
- 2,569 employers with 10 or more employees completed the survey in 2014
- The national, regional and major industry group results are weighted to represent all US employers. However, results for smaller groups – city, state and other special employer groups – are unweighted and represent only the respondents in the group.
- The map below shows which states fall into each of the four major geographic regions:



## Employer profile



# Number of participants

- The employer groups shown in this presentation are:

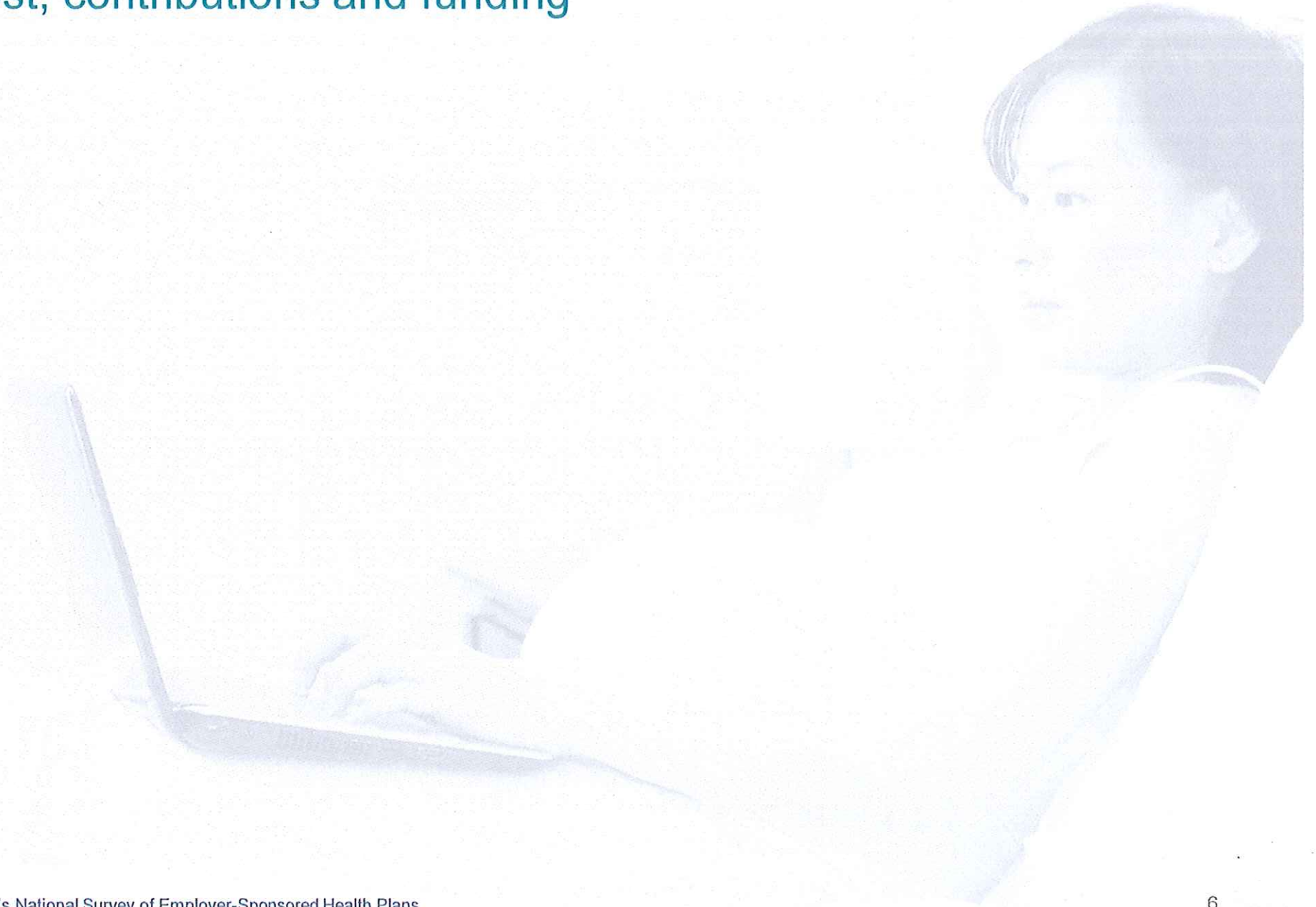
Employers	Number of participants
National 500+	1605
Government 500+	202
Oregon 500+	24

# Demographics

	<b>Oregon PEBB*</b>	<b>National 500+</b>	<b>Government 500+</b>	<b>Oregon 500+</b>
Average employee age	47	43	44	45
% of female employees	54%	51%	41%	52%
% of union employees	64%	12%	36%	30%

\* Based on September 2014 Census

## Cost, contributions and funding





## Employee contribution for individual coverage

### Average monthly contribution (\$)

	Oregon PEBB	National 500+	Government 500+	Oregon 500+
PPO / POS	\$46	\$126	\$80	\$91
HMO	\$53	\$125	\$71	\$122
HSA-eligible CDHP	N/A	\$73	\$61	\$83
HRA-based CDHP	N/A	\$104	ID	ID
Dental	\$4	\$19	\$21	\$15

- PPO/POS contribution for PEBB assumes 5% of 2014 Providence Choice rate
- HMO contribution for PEBB assumes 5% of the 2014 Kaiser HMO rate
- Dental contribution for PEBB assumes 5% of the 2014 ODS Traditional Dental rate
- There is not a significant availability of HRA-based CDHP data outside of the National 500+ and is not included outside of the contribution information.

## Employee contribution for individual coverage

Average contribution as a % of premium

	Oregon PEBB	National 500+	Government 500+	Oregon 500+
PPO / POS	5%	23%	14%	17%
HMO	5%	23%	13%	23%
HSA-eligible CDHP	N/A	17%	12%	25%
HRA-based CDHP	N/A	23%	ID	ID
Dental	5%	50%	52%	26%

- PPO/POS contribution for PEBB assumes 5% of 2014 Providence Choice rate
- HMO contribution for PEBB assumes 5% of the 2014 Kaiser HMO rate
- Dental contribution for PEBB assumes 5% of the 2014 ODS Traditional Dental rate
- There is not a significant availability of HRA-based CDHP data outside of the National 500+ and is not included outside of the contribution information.

## Employee contribution for family coverage\*

Average monthly contribution (\$)

	Oregon PEBB	National 500+	Government 500+	Oregon 500+
PPO / POS	\$63	\$441	\$283	\$356
HMO	\$72	\$450	\$258	\$365
HSA-eligible CDHP	N/A	\$303	\$266	\$131
HRA-based CDHP	N/A	\$360	ID	ID
Dental	\$6	\$56	\$58	\$42

- PPO/POS contribution for PEBB assumes 5% of 2014 Providence Choice rate
  - HMO contribution for PEBB assumes 5% of the 2014 Kaiser HMO rate
  - Dental contribution for PEBB assumes 5% of the 2014 ODS Traditional Dental rate
  - There is not a significant availability of HRA-based CDHP data outside of the National 500+ and is not included outside of the contribution information.
- \* Family coverage is defined as coverage for employee, spouse and two children

## Employee contribution for family coverage\*

Average contribution as a % of premium

	Oregon PEBB	National 500+	Government 500+	Oregon 500+
PPO / POS	5%	30%	26%	22%
HMO	5%	30%	17%	29%
HSA-eligible CDHP	N/A	25%	31%	20%
HRA-based CDHP	N/A	30%	ID	ID
Dental	5%	55%	61%	34%

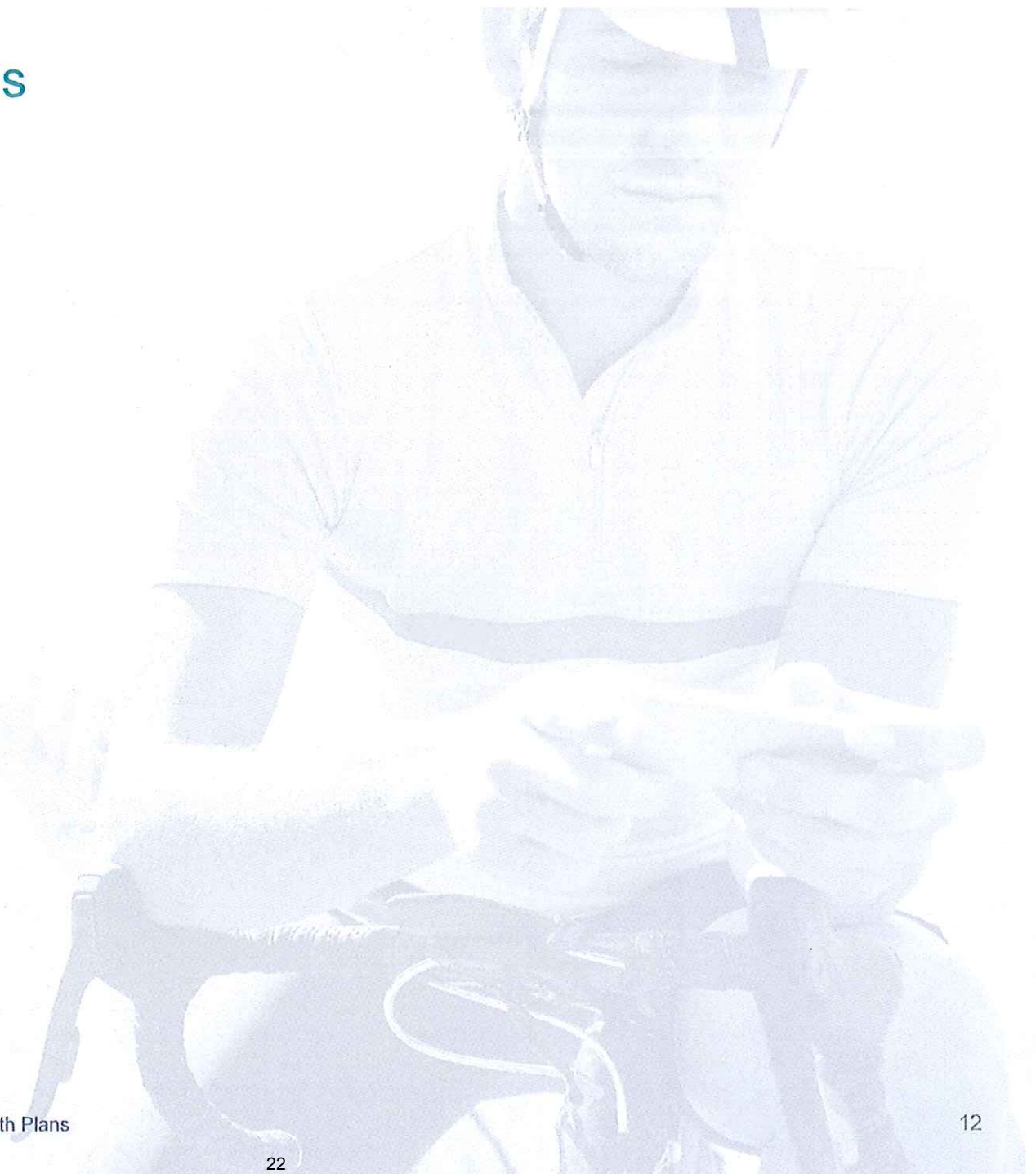
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- HMO contribution for PEBB assumes 5% of the 2014 Kaiser HMO rate
- Dental contribution for PEBB assumes 5% of the 2014 ODS Traditional Dental rate
- There is not a significant availability of HRA-based CDHP data outside of the National 500+ and is not included outside of the contribution information.

\* Family coverage is defined as coverage for employee, spouse and two children

## Salary-based contributions

	Oregon PEBB	National 500+	Government 500+	Oregon 500+
Contribution is same percentage of salary for all employees	No	1%	0%	0%
Use salary bands	No	11%	4%	0%
Median number of salary bands	N/A	4	ID	ID

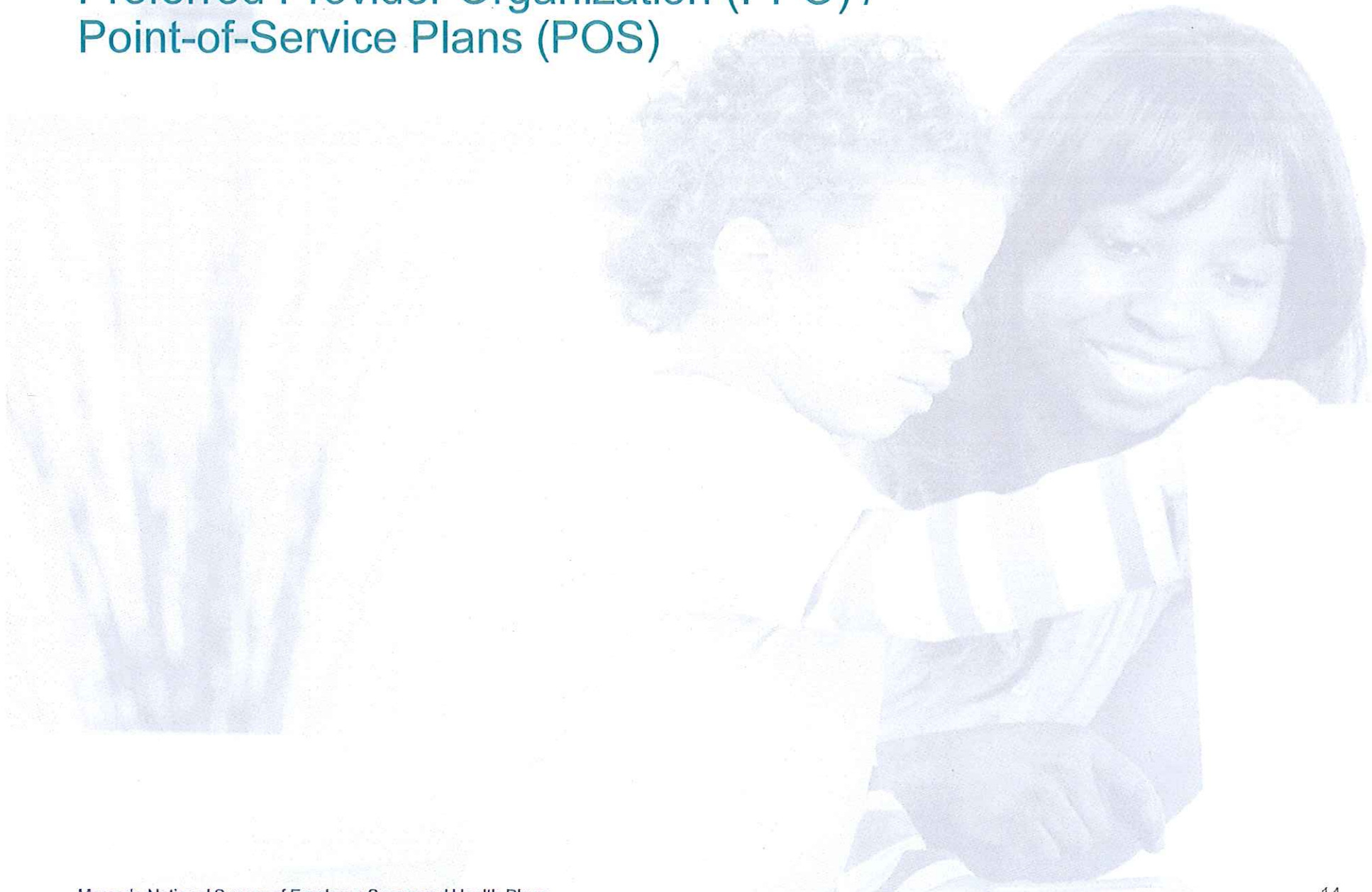
# Defined Contributions



## Currently use or considering a "defined contribution" approach to funding health coverage

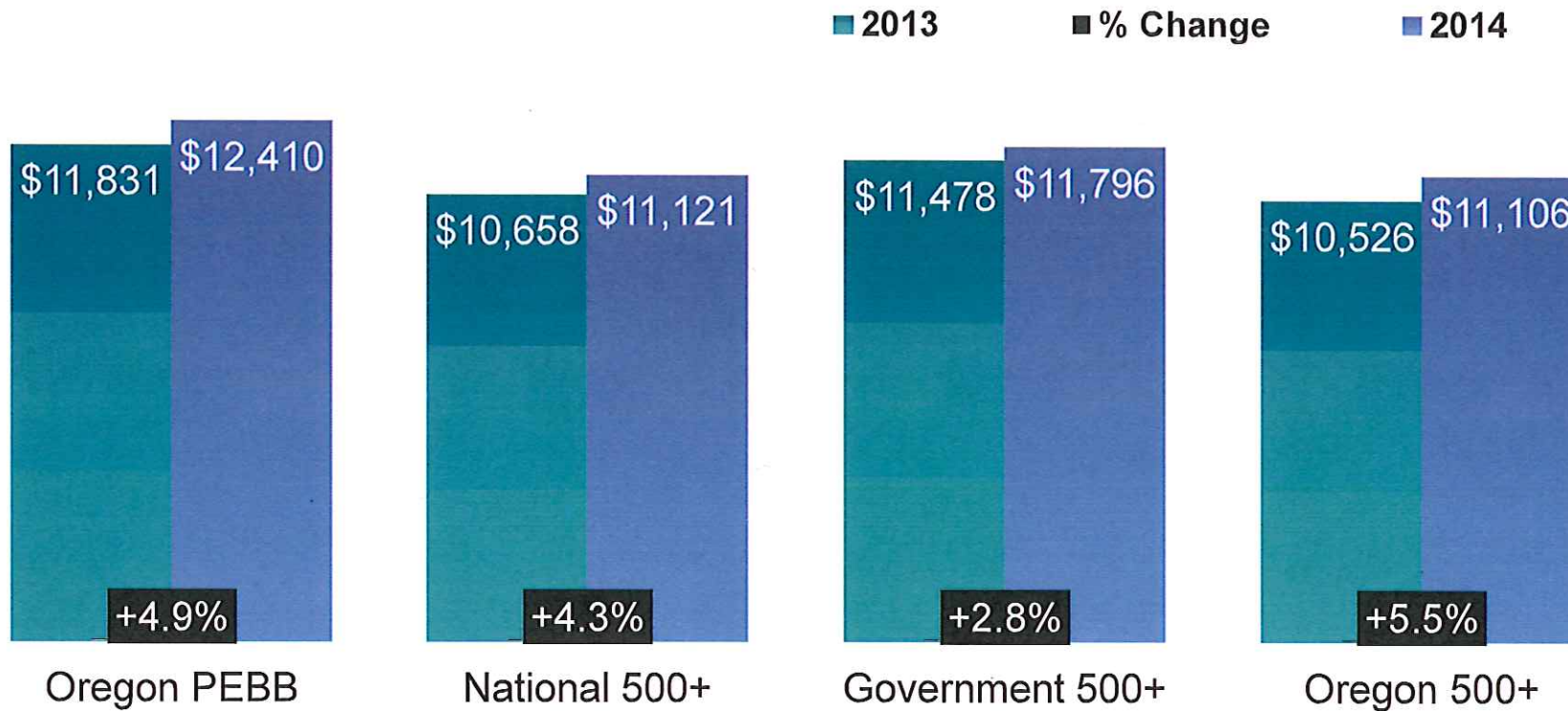
	National 500+	Government 500+	Oregon 500+
Employer makes same dollar contribution for all plans, employees pay more for more expensive coverage (currently use this approach)	13%	16%	18%
Considering this approach	17%	9%	23%
Employer contribution rises by a set amount each year, employees absorb the rest of the increase (currently use this approach)	7%	5%	9%
Considering this approach	15%	14%	0%
Employees receive a subsidy to purchase coverage on their own (currently use this approach)	1%	0%	5%
Considering this approach	10%	5%	9%

## Preferred Provider Organization (PPO) / Point-of-Service Plans (POS)





# Average PPO / POS\* cost per employee, for active employees



- PPO/POS cost for PEBB is based on Providence Choice YTD costs through October 2014

\* Includes traditional indemnity plans

## PPO / POS deductibles

	Oregon PEBB	National 500+	Government 500+	Oregon 500+
<b>In-network</b>				
Deductible required (% of employers)		92%	87%	91%
Median individual deductible amount	\$250	\$500	\$500	\$500
Median family deductible amount	\$750	\$1,200	\$1,000	\$1,500
<b>Out-of-network</b>				
Deductible required (% of employers)		95%	94%	91%
Median individual deductible amount	\$500	\$1,000	\$750	\$500
Median family deductible amount	\$1,500	\$2,200	\$1,700	\$1,500

\* Based on Providence Choice plan

## PPO / POS in-network primary care physician (PCP) visit cost-sharing

	Oregon PEBB*	National 500+	Government 500+	Oregon 500+
% requiring copay	Yes	83%	89%	52%
% requiring coinsurance	No	21%	21%	48%
No cost-sharing is required	No	3%	1%	0%
Median copay amount	\$5	\$25	\$20	\$25

\* Based on Providence Choice plan

## PPO / POS in-network specialist visit cost-sharing

	Oregon PEBB*	National 500+	Government 500+	Oregon 500+
% requiring higher copay for specialist	No	51%	55%	18%
Median copay amount, when higher than PCP	\$5	\$40	\$40	\$48

\* Based on Providence Choice plan

## PPO / POS out-of-network physician visit cost-sharing

	Oregon PEBB*	National 500+	Government 500+	Oregon 500+
% requiring copay	No	13%	28%	13%
% requiring coinsurance	Yes	91%	89%	87%
No cost-sharing is required	No	2%	0%	0%
Median coinsurance amount	30%	40%	30%	40%

\* Based on Providence Choice plan

## PPO / POS in-network hospital stay cost-sharing

	Oregon PEBB*	National 500+	Government 500+	Oregon 500+
% requiring deductible / per-admission copay	Yes	22%	25%	18%
% requiring coinsurance	No	79%	59%	95%
No cost-sharing is required	Yes	8%	15%	0%
Median deductible amount	\$250	\$250	\$200	\$150
Median coinsurance amount	None	20%	20%	20%

\* Based on Providence Choice plan

## PPO / POS out-of-network hospital stay cost-sharing

	Oregon PEBB*	National 500+	Government 500+	Oregon 500+
% requiring deductible / per-admission copay	No	14%	14%	9%
% requiring coinsurance	Yes	94%	88%	95%
No cost-sharing is required	No	1%	4%	0%
Median deductible amount	None	\$300	\$150	\$250
Median coinsurance amount	30%	40%	40%	40%

\* Based on Providence Choice plan

## PPO / POS emergency room visit cost-sharing

	Oregon PEBB*	National 500+	Government 500+	Oregon 500+
% requiring copay	Yes	73%	80%	83%
% requiring coinsurance	Yes	44%	39%	65%
Subject to plan's overall deductible	Yes	12%	11%	13%
No cost-sharing for emergency room visit	No	1%	2%	0%
Median emergency room copay amount	\$100	\$125	\$100	\$100

\* Based on Providence Choice plan



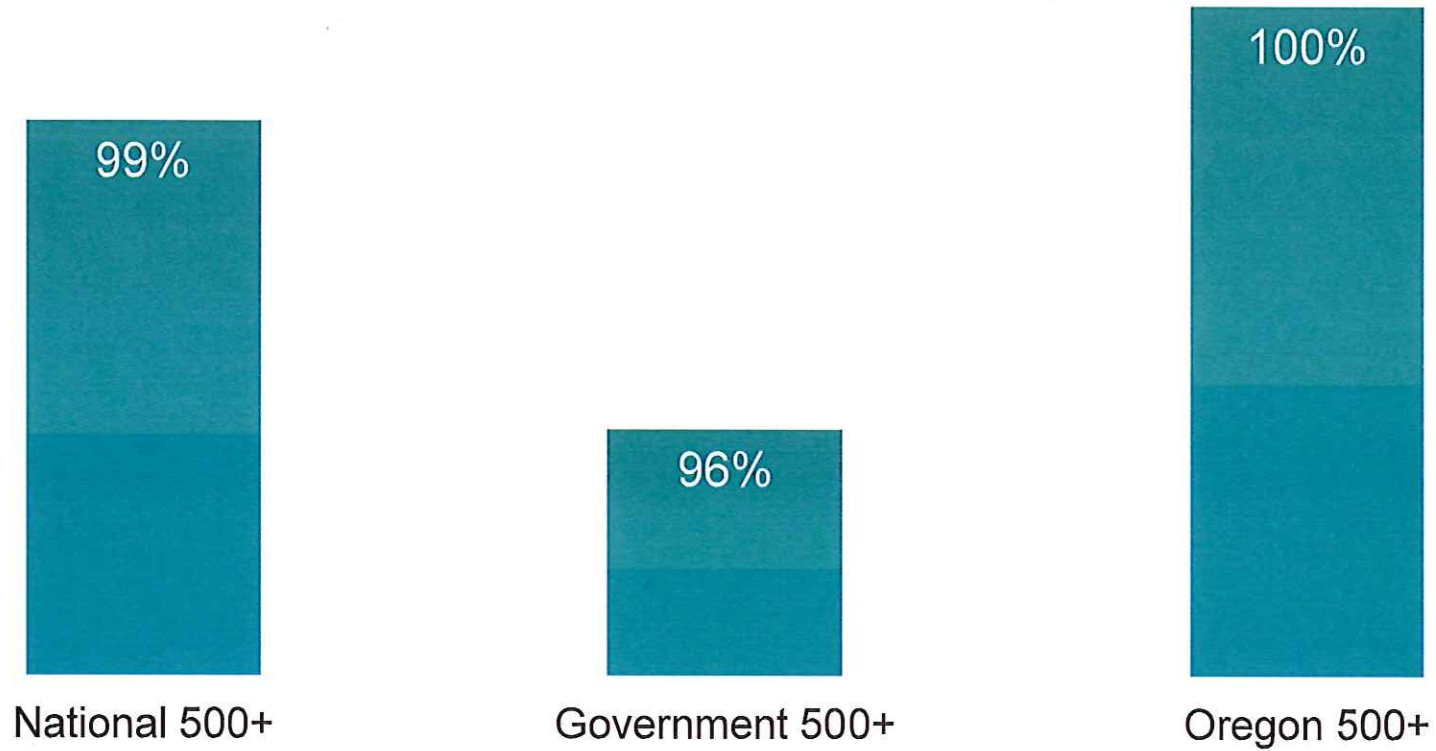
# PPO / POS out-of-pocket (OOP) maximums<sup>1</sup>

	Oregon PEBB*	National 500+	Government 500+	Oregon 500+
<b>Individual OOP maximum</b>				
Median for in-network services	\$1,750	\$2,600	\$2,500	\$2,500
Median for out-of-network services	\$3,250	\$5,000	\$3,750	\$3,500
<b>Family OOP maximum</b>				
Median for in-network services	\$5,000	\$6,000	\$5,000	\$7,100
Median for out-of-network services	\$9,000	\$10,500	\$9,000	\$10,500

<sup>1</sup> Includes deductible

\* Based on Providence Choice plan

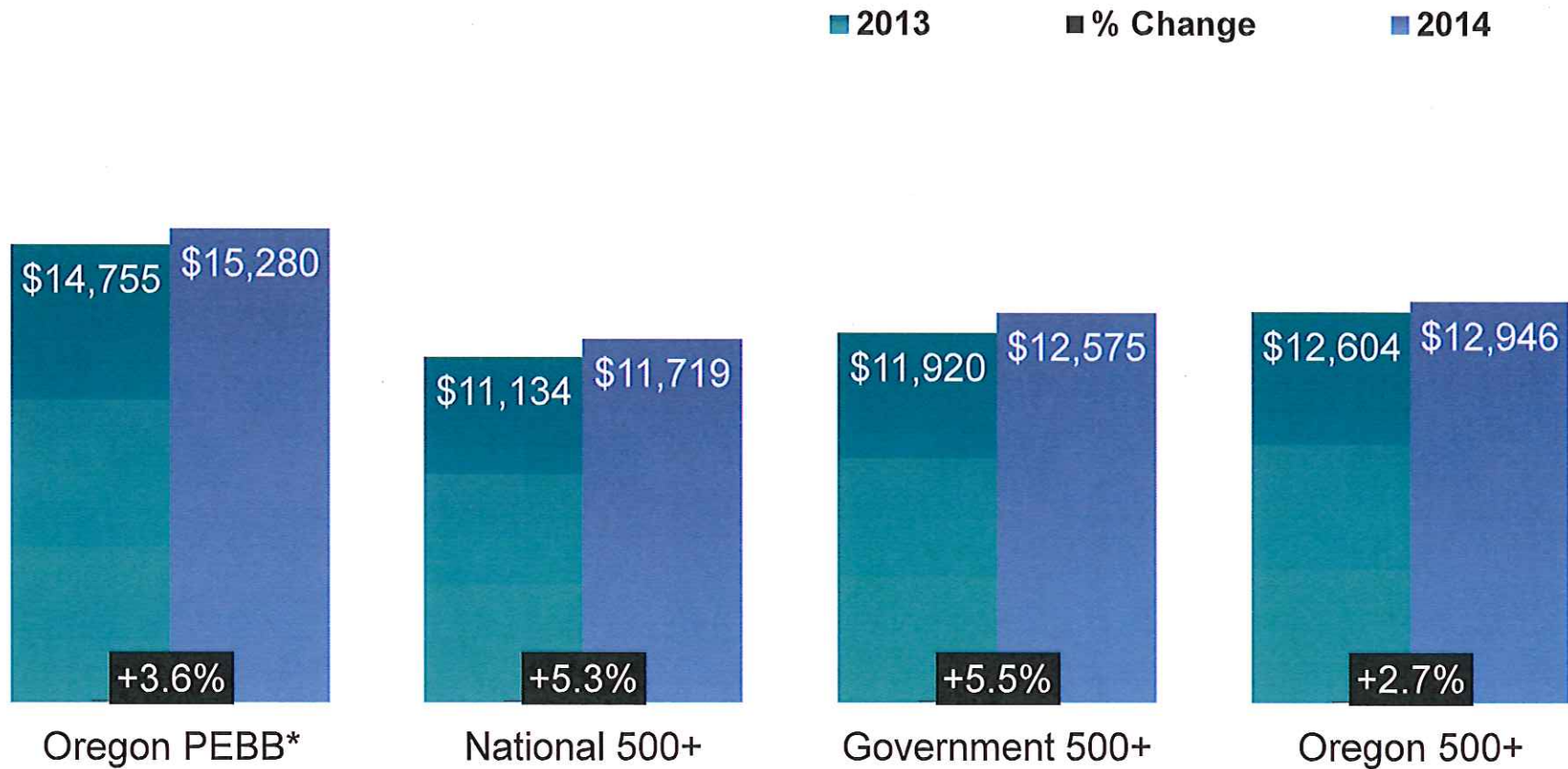
# Out-of-pocket limit includes prescription drug expenses



## Health Maintenance Organization (HMO)



# Average HMO cost per employee, for active employees



\* PPO/POS cost for PEBB is based on Kaiser HMO YTD costs through October 2014

## HMO primary care physician (PCP) visit cost-sharing

	Oregon PEBB*	National 500+	Government 500+	Oregon 500+
% requiring copay	Yes	97%	91%	92%
% requiring coinsurance	No	2%	1%	8%
No cost-sharing is required	No	2%	8%	0%
Median copay amount	\$5	\$20	\$20	\$15

\* Based on Kaiser HMO plan

# HMO specialist visit cost-sharing

	Oregon PEBB*	National 500+	Government 500+	Oregon 500+
% requiring higher copay for specialist	No	59%	56%	18%
Median copay amount, when higher than PCP	\$5	\$35	\$30	ID

\* Based on Kaiser HMO plan

## HMO inpatient hospital stay cost-sharing

	Oregon PEBB*	National 500+	Government 500+	Oregon 500+
% requiring deductible / per-admission copay	Yes	59%	53%	42%
% requiring coinsurance	No	31%	20%	33%
No cost-sharing is required	No	15%	28%	25%
Median deductible amount	\$250	\$250	\$250	\$100
Median coinsurance amount	None	20%	ID	20%

\* Based on Kaiser HMO plan

# HMO outpatient surgery cost-sharing

	Oregon PEBB*	National 500+	Government 500+	Oregon 500+
% requiring copay per procedure that is higher than PCP / specialist copay	No	43%	41%	33%
% requiring copay per procedure that is the same as PCP / specialist copay	Yes	15%	21%	33%
% requiring coinsurance	No	32%	19%	33%
No cost-sharing is required	No	14%	21%	8%
Median copay amount per procedure when higher than PCP / specialist copay	\$5	\$100	\$125	\$50

\* Based on Kaiser HMO plan

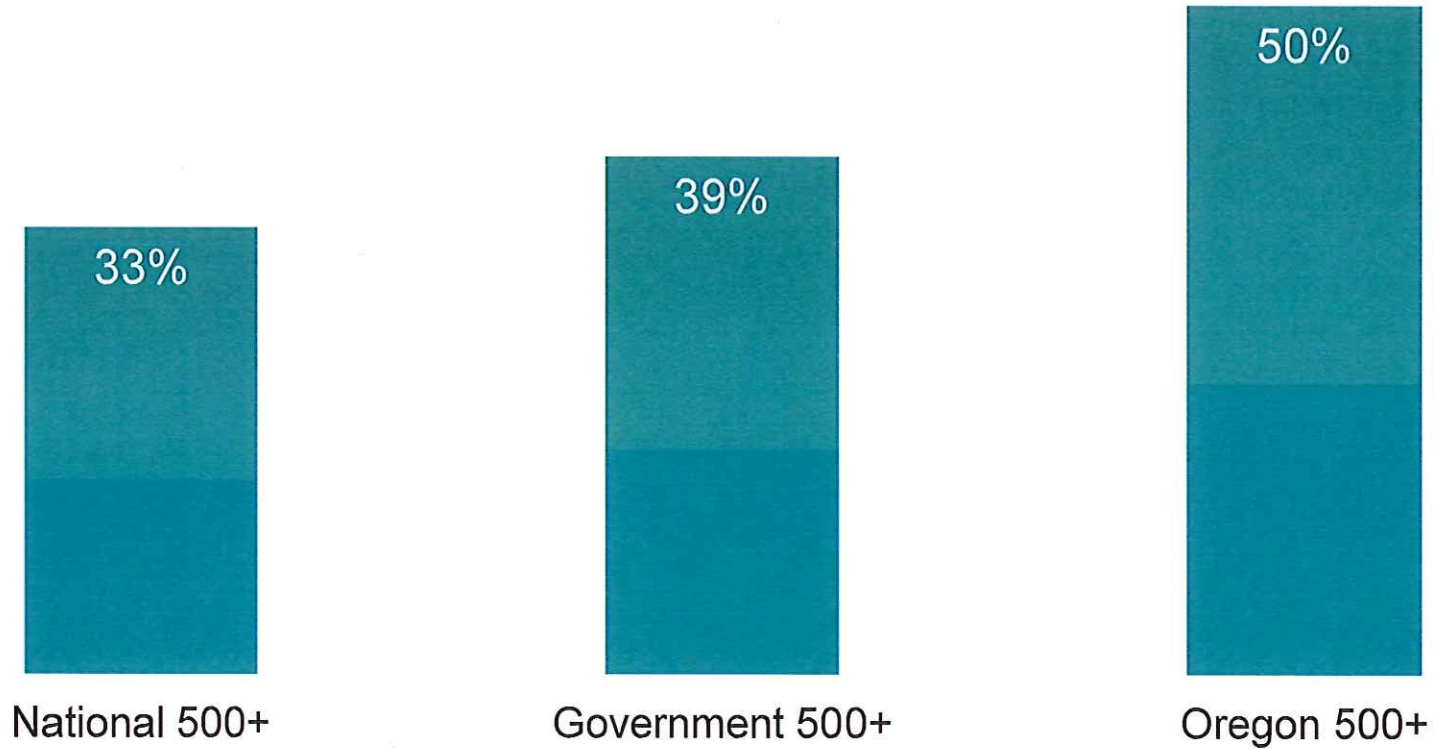


## HMO emergency room visit cost-sharing

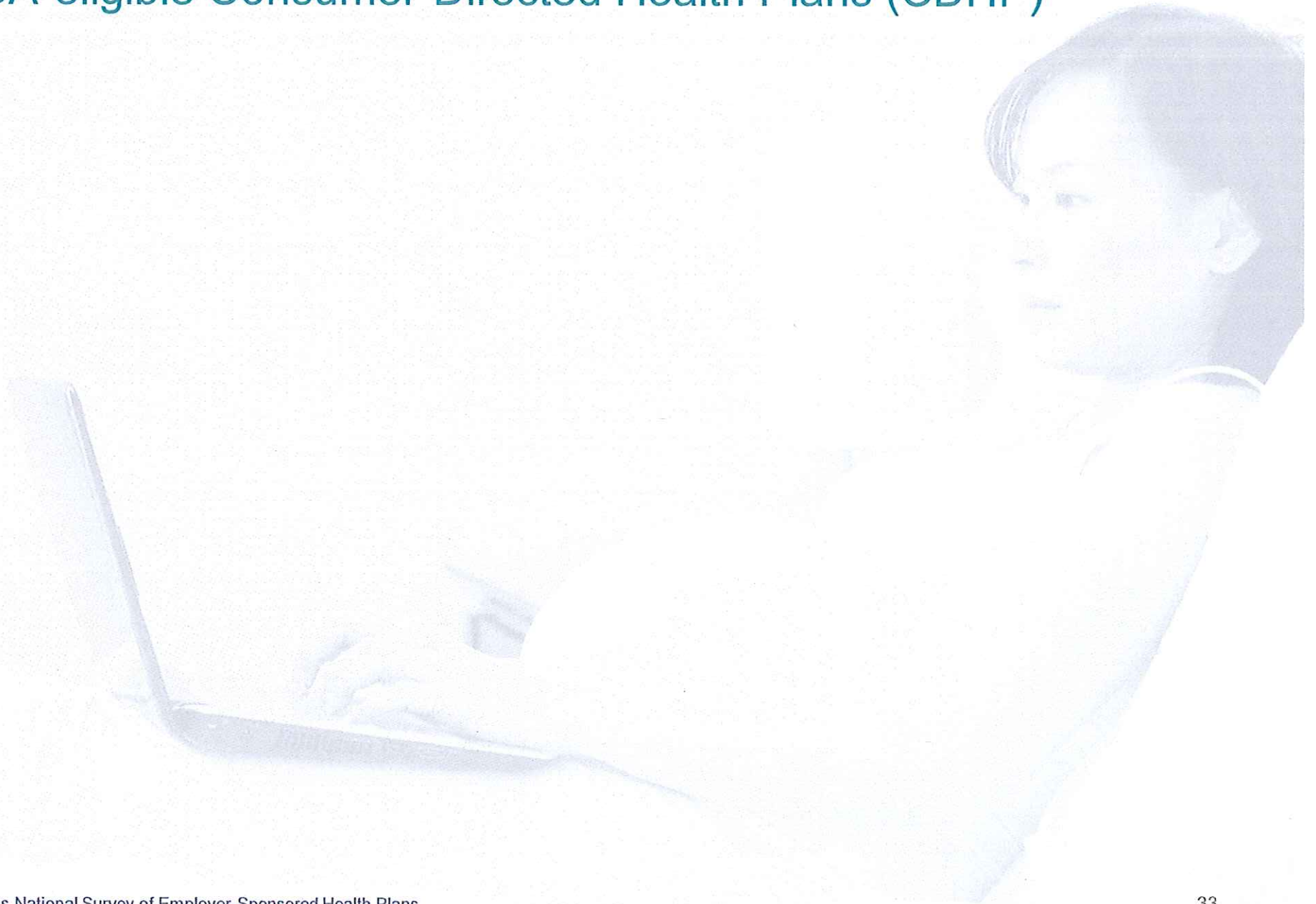
	Oregon PEBB*	National 500+	Government 500+	Oregon 500+
% requiring copay	Yes	89%	96%	67%
Median copay amount	\$75	\$100	\$100	\$75

\* Based on Kaiser HMO plan

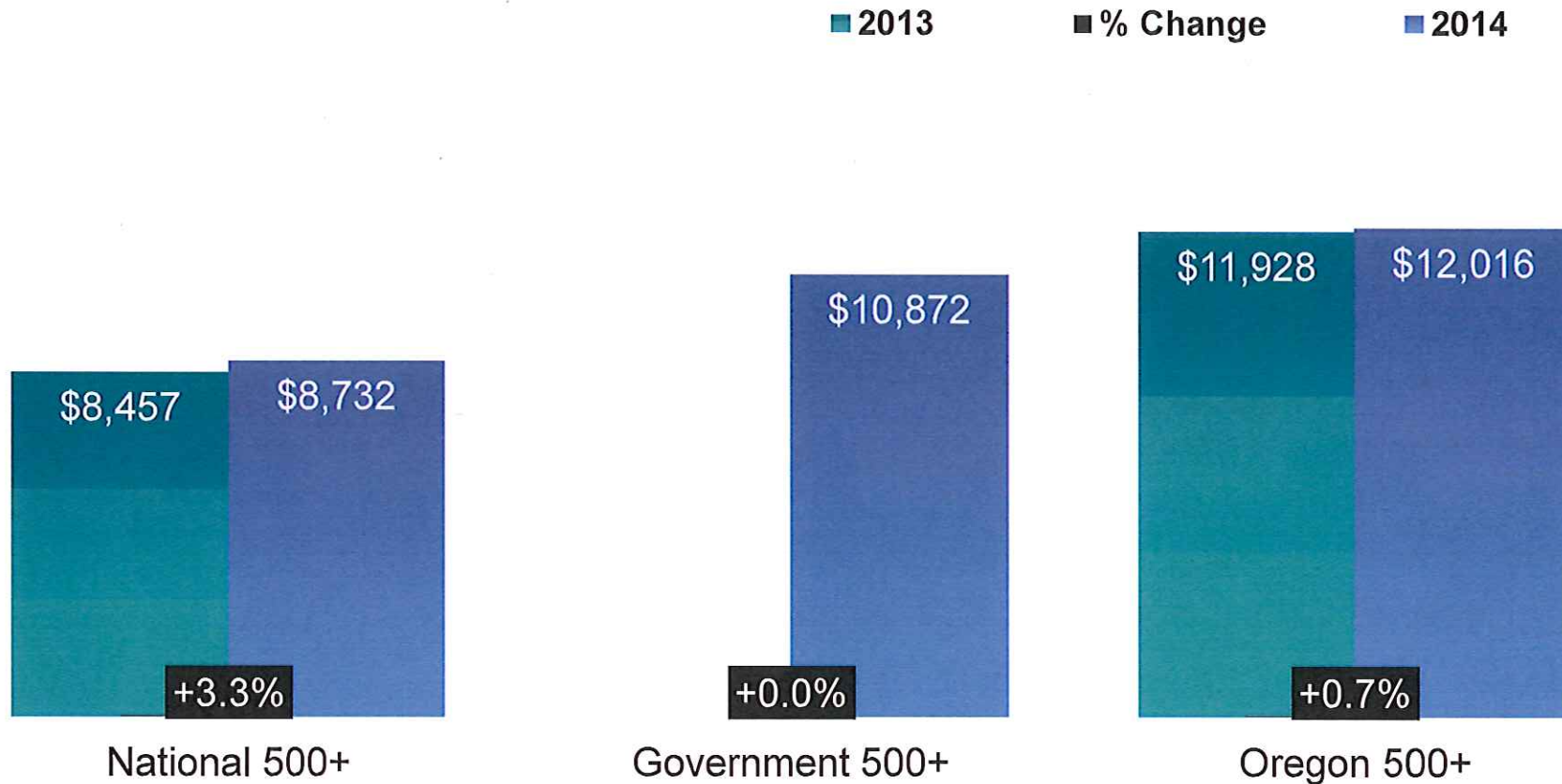
## HMO overall deductible required



# HSA-eligible Consumer-Directed Health Plans (CDHP)



# Average HSA-eligible CDHP cost per employee\*, for active employees



- Includes employer account contribution, if any
- Insufficient data available for Government 500+ in 2013

## HSA-eligible CDHP deductibles

	National 500+	Government 500+	Oregon 500+
<b>Individual deductible</b>			
Median for in-network services	\$1,500	\$1,500	\$1,500
Median for out-of-network services	\$3,000	\$2,600	\$1,750
<b>Family deductible</b>			
Median for in-network services	\$3,000	\$3,000	\$3,000
Median for out-of-network services	\$6,000	\$5,200	\$3,500

\* Includes deductible

## HSA-eligible CDHP in-network physician visit cost-sharing

	National 500+	Government 500+	Oregon 500+
% requiring copay	8%	11%	0%
% requiring coinsurance	75%	46%	100%
No cost-sharing is required	18%	43%	0%
Median coinsurance amount	20%	20%	20%

## HSA-eligible CDHP out-of-network physician visit cost-sharing

	<b>National 500+</b>	<b>Government 500+</b>	<b>Oregon 500+</b>
% requiring copay	5%	19%	0%
% requiring coinsurance	89%	69%	100%
No cost-sharing is required	7%	12%	0%
Median coinsurance amount	40%	40%	40%

## HSA-eligible CDHP out-of-pocket (OOP) maximums\*

	National 500+	Government 500+	Oregon 500+
<b>Individual OOP maximum</b>			
Median for in-network services	\$3,500	\$3,000	\$3,800
Median for out-of-network services	\$6,000	\$4,200	\$6,300
<b>Family OOP maximum</b>			
Median for in-network services	\$7,000	\$6,000	\$10,000
Median for out-of-network services	\$12,000	\$10,000	\$12,600

\* Includes deductible

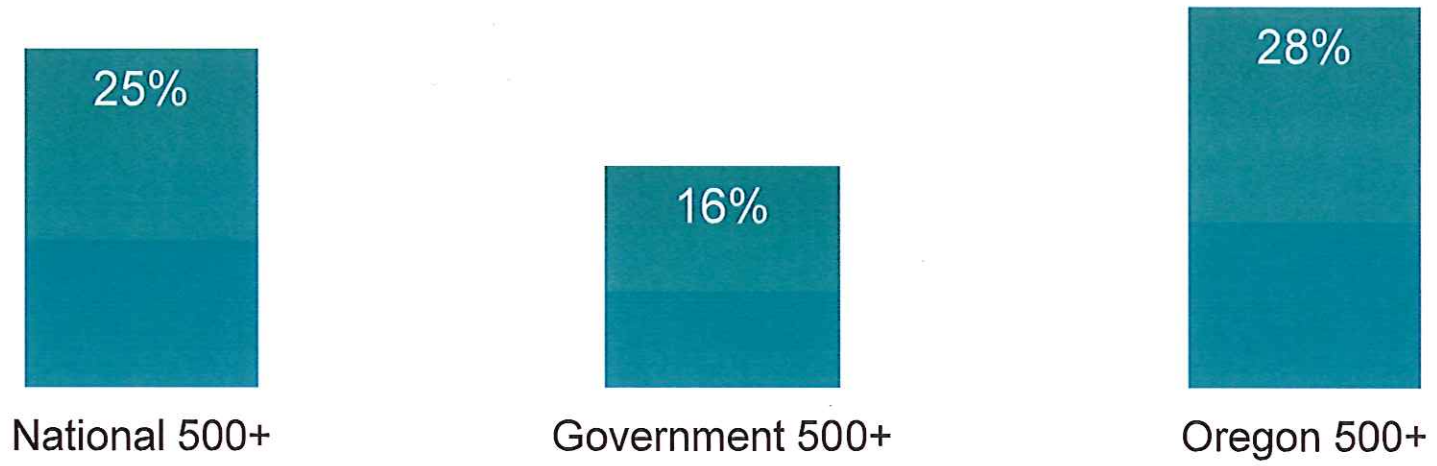


## HSA-eligible CDHP prescription drug coverage

	National 500+	Government 500+	Oregon 500+
Preventive Rx covered at separate, higher benefit level			
Not subject to deductible	22%	7%	0%
100% coverage for at least some Rx categories	22%	28%	20%
Lower cost-sharing, but not 100%	5%	1%	20%
Non-preventive prescription drugs subject to same coinsurance as any other medical expense	71%	74%	50%

\* Includes deductible

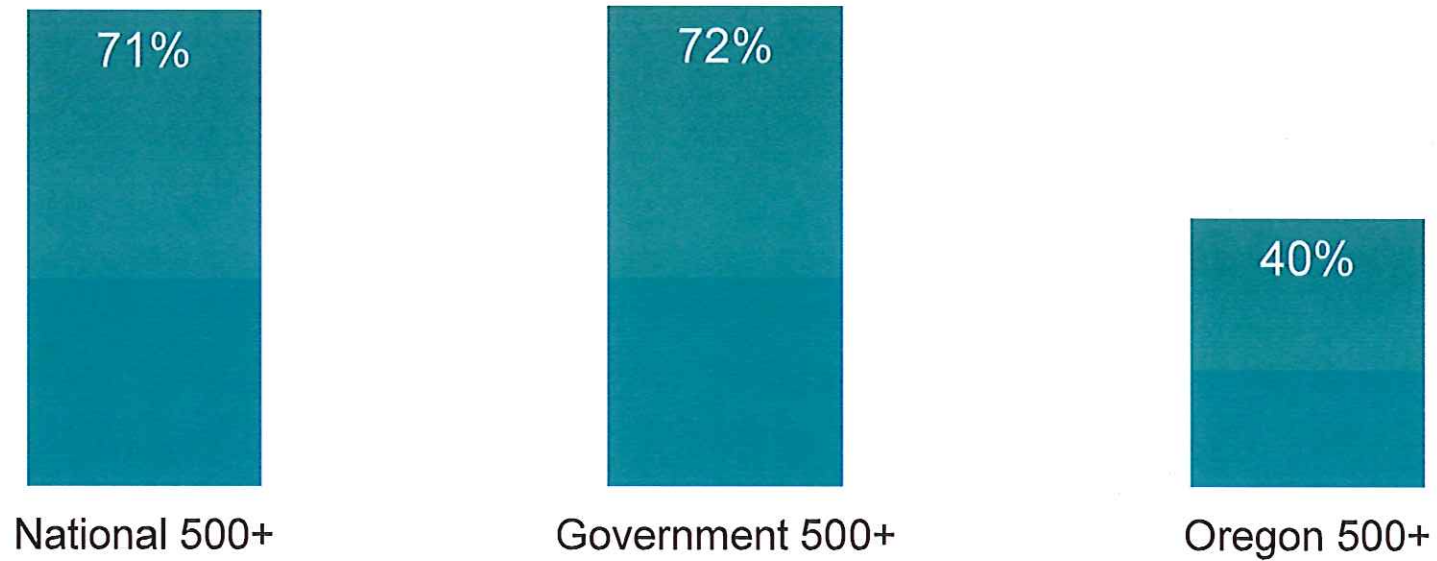
# Average % of eligible employees enrolled in HSA-eligible CDHP when offered as an option



## Type of administration vendor

	<b>National 500+</b>	<b>Government 500+</b>	<b>Oregon 500+</b>
Health plan	19%	23%	0%
Bank or other financial services provider	64%	60%	80%
Benefit administrator	11%	16%	20%
Employees independently select HSA trustee	5%	1%	0%

# Percent of employers making an HSA account contribution



# HSA-eligible CDHP employer contributions

## Among employers contributing to the account

	National 500+	Government 500+	Oregon 500+
<b>Employer contribution to account</b>			
Median for employee-only coverage	\$500	\$500	\$1,063
Median for family coverage	\$1,000	\$1,200	\$2,125
<b>Type of employer account contribution</b>			
Matching contributions	7%	17%	0%
Incentive-based contributions	16%	1%	0%
Fixed, non-conditional contributions	84%	83%	100%

# HSA-eligible CDHP funding schedule for employer account contributions

Among employers contributing to the account

- Fully pre-funded
- Fund every paycheck
- Fund monthly or on other schedule

National 500+



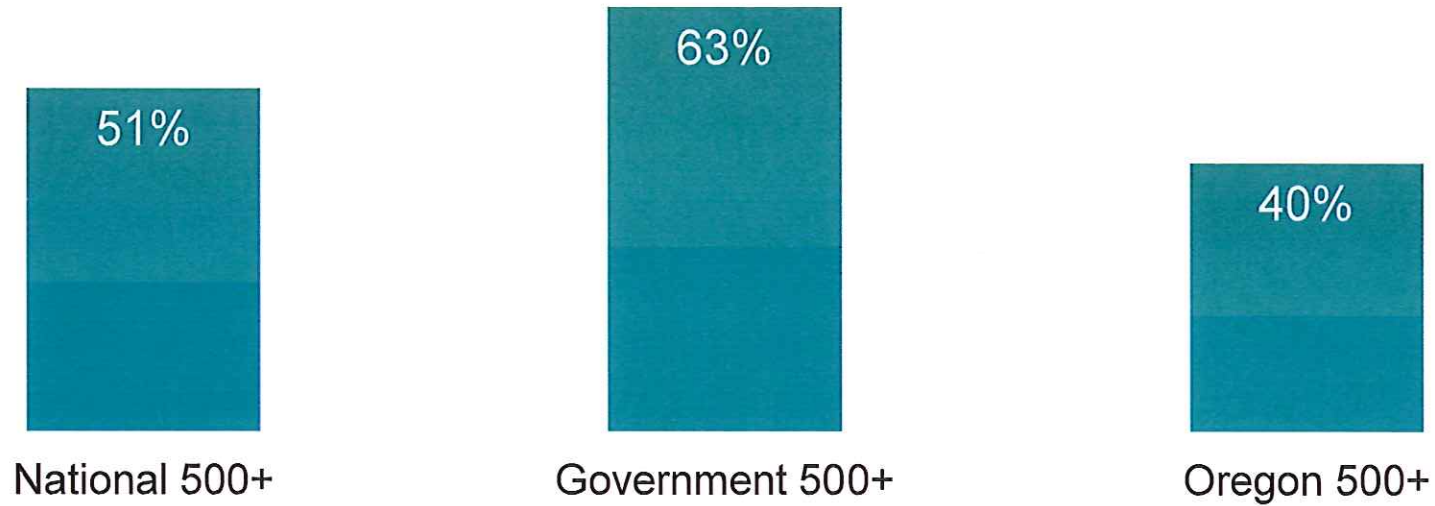
Government 500+



Oregon 500+



## Offer a limited-purpose FSA in conjunction with HSA

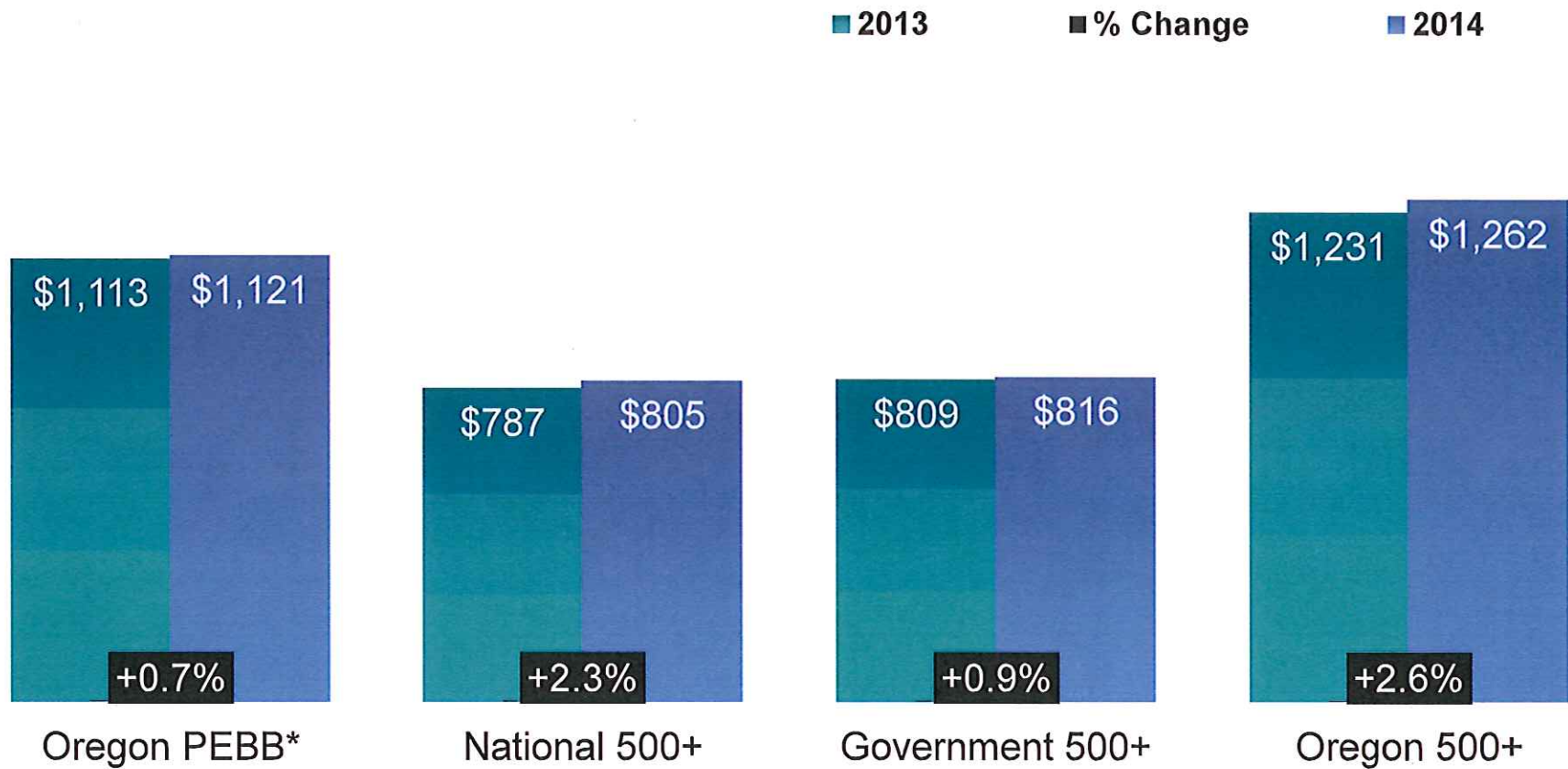


## Dental benefits





# Average cost of dental coverage, per employee



\* Cost for PEBB is based on ODS PPO plan YTD costs through October 2014

## Type of dental plan offered

	Oregon PEBB*	National 500+	Government 500+	Oregon 500+
Active PPO	Yes	55%	61%	59%
Passive PPO	Yes	38%	25%	32%
Dental HMO	Yes	15%	11%	27%
No provider network	No	9%	15%	9%

\* Based on ODS PPO plan

## Dental services covered

	Oregon PEBB*	National 500+	Government 500+	Oregon 500+
Sealants	Yes	83%	86%	86%
Implants	Yes	59%	58%	67%
Treatment of TMJ	No	20%	33%	19%
Posterior composites	No	41%	45%	43%

\* Based on ODS PPO plan

## Dental plan coinsurance

	Oregon PEBB*	National 500+	Government 500+	Oregon 500+
Preventive services (Type A)	100%	100%	100%	100%
Basic restorative services (Type B)	1 <sup>st</sup> year-80% 2 <sup>nd</sup> year-90% 3 <sup>rd</sup> year-100%	80%	80%	80%
Major restorative services (Type C)	50%	50%	50%	50%

\* Based on ODS PPO plan in network benefits

## Deductibles for restorative services

	Oregon PEBB*	National 500+	Government 500+	Oregon 500+
<b>Individual deductible</b>				
% requiring deductible	Yes	81%	72%	68%
Median deductible	\$50	\$50	\$50	\$50
<b>Family deductible</b>				
% requiring deductible	Yes	79%	73%	67%
Median deductible	\$150	\$150	\$150	\$150
Preventive care is subject to deductible	No	5%	5%	0%

\* Based on ODS PPO plan

## Dental plan maximums

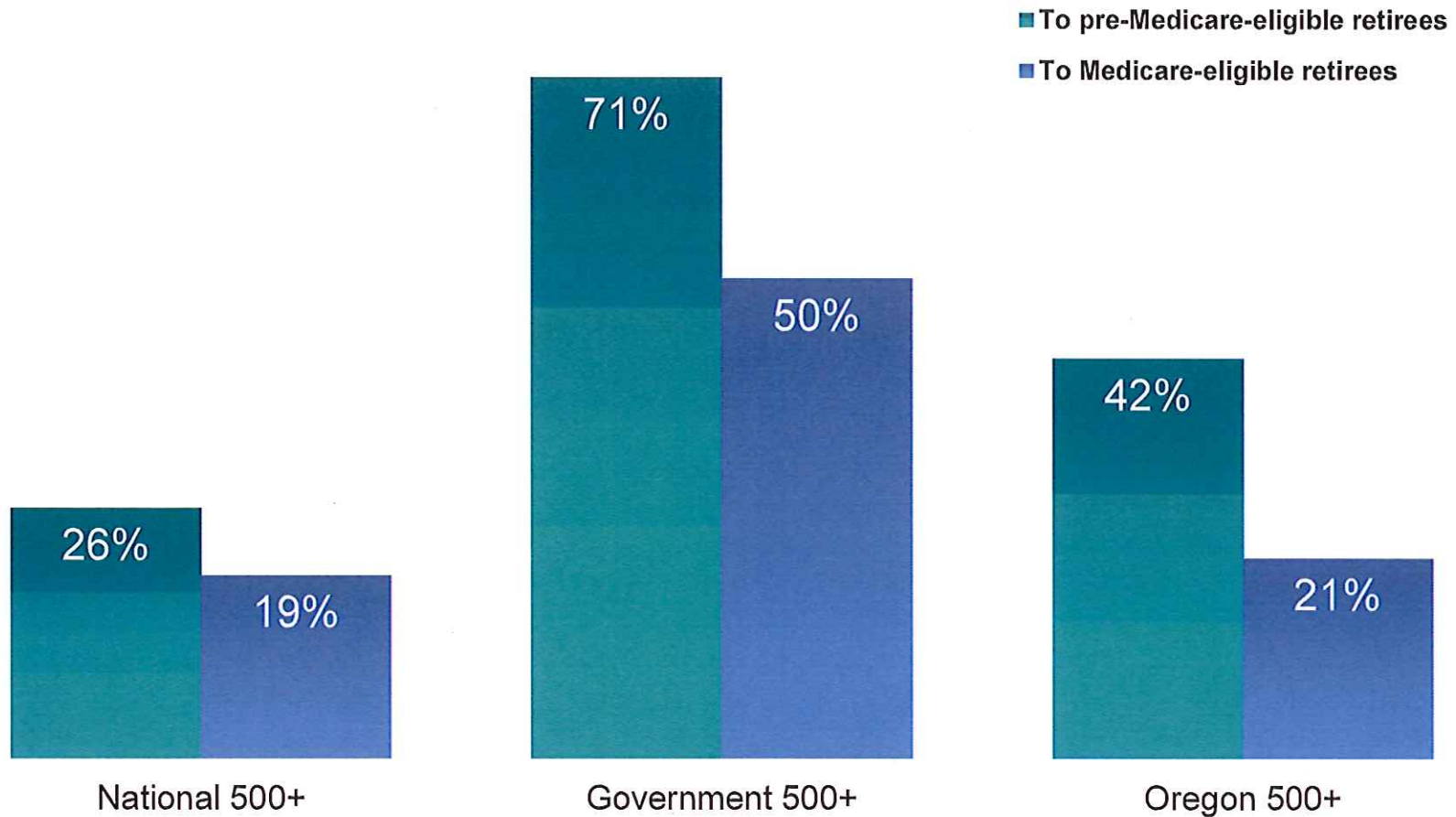
	<b>Oregon PEBB*</b>	<b>National 500+</b>	<b>Government 500+</b>	<b>Oregon 500+</b>
Median maximum annual benefit	\$1,750	\$1,500	\$1,500	\$1,500
Median lifetime maximum orthodontic benefit	\$1,500	\$1,500	\$1,500	\$1,500

\* Based on ODS PPO plan

## Retiree health care



# Offer an employer-sponsored medical plan (including private exchange) to retirees\*



\* On an ongoing basis (new hires will be eligible)



## Offer private medical exchange to retirees Among retiree plan sponsors

	National 500+	Government 500+	Oregon 500+
Pre-Medicare-eligible retirees	8%	12%	8%
Medicare-eligible retirees	15%	21%	0%

\* Includes private exchanges offered to a closed group of current or future retirees

# Contribution requirements for retiree-only coverage

## Pre-Medicare-eligible retirees

■ Employer pays all   ■ Cost is shared   ■ Retiree pays all

### National 500+



### Government 500+



### Oregon 500+



Based on employers with 500 or more employees

# Contribution requirements for retiree-only coverage Medicare-eligible retirees

■ Employer pays all   ■ Cost is shared   ■ Retiree pays all

## National 500+



## Government 500+



## Oregon 500+



Based on employers with 500 or more employees

## Average retiree contribution\* as a percent of premium, when cost is shared

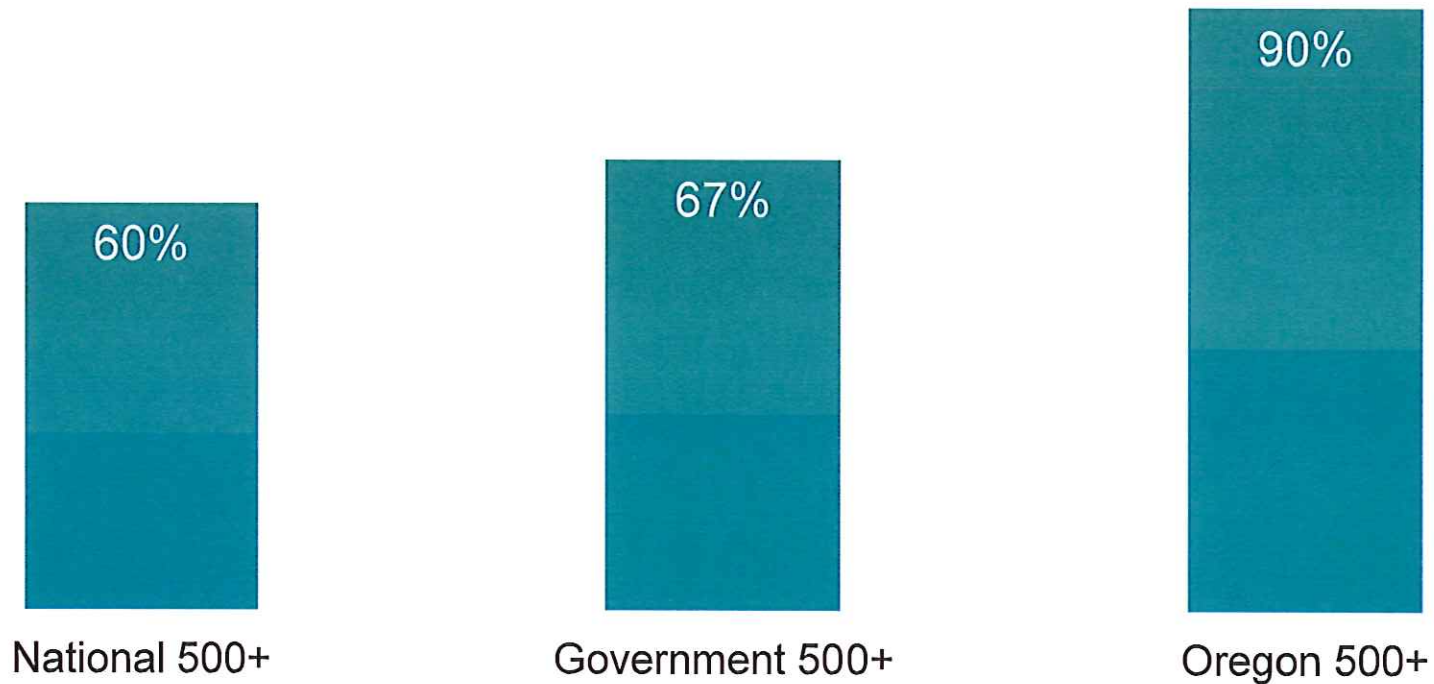
	Oregon PEBB	National 500+	Government 500+	Oregon 500+
Pre-Medicare-eligible retirees	100%	37%	26%	69%
Medicare-eligible retirees	100%	35%	31%	29%

- Retirees pay 100% of the active premium

\* For retiree-only coverage

Based on employers with 500 or more employees

# Expect to continue offering retiree health coverage to new hires for the next five years\*



\*Among employers that currently offer retiree health benefits to new hires and have 500 or more employees.

# Definitions



## Definitions

- A consumer-directed health plan eligible for a Health Savings Account is a high-deductible health plan with an employee-controlled account. Employer contributions are optional. Account funds roll over at year end and are portable.
- A consumer-directed health plan with a Health Reimbursement Account is a health plan with an employer-funded spending account. Account funds may roll over at year end, but are not portable.
- Total health benefit cost is the total gross cost for all medical, dental, prescription drug, MH / SA, vision and hearing benefits for all covered active employees and their dependents divided by the number of enrolled employees. Total gross annual cost includes employer contributions to a Health Savings Account. Employee contributions are also included but not employee out-of-pocket expenses.
- Medical plan cost is the total gross cost for medical plans divided by the number of enrolled employees. Prescription drug, mental health, vision and hearing benefits for all active employees and their covered dependents are included if part of the plan. Dental benefits, even if a part of the plan, are not included in these costs. CDHP cost includes any employer account contribution.

## Definitions, continued

- Nationally projectable PPO/POS and HMO medical plan costs for 2014 have been restated to include all prescription drug benefit costs (formerly, cost for carve-out prescription drug plans was not included in the medical plan cost, but will be going forward).
- A mini-med or limited plan is a health insurance plan that provides far lower benefits than the typical comprehensive major medical plan. The annual maximum amount payable typically ranges from \$1,000 to \$50,000.
- Unless otherwise noted, employers with multiple plans of the same type were asked to respond for the largest plan of each type (i.e., the one with the largest enrollment).
- Family coverage is the coverage level for an employee, spouse and two children.
- A private exchange is a marketplace for insurance run by a private company or non-profit corporation that offers a choice of health plans and possibly voluntary products and services. Employers often provide a set contribution for each employee to spend on insurance. The exchange also typically provides an enrollment and administration platform with decision-support tools for employees to help them select appropriate coverage.







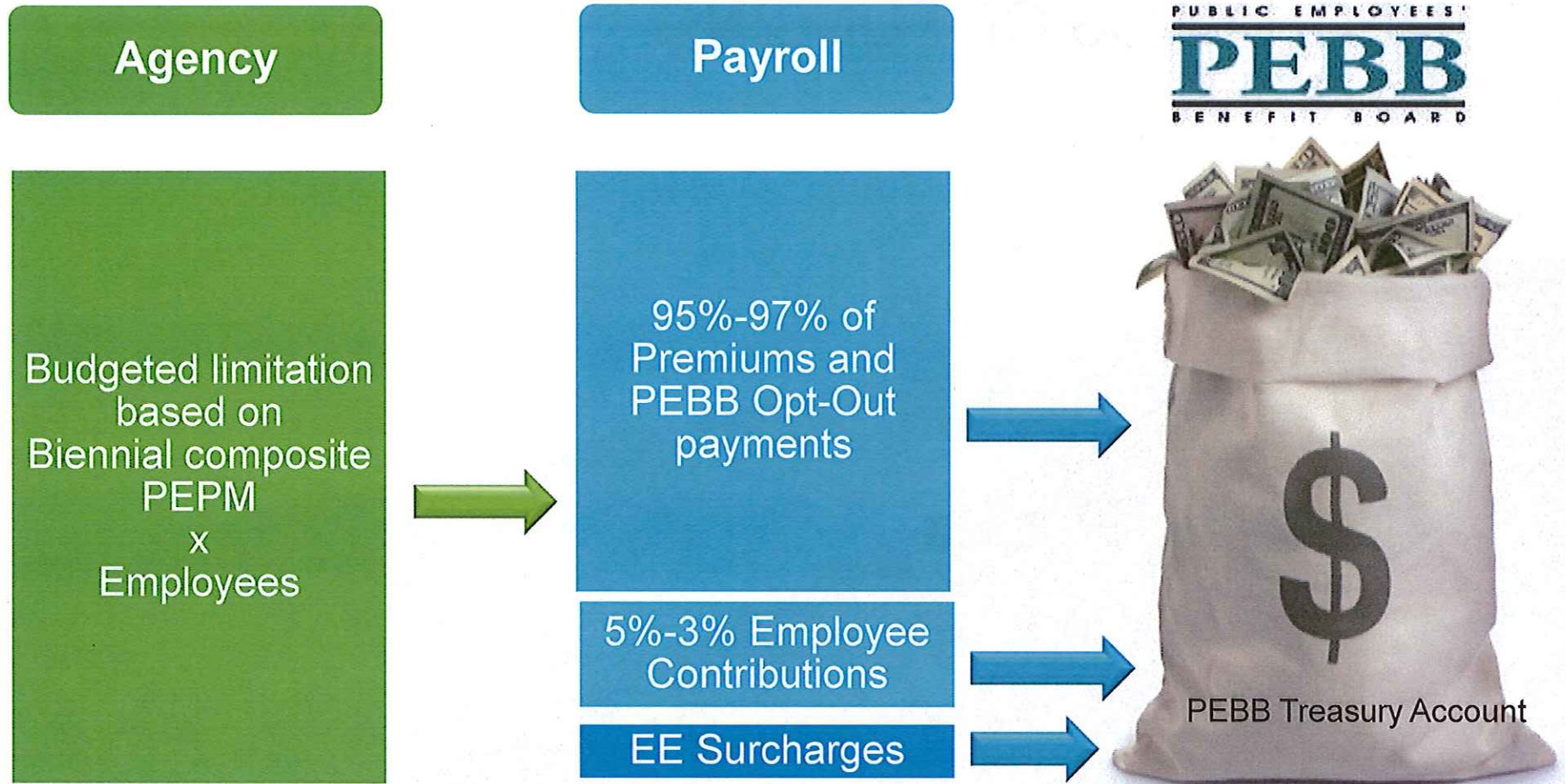
# OREGON PEBB MECHANICS OF FUNDING

April 20, 2015

A large decorative graphic consisting of several overlapping triangles in various shades of blue, extending from the left edge of the slide towards the right.

Emery Chen

# Oregon PEBB Inflows to PEBB Treasury Account



**Slide 2**

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**NII\*P1**

Reformatted slide 1

NORBERG Ingrid I \* PEBB, 4/1/2015

# Oregon PEBB Agencies Limitation

## Legislature



- Sets biennial benefits allotment based on 3.4% annual increase
- Requires agencies to adhere to allotment during budget setting
- Agency benefit budget based on a composite PEPM rate multiplied by agency FTE

## Agencies



- Pay premiums based on tiered funding rates
- Actual outflows depend on enrollment by plan and by tier
- Tiers are employee only, employee & spouse/partner, employee & child(ren), employee & family

# Oregon PEBB Outflows from PEBB Treasury Account



PEBB Treasury Account



Fully-Insured  
Premiums



Self-insured Costs



HEM Payments

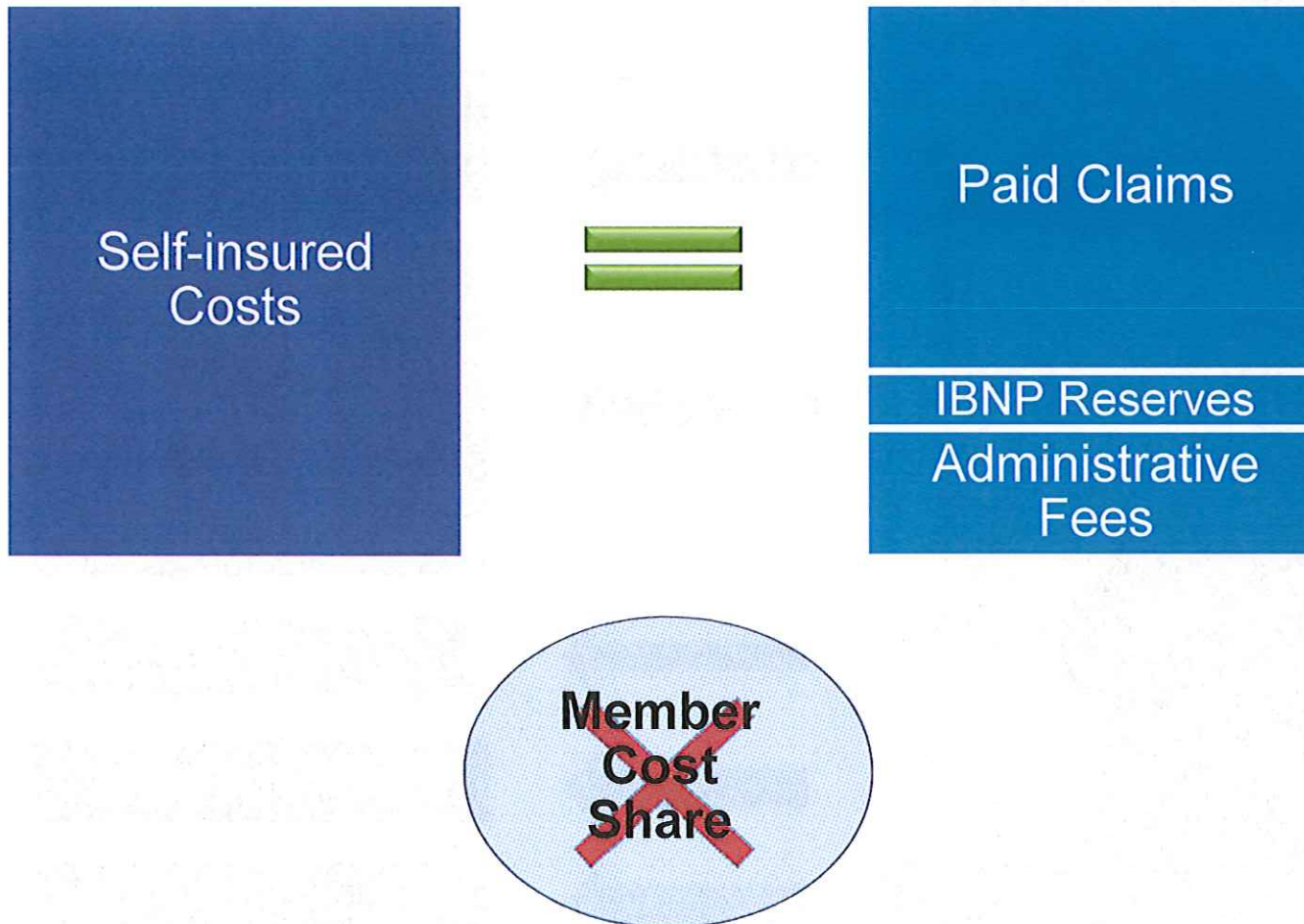


PEBB Operations

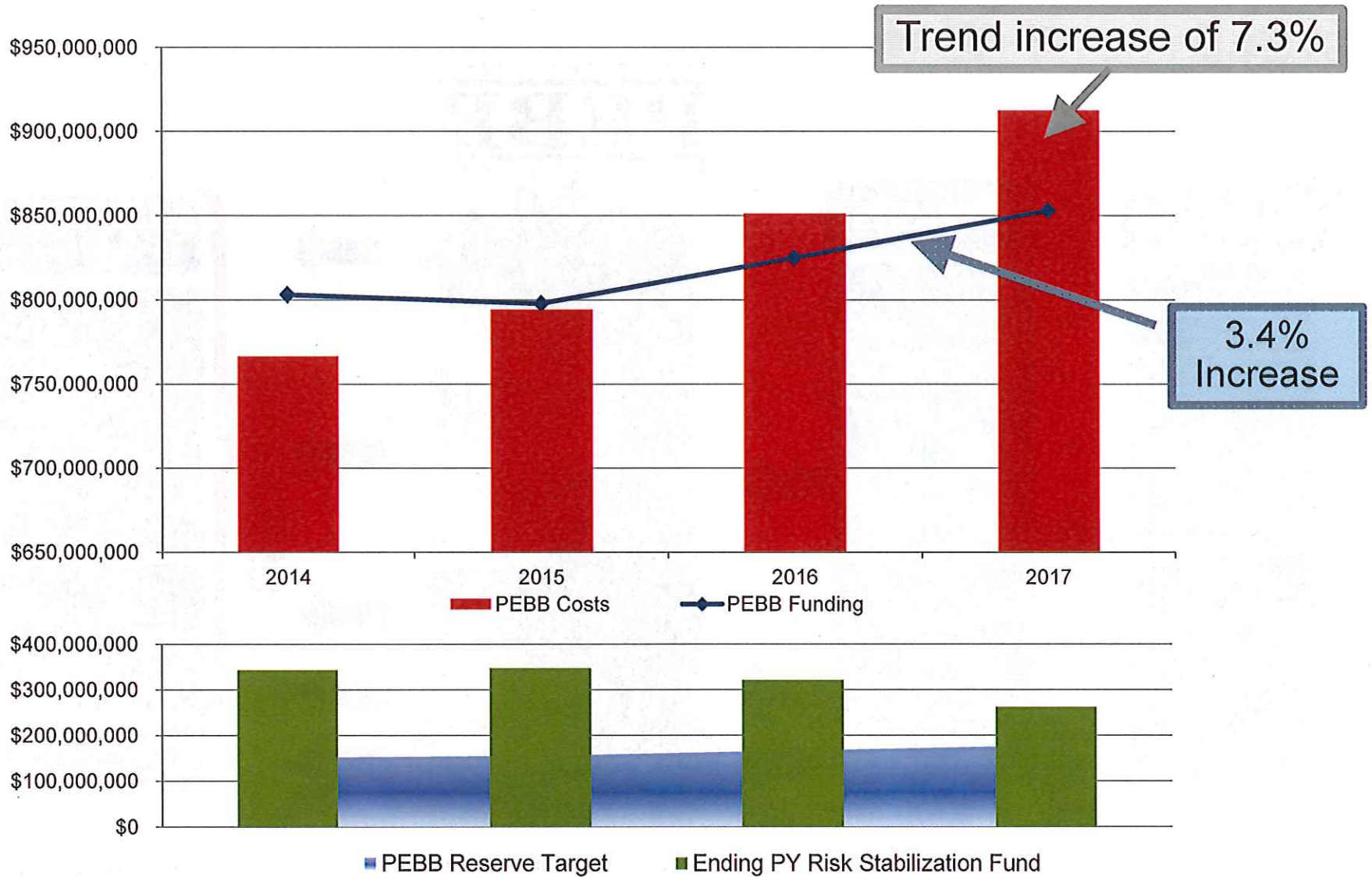


Stabilization Fund

# Oregon PEBB Self-Insured PEBB Costs



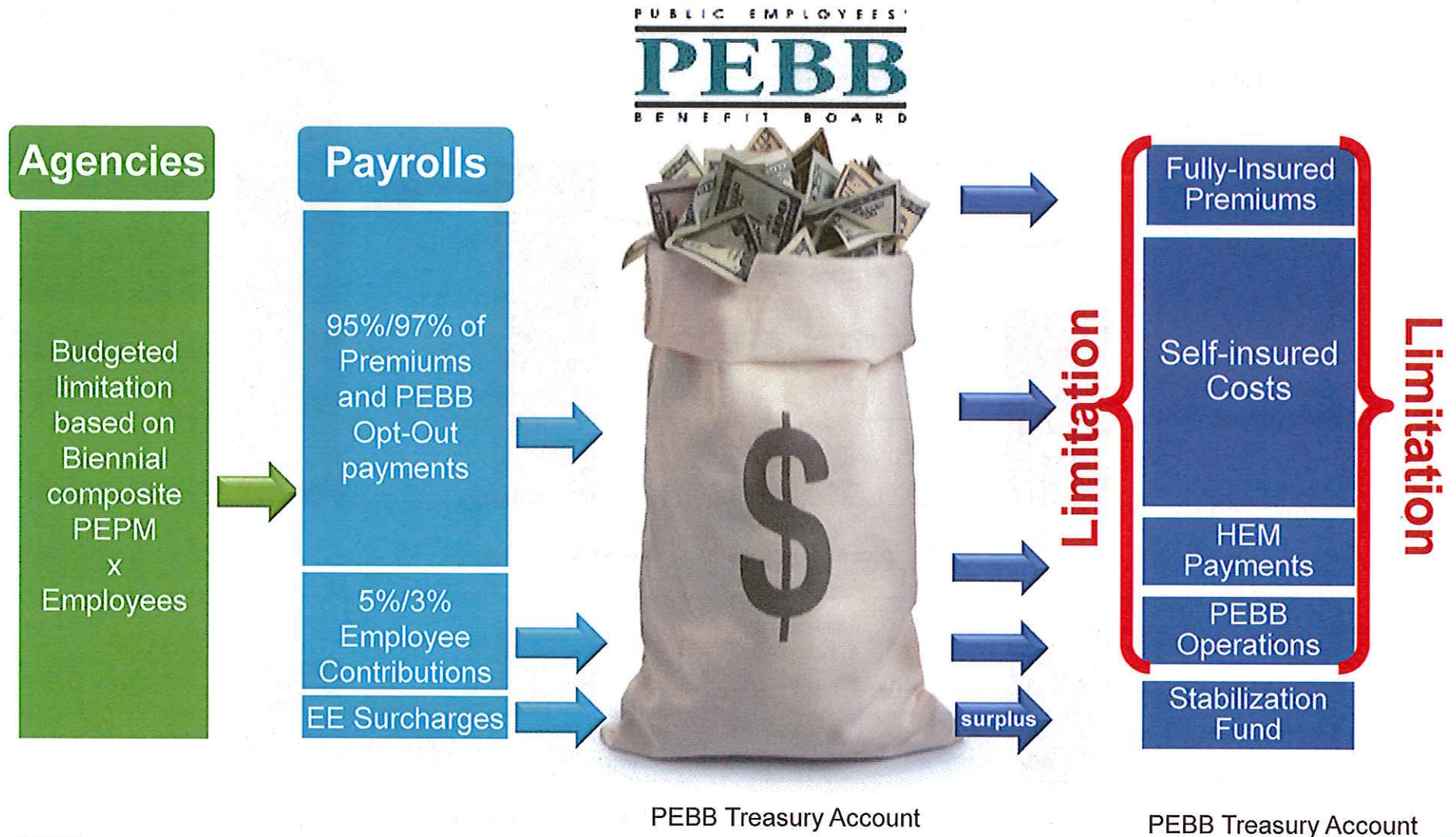
# Oregon PEBB RBC Projected Cost Increases (December 2014)





# Oregon PEBB

## Where Does PEBB's 3.4% Limitation Apply?



# Oregon PEBB

## What are the limits of the Limitation?

# Limitation

## Does

- Cap outflows from PEBB
- Apply over a biennium
- Allow PEBB to request additional limitation from Legislature

## Does Not

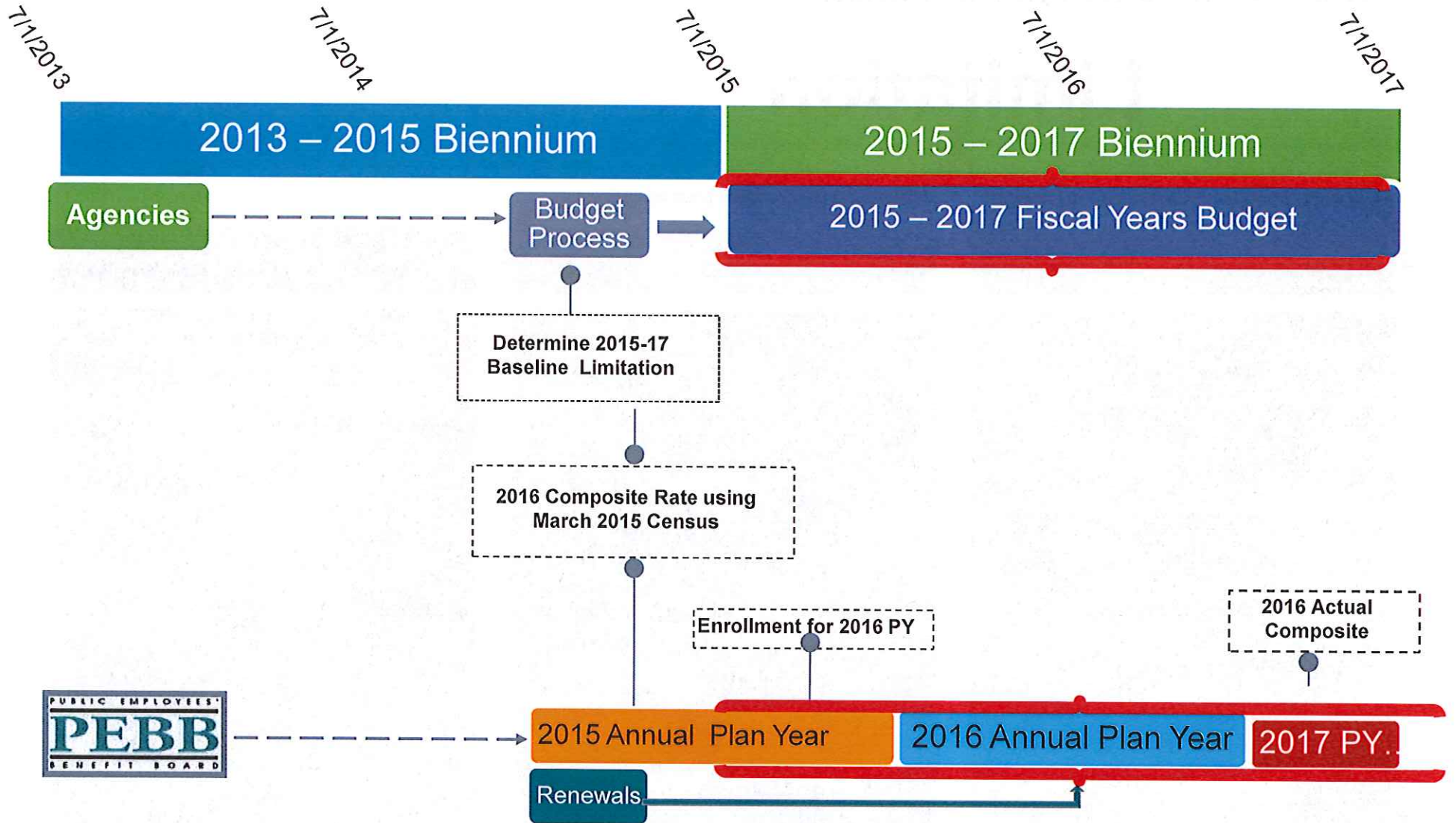
- Allow bills to be paid if expenses exceed limitation
- Allow usage of the Stabilization fund to offset >3.4% growth
- Increase as employee headcount grows
- Account for changes in employee contributions

## Question

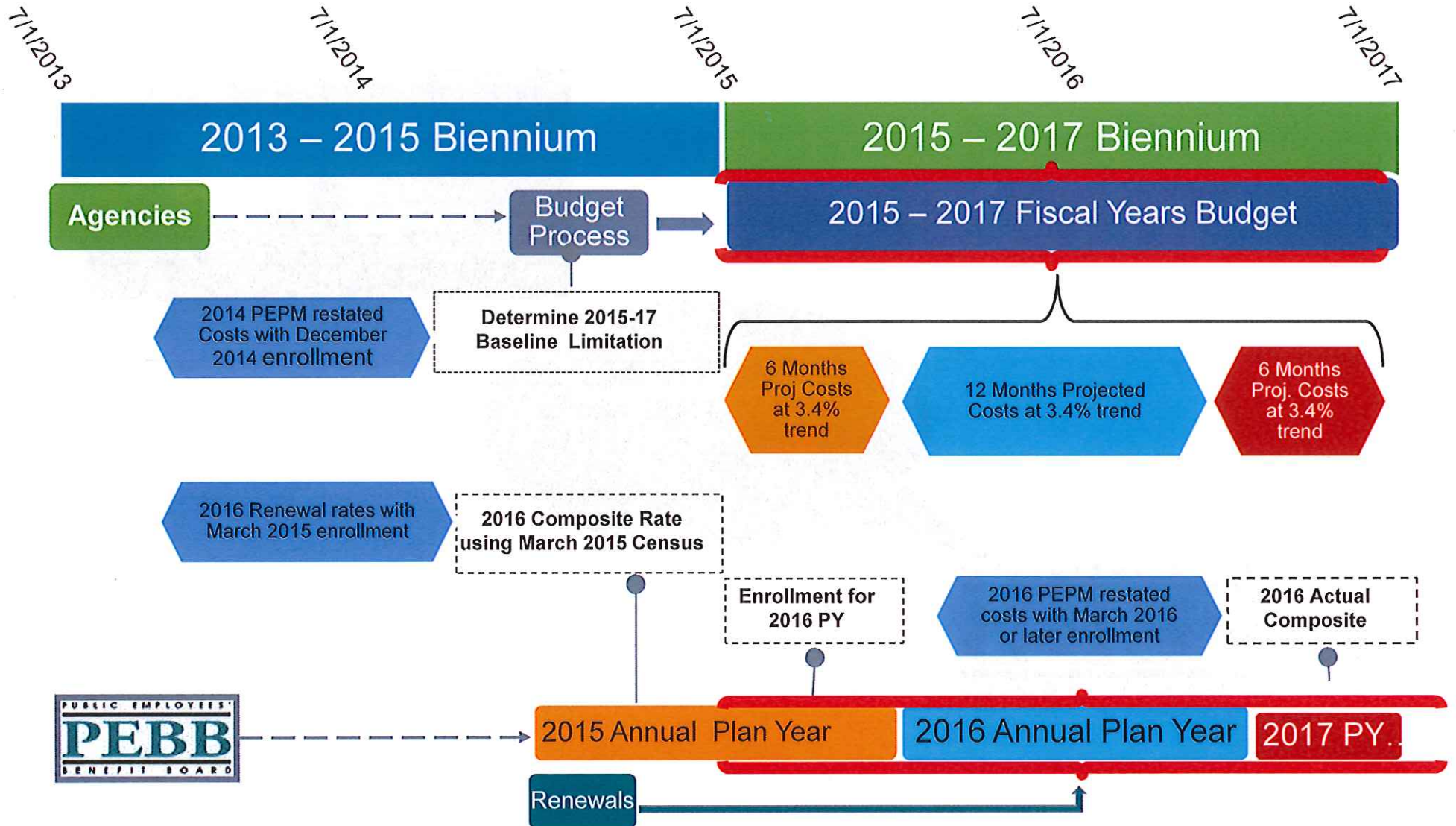
Is the targeted RBC still applicable?



# Timeline



# Timeline



# Oregon PEBB If Expenditures Increase by More than 3.4%



May we  
increase the  
limitation  
amount?



Oregon PEBB

Questions?

