April 16, 2015

SB 702 -- Aggregating Health Benefits
Preliminary Comments by the Seven Public Universities

The seven public universities support the goal of SB 702 which is to enable public universities and community colleges to work together to aggregate health benefits for employees who work part time at multiple public education institutions. SB 702 also decreases the eligibility threshold for health insurance from .50 to .30 FTE. Our support for SB 702 relies on it being adequately funded. Simply mandating that benefits be aggregated and thresholds be lowered without providing state funding will create a new cost that will be borne by students through tuition increases. Our desire is to implement a comprehensive health benefit program that is equitable, administratively sound, and financially sustainable.

In sum, the financial impact of this bill varies among the institutions based on our use of adjunct and part-time faculty, and the degree to which those faculty work at other public institutions. We are concerned that the bill may be seen as creating inequities among employee populations at each institution because it applies only to teaching faculty. It does not apply to professional and research faculty, or to classified employees who work at least .30 FTE or may also work at multiple institutions. Whether or not those employees are included in SB 702, passage of the bill will create rightful expectations that aggregated benefits ought to be extended to other employee classifications.

In addition to financial impacts and equity concerns, if enacted without careful consideration, SB 702 presents a number of complex administrative challenges and could result in unintended consequences. This includes creating incentives for institution to reduce hours for employees in order to avoid the financial burden of providing benefits. Our sincere interest is to ensure that this bill is implemented in a way that provides equitable benefits for employees who are working similar hours – but who happen to be devoting those hours to multiple institutions.

Inequities across employee populations

The bill seeks to provide benefits to part-time teaching faculty who are eligible for PERS. This would include 12-month faculty who are at least .30 FTE, and 9-month faculty who are at least .40 FTE. The bill does not take into consideration our other employee populations, including non-teaching faculty, classified, or temporary employees, and teaching faculty who have elected to participate in the Optional Retirement Plan (ORP). We believe the definition of "FTE" and eligibility needs deeper consideration to ensure consistency across the institutions and continuity with other benefit programs.

Extending benefits to one classification of employee – while not extending them to others who meet the same hourly or other requirements – will contribute to inequities in the work place. It is unclear to us why, other than due to cost considerations, the legislature would choose some employees, but not others to qualify for these benefits. Ultimately, we anticipate once these benefits are extended to one set of employees, it will not be long before others seek similar treatment. As a result, we would prefer a systematic approach to this process that anticipates what is likely to happen next.

Consistency with the Affordable Care Act

Current faculty who are eligible for benefits must continue to meet a monthly hours requirement to maintain benefits if they have not been identified as "full-time" under the Affordable Care Act (ACA). Because SB 702 has a lower hourly threshold for the employee population identified, it would create a different threshold for determining the benefits if employees don't meet the required monthly hours but are in a position that is eligible for benefits. SB 702 also differs from the ACA by extending benefits to part-time employees who have terminated employment.

Operational Issues

Universities and community colleges will need to address a number of difficult employee tracking and accounting challenges in order to correctly identify all eligible employees and to accurately compute the hours they work to ensure that the proper benefits are provided. Because coverage is based on employment and PERS eligibility in the previous year, all employers will need to develop programming and employee coding protocols that identify and distinguish employees who meet eligibility requirements after the fact. We will always be behind time. This may create difficulties for new employees who are working in non-benefit eligible positions.

The bill does not address or resolve whether the extension of benefits will be administered by the Oregon Educators Benefit Board (OEBB) or by the Public Employees' Benefit Board (PEBB). Choosing one route over the other will involve determining how administrative access to various data management and customer service functions will be maintained and provided.

The bill will require a concerted effort of coordination between universities and community colleges as well as with the administering entity to ensure that all are consistently tracking employment conditions, including hours worked and other factors. These factors are not static. They will change from employee to employee and from month to month.

This will also require determining which institutions would be "lead" in computing and configuring benefits, enrolling employees, distributing costs to other institutions, and any billing, pro-rating, collection, and other functions.

We raise these concerns, not because we believe they are insurmountable, but because we are mindful that each step in delivering these benefits in an equitable way will take people, data management systems, careful consideration, and funding.

Unintended Consequences

The unfortunate result of mandating benefits without providing adequate funding could be efforts among all of the institutions covered by SB 702 to seek to avoid un-funded costs. While we do not condone these actions, under-funded institutions will face incentives to reduce or eliminate the number of positions, or hours of adjunct and part-time faculty in order to avoid an un-funded mandate. Our desire is to identify these disincentives up front, so that we can acknowledge and address them before we seek to implement and administer a new program.

Financial Impact

The universities are in the process of developing a fiscal impact analysis for SB 702. We thought it would be useful to provide the Committee with an outline of a number of the issues we are addressing and the varying impacts the bill presents to different institutions.

PSU estimates the highest financial impact due to the number of employees affected, which relates directly to the proximity of three community college systems that co-employ part time teaching faculty. It estimates additional cost to be $10-12 million per biennium to cover approximately 400-500 employees, and at least one additional FTE to administer the expanded program.

OSU estimates at least one additional FTE to administer the program which would provide benefits to approximately 160 employees, for a total biennial cost of $2.4-3.0 million.

The wide range of impacts across all seven universities depends on the number of employees, potential enrollment growth, and the proximity to other public institutions who meet the requirements of the bill.

Next Steps

Because of the complexities involved in developing, implementing and funding a program to bring equitable health insurance to part-time faculty, we support a deliberative and carefully considered approach.

If the legislature determines to embark on this process, all seven universities are committed to work together with community colleges, OEBB, PEBB, PERS, and the Higher Education Coordinating Commission to develop a coordinated approach that addresses the challenges we know exist – and others we have not yet discovered.

Given the complexities, we believe the employees and the people of Oregon will be better served if the legislature takes measured and deliberative steps in its consideration of this bill. We strongly support a much deeper and attentive examination of the financial and administrative impacts, a broader discussion with all institutions and affected employee groups, and the development of a realistic funding plan to cover all of the costs of the program. To do otherwise would significantly reduce our current educational and research functions while also requiring substantial tuition increases for students.