

March 9, 2017

Chair Roblan and Members of the Senate Committee on Education,

On behalf of American Federation of Teachers-Oregon (AFT-Oregon), I urge your opposition to Senate Bill 387. Weakening the Oregon Educator Benefits Board's (OEBB) statewide purchasing pool will decrease purchasing power, increase health care premiums for many of Oregon's dedicated public servants, and would do so in the context of massive uncertainty in our nation's health care system.

AFT-Oregon represents approximately 15,000 workers in Oregon's community college and universities in faculty, graduate employee, and classified positions, K-12 classified positions, and child care workers. Our members worked for several years to advocate for the creation of the Oregon Educator Benefits Board (OEBB) and we were pleased to support the legislation creating OEBB during the 2007 legislative session (where it passed with bipartisan support). The legislation was passed due in large part to the massive cost drivers faced by districts and local governments when purchasing health insurance on the private market. The OEBB system has been especially beneficial to community colleges.

The purpose of OEBB is to reduce costs for education entities and their employees. OEBB functions like any large health care purchasing pool: increasing the size of the pool equates to increased purchasing power, better negotiating leverage, lower prices, and better quality health care coverage. By removing individuals from the pool, you decrease the purchasing power of the remaining members of the pool. It is very likely that this reduced negotiating leverage would result in community college faculty and staff and K-12 classified employees being susceptible to increased health care premiums and lower quality plan offerings.

It's worth noting that prior to OEBB's creation, most school districts implemented their own caps and other cost sharing arrangements, meaning that the risk of increased health insurance costs were borne directly by the employees of the districts. Should we decide to return to this system, employees will suffer the negative impacts. For example, in the Hillsboro School District in 2016, the starting wage for a classified nutritional assistant was \$12.46 per hour.¹ It is already difficult to survive at that wage and increased health insurance costs borne by employees will create financial hardship for those already struggling to make ends meet for their families.

At a time when we are all working to find ways to reduce costs and address major costs drivers for state and local governments, it seems contrary to consider a proposal that has the potential to dramatically increase costs for community colleges, school districts, and public servants who already feel the squeeze of inadequate state investment.

¹ *Collective Bargaining Agreement, Hillsboro School District and Hillsboro Classified United Local 4671, July 1, 2015 – June 30, 2018.*

It is also important to note that the savings promised by the insurance consultants for school districts that wish to opt-out of OEGB, is based on an analysis that uses only one OEGB plan offering. In the testimony submitted to this committee by insurance agents Peg Honyak and Tim Hennessy, their “*2016-17 Plan Comparison*” analysis only uses one of the eleven medical plans offered by OEGB in 2016-17 – the “Birch” plan from Moda Health as a comparison.² In fact, several of the eleven plans offered by OEGB have lower deductibles and better coverage than the private insurance plan used for a comparative analysis. Additionally, their comparison only uses one of the private plans. Without additional private plans to compare to OEGB plans, it presents us with an incomplete picture.

The reality is that some amount of the cost savings promised by for-profit insurance agents will not be seen by individual districts, but will instead be diverted directly into the pockets of insurance agents and companies in the form of fees, commissions, and management costs. It is exactly that type of profit-arrangement that the legislature sought to eliminate with the creation of OEGB.

We must also keep this legislation within the context of recent national developments within our health care system. Rising health insurance costs have impacted nearly all sectors and consumers of health insurance, especially in the private market. This is not unique to Oregon or OEGB, but is a part of a larger national trend.

Lastly, congressional leaders have introduced legislation which seeks to dramatically alter how we deliver health care in America. For the second time in the last eight years our health delivery systems – especially private health insurance markets - will be forced to undergo a very complex and potentially expensive transition. Given the amount of uncertainty that exists in the national health care reform debate and the potential risks associated with a major overhaul, this seems like an especially unwise time to encourage public entities to pursue coverage on the uncertain and costly private insurance market.

Our organization and its members are more-than willing to work with stakeholders to continue to find ways to improve OEGB and lower health care costs, but this legislation will not achieve that goal. It will instead harm hardworking frontline employees in our school districts and community colleges who serve students every day under demanding conditions. We urge you to oppose Senate Bill 387.

Sincerely,



Marcus Swift
Director of Political and Legislative Affairs
AFT-Oregon

² *Peg Honyak and Tim Hennessy Testimony, Attachment 2*