



Service Employees International Union Local 503

More than 55,000 public workers, care providers, and non-profit employees in Oregon.

To: House and Senate Health Care Committees
Joint Ways and Means Committee on Human Services
Speaker Kotek and President Courtney
From: Melissa Unger, Political Director, SEIU Local 503
Re: Follow-up on PEBB questions

During recent hearings many questions and comments have come up about PEBB. I wanted to give a bit of recent history on PEBB and also address the questions about PEBB being included in a CCO. It is important to note that PEBB is a very good health care benefit. SEIU members and other State employees have consistently chosen to prioritize funding for their health care benefits as their number one priority in bargaining in order to maintain quality and affordable health care for themselves and their families. This prioritization can be seen by the fact that a recent DAS survey found that state workers make 98% in total compensation of their private sector peers and 88% in salary of their private sector peers.

In 2010, PEBB switched from a fully-insured model to a self-insured model for its largest plans. Moving to self insurance has saved PEBB about \$180 million since 2010, according to PEBB staff, and has allowed for sustainable increases in health care costs.

Also in 2011, PEBB made a number of major changes in the way we insure ourselves, in an effort to reduce cost growth, while also improving employee health and the quality of care. These changes, which were effective with the 2012 plan year included creating the Health Engagement Model, which was meant to encourage members to maintain better health care behaviors and habits; starting employee premium shares, and adopting a number of plan design changes, some of which were evidence-based changes intended to steer employee to lower-cost treatment alternatives and to eliminate barriers to more cost-effective care options, and some of which shifted costs to employees.

The changes have worked. Since 2011 the average rate of increase dropped dramatically. The average annual increase in premium rates since 2011 has fallen to 1.9% per year and PEBB has been able to stay well within the state imposed cap of 3.4% increase per year (the same cap as the one for the CCOs). By contrast, the average annual increase in PEBB premium rates from 2001 to 2011 was 10.5%, more than five times higher than the 1.9% annual increase in the past six years. PEBB's ability to save resources even allowed the state to redirect \$120 million from PEBB reserves for the 2015-17 General Fund budget.

Since making those changes in 2011, PEBB has continued to innovate to try to encourage people to make evidence-based health care decisions and to choose the lower cost plan options. For instance, the premium share is smaller for the lower cost plans to encourage participation in those plans and over half of PEBB members now use the lower cost plans because of the changes.

A recent study conducted by the Network for Regional Health Care Improvement, compared Oregon's provider rates, utilization, and overall costs with four other states. Oregon's overall "unit

costs"--which includes hospital rates, physician rates, and pharmaceutical prices--were found by this study to be 17% above the average. We have found this to be the case in PEBB as well, where "unit costs" are driving the increase to the rates.

Currently, the estimate is that PEBB will be over the 3.4% cap for the 2018 plan year. The primary driver of the projected cost increases are provider rates; of the current 6.8% potential increase, 3.2%, comes from increases in "unit costs," which is nearly half the increase. The Board is treating the 3.4% cap as a mandatory limit and is in the process of working together to ensure that PEBB meets the cap by making changes as needed, including taking a hard look at provider rates.

In order to better contain the increases in "unit costs", we are supporting SB 419 and HB 2679 which would create a rate review system for hospitals and help contain hospital costs. We are also supporting HB 2387, SB 793, and SB 792 to contain the unpredictable cost increases for prescription drugs that are impacting PEBB.

In addition to the changes adopted in 2011, PEBB took additional efforts in 2013-14, through their RFP process to move to a Coordinated Care Model. For example, the Providence Choice plan, which covers 32% of PEBB members, uses the Patient-Centered Primary Care Home (PCPCH) model. The PCPCH Model is very similar to the CCO model of managing the care of the whole person. The idea is that the PCPCH is responsible for coordinating the overall care for a group of patients. PEBB's other insurance carriers, All Care, Moda, and Kaiser, also have a version of a Coordinated Care Model, which incentives providers to follow coordinated care models and incentives PEBB members to select providers following such a care model. These plans cover a combined total of 23% of PEBB members

The remaining 44% of PEBB members are covered by the PEBB Statewide PPO, a self-insured plan administered by Providence. Many of the employees who have remained in the Statewide PPO have long-standing relationships with medical providers who do not participate in the other PEBB health plan options. Others are employees who have retained the statewide PPO who employees such as university faculty who travel extensively either out of the state or out of the country and who need a plan which provides broad access to providers, that is not available through the other plan options.

PEBB Better care. Better health. Lower costs.



What should PEBB do to achieve its goals?

PEBB should continue undertaking the changes it began in 2011, and continue working to achieve its triple aim – better care, better health, and lower costs.

- PEBB should continue to bargain hard around health insurance increases and provider rates. A recent study found that Oregon’s provider rates are 17% higher than the national average.¹
- PEBB should remain committed to the continued expansion of the Patient Centered Primary Care Homes (PCPCH) model.
- PEBB should continue to support the establishment of a workplace wellness infrastructure to support health.
- PEBB should continue to develop its four-year strategic plan, which includes the following areas: wellness and prevention, sustainable funding, more efficient systems, and access and affordability.



For more information, please contact Stacy Cowan at cowan@seiu503.org or 503.408.4090.

PEBB Better care. Better health. Lower costs.

Oregon's Public Employees' Benefit Board provides high quality health plans and other benefits for approximately 140,000 Oregonians.

What has PEBB done to control costs?

In order to achieve its triple aim – better care, better health, and lower costs – PEBB has moved to new coordinated care models, negotiated lower rates, and made significant plan design changes.

56% of the PEBB insured have moved to a lower-cost care model.

The Patient Centered Primary Care Homes (PCPCH) or “medical homes” model controls costs by centralizing patient information. Patients are no longer moving between specialists that don't communicate. Instead, the medical home is able to treat the entire person, coordinating care through specialists and other providers, which limits unnecessary tests and reduces unnecessary specialist trips. This model also pursues treatments that are evidence-based.

Using bargaining power to negotiate lower rates.

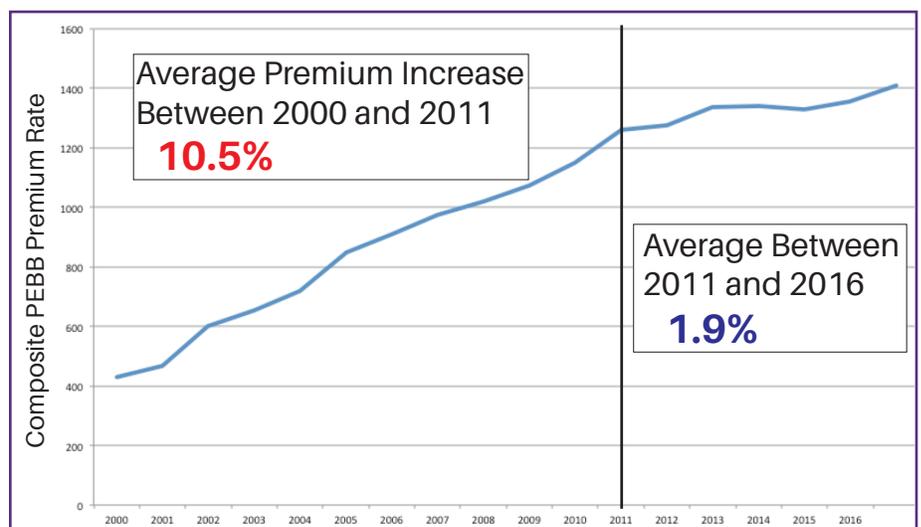
In 2016, all the initial bids for fully-insured plans were sent back to the insurance carriers with the message they needed to lower rates. Every insurance carrier came back with a lower premium increase.

Plan design changes saving millions.

In 2010, PEBB became self-insured on its largest plan, thereby reducing administrative costs and saving the State between \$175 and \$180 million. In 2012, PEBB initiated the Health Engagement Model and also shifted costs to employees through increased copays and deductibles, a tobacco surcharge, and a spousal insurance surcharge on double insured employees.

What have PEBB's premium increases been?

Between 2000 and 2011, PEBB's premium rates nearly tripled, increasing at an average of 10.5% per year. These rate increases prompted PEBB to become self-insured, adopt the triple aim, and shift to a coordinated care model for the majority of insurance plans. Between 2011 and 2017, PEBB rates have increased by a total of 11.7%, which equates to an average increase of 1.9% per year, less than one-fifth of the rate of increase over the previous decade.²



¹ From *Claims to Clarity: Deriving Actionable Healthcare Cost Benchmarks from Aggregated Commercial Claims Data*. Report. NRHI. <http://www.nrhi.org/uploads/g2a-benchmark-report-final-web.pdf>

² SEIU analysis of data from the Bureau of Labor Statistics