



Service Employees International Union Local 503

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

Melissa Unger Testimony in Opposition to HB 3428 House Health Care Committee April 14, 2017

Chair Greenlick, members of the committee, thank you for giving me the opportunity to testify today. For the record, my name is Melissa Unger and I am the political director of SEIU Local 503. We represent 65,000 workers including public workers and care givers. Over 25,000 of those workers receive their benefits through PEBB.

We oppose HB 3428. Over the past 7 years we have worked with the state, OHA and the Governor's office to make significant changes to PEBB.

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.

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.

If PEBB was forced into CCOs, many of these changes and subtleties to the plans would go away. Instead of having a plan that is focused on a set population of workers where the employer and the employees are trying to cut costs and create plans that encourage healthy outcomes, public employees would be another part of a much large universe without the ability to make plan changes and adjustments that work for the workforce.

Currently state workers in Oregon make 98% of their private sector peers in total compensation. While salaries alone are only 88% of market value, workers "catch up" to the private sector by having good healthcare plans and good retirement plans. This arrangement developed during previous budget crunches when public employees sacrificed higher salaries to maintain benefits, and was considered a "win win" because it saved the state money through payroll taxes.

Changing their health care benefits suddenly will change this dynamic and will cause many of the workers that can get jobs in the private sector to leave. Some of these folks are often the best folks that agencies have. This is already happening because of the ongoing PERS conversation, but if we are talking about substantially changing people's health care benefits, the line to leave will be even longer. In an economy with a 4.9% unemployment rate, most employers are looking for ways to attract the most talented workforce, it seems in Oregon we are just trying to get them to look elsewhere for a good job.

As I end I want to tell a story of a member that recently wrote about their PEBB benefits. David works at DHS and he wrote that PEBB changed his and his daughter's life because they are both living with Type 1 diabetes. He wrote "The new technology and care we received has kept me a productive member of society both at work and as a member of Search and Rescue. My daughter spent much of her high school in a wheel chair or hospital. But is now a nuclear imaging technician and was top of her class at OIT.

All this is because of the advanced health care we received through PEBB. I am eternally grateful. I also understand that we are an outlier and not the norm. Some of my friends do not get the care that I get and their health shows the effect. AND, their diabetic supplies are processed as a durable medical which has a 20% co-pay rather than as a pharmacy item. For some of them that puts another \$500 - 1000/month out of their pockets above everything else."

PEBB is a good benefit, but it is not contributing to the budget hole. The rate of increase is well below the rate of increase of state revenues. HB 3428 changes the benefits for over 300,000 people in Oregon with no input, no acknowledgement of the workforce needs, and without looking at the work already done around PEBB to make it a quality cost that is not increasing dramatically.