

June 12, 2017

Sen. Fred Girod, Co-Chair
Rep. Paul Holvey, Co-Chair
Joint Ways and Means Subcommittee on Capital Construction

RE: SB 1067 Government Cost Containment

Dear Co-Chair Girod, Co-Chair Holvey, and Members of the Subcommittee,

Thank you for the work you are doing to explore methods on how the state could contain or decrease government costs. MODA appreciates the opportunity to review some of those ideas and methods contained in **SB 1067**. In particular, we have focused on the section of the bill which pertains to merging the Oregon Educators Benefit Board (OEBB) and the Public Employees' Benefits Board (PEBB).

I want to provide the committee an important overview about the Oregon Educators Benefits Board (OEBB). And, share a chart that compares basic functions between the two organizations. Both documents are being submitted with this letter.

The information in these documents help illustrate the important distinctions between OEBB and PEBB as you review for potential cost savings through a merger. In particular, we believe OEBB has a solid record of meeting the needs of 150,000 members throughout Oregon and can demonstrate continued cost savings and stability.

Please let me know if you have any questions about the information contained in the two documents. Let us know what additional information you may need and what we can do to assist.

Thank you again for your hard work and dedication to the citizens of the State of Oregon.

Sincerely,

Jim Francesconi
Vice President for Public Policy

Oregon Educators Benefits Board (OEBB) Overview

Background

The Oregon Educators Benefits Board (OEBB) provides a range of affordable health care benefits and services for Oregon's K-12 school districts, education service districts, community colleges, charter schools and local governments.

In 2007 the Oregon legislature responded to the wide-ranging disparities between school district health plans, rising healthcare costs, and unstable premiums by combining the purchasing power of school districts and streamlining administration under the Oregon Educators Benefits Board. OEBB's combined leverage delivers different plan designs and price points to meet the needs of hundreds of locally negotiated healthcare benefit plans across Oregon.

By consolidating and pooling its purchasing powers, OEBB:

- Provides more healthcare premium stability
- Protects smaller districts from extraordinary costs
- Reduces administrative costs
- Influences innovation in benefit design and provider reimbursement, and
- Leverages purchasing power to introduce provider initiatives that control costs

Eight years after it was created, OEBB has a record of providing cost and benefit predictability for over 150,000 members throughout Oregon. Today, OEBB can demonstrate continued cost savings and stability, even as medical and pharmacy costs in Oregon continue to rise.

What makes OEBB different

What makes OEBB unique is the population it serves. Unlike the Public Employees' Benefit Board (PEBB) which has primarily two large employer entities – the State of Oregon and the University System – OEBB serves a population of 249 separate employer entities statewide with vastly different resources, payroll systems, eligibility requirements and locally negotiated premium contributions.

Each one of OEBB's 249 employer entities negotiates a contract based on their unique service area, available resources, eligibility requirements, and population needs. Adding complexity, many school districts often have a separate contract for each employment group within the same district. OEBB's plans are designed to meet the unique needs of the employer entities throughout the state.

Stable premiums for employers and employees

OEBB's 249 employer entities and 150,000 members need premium predictability and stability to effectively manage local resources and budgets. OEBB, employers, and employees have achieved stability through actively controlling healthcare costs, establishing premium caps (defined contributions) and providing a range of value-based plans.

Over the past several years, premiums for employer-sponsored plans have increased. In a Kaiser/HRET survey of employer-sponsored benefits 2011-2016, the premium increase was 19 percent over the five-year period. During the same period the average premiums paid by OEBB members increased by 6.5 percent, with an average annual increase of 1.3 percent or \$12.00.

Since the inception of the program, the average annual premiums cost to OEGB members has grown at a modest rate – at an average of 2.9 percent a year.

OEGB average annual premium costs



Defined contribution

Under OEGB, the employer contribution is a fixed dollar amount paid toward employee benefits. This cap or “defined contribution” varies among the 249 employer entities. With this defined contribution approach, employees are presented a range of benefits with the option to purchase health coverage that reflects their individual budget and health needs.

The advantage of OEGB’s defined contribution model is that it offers controllable costs for the employer and the employee:

- For school districts, a major benefit is cost predictability and control. Because the defined contribution approach allows a school district to define all health benefits costs accurately, they can predict and control the costs year to year.
- For employees, a major benefit is increased access to a range of health insurance plans at different price points.

In comparison, PEBB employers pay a percentage of the premium (95 percent - 99 percent) and all employees receive the same contribution depending upon the plan chosen.

Affordable health care plans

OEGB recognizes that the needs of its employer entities and employees vary widely. Whether serving the Hermiston School District with 1,402 members or Josephine County with 465 members, OEGB offers a combination of 13 cost effective, value-based plan options to meet the different defined contribution amounts. Ten OEGB plans are administered by Moda Health, and Kaiser Permanente administers the other three. All plans focus on providing low-cost preventive care and value-based care, while still delivering financial protection to members should they face more serious health needs. The broad range of plans help control costs by allowing members to select the necessary amounts of coverage while not over insuring.

In comparison, PEBB offers four high value plans administered by four different carriers. With a defined benefit approach, PEBB’s plans minimize member cost share on all services. PEBB’s four plans also focus on low cost preventative care. The four PEBB plans are richer than any of OEBB's 13 plans.

OEBB’s employee contribution

Since employees eligible for OEBB have a range of benefit options to choose from, there is no “average employer contribution” as applied to PEBB or other public employee healthcare benefit comparisons.

Average monthly employee contribution¹ (percent of premium)

National 500+ ²	Oregon 500+ ²	OEBB low-high	Govt. 500+ ²	PEBB low-high ²
33%	28%	0%-25%	24%	1%-5%

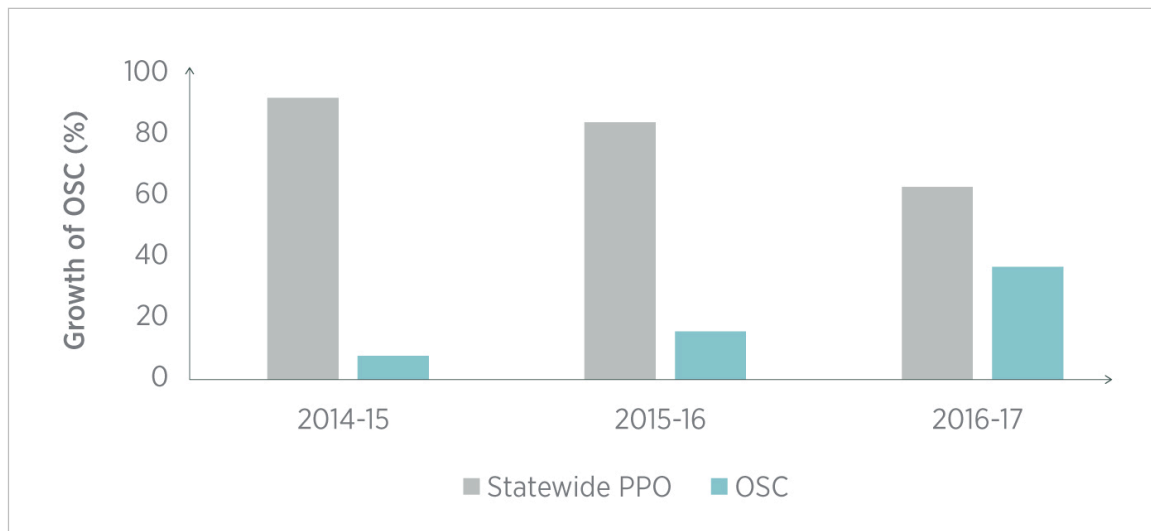
1 National Survey of Public Employer-Sponsored Health Plans, Mercer, 2016

2 500+ = employer groups with 500 or more members

OEBB and Moda Health partner to reduce costs

OEBB and MODA have demonstrated continued success at reducing costs with programs like:

- **Organized systems of care:** Moda has developed value-based networks, designed to support advanced primary care, encourage collaboration amongst providers across the spectrum of care, and provide a risk and reward opportunity for managing cost and outcomes in a total cost of care framework. These value-based networks are available to OEBB members statewide. In 2015-16, 16 percent of OEBB members took advantage of an organized system of care over that of a more traditional approach to health care. In 2016-17, that number rose to 37 percent of OEBB members self-selecting organized systems of care, continuing the pattern of savings.



- **Additional-Cost Tier program:** Introduced in 2009, the Additional Cost Tier (ACT) program has generated \$35 million dollars in savings through the elimination of waste and medically unnecessary procedures and services during its 4-year period. It is designed to encourage exploration of less invasive treatment alternatives.

- **Reference Price program:** The objective of the Reference Price program is to create cost parity. This is achieved by establishing a set price ("Reference Price") paid by the plan to the providers for certain major procedures. The Reference Price Program achieved close to \$3 million in savings the first year by establishing a fixed price for certain medical procedures. The majority of these savings were for major joint (knee and hip) replacement surgeries.

PEBB & OEGB basic comparison

	BASICS	PEBB	OEGB
1	Population served <i>(employer entities)</i>	Primarily two large employer entities: State of Oregon and Oregon University System.	Serves 249 different employer entities. Includes school districts, educational service districts, community colleges, charter schools, and local governments. (see attached list)
2	Members <i>(employee & family)</i>	140,000 +/-	150,000 +/-
3	Insurance	Primarily self-insured	Fully-insured
4	# of Plans/Carriers	4 plans provided by 4 carriers	13 plans provided by 2 carriers
5	Availability of plans	Offers all plans to all employees	Employer entities choose what plans to offer to employees
6	Statewide PPO plan	Offers 1 FT statewide PPO plan	Offers 5 statewide PPO plans
7	Organized System of Care plans <i>(OSC)</i>	Statewide – 1 FT OSC plan offered by three carriers (<i>1 state, 2 regional</i>) Regional – 2 plans offered by Kaiser	Statewide – 5 OSC plans offered by one carrier, Moda Regional – 3 plans offered by Kaiser
8	Availability of plans	Offers all plans to all employees	Employer entities choose what plans to offer to employees.
9	Employer premiums	All employees receive the same premium contribution depending upon the plan chosen	Every employer entity determines their premium contribution. Different employer groups within the same entity may have different contribution amounts.
10	Employer premiums	95 - 99%	75-100% <i>(a few entities use % of premium to determine premium share)</i>
11	Employee premiums	1 - 5%	0-25%
12	Premium type	Fixed percentage of premium – defined benefit	Fixed dollar “cap” – defined contribution
13	Eligibility requirements	The same for all employees	Can vary between 249 employer entities
14	High Deductible Health Plan <i>(HDHP)</i>	No	Yes
15	Access to Oregon Prescription Drug Program	Only for Moda Plans	Only for Moda Plans
16	Member geography	76% of total employees reside in the valley	65% of total employees reside in the valley
17	Plan “value”	4 high value plans	13 plans with a range of benefits
18	Least expensive plan rates: a. full time employee <i>(subscriber)*</i> b. family*	a. \$748.06 b. \$1,496.11 <i>*Different Tier Structure than OEGB plans \$250.00 deductible</i>	a. \$354.78 b. \$1,100.06 <i>*Different Tier Structure than PEBB plans \$1600 deductible</i>

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