Service Employees International Union Local 503

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

Joint Ways and Means Subcommittee on Capital Construction
Melissa Unger, Political Director for SEIU Local 503
Testimony on SB 1067

Co-Chairs Girod and Holvey, thank you for giving me the opportunity to testify today. For the record, my name is Melissa Unger, Political Director of SEIU Local 503. I am going to spend my time focusing on the PEBB/OEBB merger that is proposed in this bill. First off, we believe there has been a lot of misinformation about employee health care benefits this session, so we want to set the record straight a bit and talk about why we oppose the eventual merger of PEBB and OEBB.

We believe 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 high 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.

Estimates for cost increases were that PEBB would be over the 3.4% cap for the 2018 plan year. In order to get costs down, the PEBB board worked together to make plan design changes and worked with providers to get their costs down. After the decisions at the PEBB board, the composite rate for PEBB is now estimated to be 3.2%. Even though we have met the cap, we don't believe that it should be put into statute. We think that there could be unforeseen circumstances that make it impossible to meet that cap, especially with the unknowns at the federal government and how that will impact providers. We think putting the cap in statute will ensure that health plans will demand 3.4% even in better years as they know they will not be able to recoup costs in costlier years. That would put PEBB in a bad negotiating position. Micromanaging the PEBB board will not lead to success in its negotiations with plans.

Our bigger concern, is with the merger of OEBB and PEBB that is proposed. We appreciate that there is time to study how to do it, but we don't believe that it will work and we don't believe it will bring down costs.

There are many reasons that we have major concerns with this.

- First, OEBB and PEBB are very different. PEBB is a statewide plan with just a couple of options for members. The PEBB board actually manages those plans and can control costs through plan design changes, that is different than the OEBB board. OEBB provides options of plans to the hundreds of school districts in the state.
- In addition, PEBB is self-insured and OEBB is not. As I mentioned earlier being self-insured has saved PEBB $180 million. It does not make sense to merge with a system that is not self-insured.
- Our boards are structured differently because what the two boards do is very different.
- And finally if the goal here is to reduce benefits, it is hard to imagine how that saves money. As I mentioned we are at 98% in total compensation of private sector peers. If the state wants to remain a competitive employer we don't believe cutting benefits will save money, because to continue to recruit and retain qualified employees you will need to increase salaries, which will have payroll costs that benefits do not.

Thank you for the opportunity to testify today