
Public Employees' Benefit Board Oregon Educators Benefit Board

SB 1067 Executive Committee Presentation

Presentation to the House and Senate Committee's
on Health Care

Shaun Parkman, SB 1067 Committee Chair
Geoff Brown, SB 1067 Committee Vice-Chair
Senator Betsy Johnson, SB 1067 Committee Member

The logo for the Oregon Health Authority. The word "Oregon" is in a smaller, orange, serif font. The word "Health" is in a large, blue, serif font. The word "Authority" is in a smaller, orange, serif font, positioned below "Health".

Oregon
Health
Authority

Senate Bill 1067 Legislation

- SB 1067 makes several changes to state government processes, programs, and services to reduce and contain state government costs, this includes OEGB and PEBB
- SB 1067 requires the Oregon Educators Benefit Board (OEGB) and Public Employees' Benefit Board (PEBB) to establish an Executive Committee to develop a plan for the merger of the “functions and operations” of the boards
- The OEGB and PEBB SB 1067 Executive Committee shall submit a report to Ways and Means by 2/1/18

SB 1067 Impact on OEBB and PEBB

- Provisions of SB 1067 to be implemented immediately for OEBB and PEBB include:
 - Appointing the PEBB executive director to also serve as the OEBB executive director in a permanent capacity.
*Note: this has been completed.
 - The OEBB/PEBB executive director to combine administrative and operational functions of the boards and report to the Legislature annually on the progress.

SB 1067 Executive Committee Composition

SB 1067 Committee Member	SB 1067 Committee Representation	OEBB/PEBB Board Representation
Shaun Parkman	Chair	PEBB Vice-Chair
Geoff Brown	Vice-Chair	OEBB Chair
Cherie Maas-Anderson	Committee Member	OEBB Vice-Chair
Ron Gallinat	Committee Member	OEBB Board Member
John Larson	Committee Member	OEBB Board Member
Mark Perlman	Committee Member	PEBB Board Member
Bill Barr	Committee Member	PEBB Board Member
Senator Betsy Johnson	Committee Member	PEBB ex officio (non-voting)

SB 1067 Executive Committee Goals

- Reduce Overall Costs
- Create Efficiencies
- Eliminate Duplication
- Maintain a “Member Group Focus”

OEBB and PEBB Background

Program Area	OEBB	PEBB
Plan Year	Oct. 1 – Sept. 30	Jan. 1 – Dec. 31
Employers	240 School Districts, Community Colleges, ESD's, Counties	200+ State Agencies, Universities, State Lottery, Semi-Independent Agencies
Member Enrollment	63,003 Employees/Subscribers 152,585 Total Lives Covered	54,544 Employees/Subscribers 139,473 Total Lives Covered
Employer Contribution	Each employer determines contribution amount.	Agencies pay 95% or 99%, depending on plan chosen. Universities pay 95% or 97% depending on plan choice.
Plan Offerings	Operates like an “Exchange of Plans”. Employers can choose a subset of plans to offer, or all plans.	IRS Section 125 Cafeteria Plan. All employers must offer all plans to all employees.

Challenges From Analysis of Merger

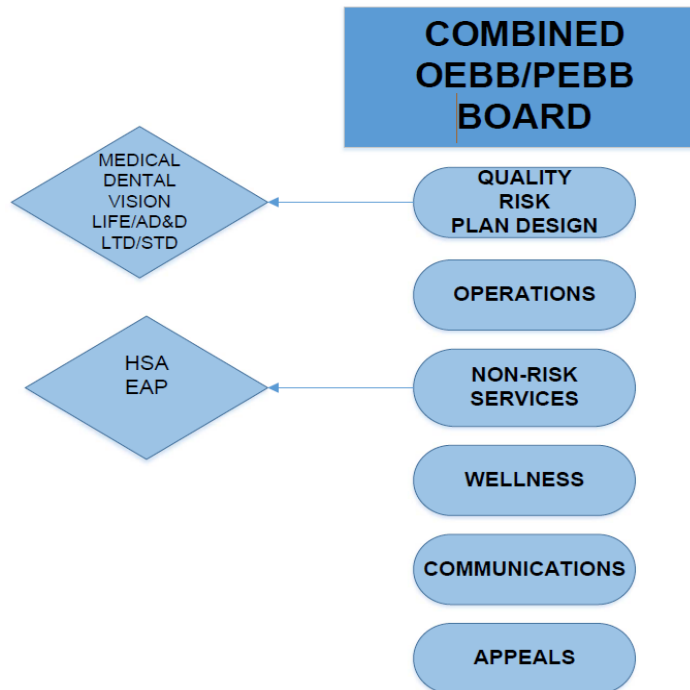
- High Risk for member and program disruption
- Managing potential cost escalation
- Maintaining stakeholder engagement and satisfaction
- Lack of overall savings opportunities at first blush

Board Merger Options

- After several discussions with a trained group facilitator, the SB 1067 Committee narrowed down the model for merger into three different options - each with very distinct characteristics.

Joint Board Model Selection Process – Option 1

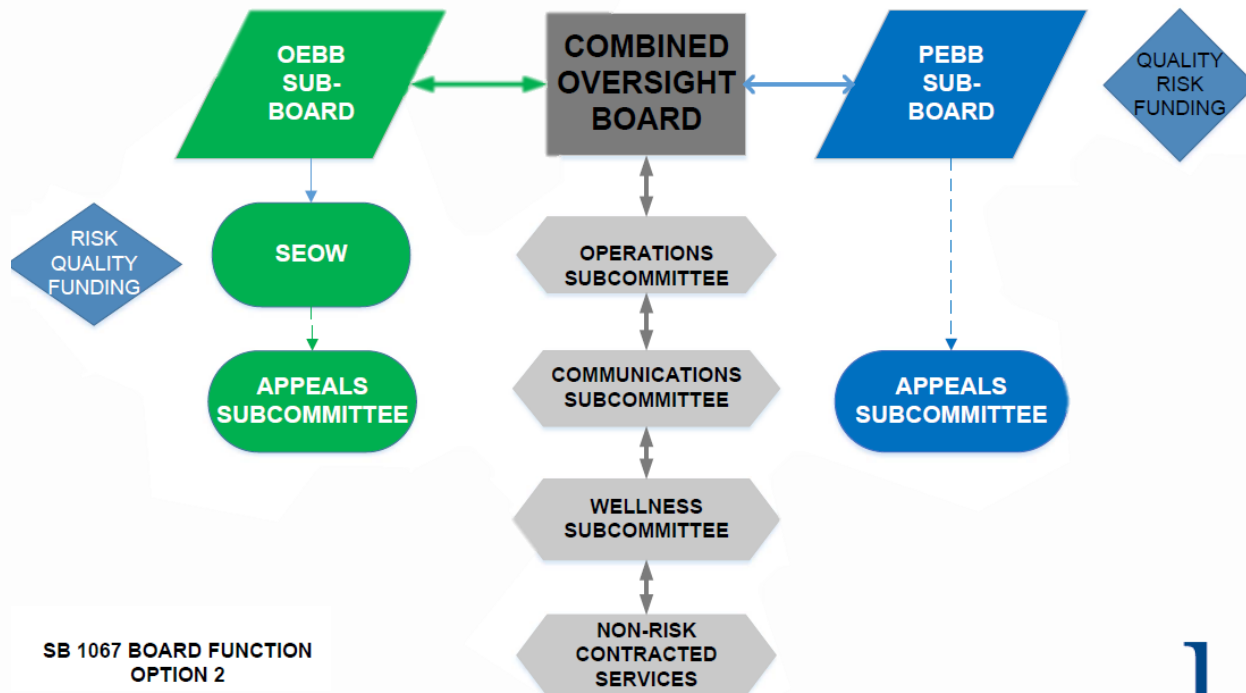
- **Joint Board Model Option 1:** A full merger of the OEBB and PEBB boards into one combined board. The legal and governance structures of the OEBB and PEBB boards would sunset and new statutory authority would be required to establish the new joint board legal and governance structure. All business processes would need to be amended in some form.



SB 1067 BOARD FUNCTION
OPTION 1
LEGISLATIVE REPORT

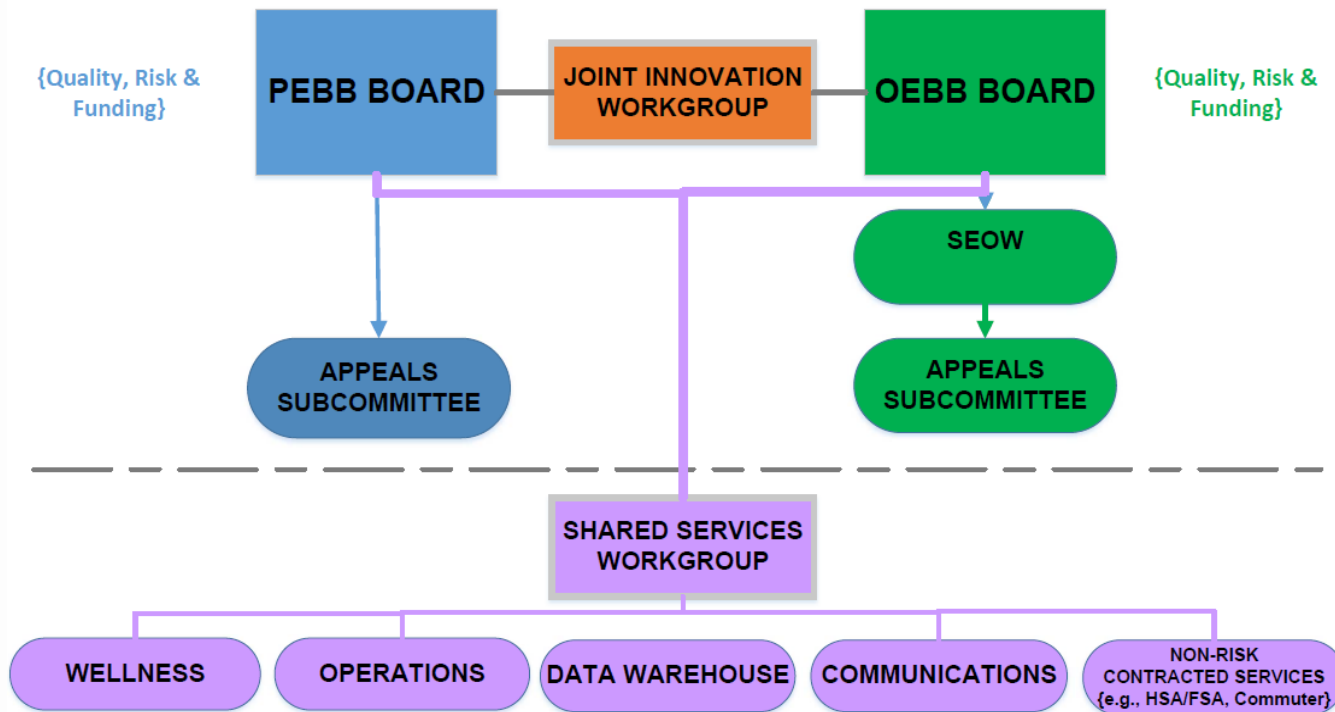
Joint Board Model Selection Process – Option 2

- Board Model Option 2:** Create a merged “oversight” board while maintaining OEBB and PEBB Boards as “subgroups.” A merged oversight board would be the new legal and governance structure over the OEBB and PEBB Board subgroups. The OEBB and PEBB subgroups would continue meeting monthly and presiding over decisions on annual plan renewals, plan designs, funding and other program and administrative decisions. The subgroups would make recommendations to the merged oversight board, which would meet on an as needed basis to accept or reject the subgroups' recommendations.



Joint Board Model Selection Process – Option 3

Board Model Option 3: A hybrid merger of the OEBB and PEBB boards. The boards maintain their separate legal structure and governance, and create a combined “innovation” subgroup of the OEBB and PEBB boards and a “shared services” subgroup for administrative efficiencies.



SB 1067 BOARD FUNCTION
OPTION 3
LEGISLATIVE REPORT 2017

Evaluation of Merger Options

Evaluation of merger options – opportunities for cost savings and efficiencies

Area of Evaluation	Option #1	Option #2	Option #3
1) Cost savings through merging of risk pools	Minimal savings (less than 0.5%)	Minimal savings (less than 0.5%)	Minimal savings (less than 0.5%)
2) Administrative efficiencies, e.g., joint RFPs, merging of PEBB and OEBS staff	Same savings across options	Same savings across options	Same savings across options
3) Achieve savings through innovative strategies to reduce claims costs	Some savings	Some savings	Highest level of potential savings through Shared Services Model and Joint Innovation Workgroup

Evaluation of Merger Options – cont.

Evaluation of merger options – opportunities for cost savings and efficiencies

Area of Evaluation	Option #1	Option #2	Option #3
4) Member group focus/responsiveness	Lowest level of member group focus/responsiveness across options	Some loss of member responsiveness/focus	Highest level of member responsiveness/group focus
5) Program flexibility/efficiency	Lowest level of flexibility, due to expanded board, need for consensus-building	Some loss of flexibility/"nimbleness"	Highest level of flexibility/"nimbleness"
6) Program disruption	Highest level of disruption across options	Some disruption	Lowest level of disruption across options
7) Board education requirement	Highest level of board education required learning and staying abreast of other program's ongoing issues	Some need for board education regarding other program's ongoing issues	Lowest level required for board education

Fiscal Impact – Method

- **Combining OEGB and PEBB Benefits Programs**
 - **Models Analyzed for merging Plan Offerings and Risk Pools:**
 - PEBB moves to all fully insured plans
 - OEGB moves to self insured plans
 - Offer a mix of fully insured and self insured plans

Fiscal Impact – Challenges

- **Combining OEGB and PEBB Benefits Programs**
 - **Challenges:**
 - Different benefit plan designs and plan offerings
 - Fully insured (OEGB) versus Self Insured (PEBB) funding models
 - Employer/Employee cost sharing, complexity in collective bargaining agreements
 - Different Plan Years

Fiscal Impact – Analysis of Savings

- **Fiscal Analysis**
 - **Minimal savings in combining risk pools (<0.5% in administrative fees or \$2 per employee per month)**
 - Leveraging group “buying power” by doubling the number of covered lives would yield minimal savings
 - Risk of the pools does not change with merger

Fiscal Impact – Opportunities

- **Opportunity Analysis**
 - Substantial Savings can be realized by:
 - Reducing utilization
 - Improving member health status

Fiscal Impact – Administrative

- **Combining the administrative areas of OEBB and PEBB Benefits Programs has already started:**
 - Savings opportunities:
 - Joint ancillary benefit and Admin RFPs (Life and Disability, EAP, etc.)
 - Combining resources in areas of Member Services, IT, Financial Services, Contracts and Admin staff
 - OEBB and PEBB have had a 14% reduction in resource need, even when members served has climbed.

<u>PEBB</u>	2015-17 Leg. Approved Budget	2017-19 Leg. Approved Budget	Staffing Decrease
Positions	22	19	(-14%)
FTE	21.50	18.50	(-14%)
<u>OEBB</u>			
Positions	22	19	(-14%)
FTE	22.00	19.00	(-14%)

SB 1067 Committee Recommendation

- **The SB 1067 Committee recommends adoption of Joint Board Model Option 3 – The “hybrid” merger**
 - Brings the highest value with the lowest risk
 - Creates opportunities to innovate in a collaborative manner with many of the highest performing health plan organizations in Oregon (Moda, Providence, Kaiser)
 - Balances the needs of multiple stakeholders with unique needs

SB 1067 Committee Recommendation and Request

- **Joint OEBB/PEBB Innovation Workgroup Composition and Governance:**
 - Two voting members per board selected and voted on by the PEBB and OEBB boards
 - **Request:** Recruitment of Non-voting members
 - One member of the House Health Care Committee
 - One member of the Senate Health Care Committee
 - Two members of the Joint Ways and Means Committee
 - The PEBB/OEBB director

SB 1067 Committee Recommendation

- **Joint OEGB/PEGB Innovation Workgroup**
 - First year objectives:
 - Choose a common data platform
 - Develop a combined Data Warehouse for reporting
 - Evaluate combined data
 - Report to the boards on initial findings
 - ***Report back to Ways and Means Subcommittee**
 - Joint Innovation Workgroup - A permanent body targeting:
 - Utilization
 - Member health/Employee wellness
 - Network management (e.g. in rural counties)
 - Alternative Payment Models (APM)
 - Quality of care
 - Cost effective models of care
 - Clinician Services, Pharmacy and Facility Care

SB 1067 Committee Recommendation

- **Shared Services Subgroups beginning April**
 - Operations
 - Communications
 - Wellness
 - Non-Risk Contracted Services
- **Functional Workgroups targeting:**
 - The elimination of duplication and/or inefficiencies
 - The creation of efficiencies across both programs
 - The sharing of best practices

SB 1067 Shared Services Subgroup Implementation Workplan

Work to begin right away:

- Recruit and Select Subgroup membership March 2018
- Establish governance and oversight (authority) for Subgroups April 2018
- Subgroups begin meeting April 2018
- Subgroup Workplans are created May 2018
- Establish Charters, Rules and Guiding Principles June 2018
- Establish Joint Data Platform, Warehousing, Reporting July 2018
- Work with OHA in sharing data points August 2018
- Recommendation presented to Boards September 2018
- Report back to legislature

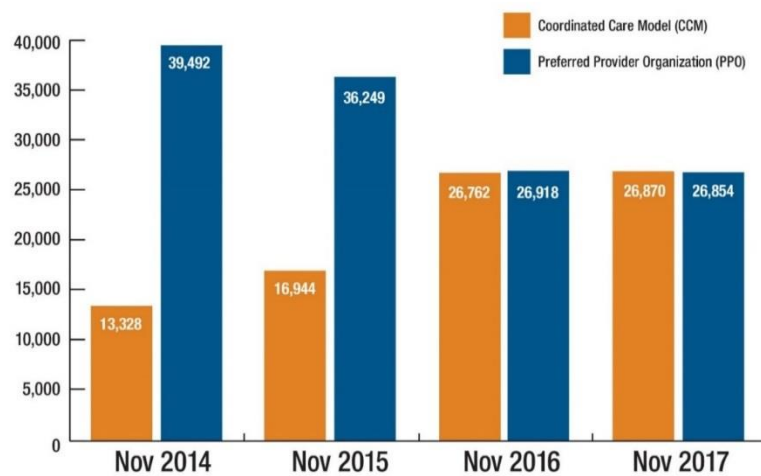
Appendix

Cost Containment Programs

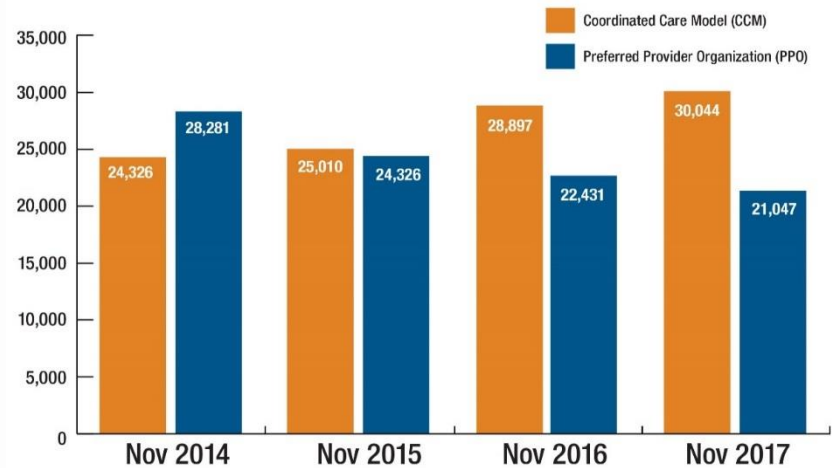
- Value Based Benefits
- Organized Systems of Care
- Coordinated Care Model Plans
- Chronic Disease Management

OEBB & PEBB Member Migration from PPO Plans to Coordinated Care Model Plans

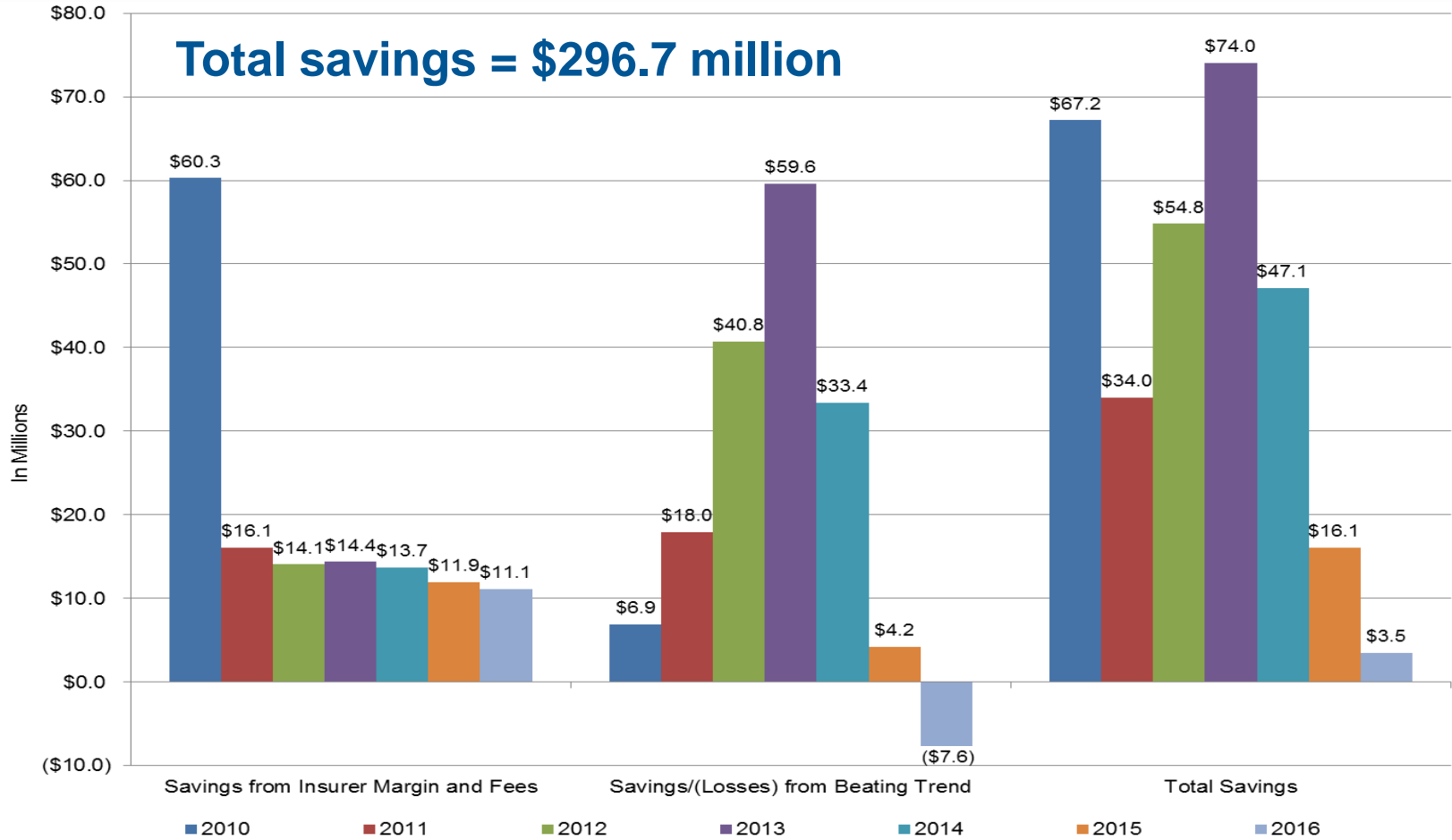
OEBB: Member migration from a PPO plan to a CCM plan



PEBB: Member migration from a PPO plan to a CCM plan



PEBB Self Insurance Savings (2010 – present)



Benefits of Self-Insurance

- Avoid payments to carriers for
 - Premium and provider taxes
 - Risk surcharges
 - Profit margin
- Gives flexibility in cash flow for claims payment

PEBB Composite Rate Historical Trend

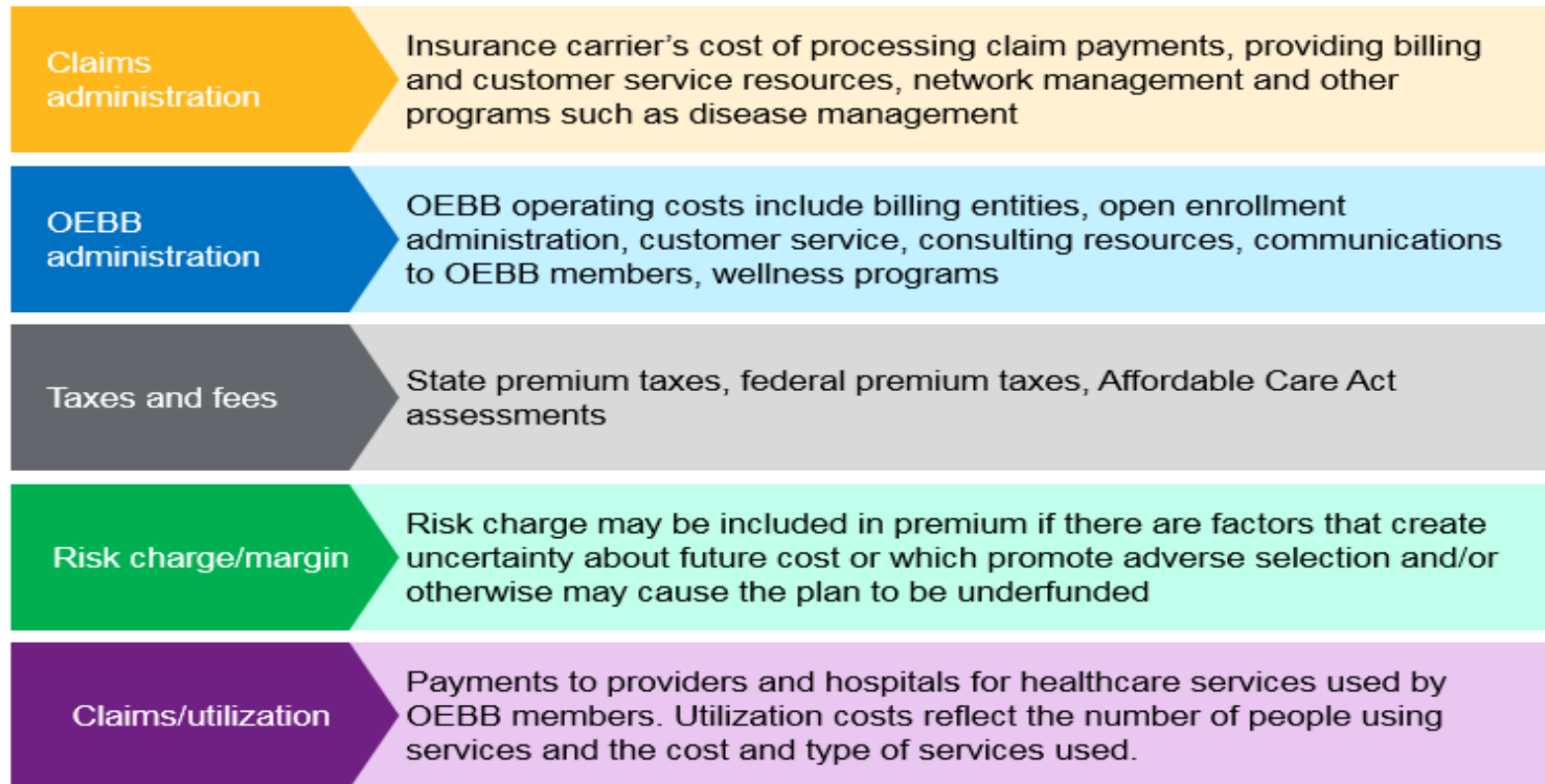
Year	Composite Rate Using Prior Year's March Census	% Change
2013	\$1,338.48	
2014	\$1,333.58	-0.4%
2015	\$1,321.53	-0.9%
2016	\$1,356.47	2.6%
2017	\$1,416.93	4.5%
2018	\$1,462.92	3.2%

OEBB Composite Rate Historical Trend

Year	Composite Rate Using Prior Year's March Census	% Change
2010-11	\$959	
2011-12	\$955	-0.39%
2012-13	\$979	2.42%
2013-14	\$951	-2.94%
2014-15	\$985	3.43%
2015-16	\$1,017	3.16%

OEBB Fully Insured Plans

Components of OEBB insurance premium



OEBB Fully Insured Plans

What factors affect use of health care (claims/utilization)?



Employee and dependent participation

- Age, gender, location of covered employees
- Number of covered dependents
- Actives/retirees

Member utilization of health care services

- Types of health care services and frequency of use
- Site of service (hospital vs. outpatient setting)
- Illness burden of population

Provider reimbursement arrangements

- Competitiveness of the carrier's discounts with the physicians and hospitals
- Fee for service vs. pay for performance

Pharmacy and Technology

- New technologies and treatments
- Example: Specialty pharmacy represents fastest growing component of health care costs

Effectiveness of vendor partnerships

- Medical management programs
- Communication with members
- Coordinated care models that promote efficient health care use

Program design value and subsidy level

- Deductibles, copays, cost-sharing elements
- Employer/employee premium sharing
- HSA, HRA, opt-outs

Other Provisions of SB 1067 Impacting OEGB and PEBB

- Provisions of SB 1067 to be implemented by 10/1/2019 for OEGB and 1/1/2020 for PEBB include:
 - Requires OEGB and PEBB to adopt methodologies designed to limit premium growth to 3.4% per year
 - Limit in-network hospital reimbursements to 200 percent of Medicare and out-of-network hospital reimbursements to 185 percent of Medicare (with certain exceptions).

Other Provisions of SB 1067 Impacting OEGB and PEBB

- Provisions of SB 1067 to be implemented by 10/1/2019 for OEGB and 1/1/2020 for PEBB include:
 - Prohibits “opt-out” for cash incentives in lieu of coverage for OEGB or PEBB employees enrolled as a dependent on another OEGB or PEBB plan.
 - Prohibits “double-coverage” for OEGB or PEBB employees who enroll as a subscriber on an OEGB or PEBB plan when already enrolled as a dependent on another OEGB or PEBB plan.
 - A dependent eligibility audit must be performed by a third-party administrator every year.
 - A request for proposals (RFP) for actuarial services must be completed every three years.