

## FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 2611 - A

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

*Only Impacts on Original or Engrossed Versions are Considered Official*

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### Measure Description:

Requires that dental and vision are included in health benefits available to part-time faculty members.

### Government Unit(s) Affected:

Community Colleges, Public Universities, Higher Education Coordinating Commission, Public Employees Retirement System, Oregon Health Authority

### Summary of Fiscal Impact:

Costs related to the measure are indeterminate at this time - See explanatory analysis.

### Analysis:

House Bill 2611 A-engrossed requires employee-only health care benefits to include dental and vision benefits for part-time faculty members at a public institution of higher education, if the part-time faculty members are eligible for membership in the Public Employees Retirement System (PERS) or the Oregon Public Service Retirement Plan by teaching at one or more public institutions of higher education during the previous academic year. The measure first applies to health care benefits offered to part-time faculty members during the 2023-24 academic year.

A public institution of higher education must notify all potentially eligible part-time faculty members who were employed by the institution during the previous academic year and the current academic year of the eligibility requirements and details of the health care benefits available to part-time faculty members no later than 30 days prior to open enrollment. The measure also requires each agency request budget filed by the Higher Education Coordinating Commission (HECC) to include, as part of the budget, moneys sufficient to provide health care benefits to part-time faculty members. The measure takes effect on passage.

In 2021, the Legislative Assembly passed Senate Bill 551 to help part-time faculty at Oregon community colleges and public universities qualify for medical insurance. Under current law, part-time faculty members who are not eligible or do not receive medical benefits through their community college or public university may be eligible for medical and prescription coverage, but not dental and vision coverage. Eligible members can enroll in employee-only medical plans through the Public Employees Benefit Board or the Oregon Educators Benefit Board (PEBB/OEBB), which are budgeted within the Oregon Health Authority (OHA). These employee-only medical plans have a 90%-10% premium cost share split between employer and employee. Community colleges and public universities are eligible for reimbursement for their 90% cost share through HECC.

### Community Colleges, Public Universities, Higher Education Coordinating Commission

The measure is anticipated to have a fiscal impact to community colleges and public universities; however, the impact is presently indeterminate. The cost to community colleges and public universities depends on the rate of participation by part-time faculty in electing to receive health care through a community college or public university. Due to the inclusion of dental and vision and the required notification by community colleges and public universities of eligible faculty members, it is estimated that participation could range anywhere from 10% to 50% of eligible faculty. Assuming there are 945 eligible part-time faculty at an average cost to community colleges and public universities of \$19,698 for their portion of the health care costs for an eligible part-time

faculty (excluding standard inflation), community colleges and public universities' health care costs could increase anywhere from \$3.7 million to \$18.6 million Other Funds per biennium, or \$1.8 million to \$9.3 million per academic year. There is a minimal fiscal impact to community colleges and public universities associated with notifying all potentially eligible part-time faculty members.

Community colleges and public universities have two primary funding sources for their core educational services: tuition and state funding. Depending on the level of participation by part-time faculty members, community colleges and public universities may need to increase tuition if additional state funding is not provided.

The measure is anticipated to have fiscal impact on HECC; however, the impact is presently indeterminate. While HECC already reimburses community colleges and public universities for part-time faculty members' health care costs from the Part-time Faculty Insurance Fund, the addition of dental and vision benefits would increase the amount of pass-through funding needed to reimburse community colleges and public universities. The estimated fiscal impact to HECC is between \$3.7 million and \$18.6 million Other Funds, depending on participation rates.

If an additional General Fund appropriation to HECC is warranted, HECC would expend it as Other Funds from the Part-time Faculty Insurance Fund for which it may need an increase in Other Funds expenditure limitation.

### **Public Employees Retirement System**

The measure is anticipated to have a minimal fiscal impact on PERS. The open enrollment changes would require community colleges and public universities to work with PERS to develop a system and report to determine eligibility for SB 551 program participants.

### **Oregon Health Authority - Public Employees Benefit Board/Oregon Educators Benefit Board**

Although the fiscal impact to OHA is presently indeterminate, the measure is anticipated to have a minimal fiscal impact on PEBB/OEBB. The measure would not have a programmatic or operational impact on PEBB/OEBB because community colleges and public universities are responsible for determining the eligibility of part-time faculty members with PERS. PEBB/OEBB would need to update their respective benefit/enrollment systems prior to the 2023-24 academic year, so that eligible part-time faculty members can enroll in dental and vision plans as part of their health care benefits. PEBB/OEBB is unable to estimate the exact increase in program enrollment based on the changes to health care eligibility and the additional communication requirements; however, community colleges and public universities estimate that participation could range anywhere from 10% to 50% of eligible faculty. PEBB/OEBB would not require new benefit staff, as this increase in workload would be absorbable within the current Operations and Management System's budget.

As part of the 2022 rebalance bill, PEBB/OEBB received an additional \$14.4 million in Other Funds expenditure limitation to cover employee-only medical premium costs for SB 551 program participants in the 2021-23 biennium. This additional \$14.4 million is built into PEBB/OEBB's base budget for the 2023-25 biennium. PEBB/OEBB estimates that the addition of dental and vision benefits would increase premium costs by 14%, which reflects the difference between the total employee-only medical costs and the projected employee-only medical, dental and vision costs, based on the assumption that dental and vision costs tend to be a small portion of overall medical, dental, and vision costs. For that reason, this fiscal impact statement assumes that the additional \$14.4 million would cover the pass-through premium cost expenditures from unforeseen enrollment increases by SB 551 program participants during the 2023-25 biennium. However, if premium increases due to unforeseen enrollments exceed the \$14.4 million in the base budget for 2023-25, PEBB/OEBB may need to request an increase in expenditure limitation from the Emergency Board or the Legislative Assembly in the 2024 session.

The measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of its impact to the State's General Fund, the Part-time Faculty Insurance Fund, and HECC and OHA's biennial budgets.