

Agency Report

**Public Employees Retirement System**

Retiree Health Insurance Program

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**Analyst:** John Borden

**Request:** Acknowledge receipt of a report on Retiree Health Insurance Programs.

**Recommendation:** Acknowledge receipt of report, with instruction.

**Analysis:** A budget note in Senate Bill 5537, the Public Employees Retirement System's primary budget measure from the legislative session in 2013, made the following request:

PERS is directed to review the healthcare insurance marketplace and report back to the Joint Committee on Ways and Means during the 2015 session on whether the pre-Medicare population within the PERS Health Insurance Program should be combined with other groups in acquiring healthcare coverage under the Cover Oregon plans and whether the Affordable Care Act or Cover Oregon could provide coverage for the Medicare Plan policy holders under the PERS Health Insurance Program.

**Background**

PERS Retiree Health Insurance program [RHIP] is available for Tier One, Tier Two, Oregon Public Service Retirement (OPSRP) retired members and their spouses and dependents that meet enrollment and eligibility requirements. Premiums are paid by PERS to the carriers that participate in the program. Those payments are administered through the Standard Retiree Health Insurance Account.

Only Tier One and Tier Two retired members are eligible for the following subsidies, which are funded as part of participating employer's rates:

- (1) Retiree Health Insurance Premium Account (RHIPA): Provides an insurance premium subsidy for non-Medicare coverage. The subsidy is a percentage of the cost difference between the retired member coverage available through PHIP and the state employee coverage available under the Public Employees Benefits Board. Only retired members who have eight or more years of State of Oregon qualifying service and who retire from a state agency are eligible. The amount of the subsidy varies with years of state service, from 50% to 100% of the difference.
- (2) Retirement Health Insurance Account (RHIA): Provides a \$60 health insurance premium subsidy for eligible retired members who had eight or more years of qualifying service with any PERS employer and who are eligible and enrolled in the federal Medicare program. Member health and dental insurance premiums are paid by the member through pension deductions, direct payments, and through electronic funds transfer. Premium payments are then remitted by PERS to the health insurance carriers.

PERS reports non-Medicare enrollment of 2,720, and Medicare enrollment of 56,621. Of this

membership, 1,476 non-Medicare and 34,659 Medicare participants also subscribe to a dental plan.

The 2015-17 current service level budget for the PERS Retiree Health Insurance Program is \$471.2 million Other Funds Nonlimited. PERS's administrative costs total an additional \$1.9 million Other Funds.

### **PERS Report**

The PERS report concludes that "... the budget note directs us to report on whether the ACA [Affordable Care Act] or Cover Oregon should provide coverage for the Medicare-related policies. Under current law, those coverages are not available."

PERS, however, notes that the RHIPA for its pre-Medicare population could be "...altered to allow PERS to provide that subsidy to plans outside of PHIP." The low enrollment in this program merits further study as to the feasibility of moving this population into individual coverage under the ACA or other commercially-available health plan(s).

The Legislative Fiscal Office recommends acknowledging receipt of the report, with direction that PERS return to the Interim House and Senate Committees on Healthcare and the Interim Joint Committee on Ways and Means in September of 2015 on the feasibility of moving the Retiree Health Insurance Premium Account population into individual coverage under the Affordable Care Act or other commercially-available health plan(s).