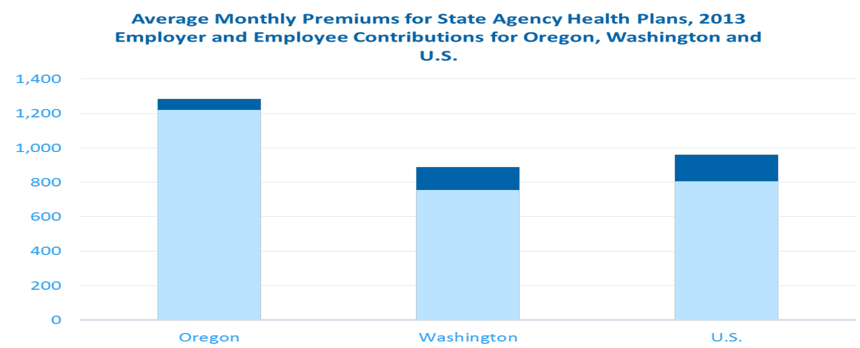
Oregon State Employee and K-12 Teacher Health Benefit Costs

Problem

The state of Oregon spends significantly more on health benefits for public employees compared to other states and private employers. Monthly premiums are higher and the state and school districts pay more of the employee's monthly cost. There are very limited incentives for employees to take effective plans, nor sufficient incentives for providers and insurers to be cost effective.

Oregon would save up to $700 million in general and lottery fund dollars in the next budget cycle if both school district and state agency employer contribution levels were at the national averages for school districts and state government agencies.

Premiums. On average, health insurance premiums per-employee-per-year for Oregon state workers ($16,992 in 2017) and K-12 public school teachers ($12,204 in 2015/16) are significantly higher than those similar employees nationwide including Washington ($12,312 and $9,360 respectively) and California (estimated at $15,500 and $9,825 respectively). The 2016 Mercer survey of employer sponsored health plans reported that the total average health benefit cost per employee for Oregon employers with over 500 employees was $13,469.



Employee Contributions. In Oregon, state employees contribute at most 5% of the premium cost versus 15% in Washington and 23% in California. For Oregon schools the range is zero to 25%.

Employees of other large Oregon employers pay between 11-17% of the premium for employee only coverage and between 11-28% of the premium for family coverage.

Goals

The average per-employee financial contribution made for state employee and educator benefit costs achieve 110% of the national average of state and school benefits costs by January 1, 2023.The state and school districts offer a range of benefit plans with incentives to keep health care premiums affordable.

Principles

- Sets a predictable rate of growth in the contribution of employee health benefit costs
- Aligns public employee contribution levels with to other private/government payers
- Slows the rate of premium growth over time
- Creates shared incentives for plans and providers to control costs and set competitive premiums
- Incentivizes employees to choose the plans with best value that meets their needs
- Does not disadvantage state employees in rural communities with limited health care options
- Leverages where appropriate, purchasing power of the state and sustainability of the program

Proposed Solutions

1. ***Change the Employer/Employee Contribution.***
   Create incentives for insurance companies and providers to keep costs down and employees to be better consumers of health care by establishing a per employee per month expenditure target with a defined employer contribution.

   Cap the state's contribution for health benefits for state and school employees at 2017 levels for health benefits until such time the cost of the state employee benefits achieves 110% of the national average.
   Est. Savings of Capping the State's Contribution through 2023-25: $30-$40M (GF/LF) 2017-19-constrained by collective bargaining. Once fully phased in, savings from this change alone--$230M in 2019-21 and will compound in out years to $530M savings in 2023-25.

   Require additional monthly contributions for those who enroll dependents to the lesser of what is comparable to what families pay for health benefits in Oregon's private sector or not less than the average of 25% of the family premiums of all health benefit plans by Jan. 1, 2023.

2. ***Change Benefits and Plan Offerings.***
   Offer State and school employees a range of benefit options at different price points (from comprehensive to a high deductible plans) including one at the employer contribution so that there is no cost to an employee enrolling for single coverage. Employees wanting more comprehensive plans could pay more monthly.

   Structure benefits to incent patients to seek care at the most appropriate level of care and through the most efficient providers or organized systems of care. Contracts should support networks of providers who are willing to assume risk for the quality and total cost of care for their patients or the use of reference pricing and centers of excellence.

3. ***Structure to Achieve Sustainability.***
   Merge OEBB and PEBB into one Public Employee Benefit Board. Require all educators and state employees except those currently not participating in OEBB to participate in the Board. Other public entities could participate, but once in, would be required to stay in.

   Have the Governor appoint a Transition team including labor, management, OHA, hospitals and insurance experts to recommend by March 1, 2018:

   a. The benefit designs, rating structure, cost containment strategies, and plan year on or after January 1, 2019; including a transition plan from the current offerings.
   b. The state contribution for employee benefits that create the right incentives for lower costs, quality and sustainability.
   c. If/how the OEBB/PEBB risk pools should be merged and/or managed and whether to self-insure or not.
   d. Recommend the long-term governance structure for the Board and subcommittees if necessary.

   The new Board would be accountable to:

   a. Offer a variety of plan designs that offer employees a range of coverage
   b. Implement provider reimbursement mechanisms that move to risk based arrangements or global budgets for total cost of care and quality.
   c. Offer the plans on a 4-step tiered basis only, with dependent cost sharing.
   d. Continually assess and implement innovative solutions to sustain state employee health care costs and reports back annually to the Oregon Legislature with their results.

   OBC 6.9.17