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March 26, 2019

TO: Chair Salinas, House Health Care Committee  
FROM: Ali Hassoun, Director - PEBB and OEGB  
SUBJECT: March 19, 2019, Committee Questions Related to HB 3075

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Dear Chair Salinas,

Thank you for the opportunity to provide information regarding the impact of House Bill 3075. House Bill 3075 reverses the elimination of double coverage and opt-out incentives for employees covered under PEBB and OEGB as directed by SB 1067 (2017 Legislative Session). Because the prohibition on double coverage and opt out payments goes into effect for OEGB on October 1, 2019 and for PEBB on January 1, 2020 there is a partial biennial impact in the 2019-21 biennium of 21 months (OEGB) and 18 months (PEBB). We will quantify the partial biennial fiscal impact and also look at the fiscal impact over the 2020 Plan Year.

When assessing the fiscal impact of eliminating double coverage and opt-out incentive payments for PEBB and OEGB covered members, there are multiple complicating factors and “puts and takes” to be aware of. The two areas that drive the fiscal impact but also cause the most confusion is the impact of member migration and the budgetary impact across multiple fronts: PEBB and OEGB, Employers, Members, and even the carriers.

- 1) The migration of members and what choices they will make upon losing the option to double cover or opt-out is a true unknown.** Which program will they move to OEGB or PEBB, which plan will they choose, will they enroll in separate employee-only tiered plans or as an employee/spouse on one plan, and what about the kids? With the variability in plan costs, it makes it difficult to nail down an accurate fiscal impact that doesn't include wide ranges. After much discussion, we were able to more accurately predict a fiscal impact by using the assumption that employees who are dual-covered currently by PEBB and OEGB would all choose to enroll in PEBB as their primary coverage.
- 2) The number of “budgets” that will have a fiscal impact.** This includes PEBB and OEGB's budgets, the employer budgets (state agencies, universities, school districts, community colleges, Education Service Districts and a few local governments), and the fiscal impact on the members who would incur the claims costs in losing double coverage or lose a cash payment from an opt-out incentive.

Please find responses to questions raised during the House Bill 3075 discussion on March 19, 2019. Do not hesitate to contact me or my office if you have further questions.

**1) What was the dollar savings prediction for the rate cap/alternative payment model allowance (LFO FIS at time of passage)?**

The Fiscal Impact provided to LFO for Senate Bill 1067 (2017) for the 200% Hospital Reimbursement Cap was (\$163.2m) in savings over the 2019-21 biennium for both PEBB (18 mos.) and OEGB (21 mos.).

**2) What will be the dollar savings prediction for the rate cap/alternative payment model allowance (upcoming benefit years)?**

Updating the Fiscal Impact of the 200% Hospital Reimbursement Cap in 2019, results in a savings of (\$149.2m) over the 2019-21 biennium for both PEBB (18 mos.) and OEGB (21 mos.).

**3) What was the dollar savings prediction for the elimination of double coverage (LFO FIS at time of passage)?**

For SB 1067, LFO did not provide a fiscal impact for the elimination of double coverage and opt-out due to the wide range of variability and not having access to opt-out provisions in OEGB collective bargaining agreements (CBA's). At the time PEBB/OEGB staff estimated a (\$3.1m) savings over the 2019-21 biennium for both PEBB (18 mos.) and OEGB (21 mos.) for eliminating double coverage.

**4) What is the projected dollar savings – or costs – prediction for the elimination of double coverage (upcoming plan years)?**

Updating the Fiscal Impact in 2019 for elimination of double coverage results in approximately (\$3m) in savings over the 2019-21 biennium for both PEBB (18 mos.) and OEGB (21 mos.).

**5) What was the dollar savings prediction for the elimination of opt-out payments (LFO FIS at time of passage)?**

For SB 1067, LFO did not provide a fiscal impact for the elimination of opt-out due to the wide range of variability and not having access to opt-out provisions in OEGB CBA's. At the time, PEBB/OEGB staff estimated a (\$7m) savings over the 2019-21 biennium for PEBB only, without including OEGB Opt-out which is unknown due to varying CBA's.

**6) What is the dollar savings (or costs) for the elimination of opt out payments (upcoming plan years)?**

Updating the Fiscal Impact for opt-out elimination in PEBB only in 2019 would result in (\$6.5m) in savings to agencies/universities over 18 months.

## 7) What is the total dollar savings of these policies as updated in 2019?

Updating the Fiscal Impact in 2019 for implementing the 200% hospital reimbursement cap, elimination of double coverage for both PEBB and OEGB, and eliminating opt-out incentives (for PEBB only) results in approximately (\$158.7) million in savings over the 2019-21 biennium for both PEBB (18 mos.) and OEGB (21 mos.) combined.

### Breakdown of PEBB/OEGB Double Coverage and Opt-Out Fiscal Impact for 2020 Plan Year

There are multiple factors to consider for members, carriers, and employers when assessing the fiscal impact of eliminating double coverage and opt-out incentives. The estimated fiscal impacts below are based on a Plan Year basis in 2020 and include the following assumptions:

- 1) This fiscal impact assumes a 100% transition of OEGB members to PEBB plans who previously double covered under OEGB.
- 2) This fiscal impact does not include the elimination of OEGB opt-out provisions, which are set in collective bargaining and which OEGB does not have access to.

#### OEGB Fiscal Impacts

- **Member Cost Impact:** Members previously double covered under OEGB would incur \$2.5m in claims costs annually upon the loss of coordination of benefits.
- **Carrier Premium Cost Impact:** In eliminating double coverage, one premium will go to the carrier to cover the same husband and spouse (minus coordination of benefits) rather than two premiums. This would require a one-time premium increase of approximately 1% to cover that claims burden, or \$10m, in costs annually.
- **Educational Entity Savings Impact:** In eliminating double coverage, OEGB employers would save approximately (\$10m) annually in paying less premiums. They would also save (\$4.3m) by employees moving to PEBB as their primary coverage. Potential savings = (\$14.3m).
- **Net Savings to Educational Entities Annually:** The 1% increase in premium rates would negate the \$10m in less premium volume required by Entities. However, with migration of members to PEBB, and the additional costs picked up by members, net savings to OEGB employers would be approximately (\$2.5m + \$4.3m = \$6.8m) annually.
- **OEGB Opt-Out Impact:** OEGB does not have access to educational entities' opt-out arrangements. Therefore, quantifying opt-out impacts is not captured in the fiscal. Opt-out payments vary in amount and benefit year subject to collective bargaining agreements and district discretion within agreements. We do know there are approximately 2,650 employees who opt-out of OEGB coverage but are still covered under OEGB or PEBB.

#### PEBB Fiscal Impacts

- **Member Cost Impact:** Members previously double covered under PEBB would incur \$3.3m in claims costs upon loss of coordination of benefits.
- **Carrier Premium Cost Impact:** In eliminating double coverage, one premium will go to the carrier and PEBB (for self-insured plans) to cover the same husband and spouse rather than two premiums. This would require a one-time increase in the published premium rates of 2% (with

- additional OEBB members) that would be offset by agencies/universities' savings on paying less premiums for double covered employees.
- **Agency/University Savings Impact:** In eliminating double coverage, PEBB employers would save approximately (\$2.2m) annually in paying less premiums.
- **Migration to PEBB Cost Impact:** Agencies/Universities would pick up \$7m in costs by employees moving from OEBB to PEBB as a dependent for their primary coverage.
- **PEBB Opt-Out Impact:** There are approximately 930 employees who opt-out of PEBB coverage who are enrolled in either PEBB or OEBB. The savings to Agencies/Universities would be (\$4.3m) annually.
- **Net Cost to Agencies/Universities Annually:** With the elimination of double coverage and opt out payments, the agencies/universities would save approximately (\$6.5m). However, with migration of members to PEBB costing \$7m, the net costs to Agencies/Universities would be approximately an increase of \$0.5 million annually.

**SUMMARY:** For the 2020 Plan Year, an estimated (\$6.8m) in savings would be accrued to Educational Entities (OEBB) for via SB 1067 changes, but \$0.5m in additional costs would be incurred by PEBB in picking up new members. This results in an estimated (\$6.3m) in savings across the two programs at the payer level over the 2020 Plan Year.

### **Notes**

OEBB Double Coverage impact to carriers

\$10m in less premiums going to carriers annually (1%). This equates to:

\$2.3m less in premiums going to Kaiser

\$7.7m less in premiums going to Moda

PEBB Double Coverage impact to carriers and PEBB self-insured plans

\$20m in less premiums going to carriers annually (2%). This equates to:

\$14.6m less in premiums going to PEBB

\$3.6m less in premiums going to Kaiser

\$1.8m less in premiums going to Moda

- 1) **Demographics:** There are more than 7,000 employees double-covered or who opt-out of benefits in PEBB and OEBB. Another 3,000 employees are double covered or opt-out with a spouse under a non- PEBB/OEBB employer (estimated). This is approximately 9% of total covered employees.
- 2) **Other Employers Not Impacted:** SB1067 only addresses double coverage between two OEBB/PEBB plans. Double coverage is still allowed if a spouse is covered by another non- PEBB/OEBB employer.
- 3) **Coordination of Benefits example:** If Jack has a hospital claim of \$3,000, Carrier A will process the claim first according to his \$1,200 deductible OEBB plan. Because he is also covered under Diane's PEBB plan, Carrier B will pay an additional amount on the hospital claim to account for the richer benefit.

- 4) **Opt-out** means the employee declines PEBB or OEGB coverage to enroll in other coverage and the subscriber receives some financial incentive for not enrolling in the PEBB or OEGB plans.

The table below is an illustration of how total costs go down while the premium rate per employee per month goes up when you eliminate double coverage.

Example of Impact	With Double Coverage	Monthly Premiums	Dropping Double	Without Double Coverage	Monthly Premiums	% Increase
	Enrollment		Coverage	Enrollment		
Employee Only	4,500	\$700		4,500	\$714	2.0%
Employee & Partner	3,200	\$1,400	150	3,050	\$1,428	2.0%
Employee & Child(ren)	2,000	\$1,190		2,000	\$1,214	2.0%
Employee & Family	6,200	\$1,890	150	6,050	\$1,928	2.0%
Total Annual	15,900	\$260,736,000		15,600	\$259,910,280	-0.3%