House Bill 5503
Budget Note Report
(Healthcare Insurance Marketplace Review)

Kevin Olineck, Director

February 12, 2024

HB 5033 Budget Note

Requires the Public Employee Retirement System (PERS) to review the healthcare insurance marketplace and report back to the Joint Committee on Ways and Means during the 2024 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 Oregon Health Insurance Market Place plans and whether the Affordable Care Act or Oregon Health Insurance Market Place could provide coverage for the pre-Medicare Plan policy holders under the PERS Health Insurance Program.

PHIP Overview

PERS serves as a group sponsor for the PERS Health Insurance Plan (PHIP), providing health insurance services to retired members and dependents.

PERS works with insurance carriers to design benefit packages, determine specifications, solicit proposals, analyze carrier responses, and award contracts based on quality of care and cost containment. PERS utilizes a third-party administrator to provide insurance services directly to members.

PHIP is comprised of three statutorily-mandated programs:

Retirement Health Insurance Account (RHIA)
Retiree Health Insurance Premium Account (RHIPA)
Standard Retiree Health Insurance Account (SRHIA)

The focus of this Budget Note is the Retiree Health Insurance Premium Account as it applies to the pre-Medicare population.

OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

PHIP Overview

PROGRAM ENROLLMENT (AS OF JUNE 30, 2023)

Medical Plans (five plans offered)	Totals	Medicare	Non-Medicare
Total covered lives	53,113	52,013	1,100
Retirees (or surviving spouses)	43,584	42,887	697
Spouses/dependents	9,529	9,126	403
Average age of enrolled retirees	76.59	77.03	56.40
Dental enrollment (two plans offered)	**36,753**	35,934	819

RHIA Overview (Medicare plans)

ORS 238.420 established the Retirement Health Insurance Account (RHIA) and authorizes a payment of up to $60 from RHIA toward the monthly cost of health insurance for eligible PERS members. RHIA is a cost-sharing, multiple employer OPEB plan for 897 participating employers. The plan was closed to new entrants hired on or after August 29, 2003.

To be eligible to receive this monthly payment toward the premium costs, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan.

RHIPA Overview (pre-Medicare plans)

The Oregon Legislature established the RHIPA in ORS 238.415 in 1993, which pays a monthly contribution toward the cost for health care coverage for some state of Oregon Tier One or Tier Two retirees who are not yet eligible for Medicare. OPSRP members **are not** eligible for RHIPA.

The RHIPA premium subsidy is a contribution available to non-Medicare retirees who retire from a **state agency** and whose PERS service or disability retirement allowance or benefit effective date is the first of the month after termination from state employment. The premium subsidy is based on the number of years under qualifying state service time. The minimum service time amount to receive a subsidy is eight years, or a PERS disability retirement allowance that is computed as if the retiree had eight or more years of creditable state service time and had attained the earliest service retirement age.

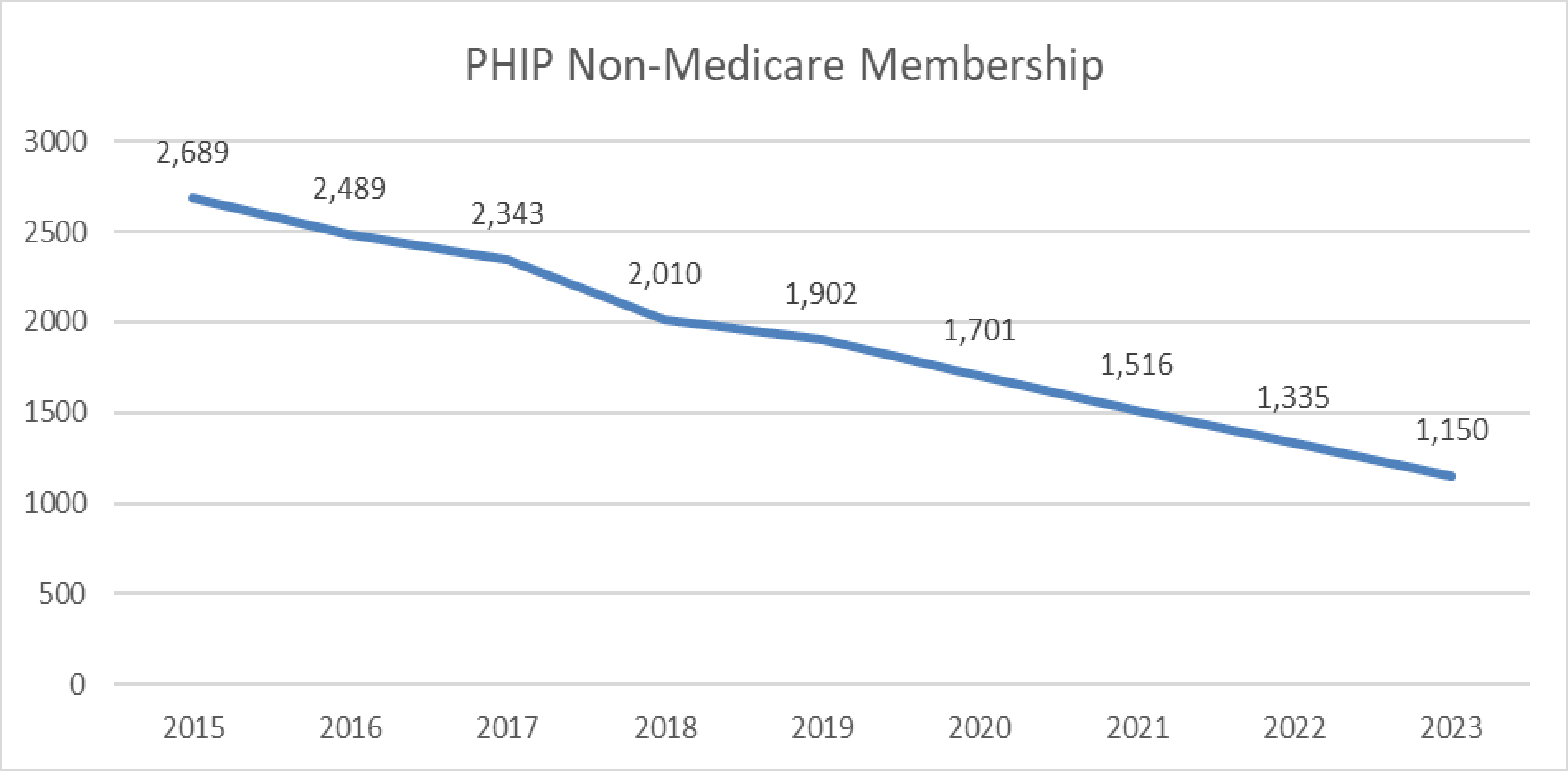
RHIPA Subsidies

Year	Total Members	Tier One/ Tier Two Members Receiving Monthly RHIPA Subsidy	Average Total Monthly RHIPA Subsidy	Non-RHIPA Tier One/ Tier Two Members	Non RHIPA OPSRP Members
2020	1701	801	$319,752	883	17
2021	1516	704	$292,332	777	35
2022	1335	619	$267,093	687	29
2023	1150	528	$235,256	594	28

RHIPA (State of Oregon Non-Medicare) Subsidy *To determine your monthly premium, deduct the subsidy amount (based on your total years of STATE service) from your total premium amount*							
Years of State Service	Less than 8 years	8 but less than 10 years	10 but less than 15 years	15 but less than 20 years	20 but less than 25 years	25 but less than 30 years	30 and more years
2024 RHIPA Subsidy	$0.00	$253.76	$304.52	$355.27	$406.02	$456.77	$507.52

OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

Steadily Declining Membership



OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

Options for Consideration

Return to former employer plans

Many retiring PERS members have the option to continue coverage under their current plan such as Public Employees Benefit Board (PEBB), Oregon Educators Benefit Board (OEBB) or other public sector group plans.

Have members make use of the Oregon Health Insurance Marketplace

Retiring PERS members would explore options within the broader health insurance marketplace if they did not or could not choose to continue coverage under their current employer group plans.

Return to Active Plan Offerings

Impacted Entity	Benefits/Pros	Considerations/Cons	Neutral
OR PHIP	Reduced administration; overall PHIP plan cost reduction	Split families; Subsidy transfers; Loss of age-ins; Paternalistic nature of having member for entire retirement; RHIPA subsidy	Annual subsidy cost impact; OPEB liability cost impact
PEBB, OEBB and Other Public Group Plans	Additional membership	Increased administration; Split families; Increased plan costs; Additional OPEB liability associated with implicit subsidy; administrative issue with RHIPA subsidy	
Member	Reduced costs; potentially more generous benefits; more choice	Different entity providing retiree benefits; loss of advocacy services provided via PHIP; programs not designed specifically for retiree needs, HSA accounts, dental plans, and RHIPA subsidy	

Note: This would be neutral only where current PHIP pre-Medicare retirees continue to receive the subsidy.

Administrative Considerations

Operationally and legislatively, several items should be considered for this scenario to be implemented, some which are as follows:

- PEBB, OEBB and the other employer sponsored plans must agree to accept these additional retirees into their medical plans.
- Plan rules for PEBB, OEBB, and other employers would also need to be updated to allow those retirees who declined retiree coverage previously to become eligible once more. In addition, plan rules would also need to be reviewed to ensure pre-Medicare dependents may continue to participate in the former employer plans until Medicare eligible and then be allowed to move to PHIP plans in the case where member is participating in a PHIP Medicare plan.
- Legislative consideration with updated rules surrounding the RHIPA subsidy and acceptance into a non-PHIP program would also need to be explored and potentially brought forth.
- Participation rules in the PHIP dental plan and coordination with any dental plan coverage under former employer require consideration.

Move to Oregon "Marketplace"

Impacted Entity	Benefits/Pros	Considerations/Cons	Neutral
OR PHIP	Reduced administration	Loss of claims history, conditions; Loss of paternalistic benefits, member details to aid in supporting member; Potential increased costs from Medicare vendors; disjointed plan offerings between Pre- and Medicare; impact to dental plan	Annual subsidy cost impact
Member	Potentially reduced costs: More choice, fit to member situation	Narrow networks; less generous plan designs, potential additional costs when utilizing plan; potential loss of RHIPA subsidy, dental plan offerings, and HSA; loss of PHIP member advocacy services	

Note: This would be neutral only where current PHIP pre-Medicare retirees continue to receive the subsidy.

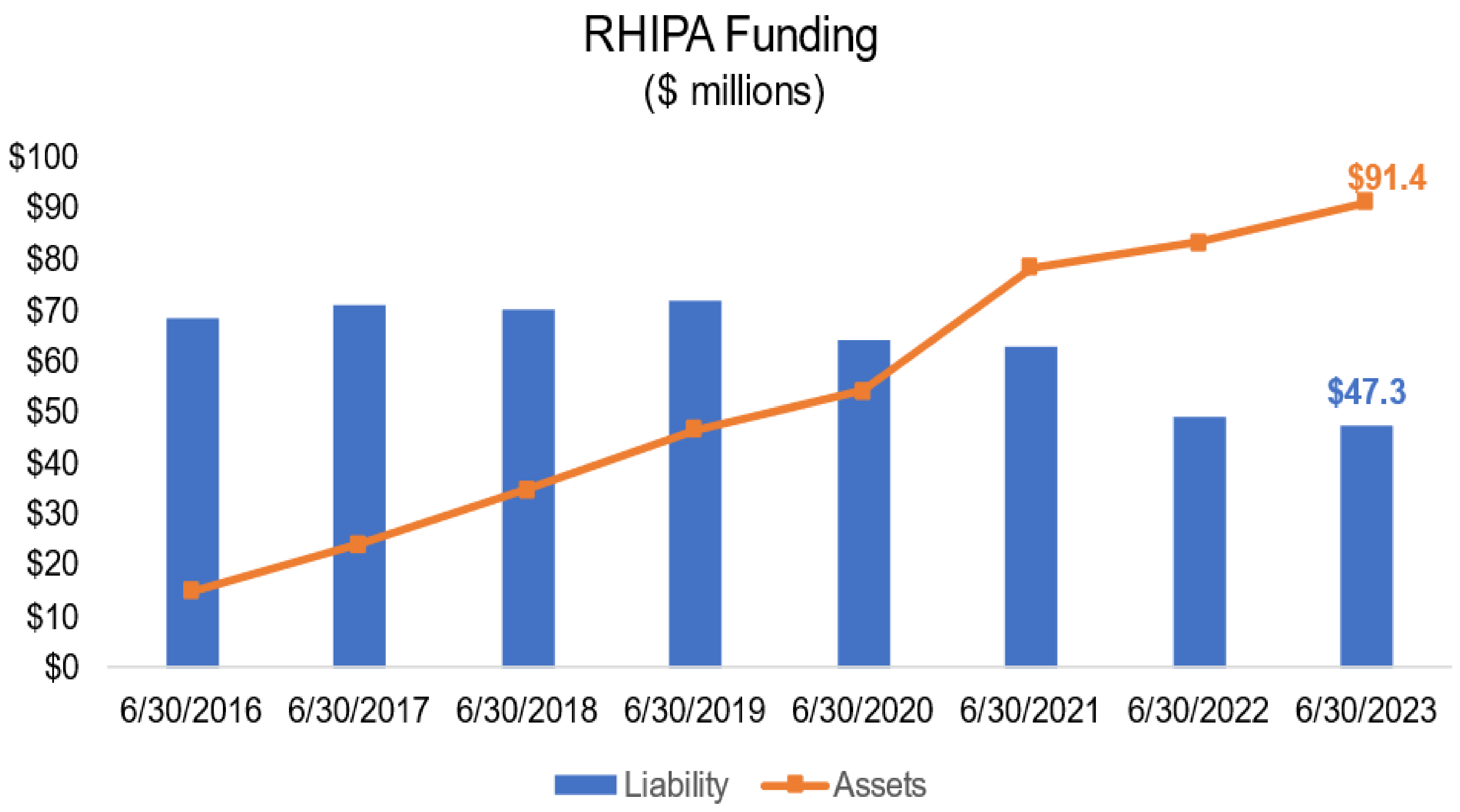
Marketplace Considerations

A benefit to PHIP in moving pre-Medicare members to an Exchange would be reduced administration, similar to the staying with the members current group plan.

In addition, PHIP costs could be neutral, assuming current pre-Medicare members would retain their RHIPA subsidy, like the first scenario. However, for this to take place, legislation will need to be updated to allow members to receive RHIPA payments outside of the PHIP program.

Additionally, member education would be required to help members review subsidies that may be available through the exchange and compare those to their current RHIPA subsidy, if any.

Current Financial Status of RHIPA



Potential Expansion to OPSRP Members

Expand both RHIA and RHIPA subsidy to OPSRP Retirees

Currently only Tier One and Tier Two retirees are eligible to receive the RHIA and RHIPA health insurance subsidies. Both programs are over 100% funded.

Extending the subsidies to **state agency** OPSRP members may increase OPSRP participation in the health insurance programs, which, in turn, should improve rates (by increasing numbers and including younger retirees as the Tier One and Tier Two population ages). Note that, since all retirees are eligible for Medicare at age 65, and the normal retirement age for OPSRP is 65, a smaller population of OPSRP retirees will be able to participate in the RHIPA subsidy (i.e. police & fire, early retirees, retirees eligible by age and years of service). The RHIPA assumed participation rate ranges from 10% for members eligible for the lowest subsidy level to 25% for members who qualify for the maximum subsidy with 30+ years of state service.

Potential Expansion to OPSRP Members

Numbers shown are in millions

	Baseline 12/31/2022 Valuation	Future OPSRP Retirees Eligible
RHIA Subsidy		
Total Actuarial Accrued Liability	$345.0	$400.0
Normal Cost	1.3	5.6
Actuarial Value of Assets	720.0	720.0
Funded Percentage	**209%**	**180%**
Unfunded Accrued Liability (if any)	**$0.0**	**$0.0**
Covered Payroll	$3,388.6	$13,856.6
Normal Cost Rate	0.04%	0.04%
UAL Contribution Rate	(0.04%)	(0.04%)
Total RHIA Rate*	**0.00%**	**0.00%**
Illustrative Annual Contribution		**$0.0**
RHIPA Subsidy		
Total Actuarial Accrued Liability	$41.3	$65.0
Normal Cost	0.9	2.9
Actuarial Value of Assets	85.9	85.9
Funded Percentage	**208%**	**132%**
Unfunded Accrued Liability (if any)	**$0.0**	**$0.0**
Covered Payroll	$1,008.9	$4,278.2
Normal Cost Rate	0.09%	0.07%
UAL Contribution Rate	(0.09%)	(0.03%)
Total RHIPA Rate*	0.00%	0.04%
Illustrative Annual Contribution**	**$0.0**	**$1.7**

**Rate shown is applicable to Tier One/Tier Two payroll in the Baseline scenario and to combined payroll in the scenario with OPSRP members eligible.*
***Based on projected 2023 payroll and includes rates applied to Tier One/Tier Two and OPSRP payroll.*

OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

Permissible use of current surplus

If the plans under RHIPA were to be closed and current members grandfathered, consideration would need to be given to retirees currently receiving the subsidy and either grandfathering the subsidy out, or not allowing new retirees to enter.

RHIPA was established as an IRC 401(h) account under ORS 238.415 of our statute. ORS 238.415(7) states that upon satisfaction of all liabilities for providing the RHIPA subsidy benefit, any amount remaining in the RHIPA shall be returned to the state. So, the question comes down to whether eliminating the RHIPA subsidy on a prospective basis or preventing future entrants into the PHIPA subsidy would mean that the RHIPA account has satisfied all liabilities.

Eliminating the RHIPA subsidy on a prospective basis means to close the RHIPA account and since it is currently running a surplus, any remaining funds can be refunded to state agencies. A pro-rata distribution formula would be reasonable for the respective state agencies. Excluding future new entrants into RHIPA means PERS would need to wait until no existing retirees are left in RHIPA before we can distribute any remaining funds back to the state.

Wrap Up

We have provided a high-level summary of the potential impacts of the Budget Note for the committee to consider.

There are multiple operational and administrative challenges to work through in considering the best avenue for pre-Medicare retirees to receive health coverage.

Additionally, a number of these scenarios may call for changes to current legislation to ensure retirees are not losing out on important benefits offered via the PHIP program.

Lastly, any change would likely require a multi-year process to ensure the retirees are educated on what is changing and to ensure that all operational logistics are appropriately addressed.

Questions?

OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

OREGON PERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Thank you

Kevin Olineck,
Director

www.oregon.gov/pers