



Oregon

Tina Kotek, Governor

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TO: Interested Parties
FROM: Heather Case, Senior Policy Advisor
SUBJECT: SB 847 (2025) Summary – PERS Health Insurance Subsidies

BACKGROUND

PERS was directed in a 2023 budget note 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). Segal, the PERS PHIP consultant, was engaged to assist in providing a response to the budget note. The budget note explored multiple options and, to increase participation in the PHIP program, this concept proposes raising an outdated premium subsidy amount and increasing participation in both subsidy programs to OPSRP retirees.

PERS serves as a group sponsor for 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: the Retiree Health Insurance Account (RHIA), the Retiree Health Insurance Premium Account (RHIPA), and the Standard Retiree Health Insurance Account (SRHIA)- this last account is the one that collects premiums from members and pays the health insurance carriers. Employers pay contributions for the RHIA and RHIPA subsidy programs separate from their pension employer contributions (for RHIPA, only the State Agency employers pay a contribution).

The RHIA subsidy program currently provides Tier One and Tier Two Medicare eligible retirees with a subsidy for their monthly premiums. This amount is capped at \$60 per month, not to exceed their actual premium amount. This cap has not been changed since the program's creation in 1988, and is out of date with current premium amounts.

The RHIPA subsidy program currently provides Tier One and Tier Two retired State of Oregon employees who are not Medicare eligible with a premium subsidy based on their years of service with the State of Oregon.

PROPOSED SOLUTION

The agency-requested legislative concept proposes the following substantive changes:

- An eligible Tier One and Tier Two retiree or a surviving spouse or dependent of a deceased eligible retiree with Medicare or Medicare Supplement plan through our PERS Health Insurance Program are eligible to receive \$60 per month in subsidy towards their Medicare premium cost. The \$60 amount was able to cover most if not all the monthly premium cost for these retirees at the inception of the subsidy program decades ago. Since then, the Medicare premium cost has increased substantially. Currently the five-year average of monthly premiums for all Medicare providers that PERS contracts with is about \$271. This bill would

amend ORS 238.420(3) to increase the subsidy to \$100 per month, or the actual monthly premium of the eligible retiree, whichever is less.

- Currently, only Tier One and Tier Two retirees are eligible for RHIA and RHIPA subsidies. This amendment under ORS 238A.050(2) would expand these subsidies to include OPSRP retirees under the same set of eligibility requirements. This would accomplish two goals. First, it would help with reducing health insurance costs for OPSRP retirees who participate in the PERS Health Insurance Program and second, it would hopefully increase the overall health plan participation rate of OPSRP retirees which in turn would make both our Medicare and Pre-Medicare programs more stable and have an ameliorating effect on the premium rate for both groups.