



Oregon

Tina Kotek, Governor

Public Employees Retirement System

Headquarters:

11410 S.W. 68th Parkway, Tigard, OR

Mailing Address:

P.O. Box 23700

Tigard, OR 97281-3700

(888) 320-7377

TTY (503) 603-7766

<http://oregon.gov/PERS/>

April 17, 2025

TO: House Committee on Labor and Workplace Standards

FROM: Kevin Olineck, Director, PERS

SUBJECT: SB 847A Written Testimony, April 16, 2025

This bill deals with two different, but related concepts. For background, in PERS' budget bill, House Bill (HB) 5033 (2023), the agency was asked to report on different suggestions for dealing with the declining enrollment of the pre-Medicare population in the PERS Health Insurance Program (PHIP).

In this budget note report, the agency consulted with our health care consultants, Segal. The agency reported to the 2024 Legislature that it is likely, due to other competition for pre-Medicare programs offered through former employers and the Oregon Health Insurance Marketplace, that the plan offerings by PHIP are being selected against. The agency presented multiple solutions, including moving pre-Medicare members to their former employers or the Oregon Health Insurance Marketplace. There are multiple challenges with these approaches, including the transfer of higher risk to these pools (and their expected hesitance to take on this higher risk), and administrative concerns about how to continue to pay health care subsidies from PHIP to retirees who would no longer be a part of the PHIP program.

PHIP has two subsidies currently. The first is the Retirement Health Insurance Account (RHIA) for Medicare eligible members. This subsidy is a \$60 flat amount that has not changed since this subsidy was first offered in 1988. It is available to all Tier One/Tier Two PHIP plan members.

The second subsidy is the Retiree Health Insurance Premium Account (RHIPA) for pre-Medicare eligible members. This subsidy is currently available to Tier One/Tier Two State of Oregon employees who are pre-Medicare eligible and enrolled in a PHIP plan. The amount per month varies based on years of state service.

Potential alternatives regarding maintaining the viability of PHIP programs that the agency presented to the Legislature in 2024 were well received. There were to raise the RHIA subsidy above \$60/month, and to open up both the RHIA and RHIPA subsidies to OPSRP members. The agency also proposed eliminating the RHIPA subsidy altogether, which was not as well received during our presentation to the Ways & Means subcommittee on general government. Multiple legislative members expressed an interest in continuing this conversation regarding maintaining the stability and viability of PHIP programs, thus, the agency bringing forward this bill.

Based on feedback from both our PERS board as well as employer groups regarding the affordability and long-term sustainability of both plans, we amended our original bill language to try, as best possible to balance affordability and sustainability. We are proposing two distinct options for consideration.

RHIA (Medicare) Program

Raise the RHIA (Medicare) subsidy from its current \$60 to \$100 as well as open up the RHIA program to OPSRP retirees, who are currently excluded from participation.

Our external actuary, Milliman completed an analysis of this concept using the December 31, 2023 actuarial valuation as its basis. Increasing the RHIA subsidy to \$100 and expanding eligibility to the program to future OPSRP retirees would result in the RHIA fund's accrued liability to increase to between \$320 and \$600 million dollars depending on the take up rate by eligible members. Given that the RHIA is currently in a surplus funding position of 209%, this would drop its funded percentage anywhere from 75% - 110%, depending again on take up rates. This change would also increase the covered payroll under this program, raising employer contributions to the RHIA fund from 0% of covered payroll to between 0.04% and 0.28% of covered payroll, or between \$5.5 to \$38.8 million dollars per biennium across all participating employers (meaning all PERS-participating employers), depending on take up rates.

RHIPA (Pre-Medicare) Program

Open up eligibility to the RHIPA program to OPSRP retirees from state agencies. Given that OPSRP active members now make up 85% of all active members and rising, and eligible Tier One/Tier Two membership is declining quickly (3.5% and 11.5% respectively), this would be a major step towards ensuring long-term sustainability of this program.

Our external actuaries also provided cost estimates for expanding RHIPA participation to OPSRP members with no other changes to the eligibility or procedures for determining subsidy amounts, which only apply to state agency employees, and assuming OPSRP members behave in the same way as current Tier One/Tier Two members- meaning participation rates of 10% for those who qualify for the smallest subsidy level (at 8-10 years of service) to 25% for those who qualify for the maximum subsidy level (30+ years of service).

This change would slightly increase the actuarial liability of this fund which is currently zero to \$7.1 million if participation was to increase by 50%, which would be very significant and would move the funded status down from its current 209% to 77% funded. This change would open the amount of covered payroll that these rates apply to not just all Tier One/Tier Two payroll, but also all OPSRP payroll. These changes would result in the employer contributions to the RHIPA fund to rise from 0% currently to 0.12%, or about \$5.1 million per biennium across all participating state agency employers.

The bottom line is currently, the future viability of PHIP plans has a poor prognosis, and the agency believes increasing access to these plans, and making them more competitive among other retiree health care options will both sustain the plan and ensure that retirees who are unable to be insured with another option (or if another option is cost-prohibitive) will continue to have the PHIP plans available to them for enrollment.

Sincerely,



Kevin Olineck
PERS Director