

Savings – Medical, Dental and Vision

During the 2007 legislative session the potential savings from a statewide educators benefit pool was estimated to be five percent, or \$40 million a year, primarily due to savings in administrative costs. Administrative costs are embedded in premium costs and cover the expenses of plan administration, such as plan set-up, account management, network contracting, claims payment, and customer service. OEGB streamlined the number of medical plan designs offered in the state from 88 to nine. This is one example of efficiency in administration that yields savings in a benefit pool arrangement.

After the OEGB rates were announced in April 2008, Watson Wyatt, OEGB's actuary, estimated savings of 4.8 percent, or \$37 million, based on an estimated fully-populated pool of 65,000 employees. This estimate assumed that OEGB members would enroll in plans comparable to their pre-OEGB plans. It was also assumed that pre-OEGB plans would experience average renewal rate increases for 2008-2009, based on a survey of all insurance carriers doing business in the State of Oregon.

Calculating cost savings from the implementation of OEGB is complicated by a few important factors. First, plan design choices are not static. That is, school districts and employees have some choice of plan, and are not necessarily required to select an OEGB plan which is similar in value to their pre-OEGB plan. To fairly compare the cost of plans offered pre-OEGB to the cost of plans selected this year under OEGB, you have to assume that each employee enrolled in the plan identified as comparable to his or her pre-OEGB plan.

A second confounding factor is that only a very few districts and entities received renewals or bids for coverage for the 2008-2009 benefit year. This means that for many districts there were not actual rates for 2008-2009 to use for comparison purposes. There were only a small number of entities who received rates for 2008-2009. The findings showed that joining OEGB saved them between one percent and 18 percent over the other carriers' rates. Where renewal rates were provided to districts, they have been used in the savings calculation; where they did not exist, average renewal rates have been assumed according to the Oregon insurance carrier survey mentioned above.

OEGB's actuary developed a methodology to estimate the savings by accounting for the factors described above and actual OEGB enrollment in the medical plans, excluding retirees and COBRA* enrollees. This enrollment includes school

* Consolidated Omnibus Reconciliation Act (COBRA) is a federal law that requires employers to provide access to continued group health and dental coverage on a self-pay basis following certain qualifying events.

(Following selection of the vendor for optional benefits)

districts, education service districts and community colleges. Using this methodology, the actuary calculated OEBB savings for 2008-2009 of 5.8 percent, or at least \$36 million, for active employees (and family members). Additional savings for retirees, COBRA beneficiaries, and potential future OEBB enrollees have not been calculated.

Savings - Optional Benefits

Estimates of savings for the optional benefits (life insurance, disability insurance and accidental death insurance) to be offered in October 2009 were \$660,000 a year.

Following the evaluation of the proposal received from vendors vying for the OEBB optional benefit plan and selection of the vendor, it is now estimated that the OEBB optional benefit plans will save educational entities and employees about \$6.3 million annually with two-thirds of those savings attributed to entities. Savings calculations will be updated following enrollment in the new plan offerings in October 2009.

In 2011 the Task Force on Educator Health Benefits will meet as outlined in statute to evaluate the success of OEBB, including the savings that have been realized. The Task Force will benefit from the additional rate experience available at that time.