

Date prepared: 03/13/2025

**Juerg Kunz**

*Medical Policy Analyst*

Workers' Compensation Division

971-701-3921

## **HB 3374-1**

### **Brief summary**

Allows the State Accident Insurance Fund Corporation (SAIF) to form or acquire subsidiaries to perform any function the corporation may delegate under law. Authorizes the SAIF or a subsidiary to provide managed care services to injured workers. Sets forth the membership and duties of the board of directors that governs a subsidiary. Requires an annual audit by Department of Consumer and Business Services (DCBS) of the managed care services provided by the corporation or a subsidiary. Requires DCBS to issue an annual report to the Governor, the President of the Senate and the Speaker of the House of Representatives on the results of the audit and review.

Takes effect on the 91st day following adjournment sine die.

### **Analysis**

#### **What the law currently does**

Prohibits an insurer, including SAIF, from being certified to provide managed care.

#### **What will change if the bill is enacted**

Allows SAIF to form or acquire a subsidiary corporation to perform any function of SAIF that may be delegated to the subsidiary under any provision of ORS, chapter 656.

Under this bill, SAIF or a subsidiary may:

- Provide managed care services to injured workers under ORS 656.260;
- Authorize self-insured employers or other insurers to use such managed care services on such terms as SAIF deems reasonable;
- Enter into contracts to use such managed care services, on such terms as SAIF deems reasonable, with cities that provide by ordinance or charter a disability or retirement system for firefighters and police officers that is not subject to this chapter<sup>1</sup>; and

---

<sup>1</sup> ORS 656.027(6) provides that firefighter and police employees of any city having a population of more than 200,000 that provides a disability and retirement system by ordinance or charter are not subject workers. As of 2025, this provision only applies to firefighter and police employed by the city of Portland.

- Solicit and coordinate with medical service providers to provide medical services to injured workers.

Any subsidiary corporation formed or acquired by SAIF will be governed by a board of five directors appointed by the Governor. Three of the five members must represent SAIF, appointed from among individuals recommended by the board of SAIF.

Requires DCBS to perform an annual audit of SAIF or its subsidiary to ensure sufficient separation between claims processing operations and the provision of managed care services to injured workers and issue an annual report to the Governor, House Speaker, and Senate President on the audit results.

## **Likely impacts, results, or consequences if the bill is enacted**

This bill removes the historical provision that only a health care provider or group of medical service providers may form a managed care organization.

SAIF may limit access to SAIF's MCO by other insurers and self-insured employers as SAIF may determine which self-insured employers or other insurers may use SAIF's MCO and under what terms. If SAIF acquired an existing MCO, SAIF would be in a position to limit access for other insurers to only two MCOs.

Currently existing MCOs, in particular Majoris MCO, may see a marked decrease in enrollment by SAIF. In 2022, 85 percent of Majoris' enrolled disabling claims were SAIF claims.

If WCD were required to perform the annual audit, WCD would need to create a new program, as the current audit unit within the division has no experience to perform an audits like the one described in the bill.

## **Questions/relevant information for the bill sponsor or primary proponent**

SAIF is the largest workers' compensation insurer in Oregon, with 73% of the insured market by direct premium written as of 2023. In 2023, reported medical payments by SAIF were \$180,595,223, while the next largest insurer reported payments in the amount of \$19,915,325. Under this bill, SAIF is the only insurer allowed to provide managed care services, either directly or via a subsidiary and determine the terms under which self-insured employers or other insurers may use SAIF's MCO.

Under this bill, SAIF is the only insurer allowed to form an MCO. Will other insurers raise this as a concern and/or request similar authority?

If SAIF acquires a subsidiary to perform the function of an MCO, why would SAIF and not the subsidiary determine the terms under which self-insured employers or other insurers may use SAIF's MCO?

OAR 436-015-0037 requires a contract between an insurer and an MCO. If SAIF formed an MCO directly, i.e., not through a subsidiary, would SAIF be required to have a contract with itself?

OAR 436-015-0037(2) prohibits an MCO from contracting exclusively with a single insurer. Would this apply to SAIF's MCO?

Neither current statute nor SB 445 provide any enforcement authority to DCBS, or any division within DCBS (DFR or WCD), if the audit shows that there is not enough separation between claims processing operations and the provision of managed care services to injured workers.

While this bill requires SAIF to pay the cost of the audit, DCBS and the Division that is assigned the responsibility of the report would bear the cost of issuing the report to the Governor, the President of the Senate and the Speaker of the House of Representatives. Is that intended? If not, subsection (4) of section 4 may need to be amended to read: "The cost of the audit **and the report** required under subsections (2) **and (3)** of this section shall be paid by the State Accident Insurance Fund Corporation."

SB 885 (2025) directs SAIF to establish a division or subsidiary for the purpose of issuing policies of fire insurance and property insurance against the peril of wildfire. Under SB 445, section 2. *any* subsidiary of SAIF must be governed by a board of five directors appointed by the Governor and consist of one member with expertise or an interest in labor, one member with expertise or an interest in management, and three members representing SAIF. There might be an unintended consequence of section 2. of SB 445 upon the governance of a subsidiary established under SB 885 for the purpose of issuing policies of fire insurance and property insurance against the peril of wildfire.

## Legislative history

### Has this bill been introduced in a prior session?

☒ No   ☐ Yes   Years   Bill numbers

### Does this bill amend current state or federal law or programs?

☐ No   ☒ Yes   Specify ORS 656.260 and 656.752

### Is this bill related to a legal decision?

☒ No   ☐ Yes   Case citation, AG opinion, date, etc.

### Should another DCBS division review this measure?

☐ No   ☒ Yes   Division of Financial Regulation (DFR)

## Other impacts

### Does this bill have a fiscal impact to DCBS?

☐ No   ☒ Yes   ☐ Unknown   Explain:

The bill would require DCBS to conduct an annual audit of SAIF or of the subsidiary who is providing managed care services to ensure that there is sufficient separation between claims processing operations and the provision of managed care services to injured workers. DCBS would submit a report to the Governor, House Speaker, and Senate President on an annual basis. DCBS also may conduct rulemaking necessary to implement and support the new laws. It is unclear whether the responsibilities given to DCBS would go to WCD or DFR. Should this come to pass, we may want to propose in statute or rule, that SAIF pay external auditors to do that work and report it.

## If Yes or Maybe, which section(s) of the bill trigger the fiscal impact?

Section 4.

## Does this bill have an economic impact to stakeholders?

☐ No   ☐ Yes   ☒ Unknown   Explain:

If SAIF forms its own MCO, enrollment of injured workers by SAIF in existing MCOs may decline substantially, potentially limiting the three other MCOs' business opportunities.. On the other hand, if SAIF acquired an existing MCO, SAIF will be in a position to limit access by other insurers and self-insured employers to just two MCOs.

## Sponsors

Senator Patterson

## Possible interested stakeholders

Insurers, managed care organizations, medical providers, injured workers, employers.

## Public policy topics

- |   |  |
|---|--|
| <input type="checkbox"/> Agency operations                  | <input type="checkbox"/> Other lines of insurance                |
| <input type="checkbox"/> Building codes                     | <input type="checkbox"/> Prescription drugs                      |
| <input type="checkbox"/> Financial institutions and lending | <input type="checkbox"/> Property and casualty insurance         |
| <input type="checkbox"/> Health insurance                   | <input type="checkbox"/> Public records/public meetings law      |
| <input type="checkbox"/> Involvement with other agencies    | <input type="checkbox"/> Rulemaking                              |
| <input type="checkbox"/> Licensure                          | <input type="checkbox"/> Securities                              |
| <input type="checkbox"/> Manufactured structures            | <input type="checkbox"/> Task force/reports                      |
| <input checked="" type="checkbox"/> MLAC legislative review | <input type="checkbox"/> Worker safety                           |
| <input type="checkbox"/> New program                        | <input checked="" type="checkbox"/> Workers' compensation system |
| <input type="checkbox"/> Nondepository programs             | <input type="checkbox"/> Other                                   |