

MEMORANDUM



TO: Ali Hassoun, OEBC-PEBC Director
FROM: Morgan Allen, COSA Deputy Director of Policy & Advocacy
Miles Larson, OSEA Government Relations Specialist
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Stacy Michaelson, OSBA Director of Legislative Services
Debbie Simons, OSPA Executive Director
Karen Smith, OCCA Senior Policy Advisor & General Counsel
SUBJECT: OEBC Stakeholder Advisory Group Communications Proposal
DATE: December 18, 2025

Over the past five years, the OEBC Advisory Committee has appreciated its collaboration with OEBC staff, gaining insight into the value OEBC provides to districts and community colleges, and contributing input to the renewal process. We sincerely appreciate the Board's dedication and the achievement of the 3.4% cost containment target.

While we continue to support cost containment and stability, we believe that the current 3.4% cap is unsustainable. Although the 3.4% may have been appropriate when originally set, we cannot continue navigating today's volatile healthcare landscape using parameters established under fundamentally different economic conditions.

Last year, the Board faced difficult choices to maintain this target, resulting in benefit reductions and premium increases. These changes have placed significant financial pressure on employees and will intensify negotiations at local bargaining tables regarding health benefit contributions and salaries. Additionally, the gap in contributions and benefits between PEBC and OEBC has grown, which will further create challenges in recruiting and retaining staff.

The ongoing rise in medical costs above 3.4%, along with increased cost shifting from Medicaid and Medicare to the commercial market, highlights the need to revise the methodology and establish a new target. We recognize that changing the 3.4% cap in the short session for 2026-27 renewal is not feasible.

To address this, the OEBC Advisory Committee has formed a group to help draft legislation for the 2027 session. The goal is to develop an alternative methodology and review mechanism allowing the target to respond to actual market realities, whether healthcare inflation is rising or falling, that could be incorporated in the 2027-28 renewal process to avoid additional benefit reductions.

It is also essential that any adjustment be paired with adequate funding to support these changes. Legislation should account for differences in effective dates—specifically, the OEBC renewal in October 2027, and the state budget set in July 2026. We are currently assessing the additional funding required for each percentage point above the existing target.

We respectfully request the following from OEBC staff and the Board:

- Enhanced communication with staff during the renewal process, allowing for timely input and feedback.
- Estimate the annual gap the Board may encounter over the next three renewals, starting October 2026, if the 3.4% target is maintained. Please include two scenarios: one without the use of the reserves, and one using reserves in the first year to achieve the cap.

We remain committed to supporting the Board and staff in their decision-making and invite participation in our working group to develop legislative proposals for 2027. Please let us know if you have any questions.