

SENATE REVENUE COMMITTEE
JUNE 3, 2003 1:00 PM STATE CAPITOL BUILDING

Members Present: Senator Ryan Deckert, Chair
Senator Ted Ferrioli, Vice Chair
Senator Tony Corcoran
Senator Charlie Ringo
Senator Bruce Starr

Members Excused: Senator Lenn Hannon

Witnesses Present: James Sager, Education Policy Advisor, Governor's Office
Chris Dudley, Oregon School Board Association
Mike Gray, Oregon School Board Association
Tricia Bosak, Oregon Education Association
Steve Carlson, Watson Wyatt Company
Joann Waller, Oregon Education Association
Mike Shirtcliff, Advantage Dental Plan
Janet McIntire, Salem-Keizer Association of Classified Employees
Trish Parks, Beaverton Education Association
Richard Schwarz, American Federation of Teachers - Oregon
Michael Dembrow, Portland Community College Faculty Federation
Patty O'Sullivan, Portland Public Schools
Tricia Smith, Oregon School Employees Association
Andrea Henderson, Oregon Community College Association
Jerry Donnelly, Portland Community College
Chuck Bennett, Confederation of Oregon School Administrators
Cindy Robert, Pacific Source Inc.
Peggy Annett, Health Insurance Association of America

Staff Present: Paul Warner, Legislative Revenue Office
Steve Meyer, Legislative Revenue Office
Mazen Malik, Legislative Revenue Office
Lizbeth Martin-Mahar, Legislative Revenue Office
Tara Lantz, Committee Assistant

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003	Chair Deckert	Calls meeting to order at 1:21 pm.
012	Lizbeth Martin-Mahar	Discusses the revenue impact on state income tax revenue from the new federal tax package (Exhibit 1).
062	Sen. Corcoran	Asks how the federal government was able to cut out working parent tax credits.
066	Martin-Mahar	Responds that the families that earn between \$10,000 and \$25,000 don't make enough tax liability in order to warrant a \$400 credit. Continues discussion on revenue impact. Clarifying questions and answers interspersed.
116	Martin-Mahar	Discusses revenue impact on state income tax revenue from the new Multnomah County local income tax (Exhibit 2).

193 Paul Warner Adds that this will be a part of the close of session forecast.

OPENS PUBLIC HEARING ON SB 6

207 Steve Meyer Explains SB 6 which establishes an Educators Benefit Board with 10 members appointed by the Governor. Refer to staff measure summary (Exhibit 3).

265 James Sager Testifies in support of SB 6 because it will help control the runaway costs of health insurance premiums. Outlines the bill and discusses the reasoning behind it. Refer to written testimony (Exhibit 4).

384 Sen. Corcoran Asks if consideration was given to local governments and special districts to have them involved in some sort of pooling as well.

406 Sager Responds negatively.

412 Sen. Starr Asks how many members are covered by PEBB.

413 Sager Responds around 60,000.

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001 Sen. Starr Asks how many teachers and employees would be covered in this program.

002 Sager Responds around 80,000.

005 Sen. Starr Asks how many are currently covered in the OSBA Trust.

006 Sager Responds about 40% of k-12 employees are in the OSBA program and the rest are in other programs.

024 Chris Dudley Testifies in opposition to SB 6 because the cost savings are overstated and the current options are adequate. Refer to written testimony (Exhibit 5).

057 Sen. Deckert Asks if there are savings, just not as great as claimed by the proponents.

061 Dudley Responds that OSBA has a better administrative rate and more efficient program than PEBB.

071 Sen. Deckert Asks why their premiums are higher.

072 Dudley Responds that their premiums are lower and that they have several plans.

115 Sen. Corcoran Asks if the bill doesn't save \$65 million does it still save \$23 million in savings.

117 Dudley Responds that there would be savings if all the districts went to OSBA. Discusses bargaining and caps on premiums. States that none of the cost drivers are dealt with in the bill.

141 Sen. Deckert Disagrees with Dudley because by one district agreeing to a higher figure there would never be savings.

152 Dudley States that in a lot of cases districts have been responsible in setting up cost sharing arrangements with their employees and that experimentation locally with the school district or through a trust is going to be more rapid and more effective than running it through a state bureaucracy. Discusses PEBB's operating costs.

173	Sen. Corcoran	Asks if PEBB's operating costs are \$2 million.
176	Dudley	Responds affirmatively.
181	Sen. Corcoran	Asks for clarification on the revenues coming into OSBA.
189	Dudley	Responds that OSBA gets a royalty for being a sponsor. Discusses systems in other states.
216	Sen. Deckert	States that 5 other states have relationships like the one with OSBA and 45 others have a variety of different systems.
219	Dudley	Responds that 26 states have some insurance facility and that there are 5 states with relationships like OSBA.
230	Sen. Corcoran	Asks if OSEA and OEA trusts provide health insurance for administrators.
232	Dudley	Responds affirmatively.
233	Sen. Corcoran	Asks if PEBB, OSEA, or OEA get a royalty.
234	Dudley	Responds that he doesn't know. Discussion follows on PEBB's operating revenue.
250	Dudley	States that OSBA's royalties constitute 50% of their operating revenues.
268	Mike Gray	Discusses calculation that concluded that PEBB was a better deal than OSBA that OSBA doesn't agree with. Discussion follows.
348	Sen. Deckert	Asks if Dudley thinks that state employees are in the drivers seat the way PEBB is right now.
351	Dudley	Responds negatively but states that PEBB was so poorly designed that they have had to clean themselves up in order to get an underwriter. Discussion follows.

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003	Sen. Starr	Asks how many school districts currently have caps.
004	Dudley	Responds that in a recent salary and benefits survey report done by OSBA 88 percent had caps.
010	Sen. Starr	Asks how many with caps are members of the OSBA Trust.
012	Dudley	Responds most of them.
013	Sen. Starr	States that it seems that caps are the place to find savings and asks how this bill would save money for districts that already have caps.
016	Dudley	Responds that the cap protects the district's budget and shifts cost onto the employee.
048	Sen. Starr	States that it seems to him that the way to save costs is by capping and asks why they shouldn't require all districts to have a cap like PEBB.

052	Dudley	Responds that it may drive the wrong kind of decision on a district by district basis.
077	Sen. Starr	Suggests using a cap that is already in place in some districts. Discussion follows.
084	Sen. Deckert	Asks how many employees PEBB has.
086	Dudley	Responds 14 today.
089	Sen. Deckert	Asks how many employees administer health plans for the school districts.
097	Dudley	Responds that for half the school districts there are zero because OSBA pays Regent's to administer the plans. Discussion follows.
119	Sen. Corcoran	States that capping is just a cost shifter and that he is confused on how that would make workers make more demands on their plans.
136	Dudley	Responds that employees are involved in those decisions now.
151	Sen. Ringo	Asks if OSBA believes that Portland Public School costs are out of control.
156	Dudley	Responds affirmatively. Discussion follows.
220	Tricia Bosak	Testifies in support of SB 6 because health insurance costs have increased dramatically and that the employees should be able to have a say in their plans and choices and should be able to bargain locally over who pays.
253	Steve Carlson	Discusses the current cost situation in Oregon, projected cost increases, and the effects of those increases on employees and employers. Discusses statewide pooling and the projected savings through pooling. Refer to written testimony (Exhibit 6).
386	Sen. Deckert	Asks how many administrators would be saved under this bill.
390	Carlson	Responds that the figures are probably greater than 40.
405	Sen. Starr	States that everyone has varying numbers and asks where these people are and how money is going to be saved. Discussion follows.

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015	Sen. Starr	States that they need to have real numbers to work with in order to accurately judge whether money will be saved.
027	Sen. Corcoran	States that the number is going to be very difficult to find and that he is convinced that the pooled structure is a lot more efficient administratively.
038	Carlson	Discusses future cost savings from SB 6.
050	Joann Waller	Testifies in support of SB 6 because districts cannot afford the rising costs of

health insurance. Refer to written testimony (Exhibit 7).

- 100 Sen. Deckert Asks if sticking all the districts in the OSBA pool would achieve the cost savings projected in SB 6.
- 105 Waller Responds that it would create a monopoly where nobody has a say in what is done.
- 151 Sen. Corcoran Asks if OEA receives a royalty from their health insurance plan.
- 156 Waller Responds negatively.
- 161 Sen. Corcoran Asks how many staff OEA employs.
- 164 Waller Responds about 30 staff people.
- 180 Sen. Deckert leaves.
- 183 Mike Shirtcliff Discusses the Advantage Dental Plan, Inc. and testifies in opposition to SB 6 because it prevents small businesses from being considered in the bidding process. Refer to written testimony (Exhibit 8).
- 233 Sen. Corcoran Asks what teacher's union Shirtcliff was referring to.
- 236 Shirtcliff Responds the Oregon Education Association.
- 243 Sen. Corcoran Asks if Advantage pays royalties to OSBA.
- 246 Shirtcliff Responds that they pay commissions to brokers to work with school districts.
- 250 Sen. Corcoran Asks where in the bill it prohibits small companies from bidding on future work.
- 252 Shirtcliff Responds that a small company like his can work locally with school boards on contracts but that his company is not big enough to handle 80,000 people.
- 262 Sen. Corcoran Asks if under SB 6 there is a possibility to have more than one carrier.
- 271 Shirtcliff Responds that the bill makes it difficult for that to happen.
- 295 Janet McIntire Testifies in favor of SB 6 because it would help in creating solutions that allow school district employees to have a fair and affordable benefit package. Refer to written testimony (Exhibit 9).
- 346 Trish Parks Testifies in support of SB 6 because Beaverton has seen an increase in cost despite educating employees on usage and cannot keep up with the rising costs.

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- 009 Richard Schwarz Testifies in support of SB 6 because it would encourage a solution to provide adequate and affordable health care coverage for school employees. Refer to written testimony (Exhibit 10).
- 053 Michael Dembrow Testifies in support of SB 6 because it is important that community colleges are able to join the insurance pool or opt out depending on what is best for the district. States that part-time employees are currently unable to purchase insurance and that a pooling would be beneficial.

107	Sen. Ferrioli	Asks how they currently put out health insurance.
110	Dembrow	Responds that they provide health insurance for full-time employees through OSBA and part-time employees are given money from a pool of private money which is divvied up between them.
117	Sen. Ferrioli	Asks if this proposal would allow one purchaser to make the market.
134	Dembrow	Responds that the OSBA is already a large group and have limited packages. Discussion follows.
151	Patty O'Sullivan	Proposes an amendment (Exhibit 11) which would allow Portland Public Schools to remain a trust as long as they met the parameters of the premium level within the pool so that Portland would be treated like everyone else.
206	Sen. Ferrioli	Asks if the chair was aware if the amendment was being offered.
212	O'Sullivan	Responds affirmatively and points out the amendment needs to be changed because it inadvertently put community colleges in it.
219	Sen. Ferrioli	Asks if the effect of the amendment is to add Portland Public Schools into the bill.
220	O'Sullivan	Responds that it would add all six groups that have trusts or are self-insured into the bill.
225	Sen. Starr	Asks if this allows Portland's trust to continue but would allow them to retain all the benefits afforded to the members of the group.
227	O'Sullivan	Responds affirmatively.
242	Sen. Starr	Asks how much compensation Portland Public School's teachers receive compared to the average in the state or neighboring states.
247	O'Sullivan	Responds that she doesn't know but will get it for him.
253	Sen. Ferrioli	Asks how many providers they currently have.
254	O'Sullivan	Responds that there are several.
259	Sen. Ferrioli	Asks if the vision for the group is to have one provider or a large variety of providers.
261	O'Sullivan	Responds that she doesn't know.
267	Sen. Ferrioli	Expresses concern that the group will create a demand in one or two carriers and limit the diversity of the market. Discussion follows.
320	Tricia Smith	Testifies in support of SB 6 because it would provide an opportunity to reduce costs. Refer to written testimony (Exhibit 12). Questions and answers interspersed.
415	Andrea Henderson	Expresses concern with SB 6 of increased costs because many of the colleges would have an increased cost with a plan similar to PEBB and because it would broaden the number of people required to be covered.

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021	Jerry Donnelly	Testifies against SB 6 because it would decrease the viability of the OSBA trust and would negatively impact the bargaining climate. Discusses current plans offered.
122	Chuck Bennett	Expresses concern for SB 6 because there is no data that indicates savings are going to occur and recommends that a study be done before making such a sweeping change.
172	Sen. Ferrioli	Agrees with Bennett that there needs to be data and asks if this would create a monopoly in the insurance industry.
191	Bennett	Responds that there aren't a lot of carriers right now and that with pools of 100,000 it would be difficult to find underwriters.
217	Cindy Robert	Testifies against SB 6 because as a small insurance company, this would not work for Pacific Source. States that the proponents have not proven that this will cut costs, create efficiency, or improve quality.
282	Peggy Annett	Testifies against SB 6 because the assumption that expanding the pool will decrease costs is false.
334	Sen. Ferrioli	Asks how they have they determined what the point of diminishing return is.
340	Sager	Responds that he doesn't know what the exact numbers are but there are thresholds. Recognizes that there are numerous districts out there that are facing costs that they shouldn't have to face and references PEBB as an example of a successful program.
371	Sen. Ferrioli	Asks if there are competitors out there that would want to write this size of a business.
378	Sager	Responds that PEBB hasn't had a problem finding people to bid and doesn't think they will run into that problem and that the bill doesn't specify that it has to be one carrier.
396	Sen. Ferrioli	Asks if they aggregate all of the demand into one or two carriers how it will distort the market.
420	Sager	Asks if the state pooling has diminished competitiveness.

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021	Sen. Ferrioli	States that some carriers are going to be displaced and he's curious as to what's going to happen to them and what's going to happen to the market.
040	Sager	Responds that there are already large carriers and if they wanted to monopolize the market that would be their strategy. Points out that PEBB has not caused a decrease in competition.
054	Sen. Ferrioli	States that he has seen the expansion of HMO's and a rapid curve of development and expansion and then a collapse as it reached their diminishing returns. Expresses concern that the same thing will happen here.
067	Sen. Ferrioli	Adjourns meeting at 4:08 pm.

Tape Log Submitted by,

Tara Lantz, Committee Assistant

Exhibit Summary:

1. Lizbeth Martin-Mahar, Major Components of Growth Tax Relief Act of 2003, 4pp.
2. Lizbeth Martin-Mahar, Revenue Impact on State Income Tax from Multnomah County Tax, 2pp.
3. SB 6, Steve Meyer, Staff Measure Summary, 1p.
4. SB 6, James Sager, Written Testimony, 5pp.
5. SB 6, Sen. Corcoran, Trust Committee Action Hold Down Premium Rate Increases, 2pp.
6. SB 6, Chris Dudley, Written Testimony, 5pp.
7. SB 6, Steve Carlson, Written Testimony, 6pp.
8. SB 6, Joann Waller, Written Testimony, 2pp.
9. SB 6, Mike Shirtcliff, Written Testimony, 8pp.
10. SB 6, Janet McIntire, Written Testimony, 2pp.
11. SB 6, Richard Schwarz, Written Testimony, 2pp.
12. SB 6, Patty O'Sullivan, Proposed SB 6-4 Amendments, 1p.
13. SB 6, Tricia Smith, Written Testimony, 1p.
14. HB 2379 B, Mazen Malik, Proposed HB 2379-B9 Amendments, 19pp.
15. HB 2379 B, Mazen Malik, Staff Measure Summary, 1p.
16. HB 2379 B, Mazen Malik, Revenue Impact Statement, 2pp.