

# THE BENEFITS BULLETIN

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## Process Behind Comparable Plan Design

**Board describes the methodology that was used to pick the nine medical, four pharmacy, six dental, and five vision plan designs in December 2007. The approved plans will provide benefits comparable to those currently offered by or to districts.**

**By DENISE HALL  
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A key goal of the Oregon Educators Benefit Board in designing its new benefit plan offerings is to ensure that plans are comparable to current plans being offered.

Because of the Board's desire to ensure that future members of OEBB understand the process used to determine the benefits that would meet the comparability requirements and provide a variety of high-quality benefit plan choices, this summary was created.

To assist the Board, consultant Watson Wyatt Worldwide was contracted. A nationally- and internationally-recognized firm, Watson Wyatt has experience and expertise in helping to develop health and benefit plans.

Information gathering began when Watson Wyatt collected information on the plan designs available through the three entities offering benefits to school and education service districts (OSBA Health Trust, OEA Choice Trust and OSEA). A survey also was sent to all school districts requesting information about their current plan designs, as well as from the districts that had direct-contract relationships with plan providers.

The results of this survey proved beneficial for the Board with ninety-six percent (209 of the 217) of the school dis-



*OEBB Chair Steve McNannay and deputy administrator Denise Hall at the January 10 Board meeting in Salem.*

tricts and ESDs providing information on their plan designs. A total of eighty-nine medical plans were identified.

Watson Wyatt's actuary then led the value analysis of those plans to determine the value of each plan so that comparable OEBB plans could be designed.

An important tool in the analysis of the plans was a model that is based on national claims data from the actual claims history of 3.3 million individuals. Using the model as a tool, Watson Wyatt evaluated each of the 89 medical plans from the districts to estimate the claims that would be paid under each particular plan. The district plan that had the highest total amount in expected claims payment became the "index" plan and was assigned a value of 1.0.

The total amount of expected claims payment that was produced for each of the other current plans was divided by the total expected claims payment for the index plan.

Once the current plans were assigned an actuarial value, Watson Wyatt "grouped" plans based on the actuarial values. Generally,

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At the January 10 Board meeting, members (from left) Michael Cannarella, Mylia Christensen, Ron Gallinat, Peter Tarzian, Brett Yancey and Steve McNannay discuss definitions of opt out with deputy administrator Denise Hall.

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these groupings were made up of plans whose actuarial values fell within a three percent range. In some cases, plans were grouped based on a five percent range (or slightly more for the high deductible, major medical plan designs).

The comparability standard established by the Board was 2.5 percent, meaning a future OEBB plan is considered to be comparable to a current plan if their actuarial values are within 2.5 percent (higher or lower) of one another.

A few groupings resulted in variances slightly greater than the 2.5 percent adopted standard, and the Board applied strict standards when determining whether a vari-

**FOR EXAMPLE:** If the total expected paid claims of the "index" plan was \$100 million and the total expected paid claims of one of the other plans was \$98.2 million, that plan was assigned an actuarial value of 0.98; that is, it's actuarial value is 98 percent of the index plan. Likewise, in this example, a plan with total expected paid claims of \$90 million was assigned an actuarial value of 0.90. Actuarial values for current district medical plans ranged from 1.0 (the index plan) to 0.47.

ance of more than 2.5 percent should be allowed.

If the actuarial value of the OEBB medical plan design was higher than the actuarial value of the current plan, the 2.5 percent threshold could be surpassed. Also, if the enrollment reported for the specific current plan was less than 100, the 2.5 percent threshold could be expanded. The Board was careful not to al-

low the enrollment counts alone to determine plan design decisions. The focus of the Board was to develop plan designs that better meet the OEBB's vision of providing benefit plans with an emphasis on high-quality care and services.

Based on these groupings, nine medical plan options were prepared for consideration by the Board. The Board felt the slate presented could be offered without creating undue administrative complexity, yet would still achieve the comparability and cost savings goals of SB 426.

However, the Board determined that continuing to offer 89 medical plans would add too much administrative complexity and make

## Plan Rates To Be Released At The End Of May

The release of the medical, dental, vision and pharmacy requests for proposals (RFPs) were released in January, with the bidding process closing in mid-February, and carrier interview in March. Carriers will be selected in April, at which point contract and cost negotiations will begin.

"Once negotiations with the respective plan carriers are complete and contracts finalized, the Board will announce the carriers that will serve OEBB's members," said Heidi Williams, OEBB Director of Operations.

"Members and interested parties will be among the first to know what the rates for next year's benefits will be," she explained.

*The Benefits Bulletin* will continue to provide updates on rates as they become available.

the cost savings intended by creating a large pool too difficult to achieve.

The Board feels confident that the proposed slate of plans provides a variety of plan design choices focusing on quality and preventive care. A complete list of plans identified by Watson Wyatt have been posted to the OEBB Web site, as well as examples of how the new plans were applied to what is currently being offered. Visit [www.oregon.ov/das/oebb](http://www.oregon.ov/das/oebb).

# FREQUENTLY ASKED QUESTIONS

## What advantages are there to “pooled” purchasing of healthcare benefits?

There are several advantages to creating a pooled plan of providing healthcare to employees of Oregon’s school districts including creating accountability and transparency, and allowing for greater purchasing power of the plans from carriers.

## When will employees -- including non-represented administrators, supervisors and confidential staff of school districts and education service districts -- be required to join the OEGB?

Employees of school districts and education service districts covered by collective bargaining agreements are required to join OEGB based on when their collective bargaining agreements expire. The Board must begin offering benefit plans effective on October 1, 2008.

With that in mind, the Board has filed administrative rules establishing guidelines for phase-in of district employees, and taken the action necessary to allow community college district and charter school employees to move to benefit programs offered by OEGB on a voluntary basis.

Employee groups of any school or ESD (including those who are self-insured), community college districts or charter school districts may elect to participate in benefit plans provided by the Board beginning October 1, 2008, October 1, 2009, or October 1, 2010 without having to meet phase-in requirements. Employee groups electing to participate in benefit plans provided by OEGB need to provide written notice to the Board that they wish

to enroll in the plans no later than June 30, 2008, to participate beginning on the following October 1. Once an employee group elects to participate in the benefit plans offered by OEGB, it cannot return to benefit plans provided



or administered by any entity other than the Board.

Employees of a school or ESD represented by a collective bargaining agreement that ends between July 1, 2007, and June 30, 2008, must participate in the benefit plans provided by OEGB beginning October 1, 2008.

Employees of a school or ESD represented by a collective bargaining agreement that ends July 1, 2008, through June 30, 2009, must participate in benefit plans provided by OEGB beginning October 1, 2009.

Employees of a school or ESD represented by a collective bargaining agreement that ends on or after July 1, 2009, must participate in benefit plans provided by OEGB beginning October 1, 2010.

Employees of a school or ESD not represented by a collective bargaining agreement must participate in benefit plans provided by OEGB when the first group of represented employees at the

same district or ESD begin participating in OEGB plans according to timelines listed above. If there is more than one collective bargaining agreement in existence in that school district or education service district, the earliest collective bargaining agreement to expire must be applied.

## Who is required to participate in OEGB?

All school and education service districts are required to purchase their benefit plans through OEGB unless they were self-insured or had an independent health trust in place on December 31, 2006.

## Are there any exceptions to participation in the OEGB?

Districts that are self-insured or provide benefits through an independent health trust that was functioning as of December 31, 2006, are not required to move to the OEGB benefit plans; however, beginning October 1, 2010 if a self-insured district wants to continue providing benefit plans other than those offered by OEGB, it must submit an application to be excluded from the Board’s plans.

The submitted application must show that the premiums for the benefit plans provided or contracted for the district are equal to or less than the premiums for comparable benefit plans provided by the Board. Applications must be submitted to the Board no later than May 31, 2010 and each year that follows.

District employees who are not represented by a collective bargaining agreement will join OEGB along with the first represented group from the same district. If there is no CBA in place at a district, all employees enter OEGB October 1, 2008.

# Taking A look At The Final Numbers: Why OEBB is requesting employee group counts

Call it a head count, a census, or roll call, but the Oregon Educators Benefit Board recently contacted every school district and education service district in Oregon to request the number of employees districts expect to enroll in OEBB this October even though many districts do not have employees entering the first year.

Collecting accurate enrollment information remains a vital and high-priority task for staff as OEBB moves closer to implementation and of-

fering benefit plans.

Particularly, as OEBB finalizes the bid process with carriers, moves toward a selection process and negotiates final plans. Having an accurate number of employees that will enter OEBB the first year allows for a better forecasting of where plan costs will line up.

Based on messages from several districts, the better the rates, the more likely more groups will choose to opt in early, potentially creating even greater savings than

originally anticipated.

Strength in numbers obviously lies at the backbone of OEBB's intention. The Board was

created to pool insurance, thus, saving districts money that could be put back in the classroom.

## Directions For Opting In Early

Some employee groups have already decided that they will opt in early to the in OEBB plans this October, while other groups are waiting to see what rates the Board negotiates with carriers.

Whether a group has already decided to come in early or is waiting for rates to be released, employee groups choosing to enter OEBB this October need to inform the Board of its decision to do so, in writing, by June 30, 2008.

Opt-in letters should be mailed to the attention of the Board at 1225 Ferry St. NE, Salem OR 97301.

## The Importance Of Joining OEBB's Listserv

Keeping up with OEBB updates and developments is not only important, but it is simple.

It takes less than a minute to add your contact information to the OEBB Listserv. Just go to [www.oregon.gov/das/oebb](http://www.oregon.gov/das/oebb) and type your e-mail address into the requested field. As a subscriber, you will immediately begin receiving messages from OEBB.

Being a member is the best way to keep yourself informed. As a member, you will receive the latest Board news, updates, and developments, meeting schedules, and agendas. Plus, the OEBB newsletter will be automatically delivered to your in-box monthly.

In addition, as plan rates and information become available later this year, the OEBB Listserv will be one of the official vehicles we will use to release the much-awaited information to everyone interested in knowing plan rates and benefit-related information.

To sign up, visit [www.oregon.gov/das/oebb](http://www.oregon.gov/das/oebb) and click on the "Contact Us" link on the left of the home page, then click on the link beneath the Listserv information.

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