

BILL SUMMARY
1st Session of the 53rd Legislature

Bill No.:	HB 1737
Version:	Committee Substitute
Request Number:	7108
Author:	Rep. Moore
Date:	3/15/2011
Impact:	Sections 1-4 and 6: EBC Group = 15% premium decrease, OSEEGIB Groups = 5% premium increase Section 5: OSEEGIB Cost = est. \$1.56 million in year 1, potential future savings

Research Analysis

The Committee Substitute for HB 1737 amends provisions of the State and Education Employees Group Insurance Act by removing certain benefit and premium uniformity requirements. The measure also adds language stipulating that for plan year 2012, the State and Education Employees Group Insurance Board begin a pilot project using a vendor who offers a web-based healthcare cost containment program. Participation in the pilot project would be voluntary, but patients and health care providers meeting certain requirements would have the opportunity to earn financial rewards; activities may include but are not limited to participating in wellness, prevention and care management regimens like health risk assessments, smoking cessation, weight loss and fitness programs, and disease management. The pilot project is to run for 3 years, and is to include at least 20,000 people so that data can be collected and analyzed to determine the project's effectiveness in terms of controlling health care costs. This analysis must occur at least annually, with final written results presented to the Governor, Speaker of the House, and President Pro Tempore of the Senate. HB 1737 also modifies uniformity provisions within the Oklahoma State Employees Benefits Act, and adds language related to preferred provider organizations within the discussion of the duties, responsibilities, and authority of the Oklahoma State Employees Benefits Council.

Prepared By: Alexandra Edwards

Fiscal Analysis

Sections 1-4, and 6 would allow the Employee Benefits Council (EBC) to carve out active state employees and develop premium rates independently of other employee groups covered by the State and Education Employee Group Insurance Board (OSEEGIB.) Current law requires uniformity of active state employee premium rates with premium rates offered by OSEEGIB to active education employees, local government employees, retired educators and retired state employees. EBC estimates state employee premiums could be reduced approximately 15% as a result of independent premium rating. Consequently, staff estimates a 5% increase would result for the OSEEGIB groups.

Section 5 instructs OSEEGIB to contract with a vendor to provide a web-based healthcare cost containment pilot program for 3 years. The measure requires the pilot program cover at least 20,000 eligible employees. OSEEGIB estimates a program cost of \$78 annually per eligible

employee. The total cost to OSEEGIB of the program is estimated to be \$1,560,000 per year. The measure instructs OSEEGIB to fund the pilot program with operating funds and not pass along costs to premium payers. OSEEGIB has Health and Dental fund reserves of approximately \$180 million. Such funds would be available to fund the pilot program. As a result of the program incentivizing healthier behavior, when fully implemented the program is designed to create a net savings due to lower health care costs and improved health outcomes. Though not expected in the first year of implementation, savings could surpass costs in future years.

Section 7 allows EBC to offer state employees, through their flexible benefit package, access to private preferred provider organization (PPO) health plans. Currently the only PPO options are those offered by OSEEGIB. OSEEGIB officials fear additional PPO offerings will both lessen OSEEGIB's purchasing power and potentially lead to adverse selection issues, resulting in greater premium cost inflation in future years. Officials from EBC identify Section 7 as an opportunity to contract with a private sector high deductible health plan with a health savings account which EBC believes has potential to drive down premium costs in future years.

Prepared By: John McPhetridge

Other Considerations

N/A