



June 17, 2016

Senator Ted Ferrioli  
900 Court Street NE, S-323  
Salem, OR 97301

Senator Ferrioli:

Thank you for your thoughtful letter to OEBB regarding the proposed changes to OEBB's Administrative Rule, specifically the proposed opt-out surcharge rule. Our goal with this proposed opt-out surcharge was not to punish our members or entities, but to help keep our pool viable and sustainable in this ever-fluctuating healthcare world.

One of the key objectives in our Strategic Plan is to offer high-quality, affordable healthcare plans to all OEBB members. Specifically, we are charged with providing plan/benefit designs that clarify present and future costs and are affordable to members. From 2008 to 2015, the percentage of OEBB-eligible members who opt-out has grown from four percent to nine percent, and it continues to rise. This trajectory of growth is a primary concern because it jeopardizes our ability to achieve these objectives.

In the fall of 2010, OEBB's actuarial consultants presented information about managing risk to the OEBB Board. In this presentation, they highlighted three challenges causing adverse selection, one of these was the high percentage of eligible members electing to opt-out.

Again in March 2013, OEBB's actuarial consultants estimated the rise in opt-outs and waives had increased premium rates by one and a half percent. They now estimate our current opt-out rate is affecting our premiums by two percent.

Over the past several weeks, OEBB leadership has met with interested parties from varying stakeholder associations. These meetings have been very productive and have provided OEBB with valuable feedback regarding this topic.

At the June 7, 2016 Board meeting, the Board collectively decided to not move forward with the proposed rule at this time, given the feedback and information they have received. There was thoughtful conversation on the topic, and they anticipate more in-depth discussion as they work to address this challenge in the future. OEBB will continue working with our stakeholders, including associations representing our members, to determine viable alternatives to address this issue.

Again, I want to thank you for your letter. If you have any other questions or concerns, please do not hesitate to contact us.

Sincerely,

April Kelly  
Rules Coordinator  
Oregon Educators Benefit Board