



# PRESS RELEASE

OREGON HOUSE DEMOCRATS

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## **Oregon House Sends Cost-Containment Bill to Gov. Brown**

*SB 1067 will curb state spending, improve government efficiency*

SALEM – Today the Oregon House of Representatives passed legislation that will bend the state’s long-term cost curve, slowing the growth of state expenditures.

Oregon was facing a \$1.8 billion budget shortfall when the 2017 legislative session began. In February, Senate President Peter Courtney (D – Salem) and House Speaker Tina Kotek (D – North Portland) brought together bipartisan, bicameral work groups to develop ideas about how to address Oregon’s long-term, structural budget challenges.

[Senate Bill 1067](#) is the result of several months of work by the cost-containment work group. The bill would set a cap on increases in public employee health care costs, eliminate non-essential state positions, halt automatic budget increases tied to inflation for services and supplies, and institute other reforms estimated to save \$691 million in total funds when fully implemented.

“Today we are setting Oregon on a path to a more stable future,” said **Rep. Nancy Nathanson (D – Eugene)**, the chief budget-writer in the House. “SB 1067 contains 17 different cost-containment strategies to bend the cost curve. Still, we have more work to do to contain the state’s costs in the long-term, and we absolutely must reform our revenue system in order to make investments in the high-quality schools Oregonians want and deserve.”

The measure makes several changes to state government programs and processes to contain costs and reduce future spending, including:

### **Sets Cap on Increase in Government Employee Health Costs**

- Caps the annual premium increase to 3.4% per year for plans under the Public Employees Benefit Board (PEBB) and Oregon Educators Benefit Board (OEBB), well below the national rate of inflation (5.8%).

### **Caps Hospital Provider Reimbursement in PEBB and OEBB**

- Caps reimbursement for inpatient and outpatient hospital services at no more than 200% of Medicare rates for in-network and 185% of Medicare rates for out-of-network hospitals. Reimbursement caps become effective in the 2019 benefit year.

- This does not apply to A, B, Critical Access, or Sole Community Hospitals with more than a 40% Medicare payer mix in counties with a population of less than 70,000.

### **Prohibits Double Coverage**

- Eliminates the practice of the state paying twice for employees by:
- Eliminates opt-out payment(s) made to employees who decline primary coverage through PEBB and OEGB and are subsequently enrolled in a PEBB or OEGB plan under their spouse.
- Prohibits double coverage, where the state pays two premiums to cover an employee. For example: double coverage occurs when one person is covered as a primary through the state and has subsequent coverage through their spouse.

### **Holds Health Plans and Providers Accountable**

- Requires annual health plan audits to capture dependency changes, double claim payments, etc.

### **Increases Efforts to Collect Unpaid Debt**

- Expedites process for assigning unpaid debt to the State to private collection agencies.

### **Budget Rollup**

- Requires legislative review of agency reclassification of positions, including the compensation differences for each reclassification.
- Requires DAS to annually report on all positions that have been vacant for six months. Report shall include efforts taken to fill the position and any efforts to use the position for purposes other than those anticipated in the Legislatively Adopted Budget.
- Requires DAS to report changes to the state employee compensation plan, including step increases, cost of living adjustments, the addition of steps in pay ranges, any other adjustments that have an economic impact on the salary plan, and the total cost of any salary changes for this biennium and the rollup cost for the next biennium.
- Realigns the state cap on government employees to no greater than 1% of the state population.

### **Review of State Procurement Costs**

- Requires the Legislative Policy and Research Office to conduct a study of state procurement practices to achieve increased cost effectiveness.

### **State Budget Development**

- Requires the Legislative Fiscal Officer, during the development of the Legislatively Adopted Budget, review and update current service level projections, including position vacancy assumptions, inflation adjustments, and mandated caseload.
- Requires the Governor to include in his or her recommended budget an amount for deferred maintenance that is equivalent to at least two percent of the replacement value of state owned facilities.

### **PERS Side Accounts and Calculations**

- Requires the Governor to include recommendations on funds that can be used to make lump sum payments to the Public Employees Retirement System.
- Caps the size of the PERS contingency reserve fund at \$50 million.
- Requires the calculation of the Unfunded Actuarial Liability to include employer side accounts.

SB 1067 is sponsored by President Courtney, Speaker Kotek, and members of the work group: Senators Richard Devlin (D-Tualatin), Betsy Johnson (D-Scappoose) and Jackie Winters (R-Salem) and Representatives Nancy Nathanson (D-Eugene) and Greg Smith (R-Heppner).

SB 1067 passed by a vote of 31-28 and now goes to Governor Brown for her signature.

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