



**REPRESENTATIVE JULIE PARRISH
OREGON HOUSE OF REPRESENTATIVES
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FOR IMMEDIATE RELEASE
Thursday, June 11, 2015

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Representative Julie Parrish Files Bill To Expand Benefit Choices For Public Employees And Avoid ACA “Cadillac Tax”
House Bill 3564 Could Create Savings To Address PERS Unfunded Liability

Salem, OR – House Bill 3564 was introduced in the Oregon House of Representatives today. The bill, sponsored by Representative Julie Parrish (R-Tualatin/West Linn), would help public entities avoid a 40% “Cadillac Tax” to be levied against public employee healthcare plans which Congress has deemed as being “too generous.” The bill would allow public employees to choose a cafeteria-style benefit option when they choose a healthcare plan that costs less than the premium caps mandated by Congress under the Affordable Care Act (ACA).

“In the 2017-19 biennium, there are three big budget holes coming. Oregonians have already been warned of cost increases caused by a reduction in the Medicaid reimbursements and the \$5 billion of PERS cuts the state Supreme Court deemed unconstitutional going back into the PERS unfunded liability,” stated Rep. Parrish. “What they don’t know is that a third hit to general funds of every public body is coming in the form of a tax on public employee healthcare plans beginning in 2018. If left unresolved, it could cost taxpayers millions of dollars with no new healthcare benefits being directed to public employees, and cause a reduction of critical services across all public government entities.”

House Bill 3564 would give every public employee a defined benefit allocation for “self-only” coverage as allowed by the Affordable Care Act. This would shelter public employers from being assessed a “Cadillac Tax” by insurance companies who will act as tax collectors for the federal government. Employees could then select a healthcare plan from a healthcare exchange, ending the government practice of self-insuring public employees. If a public employee has leftover funds, or health coverage through a spouse’s plan, the defined benefit could go into a pre-tax account to pay other healthcare costs, daycare costs, or retirement contributions.

“This bill gives a wide array of flexibility to public employees, based on what their actual needs are, not a one-size-fits-all benefit plan,” said Parrish.

The bill also requires public employers bank 50% of any savings from the new benefit plan for future healthcare cost increases, and 50% for other employee bargaining purposes or helping to cover the unfunded PERS liability. Further, funds saved could be used for critical services to ensure public employees don’t experience a reduction-in-force during a down budget cycle. “We know what we’re doing right now isn’t sustainable. We cannot allow our school districts, counties, and cities to be hit with a huge tax for healthcare costs. This bill not only aligns Oregon’s public employers with the Affordable Care Act, but it also creates real savings that can be used to meet other benefit expenses,” explained Parrish.

Rep. Parrish acknowledges the bill is incredibly complex, and moves employee benefits in a new direction. However, the bill also has residual savings garnered by no longer managing self-insurance,

and that public entities like the Oregon University System can realize millions in savings by moving their employees out of Public Employee Benefits Board (PEBB), which can help stave off tuition increases.

“This bill is the start of a very critical conversation about reducing the financial hits coming in the next biennium,” said Rep. Parrish. “If we don’t do anything about this “Cadillac Tax” issue by the end of the 2016 legislative session, there isn’t a way to onboard a change fast enough to avoid public employers being hit with the tax. That could mean layoffs for classroom teachers, larger class sizes, and reductions in other critical services.”

Rep. Parrish hopes the bill will have a public hearing before the end of the 2015 legislative session and that a task force gets assigned to build consensus for legislation in 2016 that will solve the “Cadillac Tax” problem and help reduce the PERS unfunded liability.

The bill is chief co-sponsored by Senator Betsy Johnson (D-Scappoose).

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