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Preston L. Doerflinger: There's nothing 'broken' about the state's insurance plan for employees and teachers



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Doerflinger

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By Preston L. Doerflinger | 0 comments

Sen. Jason Smalley and Rep. Michael Rogers have offered misguided bills suggesting HealthChoice, Oklahoma's self-funded insurance plan for state and education employees, is "broken" and needs more competition from private insurance.

Nothing could be further from the truth. In fact, the arguments in support of these measures are based on false premises put forward by one of the private insurance companies currently offered to state employees that would profit greatly from the so-called reforms.

So, let's clear up a few things.

First, HealthChoice is a self-funded plan, not state-owned or subsidized. No matter how many times the authors of these bills repeat "state-funded," that doesn't make it true.

Self-funded plans do not operate for a profit and employee health-care costs are significantly less. Self-funded means they are supported by member premiums, not tax dollars. In years where premiums exceed claim costs, the excess funds are held in reserves to be used in future years to reinvest the money to offset member premium increases. With commercial plans, such excess funds become profits and are pocketed by the insurance companies.

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Second, there already is private competition among insurance companies in offerings for state employees and teachers. The 2017 options offered eight health plans from four different carriers. As required by state statute, the Office of Management and Enterprise Services facilitates a competitive bidding process to offer HMOs licensed with the state to enter into contracts and provide their plan to state employees and teachers. The plan choices available to state employees and teachers are not limited by anything other than the number of qualified HMOs that

enter into the bidding process.

The bidding process protects consumers. What the misguided legislative proposals would do is actually tip the scales in favor of commercial plans offering “cheap” plans with fewer choices of physicians and hospital options that would significantly drive up the prices of all the plans offered. The savings to members put forth by Sen. Smalley and Rep. Rogers are based on false premises using a sample population of one of the HMO plans whose covered population has historically been 10 percent to 15 percent younger than the average age of all state employees and teachers covered by other plans. In fact, the premium rate for this HMO would likely be considerably higher if the average age of its covered members were more representative of the entire employee population.

Third, HealthChoice is in good financial shape and not near “broken.” The state is not losing money because the plan is self-funded and not funded by the state. The losses experienced by the HealthChoice plan in recent years were planned premium subsidies that result from the use of reserve funds made available from a multiyear cycle of favorable claims experience. Even after reducing reserves from the planned premium subsidies, HealthChoice remains in a very healthy financial position with reserves exceeding recommended levels by approximately \$24 million.

Perhaps supporters of the misguided proposals should compare administrative costs. HealthChoice sustains operations on drastically lower administration costs — 4 percent versus the commercial carrier average of 12 percent to 15 percent. Additionally, by contracting directly with providers in every ZIP code of the state, HealthChoice ensures access to quality health care for all public employees at prices that are far more competitive than what can be obtained through commercial plans.

If legislators are really concerned about state employees and teachers, perhaps they should turn their attention to things that are truly broken — the nearly \$900 million budget hole and chronically low teacher and state employee salaries — and not create a false problem using bad information for the sole purpose of benefiting a particular insurance company.

Secretary of Finance, Administration and Information Technology Preston L. Doerflinger is the director of the Oklahoma Office of Management and Enterprise Services, which administers HealthChoice.

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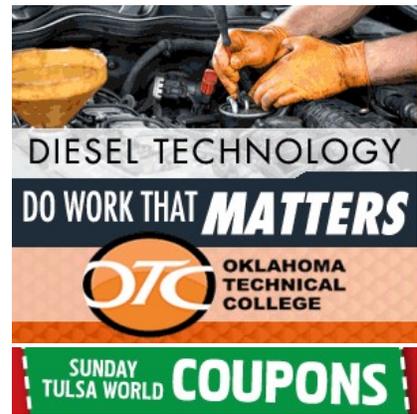
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