

The Politics of BUBB

Merging Contracts With Benefit Plans

by Thomas Gallagher

The Bargaining Unit Benefits Board was a dream that OPEU sought during three legislative sessions. Its creation was one of OPEU's biggest legislative victories.

Since the Collective Bargaining Bill of 1973 enabled employer contributions to health and dental plans, unions have negotiated the amount of the contribution. But not until BUBB did a union have a real say in where the money was spent. Previously, under the Oregon State Employees Benefit Board (SEBB), unions' need to know exactly what insurance would cost prior to bargaining and unions' need to have control over the trade-off between benefits and cost were not met.

Adding to this unacceptable situation was the number of conflicting interest groups in SEBB—excluded employees, non-represented employees and management service employees, as well as union members. BUBB was created when it became obvious that one board could not serve the needs of these separate groups.

The goal in the 1970s was clear—to gain a say in where benefit dollars were spent. But it was also important to establish a second board so a more important objective could be met—to develop additional methods for gaining the maximum benefit from negotiated dollars.

It is important to realize that BUBB was created for all represented employees, not just for OPEU. Other unions can join BUBB; most have stayed in SEBB. But AFSCME joined BUBB in 1980 and other unions are considering joining BUBB. The board has continually said that they have no objections to bringing other unions under the BUBB plan and at their October 1981 meeting they adopted criteria for accepting other unions into BUBB.

The controversies that surround BUBB and SEBB stem from one fact—all unions want to get the best possible insurance for their members. There is competition among unions to provide benefits to

their members that other unions do not provide, but there is no single best possible insurance plan. Every plan is a compromise of cost, design and benefits.

The key to spending dollars wisely though, is for BUBB to maintain one plan with a large pool of employees. Any union that wants a separate plan would have to break their employees out into a smaller pool to share the insurance risks. In all cases, the smaller the pool, the higher the cost.

There is no legislative directive to BUBB to break the group into smaller pools; the increased administrative costs of additional plans, plus the expense of design and development, runs counter to the legislature's policy of cost-cutting. There are also many policy questions to be considered in different plans. Paramount among these is whether the legislature intended to set up a board that could treat represented employees differently from agency to agency.

BUBB is not an extension of any union, not even OPEU; it is a State board required to vote in the best interests of the State in providing insurance to represented employees. The question of separate plans for different unions will be hotly debated in the next few months.

It may be that BUBB is not the best vehicle to solve the problems of negotiated insurance benefits. Perhaps separate union management trust funds should be set up. Perhaps the directives of the current Board should be modified.

Whatever answer is developed in future legislative sessions, it is clear that, one—OPEU had the wisdom and political skill necessary to begin the process of merging contract monies and benefit plans—and, two—OPEU welcomes any ideas from other unions to improve this process.

Mr. Gallagher is executive director of the Oregon Public Employees Union and a member of the Bargaining Unit Benefits Board.

Who pays How Much on Medical Bills Each Year*?

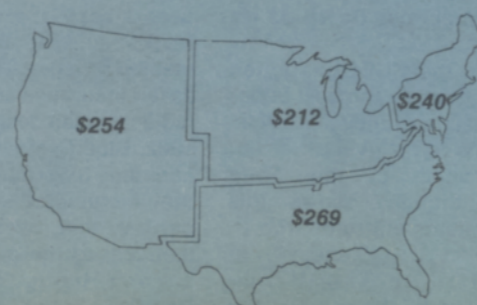
*The average annual medical expense was \$245 per person in 1975.
(This overview of statistics is compiled every five years; data for 1980 is not yet available.)



SEX

Male	\$223
Female	\$265

GEOGRAPHIC REGION



EDUCATION OF FAMILY HEAD

Under 9 yrs.	\$200
9-11 years	\$222
12 years	\$250
Over 12 yrs.	\$294



PLACE OF RESIDENCE

City	\$251
Suburb	\$254
Rural	\$226



Why Are Health Care Costs So High?

by Chuck Mendenhall

Ironically, rapidly escalating health care costs are the result of our pursuit for a better standard of living. We have applauded medical science's ability to provide us with cures for most life-threatening maladies, but the cost of health care has paralleled these tremendous medical achievements.

In an outstanding panel presented at OPEU's annual convention, Doug Welts, M.D., outlined the seven most significant factors contributing to rising health care costs:

Longevity—The percentage of population over 65 years will increase from 10 percent in 1980 to approximately 20 percent to 30 percent by 1990;

Technology and Research—The cost for new medical equipment and the ability to perform long and complicated surgery will continue to have a profound impact on insurance rates;

Inflation—Inflation is not unique to the supermarket or

the gas pump. In fact, inflation may have an even greater impact on health care than many other areas of the economy;

Utilization—More people are using insurance for more reasons. Insurance plans are offering broader coverage (some like HMO have no deductible) and this drives up insurance rates;

Malpractice—Doctors fees reflect the high cost of malpractice insurance, which is increasing because of the number of suits and the size of awards;

Physician Surplus—As more physician time becomes available, patients are allowed more personal contact, which can result in higher fees; and

Indigent Care—Doctors and hospitals lose millions of dollars annually in fees they are unable to collect. Their losses are passed on to premium payers in the form of higher fees.

Few of us would either redirect dollars spent for

medical care or dispute the need for medical advances made through research and development. Even so, there are two questions each of us must face—how much longer can we afford spiraling health care costs and what can we do about containing these costs?

The Oregon Legislature is keenly interested in these two questions. Two members of the legislative Ways and Means Committee—Rep. Vera Katz and Sen. Tony Meeker—outlined several concepts that need to be explored.

"Currently, insurance plans offer very few incentives to encourage wellness," Katz said. "In fact, many insurance plans encourage overuse and this drives up costs."

Meeker concurred with Katz' assessment and added that incentives and controls for accountability must be implemented throughout the entire insurance industry in addition to insurance plan design.

The primary problem is that there is no coordinated effort to keep costs under control," Meeker said. "Doctors, hos-

pitals, insurance companies and policy holders all point the finger of guilt at one another."

Katz and Meeker both stressed that the legislature, the Bargaining Unit Benefits Board, OPEU and each state employee needs to evaluate the medical cost dilemma and be willing to participate in a coordinated effort to get a handle on rising health care costs.

Some areas of reform and concepts that Dr. Walts enumerated are beyond our scope and need to be addressed at the federal level. But he did point out two significant concepts that can be addressed by BUBB, public employee unions and state employees:

Design insurance plans that provide positive incentives for wellness; and

Implement ongoing participatory programs for health fitness and preventative medicine.

Mr. Mendenhall is chairman of the Bargaining Unit Benefits Board.

To Contain Costs

Wellness Programs for Employees

by Cindy Parrish

In the past 15 years, insurance costs have risen over 400 percent. This trend will continue during the next 10 years as anticipated medical costs skyrocket from \$206 billion last year to \$821 billion in 1990.

State employees have been caught in this astronomical spiral. Last year their health insurance rates increased by up to 43 percent. The state agreed to pay for these increases this year, but next year they will pay for only an average 15 percent increase.

If insurance costs for state employees are not brought down—with employees and BUBB participating in cost containment programs—benefits will either be cut or employees out-of-pocket expenses will increase. In short, insurance may no longer be free to employees and their families.

To help employees battle rate increases, BUBB has made a major commitment to cost containment. This commitment has three integral parts—wellness programs, a reserve fund and employee education.

BUBB will implement wellness programs much like a highly successful program at the Pilot Rock School District. That program, which began in 1979, is designed to improve physical fitness and nutrition and to reduce stress.

The program features:

- "Waistliner" lunches;
- Nutrition breaks that include fruits and juices;
- Bulletin boards and informational materials promoting fitness; and
- Fitness programs, district

intramural programs and community sports programs.

Among the many benefits that the Seaside program has produced are a considerable reduction in the number of employees who are overweight, a significant decrease in sick leave, a demonstrated willingness by management to provide time for fitness in the workplace and the long-range potential for reduced premiums.

A reserve fund has already been established by BUBB. It will help offset any rate increase above the 15 percent that the State has agreed to pay next year. The fund will total all insurance monies that OPEU negotiated with the State, but were not used to pay insurance claims. In the past, these monies stayed with the State.

Employees will also need to be educated. They must be made aware of the costs of insurance and how to bring these costs down. As patients, employees only pay for six percent of their medical bills; the rest is paid by government, private insurers and charities. But who pays for government? State employees pay taxes that are used to provide the benefit programs. They pay insurance premiums that rise with the cost of health care and they donate to charities.

Each employee has a direct stake in the cost of health insurance. Our success in limiting the insurance rate spiral will only be as effective as employee participation in cost containment programs.

Ms. Parrish is administrator for the Bargaining Unit Benefits Board.

Participate in Wellness Programs

The Bargaining Unit Benefits Board is looking for people who are interested in helping establish wellness programs in their work areas or in distributing health care information to fellow employees.

Cindy Parrish, administrator

for the BUBB board, is compiling a list of work-area contacts to help in establishing these programs. If you are interested, contact Parrish at 373-1174 in Salem or 1-800-452-7813 toll free or write her at BUBB, P.O. Box 12159, Salem, OR 97309.