



## State's cost of providing free insurance grows

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DES MOINES, Iowa (AP) — Iowa is one of only six states to offer the option of free health insurance to state government employees and their families. And the state's cost to provide health insurance has increased more than 300 percent — \$176 million — in 10 years, a Des Moines Register analysis shows.

Iowa's state employees also pay substantially lower out-of-pocket health insurance costs, such as deductibles and office co-payments, than private-sector workers, according to an independent study of nearly 900 businesses and government employers conducted this year by David P. Lind & Associates of Clive.

Government employees at all levels in Iowa, including those working for schools and local governments, pay maximum out-of-pocket costs that are about half the amount paid by workers in private businesses, Lind's survey found. That represents a possible annual savings of \$1,000 or more for each employee.

The combination of higher benefit costs and lower state revenue has prompted calls for change.

Rep. Scott Raecker of Urbandale, the top-ranking Republican on the House Appropriations Committee, has proposed that state employees contribute \$50 a month for health care premiums.

As of July 1, 84 percent of the 28,522 state employees enrolled in health insurance through their jobs participated in plans for which they paid no premiums, according to the Iowa Department of Management. That number includes employees in all branches of state government.

The five other states that offer at least some of their employees no-premium health insurance are Arkansas, Delaware, North Dakota, Oklahoma and Oregon.

Iowa offers employees a variety of insurance plans. Generally, the 16 percent of state employees who pay part of their premium costs have chosen more comprehensive insurance, which covers more medical conditions, such as chronic illnesses, or pays a greater percentage of total claims.

"We ask indigent Iowans and those living under the poverty level to contribute up to \$40 a month for their state-sponsored health plan, yet, in many cases, do not ask state employees to contribute anything," Raecker said. "It's not an easy thing to do, but I think most Iowans would appreciate the fact that state employees would contribute to their health care plan."

The proposal is unlikely to go anywhere in the coming legislative session. Democrats occupy the governor's office and hold majorities in both the Iowa House and Senate.

House Majority Leader Kevin McCarthy, D-Des Moines, called Republicans' push to cut state employee benefits "a turkey."

Benefits were negotiated with unions in legally binding contracts, and cutting them would be unfair, McCarthy said.

He agreed that medical costs are "out of control," but said the issue needs to be resolved through national reform.

Several other states are looking at how to rein in health insurance costs.

Officials in Alabama, California, Hawaii, Illinois, Maine and Nevada are considering increasing employees' share of premiums and co-payments, according to the National Conference of State Legislatures. At least 11 states are considering trimming coverage.

Requiring employees to pay partial premiums would not only help offset the government's costs but also help them gain awareness of health costs, which ultimately would help hold down rates, said Fred Buie, president of Keystone Electrical Manufacturing Co. in Des Moines.

Keystone, which has 60 full-time employees, has kept health insurance costs level in the past four years largely by setting up health reimbursement accounts, which reimburse employees for some medical expenses. The accounts come with a tax advantage that helps offset costs for Keystone.

Keystone employees pay an average of about 18 percent of health care costs through monthly premiums.

"I don't know of any private business where employees don't pay premiums," Buie said. "If you're contributing, you appreciate it more and tend to make better use of it."

Union officials who represent state workers have long argued that good benefits are part of a trade-off state employees make for accepting lower pay.

That depends on state workers' education levels, according to a review of salary data conducted for the Register by Iowa State University economist David Swenson.

Highly educated state workers, on average, do make less than those in the private sector, by \$15,000 or more a year, Swenson found. But state workers as a group make nearly \$5,400 more a year on average in base salary and receive \$4,700 more in benefits than their private-sector counterparts.

Danny Homan, president of AFSCME's Local 61, contended last month that the salary and benefits information obtained by the Register is "either a lie or miscalculated."

The Register, in response, shared much of its data with Homan and spokesman Charlie Wishman and requested they provide information or studies that dispute the newspaper's findings. They declined to do so, although Wishman, in an e-mail, questioned Lind's methodology because it did not break out education levels.

Lind's study focused upon health insurance costs, which, unlike salaries, do not correlate

closely with education levels. Lind said the survey has an accuracy rate of plus or minus 3.3 percent.

Union officials say members have accepted smaller raises in recent years to help preserve good benefits. Across-the-board wage increases have been 3 percent or less for the past 10 years, with no raises in 2006 and the current fiscal year. Some employees are eligible each year for step increases beyond the across-the-board raise.

Susan Shields, a pharmacist with the state's corrections department, falls in the category of highly educated state workers who are paid less than private-sector counterparts. Eleven years ago, she left a pharmacist job with a large retailer to join the state work force. Last year, her pay remained roughly \$4,000 less than that of the average pharmacist in Iowa.

Shields said she was working nearly 80 hours a week in the private sector and now works closer to a normal workweek. While pay is less with the state, the benefits are better, she acknowledged.

"I don't think of myself as being any better off or worse off (than) most pharmacists," Shields said. "No, I don't make the same amount of money as someone who works for a big-box retail chain. They make a lot of money, but they also work a lot of hours and have a lot of stress. I've been there. It's not worth the money."

The state has taken steps in recent years to rein in its increased costs for employee health benefits. Those efforts have created tension.

Beginning in January of this year, for example, Iowa eliminated United HealthCare as a health insurance option for state employees, a move estimated to save \$10.8 million this year, according to a memo sent in September to state officials by Ed Holland, division administrator for the Iowa Department of Administrative Services.

Iowa's five-member Executive Council, headed by Gov. Chet Culver, made the decision. Opponents, including members of his own party, said thousands of workers would have to choose among plans that offer less flexibility, particularly to see specialists in other states. They also cast doubt on the savings.

Holland said last week that the decision has led to few problems to date.

The state also expanded education on wellness and prevention, which officials think will help lower long-term costs.

State leaders, including Culver, have also set up a working group of unions and government representatives to identify ways to reduce health care costs. The next time union contracts are up for negotiations is 2011.

The negotiation process that leads to union agreements on salaries and benefits is conducted almost entirely in private. Typically, the governor, a handful of other state employees and union representatives participate. Although authorities make final union agreements public, union leaders, state negotiators and lawmakers usually do not discuss how negotiators arrived at the agreements.

The Department of Administrative Services denied a request for an interview with any employee of that department involved in the collective bargaining process.

Senate Majority Leader Michael Gronstal, D-Council Bluffs, said the negotiation process takes much of the decision-making about employee benefit costs out of the hands of lawmakers.

Questioned about the premium-free health insurance offered to state employees, Gronstal said: "I don't want to characterize it as good or bad because that is unfairly biasing the collective bargaining process. This is a job for the executive branch to negotiate with the employee unions, and I am not going to jawbone the unions down or state government up in this equation. I think it's inappropriate for us to comment on subjects relative to collective bargaining."

Senate Republican Leader Paul McKinley said the union negotiation process should be more transparent to allow more citizen input as negotiating takes place.

"One of the things we know is that the total compensation package of state employees has exceeded that of private employees, and it has gotten to the point where we're seeing billion-dollar deficits," McKinley said. "The bargaining process just isn't working to protect the taxpayers."

If a governor wanted to require employees to pay part of insurance premiums or take other steps to control costs, such changes are often years in the making, said Richard Cauch, health program director for the National Conference of State Legislatures.

"Changes for public employees generally move at a slower pace," Cauch said, noting the complex union agreements that bind most states. "It's unlike the private sector, where a company can announce, 'In 60 days, here's what we're doing to you.'"