

Health officials approve big changes

State workers will see premiums rise.

Insurance plan falls more than \$800 million short.

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Facing an \$800 million-plus shortfall in the state employee insurance plan in the next two years, Georgia health officials have approved widespread changes to the program – including premium increases for workers – to help close the gap.

Among the changes, employees who enroll in a new wellness program will see premiums rise by 11 percent next year. Those who opt out of the voluntary program will face a 17 percent increase under the plan adopted Thursday by the state Department of Community Health board.

“It deals with very real challenges in a way we think is fair and responsible,” department head David Cook said.

The insurance program, which costs roughly \$3 billion and covers nearly 700,000 state employees and retirees, has seen its reserves whittled down in recent years as lawmakers used the funds to fill holes in the state budget. The plan ended the past fiscal year with a balance of roughly \$50 million – enough to pay five days’ worth of claims.

Without the changes, the plan would be \$280 million in the hole by the

end of fiscal 2012, chief financial officer Vince Harris said.

“When you run the fund balance to zero, you’re stuck in this position,” said Tim Sweeney, a health care analyst with the nonpartisan Georgia Budget and Policy Institute. “Every year is sort of crisis management.”

The insurance plan is facing a gap, in part, because of decreasing numbers of employees and growing retiree enrollment, Cook said. New rules established by the federal health care law – including elimination of lifetime caps on insurance – make up roughly 6 percent of the increase to premiums, he said.

But Sweeney said portraying the federal Affordable Care Act as having a negative impact on the program’s finances is disingenuous and glosses over the potential future savings to the state by catching diseases and chronic illnesses early.

“We know in a lot of cases early treatment saves money, it saves lives,” he said.

Included in the effort to close the funding gap, contributions from employers of noncertificated school employees, such as custodians, will rise by \$50 to nearly \$300 per month for each worker. The move is expected to

generate \$32 million more for fiscal 2012.

The state also plans to phase in a wellness program over the next three years. Employees who choose a standard plan will have a lower level of benefits and a 6 percent higher premium than those with wellness plans. For a family with a wellness HMO plan, that means monthly premiums will increase from \$285 in 2011 to \$317 next year, versus \$334 for those in a standard plan.

The moves will place an additional burden on teachers, who already have taken unpaid furlough days, said Tim Callahan, a spokesman for the Professional Association of Georgia Educators. At the same time, their salaries have stagnated while health care costs have risen.

“It’s really going to cause pain out there,” Callahan said.

In addition to higher premiums, workers will see some benefits cut, such as bariatric surgery coverage. As a result of changes to federal law, officials also expect to move 42,000-plus children of state employees over to PeachCare for Kids, which covers low-income children. The move will save an estimated \$32 million in fiscal 2012.

