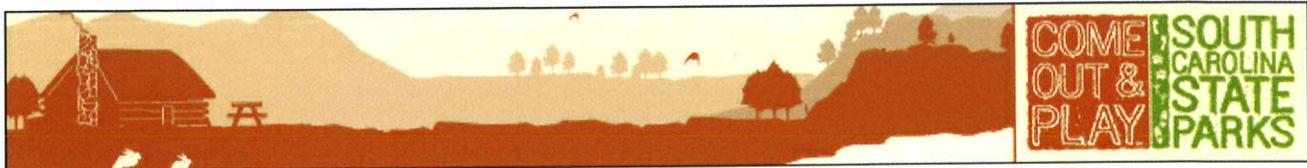


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Sharing increased cost of state health insurance coverage: the right thing to do

By Richard Eckstrom , CPA Comptroller General

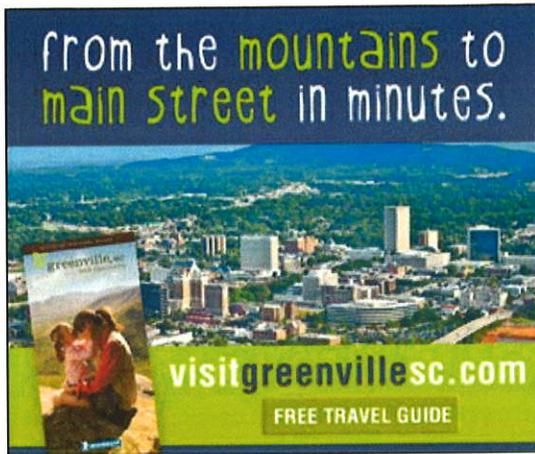
It's no secret that health insurance costs have been skyrocketing in recent years, and doing so at what many believe are unsustainable levels.

What isn't so well known, however, is the impact of these ballooning costs on state finances – that is, the effect of the increases on you, the state taxpayer.

Just like when your employer passes along the cost of higher insurance premiums to you, and your take-home pay decreases because of it, there's likewise less money available for the key state services on which you depend, such as education and law enforcement, when the cost of health insurance for state employees goes up.

A few numbers help put this into perspective:

- Last fiscal year, state health insurance costs jumped by \$63.7 million.
- This fiscal year, the General Assembly appropriated \$51.5 million to cover higher state health insurance costs.
- Meanwhile, a fund created in 2008 to pay the long-term health insurance bills for state retirees is underfunded by approximately \$9 billion.



To be sure, cost trends of state health insurance paint an ominous picture for South Carolina taxpayers.

That's why, at a recent meeting of the Budget and Control Board, I took the position that state employees should always share in the increased cost of their health insurance as a matter of common sense and fairness.

By a 3-2 vote, the five-member board agreed to pass along to state employees a 4.6 percent monthly premium increase. That's not 4.6 percent of their pay;

it's 4.6 percent of their existing premiums.

As a result, health insurance premiums for the average state employee will go up just \$7.24 per month beginning in January, a move that will save taxpayers about \$5.7 million this fiscal year because of the large number of covered employees.

Put another way, the average out-of-pocket cost increase for state employees is somewhere around just .002 percent of their gross monthly pay.

While I don't like to see costs increase on anyone, as a member of the Budget and Control Board, I believe it is crucial – and absolutely the right thing to do – for state employees to bear part of the higher costs of their own health insurance.

It also sends an important message to taxpayers – that they are not going to be on the hook all by themselves for this tremendous financial burden. After all, many of them probably struggle to pay for their own health insurance as well.

Yet, despite the relatively limited impact of the Budget and Control Board's decision, it provoked a lot of controversy.

Some legislative leaders criticized the move as illegally undermining the Legislature's authority. Many state employees and retirees spoke out against it. And at least one lawsuit has been filed seeking to overturn the Board's vote.

I understand the Legislature's position, but I respectfully disagree with it. There's nothing in the budget lawmakers passed for this fiscal year explicitly requiring that the full cost of higher state health insurance premiums be passed entirely to taxpayers once again.

I also understand the frustration of state employees, several of whom work in my office. This decision will impact their household budgets at a time of continuing economic uncertainty and belt-tightening.

But, in balance, it is a rather modest increase in their out-of-pocket health insurance rates – less than the cost of a single movie ticket per month.

And the fact is, state health benefits are vastly superior to what many private companies offer their employees – and less expensive to state workers.

Just recently, on September 11, the Kaiser Family Foundation and the Health Research & Educational Trust reported the latest results of an annual survey they conduct on the costs of employer-sponsored family health coverage.

The survey of more than 2,000 small and large employers found a 4 percent increase for 2012.

That's small by recent historical standards. But over the past decade, the increases have totaled upward of 100 percent, according to the survey.

The study also shows that the 4.6 percent increase for state employees is in line with the private sector.

Just like the serious fiscal challenges facing our nation, addressing our state's financial obligations requires shared sacrifice.

It's the right thing to do, because we're all in this together.

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