States rein in health insurance expenses

Financially strapped state and local governments are saving billions of dollars on health insurance by cutting back on free coverage for employees and raising worker contributions, a USA TODAY analysis finds.

Government workers still enjoy more generous health benefits than privately employed workers, but the advantage has narrowed from $1,525 in 2007 to $891 in 2012, adjusted for inflation, federal data show.

Governments also have reduced the share of full-time workers paying nothing for their coverage from 39% in 2007 to 30% in 2012. In the private sector, 17% of insured workers pay nothing.

Today, paycheck withdrawals for health insurance are the same for public and private employees – about $426 a month for family health coverage, on average, according to the Labor Department's National Compensation Survey.

Yet governments still outspend private employers to provide more generous benefits that mean smaller co-payments, lower deductibles and more choices for public employees.

A major reason for the shrinking benefit gap: The nation's 29 Republican governors have made reducing the costs of employee benefits a priority, scoring big successes in budget battles with public employee unions in Maine, Michigan, New Jersey, Ohio, Wisconsin and other states.

Public employees are fighting back in court, legislatures, contract negotiations and at the ballot box.

"We've taken wage freezes and made other sacrifices specifically to protect our health benefits. We're not looking for a free lunch," says Dan Homan, president of Iowa's largest public employee union. His union is preparing for tough negotiations next month on a new contract. Iowa Gov. Terry Branstad, a Republican, wants state workers to pay 20% of health insurance premiums, up from 4%.

In Wisconsin, where Republican Gov. Scott Walker survived a recall campaign spearheaded by public employee unions, Walker's push to make workers pay at least 12.6% of health care premiums is having an effect, despite being tied up in court. Example: The 1,150-employee Elmwood School District in suburban Milwaukee signed a contract in September that will increase teachers' health premiums from 7% this year to 9.5% next year and 12.6% in 2014.

South Carolina's example

Gov. Nikki Haley and other Republicans on a state budget board overrode the Republican-controlled state Legislature in August to force employees to split premium increases rather than have the state pay the full cost. Employees are challenging the decision in court.

"It was the right thing to do," says Comptroller General Richard Eckstrom, a GOP board member. "Our state doesn't have the ability to sustain the health plan at the rate costs are growing."

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