

Employee Costs Rise in Health Plan Bill

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The State Senate passed what is touted as a major fix for the State Health Plan on Tuesday. Before approving the legislation, Senators approved an amendment that eliminated a proposed pharmacy network and mail-order prescription program that independent pharmacists had complained would put them out of business. The amendment also increases the cost to taxpayers by another \$53 million and raises health insurance costs for the dependents of state workers, school personnel and retirees.

The Senate approved Senate Bill 287 by a party-line vote of 28-18, despite some Senators saying they would prefer using more tax dollars to shore up the plan rather than further raising the premiums charged for dependents of state employees, school personnel and retirees.

Premiums for dependent coverage in the original proposal called for an increase of 7.8 percent in each of the next two years, but those premiums will now rise by 8.6 percent each year under the revised legislation. The percentage changes mean that dependent coverage will increase approximately \$40 a month. The employee/spouse monthly rate will change from \$461 to \$501 and the employee/family monthly rate will increase from \$489 to \$531.

Other changes proposed for the State Health Plan include increases in deductibles and co-payments for the roughly 667,000 individuals covered by the plan, and many of the changes would take effect July 1, 2009.

Sen. Tony Rand, D-Cumberland, the bill's sponsor, said the state faces additional costs if the bill is not enacted as law by April 1 to give the plan enough time to enact benefit changes by July 1, the start of the fiscal year. Responding to complaints about the changes, Rand said there is little appetite for other options, including a premium on employees in order to subsidize dependent coverage.

The bill would appropriate \$250 million from the state's Rainy Day reserves to keep the plan afloat after March 31. That emergency or rescue funding would be followed by other state appropriations of \$128.4 million for 2009-2010 and \$267.9 million for 2010-2011.

Employer contribution rates, which are paid by school districts for their personnel, would increase as follows:

- Medicare-eligible employees and retirees – \$3,438 effective July 1, 2009 and \$3,735 effective July 1, 2010.
- Non-Medicare-eligible employees and retirees – \$4,515 effective July 1, 2009 and \$4,905 effective July 1, 2010.

The revised bill was debated by the House Insurance Committee on Thursday, but that committee postponed a vote on the bill until its next meeting at 11 a.m. on March 31.

A complete summary of the bill's proposed changes for the State Health Plan and the latest version of the bill are available at: <http://www.ncasa.net/displaycommon.cfm?an=1&subarticlenbr=231>.