

Board raises state employees' health insurance premiums

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Gov. Nikki Haley overruled the state Legislature on Wednesday, raising the amount that state employees will pay for their health insurance in an unprecedented move that stunned workers and left lawmakers seething.

The State Budget and Control Board – at Haley’s request – voted 3-2 to raise the amount that workers, covered by the state health insurance policy, pay by 4.6 percent. The increase will cost the average state employee an extra \$7.24 a month.

The increase affects all 234,363 subscribers to the state health insurance plan, including retirees. Including dependents, the plan covers 415,362 people – 9 percent of the state’s population.

State workers, who are vigilant protectors of their benefits, did not attend Wednesday’s meeting. They thought it only would rubber-stamp action that lawmakers overwhelmingly had approved last month, appropriating \$20.6 million in public money to pay for 100 percent of the state workers’ increased cost of health insurance.

Lawmakers budgeted that money specifically so state employees would not have to pay more for their insurance.

Haley, saying “it is unfair for us to ask taxpayers to go and pay for the increase in benefits when we can share it,” persuaded a majority of the Budget and Control Board to overrule the Legislature and require state workers to pay half the increase. Government agencies who employ the state workers – and, indirectly, taxpayers – will pay the other half.

“That simply just baffles me. Once the legislators had made their decision, I thought that was the end of it,” said Ginny Robinson, who retired in June after a 40-year career in state government. “I’m just stunned, to tell you the truth, that the governor would take that position.”

Voting with Haley were fellow Republicans state Treasurer Curtis Loftis and state Comptroller General Richard Eckstrom. State Sen. Hugh Leatherman, R-Florence, chairman of the Senate Finance Committee, and state Rep. Brian White, R-Anderson, chairman of the House Ways and Means Committee, voted against charging state workers more.

“It is not to us to look behind the action of the General Assembly and decide whether we want to do it or not do it,” Leatherman said. “I’ll never vote to undo what the General Assembly did. I don’t think we or anyone else has the authority to go behind the General Assembly.”

But Haley said the Budget and Control Board had the authority to raise rates because it was acting on

behalf of the newly created Public Employee Benefits Authority.

All agree that authority has the power to raise rates. But it cannot meet yet because lawmakers have not yet appointed all of its 11 members. Until that happens, the Budget and Control Board can act in the authority's place, including raising health insurance rates, according to Paul Koch, general counsel for the Budget and Control Board.

Hours after the vote, at least two state workers contacted Columbia attorney Dick Harpootlian – who has filed and won lawsuits for state workers in the past – wanting to sue the Budget and Control Board.

“We’re going to evaluate whether or not there is legal recourse for these folks who, basically, have just gotten a pay cut,” said Harpootlian, who is also chairman of the S.C. Democratic Party. “The Budget and Control Board is a Frankenstein-like creation. I don’t quite understand its legal authority. Hopefully, a court will have a chance to rule on that.”

Haley was focused on the savings to government and its agencies, whose employees are covered by the health plan.

The decision means those public-sector employers will have to spend an extra \$14.8 million this year to cover their employees’ higher health insurance premiums, a savings of \$5.8 million from the \$20.6 million budgeted by the Legislature.

Public-sector workers and retirees will make up the difference from their retirement or pension checks, starting Jan. 1.

Haley has gone out of her way to support her fellow Republican governors in their battles with public-sector unions, flying to Wisconsin to campaign against GOP Gov. Scott Walker’s recall, a vote that Walker won.

While South Carolina does not have public-sector unions, some said they view Haley’s action Wednesday as using state employees as a proxy in the national fight against unions.

“It appears the governor continues to have a contempt for public employees,” said state Sen. Joel Lurie, D-Richland.

Haley said she was “making a statement for the taxpayers.”

“We want state employees to get their benefits. We are going to fight for them to have it,” she said. “But they have to have some skin in the game. They can’t expect somebody else to pick up the tab for them.”

State employees now pay 27.5 percent of their health insurance costs; their public-sector employers pay for the other 72.5 percent. That’s slightly higher than the national average for private-sector employees with insurance who, according to the 2011 Medical Expenditure Panel Survey, pay an average 20.9 percent to 26.4 percent for their insurance costs.

The state's \$6.9 billion general fund budget includes \$91.8 million in raises for state workers, including a 3 percent raise for state employees, a 2 percent raise for public school teachers and a 5 percent raise for Class 1 law enforcement officers with annual salaries of \$50,000 or less. It is the first raise for state workers since 2007.

But those raises effectively were lowered by a 1.5 percent increase in state workers' retirement contributions.

Now, they will be lowered more – by increased health insurance premiums.

“That’s right,” Haley said. “But ask anybody in the private sector if they got a raise because most didn’t. Ask anybody in the private sector if they get the benefits that state employees get because they don’t. And ask anyone in the private sector if they have the extra money to pay for state employees to have benefits. They don’t.”

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