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House of Representatives
State of Idaho

November 28, 2018

Honorable Todd Lakey
Honorable Fred Wood
Co-Chairs
State Employee Group Insurance
and Benefits Interim Committee
C/O Legislative Staff
Statehouse
Boise, Idaho 83720

Re: Dissenting Report to Committee Recommendations

Dear Committee Chairs:

The Committee Chairs as always have done a good job of conducting meetings and dealing with the challenges of increasing health insurance costs and there is no question that cost control is something we need to pursue in government as well as in general. Many of the Mercer recommendations are practical and good including exploring the self insurance option. However, I have two concerns with the Mercer recommendations and any RFP's that are issued pursuant to them. These concerns prevent me from completely endorsing the Committee position.

<u>1. Shifting the cost burden to employees</u>: Obviously the State can "save money" by shifting the cost of the health insurance to employees. For example, Mercer proposes to charge employees \$50 to \$100 for each spouse if that spouse has access to another health insurance policy. That results in a \$600 to \$1200 charge per year. A \$1200 annual charge would completely offset a 3% pay increase this year for an employee with a \$40,000 income (3% x \$40,000 = \$1200) or if there is no increase, then there would be a \$1200 reduction in income. I understand the idea is to discourage spousal participation. But, this method results in cost for some.

Importantly, the health insurance benefit is a principal motivation for retaining and attracting State employees. Over 71% of the 12,000 respondents to the State Employee survey said they did not want a reduction in the health insurance benefit in exchange for an increase in pay. That is an overwhelming endorsement of the present system.

These same respondents also said by a similar margin that State pay is not in parity with private pay compensation. The disparity between State pay and private pay has been well documented in recent studies by the State, and is often justified because of the better health insurance policy.

However, increased spouse charges, deductibles, co-pays or any other expense means a reduction in employee income. I note that some of the Mercer recommendations are less clear than others as to whether the employee would have a greater burden. Therefore, the RFP should be very clear that any proposal does not increase the employee's share of the health insurance cost.

2. Reduction of the quality of the health insurance. Reducing the quality of health insurance coverage may save the state a little money, but it will reduce the quality of the benefit. For example, Mercer proposes an "expert review" procedure wherein an insurance company doctor will review a major procedure and advise, or possibly require alternative less expensive treatment. Another possibility is that the review will recommend or require a different physician be employed – probably to save money. Recommendations are one thing. Requirements can diminish the quality of care because professionals know there is a difference among professionals with regard to competency and enthusiasm for professional work.

Therefore, any RFP should clearly provide that the quality of any health insurance plan cannot be reduced.

Conclusion: The RFP should expressly require and provide that there should be no bottom line increase, directly or indirectly, in the cost of the health insurance to the employee. Further, the RFP should expressly require and provide that current quality and benefits employees receive must be maintained. Our State employees deserve the best quality health insurance policy until such time as their pay is at parity with private employment, which isn't going to happen any time soon.

Respectfully Submitted,

Representative John Gannon