

State Workers' Insurance Coverage Nears New Era

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State officials and the Wisconsin medical community are engaged in tough negotiations that could affect hundreds of thousands of people, if not most state residents.

The talks are focused on the cost of state employee health insurance for next year, and the pattern over the last 20 years has been turned upside down. The state, rather than medical providers, might be in the driver's seat this time.

More than 200,000 state workers, retirees and their spouses and children are covered by the state employee health insurance program. It is by far the biggest health insurance program in Wisconsin.

Earlier this year, the Group Insurance Board voted to create a three-tier system of health maintenance organizations, which provide nearly all the health insurance coverage for state employees, especially for those still working.

State officials say the HMOs will be put into tiers based on the "efficiency" of their operations. The efficiency obviously goes to the cost of providing services based on the clients being served. This gives the state the power to encourage, perhaps force, lower premium increases by the HMOs.

Another major change is combining prescription drug plans for all health insurance programs for state workers. The costs for HMO premiums and state workers will be the same.

In 2004, state workers will be paying \$5 for a generic prescription, \$15 for many drugs and \$35 for some newer expensive drugs. Now, state workers pay \$5 for generic drugs and \$17.50 for other prescriptions.

Currently, the average monthly premium for state employee family insurance coverage is \$727. Three-fourths of state employees pay nothing out of their own pocket for this health insurance, according to state officials.

The state budget bill, in language covering nonunion state workers, requires everyone to pay an out-of-pocket premium for health insurance.

At this point, the provision does not extend to University of Wisconsin faculty and academic staff members, but clearly the legislative leadership will move in that direction when the UW pay plan is discussed in September.

In an era of little available pay increase money, these changes will pinch workers. An HMO dropped into tier two or three could end up losing a significant portion of its patients. The minimum for the non-union workers would be \$750 per year for family coverage in tier one, \$1,500 per year in tier two and \$3,000 in tier three.

Under the old system, being abandoned for 2004, the state pays the costs of up to 105 percent of the lowest insurance bid in each county. The most successful HMOs would not be the cheapest but the

ones closest to the 105 percent level.

Now, the successful HMOs will need to be in tier one, and that gives the Group Insurance Board significant bargaining leverage, says Karen Timberlake, secretary of the Department of Employment Relations.

She concedes the new approach provides two major challenges — whether a tier one HMO will be available in every county, and how to treat low-income unionized workers. The “every county” issue won’t be clear until the Group Insurance Board announces its decisions at the end of this month.

Most of the lower income workers in state are represented by the Wisconsin State Employees Union, which usually has set the pattern for labor contracts for the 37,000 unionized state workers. Will the Republican legislative leadership approve any labor contracts in which low-income workers have small, if any, out-of-pocket premium payments?

State government has thousands of part-time workers, and low-cost health insurance has been a key element in recruiting and retaining these workers.

Another issue affects the general public. How will the medical community, especially in Dane County, react financially when it gets squeezed by the new state bargaining approach?

Will the doctors merely increase their revenues by charging more to others, or will medical care become more “efficient” for everyone?

INSURANCE PREMIUMS

Although, the average monthly premium for state employee family insurance coverage is \$727, three-fourths of employees pay nothing out of their own pockets for health insurance.

That will change next year for many workers, under the new budget.

The monthly out-of-pocket costs for the non-union group of state workers include:

Tier one: \$25 single, \$62.50 family.

Tier two: \$50 single, \$125 family.

Tier three: \$100 single, \$250 family.

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