

**State Employees Association of North Carolina Executive Director Dana Cope
Testimony before the Department of Treasury, Internal Revenue Service
Health Insurance Premium Tax Credit Public Hearing on Proposed Regulations
Nov. 17, 2011**

Thank you for conducting this public hearing on the Health Insurance Premium Tax Credit associated with the Affordable Care Act, or if this rule stands, the newly renamed Unaffordable Family Care Act.

My name is Dana Cope and I am the executive director of the State Employees Association of North Carolina, also known as SEANC. SEANC is a local affiliate of the Service Employees International Union and the leading public employees association in the South. I am here today to speak on behalf of our 55,000 members who are comprised of employees across the spectrum of North Carolina's state agencies, including the governor, nurses, correctional officers and public school janitors, all of whom are eligible for health coverage as part of the State Health Plan of North Carolina. Currently this plan services 663,000 active public employees and their dependents.

Who is eligible for health insurance tax credits is of critical importance in determining affordable health coverage for North Carolinians. Currently, the proposed rule determines affordability of employer-sponsored health insurance based solely on the cost of premiums for self-only coverage. This is a fatal flaw! It's fatal because, as currently proposed, it makes health care unaffordable for the average North Carolina state employee and their family. **I would strongly urge this body to amend the proposed rule to base affordability on the cost of self-only health insurance coverage for employees and make a separate determination for the cost of family and dependent coverage.**

SEANC has a long record of support for quality, affordable health care coverage at both the state and national level including:

- Participating in a five-year initiative to promote national health care reform
- Partnering with the North Carolina Alliance for Health to work toward prohibiting smoking in local and state government buildings. This initiative became law in 2009 and led to landmark legislation from the N.C. General Assembly banning smoking in all bars and restaurants in the No. 1 tobacco producing state in the nation.
- Advocating successfully for the conversion of the North Carolina State Health Plan to a Preferred Provider Organization

SEANC stands strongly against the proposed rule Section 1.36B-2(c)(3)(v), titled "Employer-sponsored minimum essential coverage" and its definition of affordable coverage based solely on the cost of premiums for self-only coverage. Unless amended, this rule would leave an estimated 250,000 family members of North Carolina state employees without access to affordable health care. The rule would effectively deny state employees the premium tax credits available through health benefit exchanges.

In short, this proposed rule would nullify the major goals of the Affordable Care Act to expand equal access to health care. Let me be clear. This proposed rule is contrary to the Affordable Care Act's

intent. If this proposed rule stands, I predict this law will go down in history as one of Washington's greatest empty promises.

SEANC believes that the correct interpretation of "affordability" must be based on (1) the cost of self-only health care coverage and (2) separately for the cost of family or dependent coverage.

Adverse impacts of rule on state employees and dependents

The State Health Plan of North Carolina is a self-funded PPO which insures 486,000 active and retired state employees and 177,000 dependents. It is currently grandfathered under provisions of the Affordable Care Act. In accordance with a long-standing promise made to employees, health insurance was premium-free for active and retired state employees until recently, when a premium of \$260 per year was instituted for self-only coverage. That self-only coverage is therefore affordable under the 9.5 percent rule.

Unfortunately, there is no subsidy for dependent premiums in the state health plan. An employee who chooses a family policy is charged \$7,714 in premiums per year. As a result, state employees in North Carolina who earn on average \$41,700, cannot afford to cover their dependents under the state health plan.

This would come to 20.5 percent of their gross family income just to provide health insurance for the entire family. This is far in excess of the 9.5 percent rule for affordability. More significantly, after deductions for federal and state income taxes, which equal 21 percent, 7.65 percent for the Social Security Administration and a 6 percent mandatory state retirement contribution, an employee would have \$19,537, or less than 47 percent of their gross income, for all other living expenses. This would mean that an employee would have less than \$20,000 to pay for life's basic necessities such as housing, food, child care and clothing.

Even these statistics do not capture the true adverse impact of this proposed rule, since 75 percent of N.C. state employees earn less than \$38,000 per year. These employees would spend 23 percent or more of their gross family income on health insurance premiums and preventive medical treatment, which would be provided under the Affordable Care Act but not covered by the grandfathered state health plan.

In this example, a minimum of 55 percent of that family's total income would go toward health insurance premiums, taxes and mandatory deductions, leaving only \$17,119 for all other living expenses. Let's not forget out-of-pocket medical expenses for deductibles, co-payments and co-insurance.

In North Carolina, 75 percent of employees do not elect dependent coverage, opting instead for no health insurance at all for their family or in some cases insurance on the private market.

Anecdotal evidence indicates that the primary deterrent to affordable family coverage is the lack of a subsidy for dependent premiums or affordable premiums. As a result, dependents comprise only 27 percent of total plan membership.

Adverse impacts on public services and taxpayers

Affordable dependent coverage was the primary reason that SEANC supported the Affordable Care Act. Unfortunately, this proposed rule would deny state employees' families access to affordable health care by blocking the premium tax credits for which they would otherwise qualify.

Alternatively, many career professionals and other state employees in North Carolina could be forced to abandon public service in order to have their dependents qualify for premium tax credit subsidies in health benefit exchanges. This would adversely impact public services to North Carolinians in the areas of education, health, public safety, transportation and the environment.

Amend the proposed rule

Right now affordable health care is being used as a campaign slogan by presidential candidates. SEANC is calling on the Obama administration to fulfill its promise that affordable health care tax credits will be made available to working families in North Carolina.

Therefore, SEANC respectfully urges President Obama's administration to amend the proposed rule to base affordability of health insurance costs on two separate measures: (1) the cost of self-only insurance and (2) the cost of family and dependent coverage.

Thank you again for the opportunity to represent the working families of North Carolina at this hearing.