



LEGISLATIVE *Update*

State Employees Association of North Carolina • www.seanc.org

P.O. Drawer 27727 • Raleigh, NC 27611 • 888-732-6242/919-833-1616 (Press 1)

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State Health Plan Reform Bill is Hopping ***Health plan's future in the balance due to NCAE's political games***

Last week Gov. Beverly Perdue vetoed SB 265, the State Health Plan (SHP) reform bill, [at the request of](#) the North Carolina Association of Educators (NCAE) allegedly because the teachers' lobby wanted the Basic 70/30 health plan to be premium free instead of charging members \$8.27 or \$10.86 per month. The Senate promptly overrode the governor's veto and sent the bill to the House.

We say "allegedly" because prior to Perdue's veto, [House Speaker Thom Tillis](#) met with Perdue and offered to make the 70/30 plan premium free to [avoid the veto](#). Several of the stakeholders, including SEANC's Executive Director Dana Cope, also met with Speaker Tillis last Friday to make it clear that our goal is to get a bill that maintains health plan reforms and ideally a premium-free health plan option.

Since then the SHP reform bill has been hopping.

Why the urgency now? The SHP is underfunded by \$515 million. What we've been told is that this figure assumes that the state makes changes to the plan by April 21 in order to keep its "grandfather" status under the federal Affordable Health Care Act. Thus if the General Assembly does not reach agreement today, and therefore agreeing to keep the status quo for the SHP, then another deficit of \$88 million will be added to the SHP. This would create a total deficit in the SHP of \$600 million. Today we have heard this deadline may be waived, but it is unclear as of this writing.

Would it not be a bad thing to leave everything as is today? The simple answer is yes. With a spiraling health plan deficit, it's possible that lawmakers won't bring up the SHP reform for another vote, but they will still have to find at least \$515 million to fund the plan, in addition to fixing the state budget deficit that is more than \$2 billion. Where will that money come from? It is likely to come from state employee job cuts, a reduction in funds to the retirement system and/or ending the SHP entirely by offering lump sum payments to state employees and retirees to purchase health care on their own.

Word around the General Assembly is that the House was four votes shy of being able to override the governor's veto. With these numbers in mind, on Monday SEANC Legislative Affairs Director Ardis Watkins met with Speaker Tillis' Chief of Staff Charles Thomas and representatives from the NCAE and the N.C. Retired Governmental Employees Association. As always, Watkins continued to negotiate for the best deal possible for SEANC members, namely [SEANC's No. 1 legislative priority](#) in the General Assembly to transfer oversight of the SHP away from the legislature in order to achieve a sustainable health plan and maintain a premium-free health care option.

Other SHP reforms that are important to SEANC include:

1. Transferring oversight of the SHP away from the General Assembly - SEANC's No. 1 legislative priority in the General Assembly as voted on by our 2010 convention
2. Establishing a board of trustees with major representation from active and retired state employees
3. Ending cost-plus profit SHP contracts

4. Abolishing punitive BMI and tobacco penalties

5. Forcing the current SHP contract to become a public record

A compromise bill emerged from the negotiations that included a one-sentence change to allow the state Treasurer's office to keep premiums as low as possible should the plan find additional savings. During floor debate yesterday, [Rep. Tim Moore](#) offered an amendment to make the 70/30 plan a premium-free option and the House passed the bill with this new provision in it by a vote of 82-35. The Senate disagreed with the new compromise bill so a House-Senate conference committee has been appointed to negotiate the bill's differences between the two chambers.

This is where we stand now.

It is unknown what version of SHP reform will emerge from the negotiations, but what we do know is that the governor and NCAE have used the health plan as a political football to the peril of the 663,000 members who depend on it. After a \$670 million cash infusion was needed to fund the SHP two years ago and needing \$515 million now, it's clear that the SHP needs to be reformed to be sustainable for the future. If no bill is passed, then we risk losing the SHP altogether.

The very fact that the SHP reform bill is being used for partisan politics by NCAE and the governor clearly demonstrates why the plan needs to be moved away from the General Assembly. This is why it's SEANC's No. 1 objective in the General Assembly – to transfer oversight of the SHP out of the legislature.

SEANC will continue to work non-stop in the General Assembly on your behalf to get the best deal possible for SHP members and to achieve your No. 1 policy objective for a sustainable health plan.