

REMARKS TO THE STATE EMPLOYEES' BENEFITS COMMITTEE AT ITS MARCH 20, 2015 MEETING

**Presented on behalf of Patricia Griffin, designee of
Chief Justice Leo E. Strine, Jr., member of the SEBC**

We appreciate that an immediate stop gap measure needs to be implemented to keep the Health Care Fund solvent. However, the Judiciary believes it is important, as we move forward, to allow enough time to gather the necessary information for careful consideration – and robust discussions including a wide range of viewpoints – concerning the potential direct and policy consequences for all solutions. The SEBC, given its role and the situation that the Health Care Fund currently is in, is responsible for taking a lead role in further assessing the Fund's situation and in making decisions about long-term solutions.

As we consider solutions to address state employee health care funding issues on a long term basis, the Judiciary asks that the following principles be applied:

1. Every effort should be made to analyze health care cost drivers in the state's health care program and reduce those costs in a way that recognizes the financial challenges faced by state employees. State employee compensation has not kept pace with the rate of inflation and rising health care costs in recent years. We understand that the severity of the problem means that all of us – employer and employee – need to have a role in the solution. But, we believe that, given the fiscal situation of many state employees, increases in the state's share of health care funding for employees will be important to ease the added burden on state employees.
2. The diminishing value of a state employee's pay is felt most acutely by state employees at the lower pay grades. Solutions to the Health Care Fund issues need to consider the effect on those employees and explore the use of sliding scales for lower paid employees.
3. All participants in the state's health program – whether state employee, employee of a participating employer other than the state, or retiree – should pay their fair share of health care costs. Unjustified inequities should be addressed first. Examples include those instances where less than the full share of premiums or other Fund costs are paid by certain program participants (such as what is in place for families in which both spouses working for the state in the same health plan but pay only a limited premium), which should be reviewed.

4. We have an obligation to ensure that money intended to benefit our employees is invested prudently with full knowledge of long-term consequences. Health Care Fund solutions should be considered in concert with any plans to increase state employee salaries. For example, employee pay increases are taxable so that the ultimate “benefit” to an employee’s family resulting from that increase is substantially less than the actual dollar amount of the raise. If that money were, instead, contributed directly towards Health Care Fund expenses, that employee would receive a larger dollar-for-dollar benefit (with no reductions caused by tax consequences).

5. Rebuilding of the Health Care Fund reserve should be a key consideration in discussions about solutions to the Fund’s fiscal issues, since the reserve is a critical component to ensuring the viability of the Fund.