

The Quorum Report

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RIISING STATE HEALTH CARE COSTS SURFACE AS ISSUE IN MULTIPLE HEARINGS

Holding on to state employees and avoiding court supervision

In separate hearings this week on state employees' health plans and medical care for prison inmates, one theme predominated – the rising costs of providing health care.

Senators on the *State Affairs Committee* were told that health care costs for state employees were rising at two to three times the cost of inflation. A day later, the two universities that care for sick prison inmates reported to two House subcommittees that they are running a deficit of \$4 million so far this year, with the shortfall expected to rise to \$31.8 million by the end of the biennium.

It's not exactly news that health care costs are spiraling out of control. Anyone who has seen their premiums rise year in and year out can attest to that. But, according to some who monitor these issues, the state will run into increasing problems if it can't keep up with the costs.

Turnover among state employees has become a serious problem, according to **Mike Gross**, vice president of the *Texas State Employees Union*. In some state agencies, turnover rates are as high as 17 percent. In some *Texas Youth Commission* units and in some parts of the state schools, the rate runs as high as 50 percent or 60 percent, he said.

Conditions are leading "to levels of turnover that can't sustain state agencies," he said. Health benefits go a long way to stabilize a state agency's turnover, he added, because state employees historically have looked at their benefits package as an offset to salaries that are frequently not competitive with the private sector.

The good news, according to **Ann Fuelberg** of the *Employees Retirement System of Texas*, is that cost increases are still within anticipated levels, which means that her agency is not contemplating any benefit changes this biennium.

State Affairs Committee Chairman Sen. **Robert Duncan (R-Lubbock)** said he was encouraged by testimony that health care costs are moderating somewhat. In addition, the state's costs to care for its employees are running below those in the private sector.

Still, "we're higher than what we would want to see in costs," he said. "I don't know that we're getting 10 percent more for our money. The question is, how do you get some control over that?"

The situation is more dire when it comes to prisoner health care. Costs in that area have jumped in the last few years, according to testimony before the House subcommittees on *Criminal Justice* and *Health and Human Services*.

The number of inmates over 55 has nearly doubled since 2000, driving costs higher. Also, the facilities are being neglected. **Ben Raimier** of the *University of Texas Medical Branch* said that in its Galveston hospital, fences were put up around the building – not to keep people out but to keep bricks falling from the façade from hitting bystanders. In addition, pharmacists are making \$20,000 less than their peers in the private sector while handling three times the workload.

Those conditions led **Raimer** and others testifying to conclude that Texas is close to being unable to provide constitutionally acceptable level of care to the state's prison inmates.

Underlying these discussions is what the Legislature did this past special session in tying up further revenue growth in the newly created business tax in continued property tax cuts.

According to **Eva DeLuna Castro** of the *Center for Public Policy Priorities*, some state leaders are overly optimistic that property tax cuts will lead to economic growth sufficient to overcome future revenue shortfalls. **Gross** predicted that the new tax cuts could lead to a "crisis as bad or worse than 2003."

State Rep. **Sylvester Turner (D-Houston)**, chairman of the *Criminal Justice* subcommittee, said the special session has constrained what lawmakers will be able to do next session. Health care needs for the prison system will have to compete with all other parts of the state budget, including higher education, public education and social services, for general revenue dollars.

"If we were wiggling before, what's left between the wiggling and just short of being outright paralyzed, that's where we are," he said.

Having an unconstitutional prisoner health care system simply isn't an option, so the state is going to have to look at how to maintain current levels of service. **Turner** said he intended to bring third parties to see if the state is using the best system possible for providing health care to its inmates.

If so – and it was noted in this week's testimony that inmate care in Texas costs less than in other states – **Turner** said he would not hesitate to ask for additional money next regular session. "But if you're looking at a biennial cost of \$800 million, we need to look at if it's the best we can do," he said.

DeLuna said that other states have already looked at benefit cuts for their employees' dependents. Texas would probably have to look at something like that if lawmakers face a serious budget shortfall, she said.

"If we start to do some of the same control measures, that's not going to make state employees and their children very happy," she said. "The pay is not very good, so benefits are what people want."

She also said that health care costs are a good argument against initiatives like a *Taxpayer Bill of Rights* that limit the growth of government to inflation plus population growth. Health care has consistently grown higher than inflation which means that those costs would come at the expense of other essential services, she said.

State employees would be better served by being giving more "ownership" options in their health benefits, responded **Mary Katherine Stout** of the *Texas Public Policy Foundation*. Those options include greater use of health savings accounts and introducing higher deductibles, which would allow employees to decide how much health care they want to use.

She noted that Texas is one of a dwindling number of states with such generous health benefits for its employees. She said that higher deductibles are already in place in other states' employee health plans.

Lawmakers need to acknowledge, she said, that taxpayers are subsidizing generous health benefits that many can't hope to achieve in the private sector. "The state needs to be as aggressive as any other private sector employer," **Stout** said. "Any taxpayer expects his money to be spent wisely. Taxpayers are paying for a benefit far more beneficial than they would receive at work."