

NSHE System Administration Faculty Senate
Resolution on Health Care Benefits

The administrative faculty of the Nevada System of Higher Education (NSHE) recognizes the serious financial situation faced by our State. As citizens and State employees, we are ready to carry our fair share. Mindful that lawmakers want to choose the most efficient and least harmful cuts in services and benefits, we respectfully call your attention to several factors to consider when evaluating present proposals to cut employee health care coverage for *all* State employees, regardless of income.

The Governor and the Legislature should reject the Spending and Government Efficiency Commission (SAGE) recommendations regarding health care because of the data flaws. SAGE recommends reducing the active employees' health care subsidy and eliminating retirees' health care subsidy (Recommendations 12 and 14). SAGE claims this will achieve savings of \$44 million in one year and \$489 million over five years. As pointed out by Elliot Parker and others, the SAGE recommendations are based on faulty analysis, unrealistic assumptions and flawed data. The claimed saving will not be achieved.

The Public Employee Benefit Plan Board (PEBP) proposals, as well as SAGE's, may have serious adverse effects that could engender more costs than are saved. PEBP has been directed by the Governor to reduce health insurance expenditures by \$50 million. The PEBP board proposal will increase health insurance premiums and reduce coverage to achieve these cost reductions. Given the present economic situation, the PEBP board proposal is less objectionable than SAGE's proposals, and apparently has been made based on actuarial analysis of health insurance claims data. What the PEBP and SAGE proposals fail to consider is that cuts and attendant increases in families' out-of-pocket expenses might make continued health care coverage too expensive for some employees. Insofar as cuts result in families postponing or limiting reasonable medical examinations and treatment, any short term savings soon will be negated. Health costs and loss of productivity increase when needed medical intervention is delayed. Even with higher deductibles, many of these higher costs will be passed on the PEPB.

In addition to adverse health effects, the Senate is concerned that the SAGE and PEBP proposals will frustrate recruitment and retention of high quality faculty, staff, and administrators. Likewise, the proposed cuts and cost increases may hinder other state agencies that must recruit personnel in a national market. The reduced ability to recruit and to retain outstanding, talented people could have negative consequences for the State in both the short and the long term.

Proposed cuts directed at retirees and those considering imminent retirement may well engender greater costs than are saved. Potential retirees may postpone retirement rather than lose health coverage. The costs of retaining very senior employees who otherwise would retire are higher than the costs of replacing retirees.

Moreover, some reliable commentators have warned that such cuts might be the basis for plausible civil actions.

Thank you for considering the arguments raised by the System Administration Faculty Senate and others as the State seeks the best way to cope with the present economic problems. Our goal is to work with the Governor and Legislators in a cooperative and mutually beneficial problem solving manner to aid in overcoming the economic realities in Nevada.