# $50 million more cut from West Virginia public employees health care

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**13 December 2016**

The West Virginia Public Employees Insurance Agency (PEIA) Finance Board approved a cut of more than $50 million to benefits for state and public school employees and retirees December 8. Effective July 1, 2017, the reduction slashes health insurance for some 200,000 public workers, their families, and retirees.

It is the latest in a series of devastating attacks on benefits for one of the lowest-paid public sector workforces in the country. A huge segment of the working class of the state will be directly affected by the cut. Teachers, highway workers, emergency responders, university staff, and many others receive health coverage via the PEIA.

Having exhausted its reserve funds under the impact of years of underfunding by the state legislature, coupled with rising health care costs, PEIA was forced to begin cutting benefits due to a state-mandated 80/20 employer-employee funding mechanism of premiums. In 2014, the agency cynically held a series of contentious meetings that allowed public employees to choose how they wanted more than $40 million in health care benefit cuts imposed during the 2015-16 plan year.

By October 2015, the plan faced an even larger deficit of $120 million, prompting the finance board to propose a package of “draconian” cuts for the 2016-17 plan year. The cuts were approved by the board in December, but were temporarily put on hold after Democratic Governor Earl Ray Tomblin pledged in his January State of the State address that he would provide an additional $43.5 million toward employer premiums, funded through an increase in the state’s tobacco tax, to offset the cuts.

After a 92-day state budget impasse, the legislature approved the funding increase at the end of a 17-day special session in mid-June, only weeks before the start of the 2016-17 plan year on July 1. The budget included the $43.5 million increase in employer premiums as well as an additional $15 million a year for four years for a new PEIA Financial Stability Fund.

However, the increase in state premium funding required a corresponding increase in employee contributions due to the match requirements, amounting to an effective pay cut for current state workers. The rules of the new stability fund allow it to be used to offset future benefit cuts and reduce retiree premiums, but not to offset premium increases for active public employees.

Under the new cut, current state employees will see a 7 percent increase in premiums in 2017, and a 9 percent increase in 2018. Retirees, whose health care is funded by a shrinking pool of current workers, are expected to see premium hikes of a staggering 28 percent every year beginning in 2019.

The rate hikes amount to a substantial pay cut for public workers. A public high school teacher in Kanawha County told the *World Socialist Web Site* that the cost of co-pays and deductibles were eating into teachers’ meager salaries.

“Teachers here have not had a pay raise in 15 years,” the teacher told WSWS. “Teachers and other public workers accepted lower pay in return for good benefits. That was part of the social contract. Now they are trying to get rid of that.” Turnover in public education is exceptionally high, and some 550 teaching positions are currently unfilled across the state.

West Virginia’s state budget has been in crisis for years, crippled by the collapse in coal and the elimination of corporate income taxes and other taxes on big business and the wealthy. Currently facing a total deficit of some $400 million, the outgoing Tomblin administration has imposed round after round of across-the-board cuts to state agencies. Late last month, Tomblin ordered a 2 percent reduction for most agencies, totaling $60 million.

Over 20 percent of the budget has been slashed in the past few years, with more cuts to come under the incoming administration of the Democratic governor-elect, billionaire coal baron Jim Justice, and a solidly Republican legislature.

The state has underfunded the PEIA for years, while health care costs have continued to soar by 6 to 7 percent annually. PEIA Executive Director Ted Cheatham said the agency would require $50-60 million each year simply to keep up—thus, each year, the insurance program would need cuts of that amount to stay afloat.

"We are at that point in our lives when we are going to need that new revenue every year," Cheatham told West Virginia Public Radio. "And it's not just a question of, 'Let's do a tobacco tax for $50 million and give it to PEIA this year.' Well, you just took care of this year. Next year you're going to have to find me a new source of $50 million, and the next year a new source of $50 million, every year … it's new money to keep it the same."

One cost-saving measure included in the latest round of cuts is a "90-day mandatory fill" for prescription drugs that is estimated to save $11 million a year because of a difference in the state's reimbursement rate for larger quantities of medicine.

Fewer than half of the pharmacies in the state have agreed to fill the 90-day prescriptions, said Cheatham. The *Charleston Gazette-Mail* reported that smaller, locally owned pharmacies are not participating in this change "because they would lose money filling non-generic 90-day prescriptions for chronic medical conditions."

West Virginia Pharmacists Association Executive Director Richard Stevens told the PEIA board, "Your policy-holders are not going to have access to care… They're going to have to drive 30 to 40 miles to get their prescriptions filled, passing pharmacies along the way." Stevens said Pharmacy Benefits Managers involved in the PEIA program were "making massive profits at the expense of consumers and small pharmacies," according to the *Gazette-Mail* .

Jon Dodds, a senior IT network engineer within the state's higher education system, told the WSWS that the change would create significant hardships for PEIA beneficiaries.

"Going to a three months maintenance prescription for medication requires two co-pays up front," he explained, referring to "maintenance" medicines to treat chronic ailments. "Yes, that will save people money on the third month, but they need to come up with the two co-pays up front. That sounds great on paper, but many retirees can have three, four, five, six or more maintenance prescriptions.

"It will break them up front, having to come up with the additional co-pay," Dodds said. "It is just too much for so many people to bear."

Already, the costs compel many to postpone or simply forego medical treatment. "I try not to go to the doctor," Dodds told the WSWS. "I consolidate personal illnesses and issues and save them. When I do finally go to the doctor for something, I have a list of things."

The crisis in the state is at root a product of the global crisis of capitalism, of which the collapse of energy prices is one immediate expression. As the price of coal has plummeted, state revenue in the form of severance taxes has likewise collapsed. Six counties—Boone, Clay, Lincoln, McDowell, Mingo, and Wyoming—have spiraled from one-time centers of coal production with relatively better living standards into conditions of a "great depression," according to West Virginia University economist John Deskins.

Thousands of miners have been laid off in West Virginia since 2012, a loss that has had a ripple effect on employment in all other industries and forced families to scatter in search of work. Coalfield counties have seen their tax bases collapse, straining the municipal and school district budgets still more. Teachers and other public sector workers have been laid off en masse and subjected to enormous pay cuts and increased workloads.

At no point have the various public sector unions proposed mobilizing the workforce in a strike, let alone suggested that taxes be raised on billionaires like Governor-elect Justice. Instead, unions like the West Virginia Education Association have urged members to attend public hearings and make proposals about where the cuts should be made, or to appeal to the state to implement regressive new taxes on cigarettes, food, or gasoline. Meanwhile, the unions have postured as helpless bystanders in the face of no-strike clauses and the state's right-to-work law.

The working class must organize its own independent defense of health care as a *social right*. This opposition requires a break from the unions and the rest of the political establishment. Workers must reject the notion that health care is an optional benefit that can be clawed back at the moment the ruling class deems it unaffordable.

Ultimately, the question of "affordable" health care is one of public control of the banks and giant corporations, including the pharmaceutical and medical industries. The Socialist Equality Party calls for the expropriation of the billion-dollar pharmaceutical companies and hospital corporations, which arbitrarily gouge the public for lifesaving treatments. Quality health care must be freely available to all, and new state-of-the-art clinics must be built as part of an emergency jobs program.

*Contact the Socialist Equality Party to organize a fightback.*