



# MEDIA RELEASE

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FOR IMMEDIATE RELEASE

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## **Much-needed changes coming to taxpayer-funded employee health plan**

*Plan hemorrhaging cash, changes will bring stability*

*Knoxville, Tenn.* — Knox County employees will continue to receive top-notch health benefits, but their insurance plans will more closely reflect those found in the private sector, and will no longer require millions in taxpayer subsidies to remain solvent. Knox County Mayor Tim Burchett told county employees about adjustments to their health benefits plan Wednesday in an email.

“If we don’t make a substantive change now, we will face much harder choices in the future,” Mayor Burchett said. “The problem is that we spend \$24 million a year for healthcare costs, and even with an 86.5 percent employer contribution, we are facing annual shortfalls in the range of \$1 million to \$1.5 million. This is simply not sustainable.”

The solution is to increase revenues while cutting costs. This was done by increasing the county’s and employees’ contributions to the healthcare fund, and by making adjustments to the level of benefits offered. Overall, the changes should save Knox County taxpayers approximately \$1,730,000.

“Governments across the country, as well as businesses large and small, are facing rising healthcare costs, and it would be irresponsible to tell Knox County taxpayers that their government doesn’t have to respond to those same pressures,” Mayor Burchett said.

Knox County is self-insured, meaning health claims are paid directly from the healthcare fund. Under the 2011 benefits plan, Knox County Government will contribute an additional \$1,440,945 to the healthcare fund, and employees will collectively contribute an additional \$1,285,691 to the same fund.

The 2011 benefits plan offers three insurance options. One is offered at no cost to the employee, while the other two options will cost employees a little more than their current, comparable plan’s premiums.

“We really tried to think about everybody when we looked at these changes, and the basic coverage option for the employee will cost that employee nothing,” Mayor Burchett said.

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The mayor formed an ad hoc health benefits advisory committee comprised of private-sector professionals from the healthcare and health insurance industries, and from non-health related fields. He asked them to compare the current employee health benefit plan with the benefit and premium changes being proposed by the county's human resources and finance departments.

"I am pleased with the seriousness with which Mayor Burchett approached the health benefits issue," ad hoc committee chairman and Healthcare 21 President Jerry Burgess said. "His desire to have experts view and recommend changes is absolutely the right thing for Knox County."

Compared to those found in the private-sector, the current health benefits plan is "much, much richer, which is great for the county employees, but makes it hard for the plan to stay in the black," ad hoc committee member and EdFinancial Vice President of Human Resources LeeAnn Foster said.

Many ad hoc committee members said they were surprised at how little employees paid and how far superior the benefit options were compared to those offered by several similar-sized employers around East Tennessee.

"I think Mayor Burchett's approach gets the county started in the right direction – moving in the direction of the private market," Burgess said. "I look forward to assisting the mayor on the long-term wellness aspect of the plan."

Employee wellness and incentives for healthy living are a part of the 2011 plan, and will increasingly play a role as the Knox County employee benefits plan evolves into the future.

"Right now, we are in the triage phase. We have to stabilize the county's insurance fund," Mayor Burchett said. "We will continue to look for ways to make a high-service, high-efficiency healthcare plan available to our employees, while doing everything we can to ensure savings for our taxpayers."

"Changes (to the plan) will have to continue for several years down this track to get to where the private sector is now," Burgess said.

The open enrollment period for Knox County employees will begin Oct. 15, and it will last about a month. The new benefit plan will take effect Jan. 1, 2011.

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