

The Virgin Islands Consortium

Mapp's Proposal To Raise Cost Of Insurance On Gov't Employees And Retirees Unlikely To Win Senate Approval

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Governor Kenneth Mapp's proposal to place more of the health insurance burden on government employees and retirees by raising their share of the cost, will most likely not win the support of senators, according to a recent post by Senator Kurt Vialet, chairman of the Finance Committee, who appeared to suggest that he had the support of his colleagues in ensuring that employees and retirees are not forced to pay more than what they're already paying.

The current system sees the government paying 65 percent of healthcare costs for current employees, while these employees pay 35 percent. The 2018 budget calls for a 60/40 split. For retirees under the age of 65, the administration is seeking even greater savings with a proposed 50/50 cost sharing setup. At a press conference in July, Mr. Mapp said if the changes were to be implemented, the government would save \$20 million annually on the 50/50 split alone.

If senators leave the proposals as is, current government employees will see further reductions in their salaries, while retirees will see reductions in their annuities. But Mr. Violet's recent post on Facebook suggests that lawmakers had already made up their minds that placing additional burden on an already burdened populace would not be the right path forward.

"As chair of the Finance Committee and in conjunction with the members of the Majority, we will not allow our retirees who are seniors to be dropped from the insurance rolls. Additionally, I do not agree with the increase in cost sharing for active employees or retirees under 65. I have initiated meetings with Cigna, VIEquicare and the consultants to address this troubling issue. I am hoping for a solution within the next couple weeks," Mr. Violet [wrote on Facebook on Friday](#).

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But with potential savings of tens of millions of dollars for a government whose liquidity is unhealthy, the decisions facing lawmakers are not easy. In one way, refusing to change the government's healthcare burden by shifting more cost to employees and retirees, appears politically correct. At the other end, though, the government may collapse if the changes are not implemented.

The G.V.I. is running on an extremely tight budget, with liquidity on a monthly basis set to approach "an undesirable average of \$9 million" through the month of July, said Mapp's finance team in July. That was \$23 million lower than what the administration anticipated, and came as a result of the government's inability to access the bond market for working capital, as well as "slippage of approximately \$30 million in actual revenues and other inflows received versus budgeted projections," according to Office of Management and Budget Director Nellon Bowry, speaking [during the recent budget overview hearing](#).

Things deteriorated further in August, with ratings firm Fitch suggesting that the government could run out of operating cash by the end of this fiscal year, which is September 30.

"Current liquidity levels are about three days' cash, augmented in part by a significant amount of payables which continues to grow, and estimates show the territory could be facing a negative cash balance by the end of August without any additional cash flow management initiatives, which we believe leaves USVI vulnerable to a total depletion of cash before the end of the current fiscal year," said S&P Global Ratings credit analyst Oladunni Ososami in Fitch's latest downgrade of the territory's bonds [earlier this month](#).

Yet, asking government employees and retirees to contribute more to the health insurance plan may affect the government in other ways, albeit indirectly. People may

spend less, which could negatively impact an economy that has barely improved; after declining in previous years, the territory's gross domestic product grew by 0.2 percent in 2015, not merely enough to affect tax collection levels or consumer spending in any meaningful way.

And the upward movement could be wiped out if government employees, who represent a wide swath of the consumer base, suddenly find themselves with even less money to spend because of the changes in the government's health insurance policy.

So the decisions ahead for lawmakers are difficult matters that will be watched closely not only by locals, but also bondholders with a stake in the territory's future, and by the ratings agencies constantly seeking indicators as to the financial health of the USVI -- even if they have been [banished by the Mapp administration.](#)