

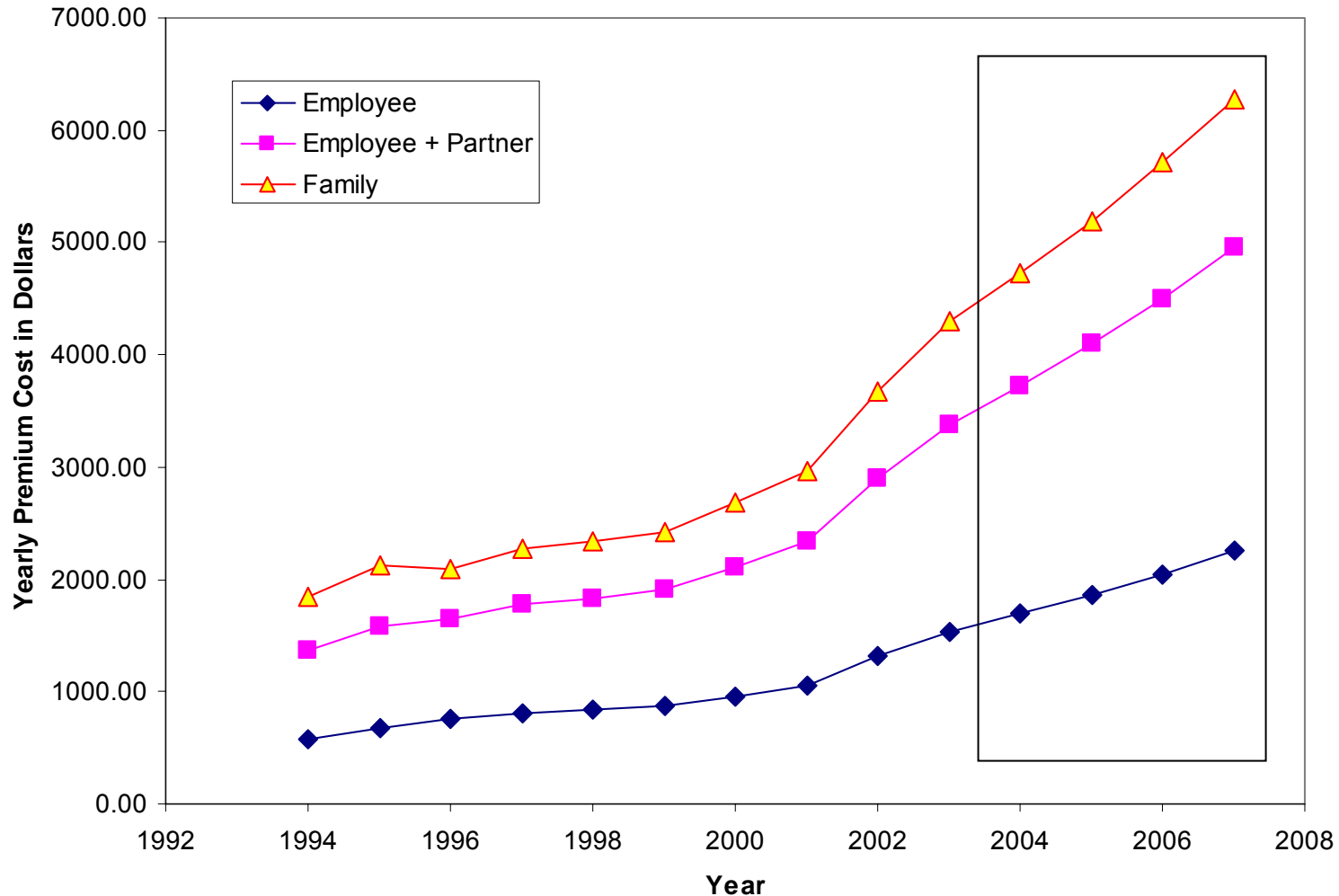
Senate Healthcare Subcommittee

- Monitors the status of Health Care at WFU
 - Works with Human Resources to give additional perspective on health care decisions
 - Makes recommendations to the Senate
 - Senate makes recommendation to the administration
-
- Senate passed a motion for the committee to explore the idea of a salary dependent premium plan

What is the status of healthcare at WFU?

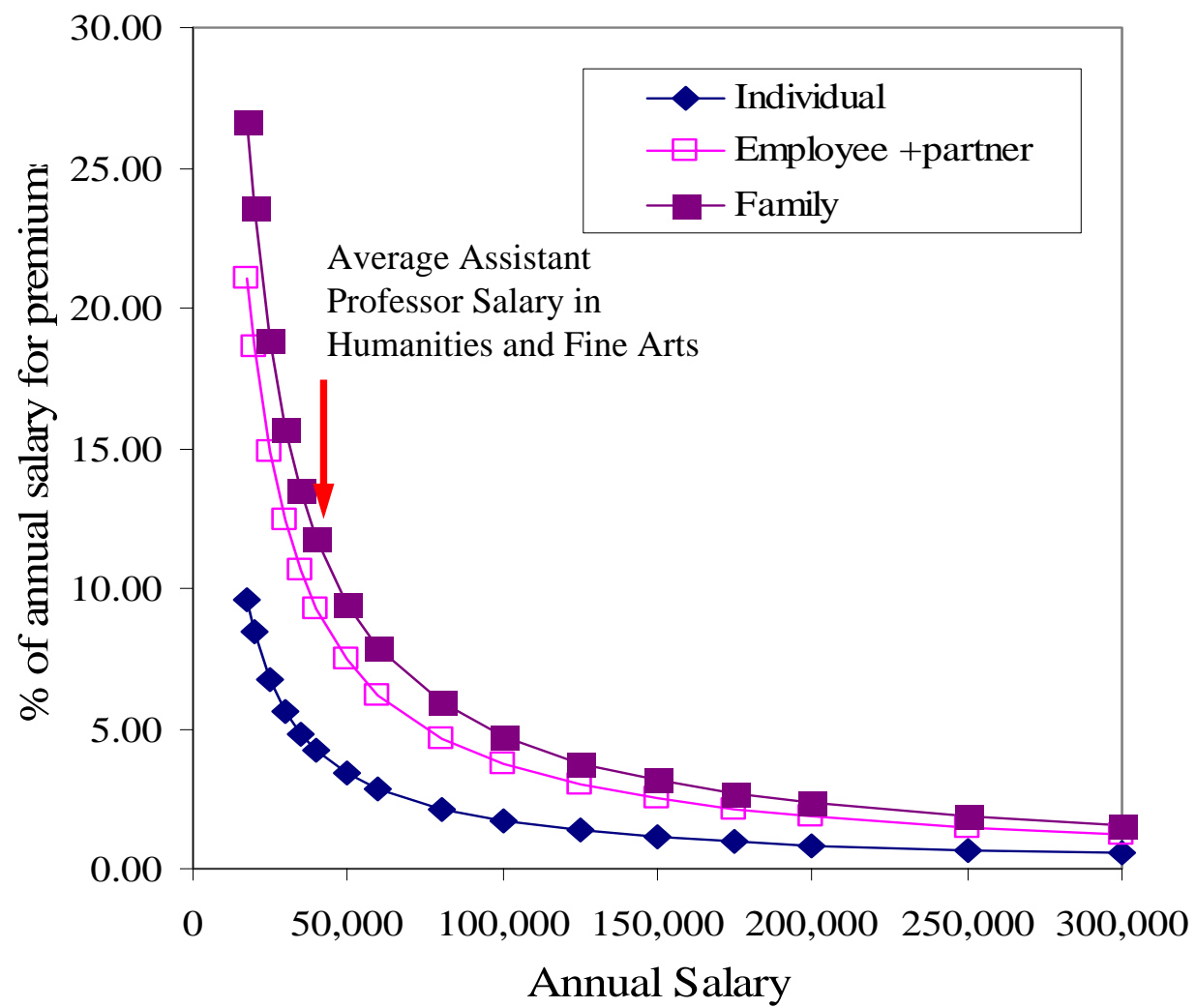
- Since 1999 premiums have increased by between 10 and 24% each year (total is 150%)
- Costs beyond premiums have expanded to include deductibles and coinsurance
- Absolute salary increases at higher wages have balanced health care cost increases
- For many employees healthcare cost increases have exceeded salary increases

Employee contributions to premium costs over time



* 2004 and later assuming a 10% increase in cost

The lowest paid employees spend a high percentage of salary on insurance premiums

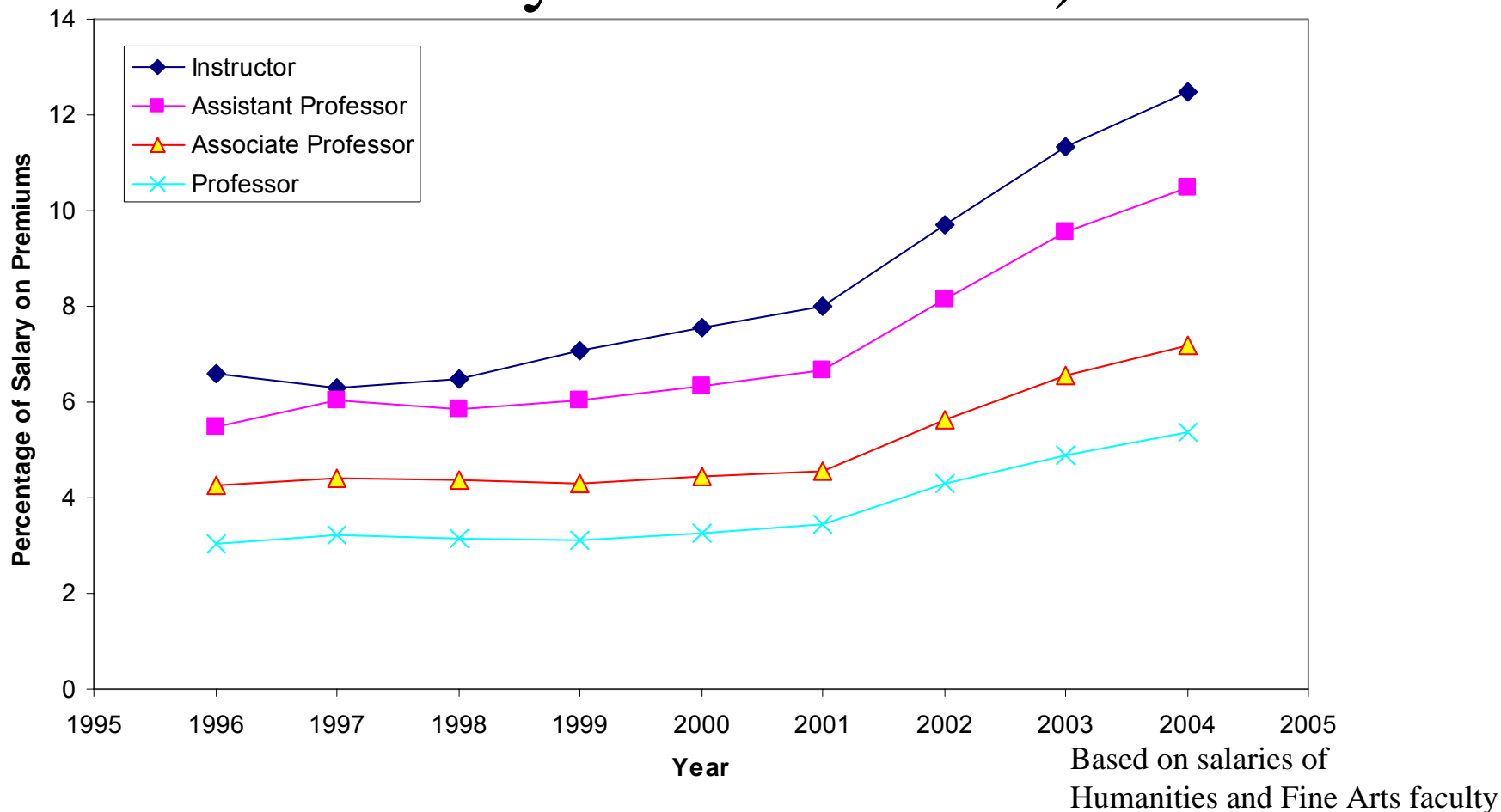


Based on estimated 10% cost increases in 2004-2005

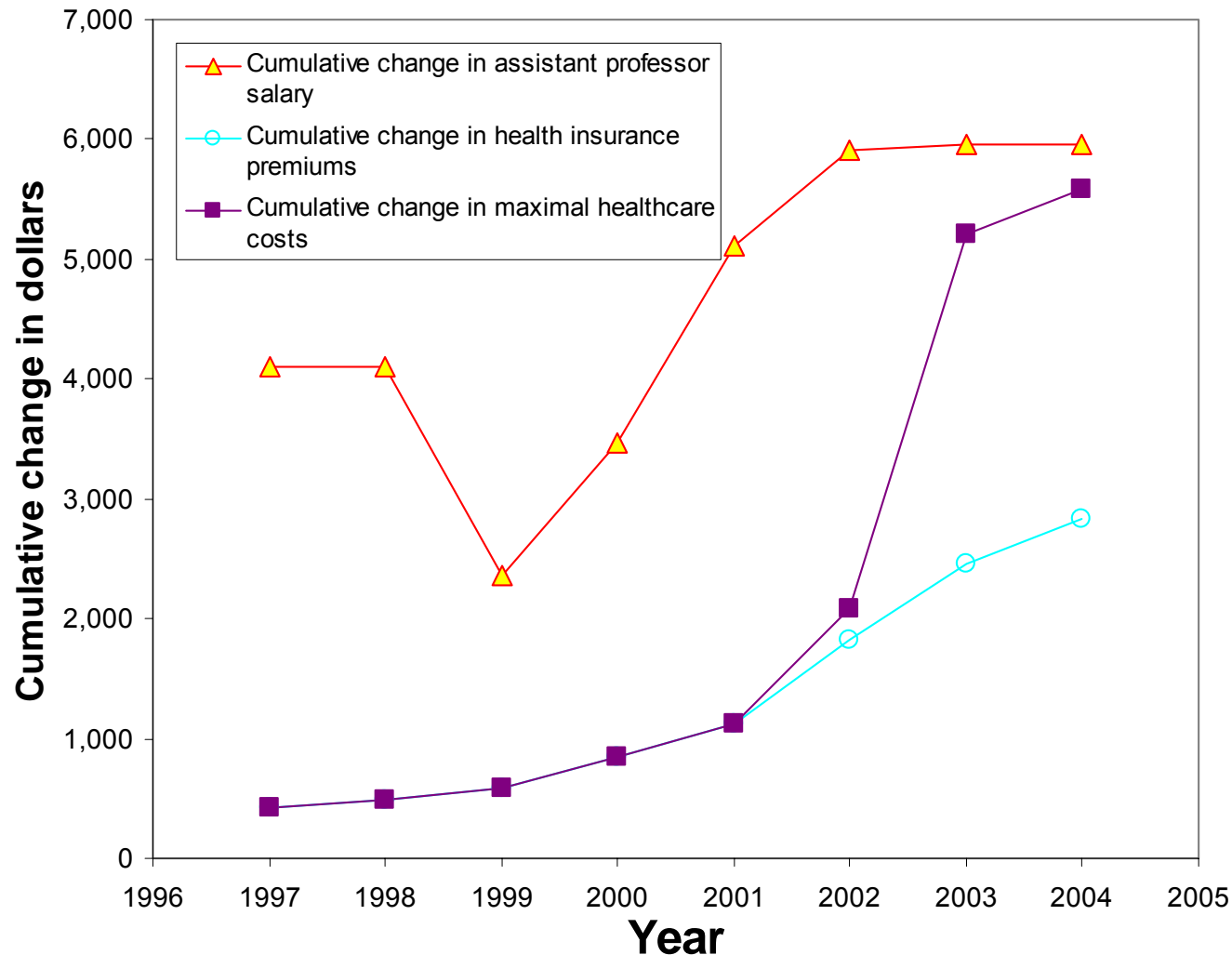
What are the impact on insurance costs when monitors over time?

- Comparison data is only available for faculty salaries
- The percentage of salary spent on premiums can be compared over time
- The cumulative change in salary can be compared to cumulative changes in premiums

For some faculty the costs of premiums for family coverage will be greater than 12% of their total salary (with higher percentages for many staff members)



Comparison of cumulative changes in salary and insurance costs over time



Using salary information
For Assistant Professor
In Humanities and Fine
Arts: Relative to 1996

The “actual” cost of premiums is influenced by income level

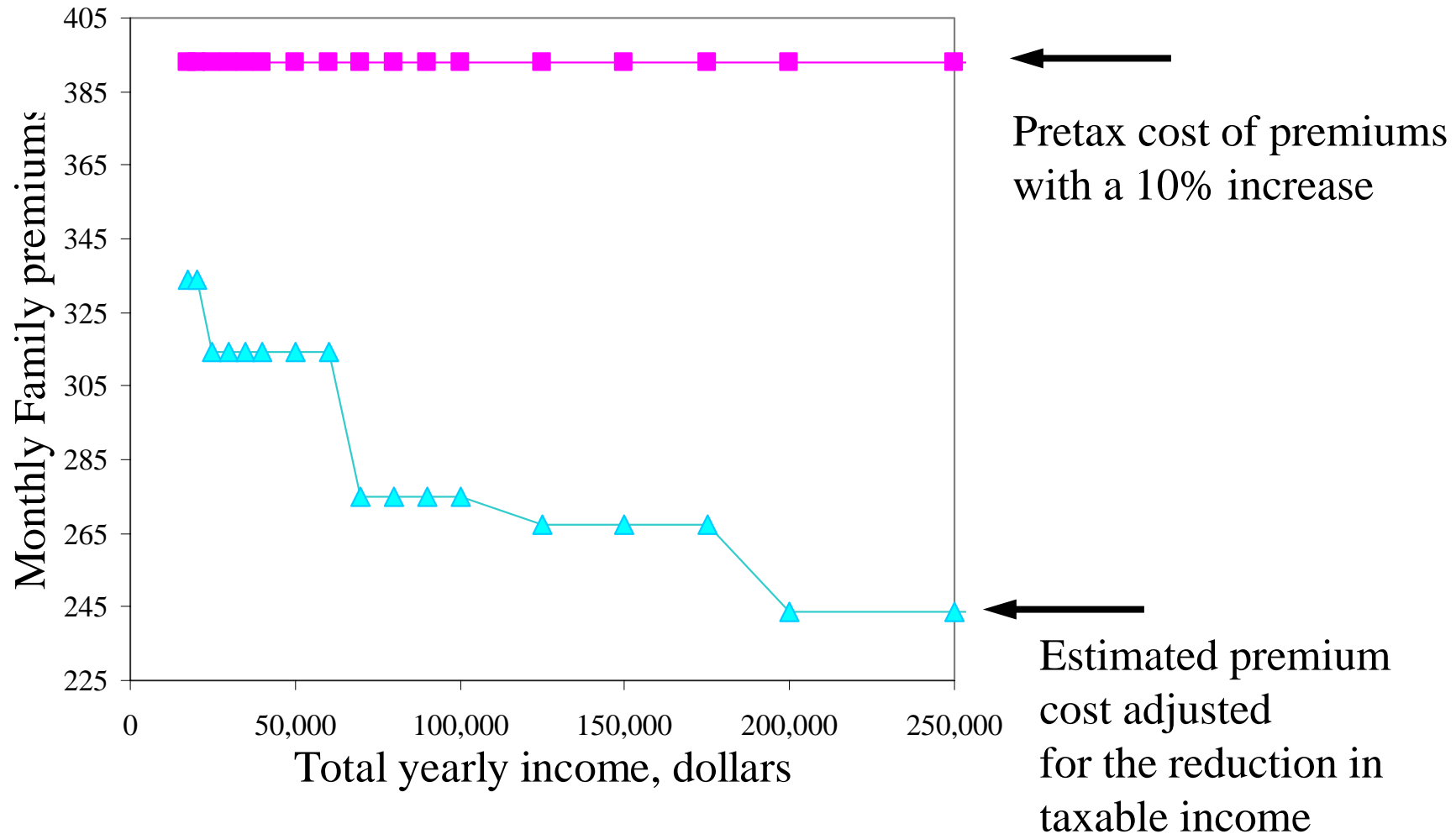
- Insurance premiums are deducted before taxes
- By reducing pretax income the amount of deducted taxes are reduced
- Individuals in a higher tax bracket have a greater tax savings
- One can **VERY ROUGHLY** estimate the real cost of premiums considering tax brackets

The “actual” cost of premiums is influenced by income level

- Combined State and Federal taxes range from 15-40%
- Taxable income up to \$32,000
 - Taxed at the 20% level
 - Tax savings on Monthly \$400 premium is \$80
 - Premium costs employee \$320 a month
- Taxable income between \$118,000-\$185,000
 - Taxed at the 33% level
 - The tax savings on Monthly \$400 premium is \$132
 - Premium costs employee \$268 a month

Assumptions: Married filed jointly, No deductions, and Salary =Taxable income, 2004 IRS tax brackets

Tax savings reduce premiums more for higher paid employees



Conclusions

- Rising healthcare expenses affect everyone, but lower paid employees are burdened more heavily
- Lower paid employees include both staff and beginning faculty

Questions:

- Should the university community put a priority on reducing healthcare costs for those most burdened by the rising expenses?
- What can be done to reduce healthcare costs?

How can we make healthcare affordable for the lowest paid employees and/or their families?

- Increase the university's contribution toward the premiums of the lowest paid employees
 - Cost could be covered by increased funding of insurance
 - Cost could be covered by reduced contributions to premiums of higher paid employees
- Encourage the use of social services for free and/or reduced cost healthcare
- Create a charitable foundation to fund healthcare of lower paid employees
- University could cover a greater % of employee coverage (but a lower % of family)
- Require spouses/partners with access to another employers coverage to use that plan
- Addition of an second insurance plan that covers only major expenses

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Philosophical questions about salary depend premium plans

- Is healthcare just a fringe benefit, or is it an essential need?
- Is it acceptable that the gap in incomes between higher paid and lower paid employees is widened by both percentage salary increases, and fixed benefit increase?
- If employees cannot afford their parts of premiums, should they have to forgo the university's contribution?
- If employees cannot afford their parts of the premiums, are they subsidizing us all by giving up their university contribution?

Logistical questions about a salary dependent premium plan

- Is there a precedence for WFU benefits to vary with income?
- Does the university already subsidize health insurance at different rates for different employees?
- Should a plan consider total family income or employee salary?
- What do these plans look like at other institutions?
- What is feasible for a plan at WFU considering the populations of employees and available funds?

Is there a precedent to consider making benefits dependent on salary?

- Some WFU benefits are a % of salary
 - Retirement contributions
 - Contributions to disability and life insurance
- All benefits that are currently calculated based on salary result in greater university contributions for higher paid employees

Are we all getting the same premium
subsidies? Or

What factors affect the usage of
medical treatments?

- Age
- Gender
- Possibility of Maternity
- Health
- Lifestyle

Small group plans consider the first of these two factors,
but individual coverage considers all 5

Blue Cross Blue Shield Rate Determinations for a sample small group: Employee only coverage

<u>Age</u>	<u>Male Employee</u>	<u>Female Employee</u>
0-24	\$119.36	\$232.26
25-29	\$119.36	\$329.02
30-34	\$167.73	\$338.72
35-39	\$190.33	\$335.49
40-44	\$248.39	\$351.62
45-49	\$322.58	\$412.90
50-54	\$467.74	\$477.43
55-59	\$596.78	\$538.72
60-64	\$819.36	\$693.55
65+	\$1,006.45	\$800.01

As compared to >\$353/month total employee only premium at WFU for next year, of which the employee contributes 40% and university 60%

Should total family income be considered, or only employee salary?

- Do any other plans consider family income?
- Is it fair to offer a low paid employee a reduced premium if there is a high family income?
- Does the lower amounts of other salary dependent benefits balance the increase in premium benefit?
- Is it logistically possible and/or a violation of privacy to access family income?
- Can there be other incentive or requirements to discourage use of WFU by families that have other choices?

Designing a Salary Dependent Premium Plan

- Lowest paid employees
 - Reduce premiums or keep at current rate?
- Highest paid employees
 - Cap the maximum contribution?
- Middle income employees
 - Who benefits and who pays extra?

What other institutions have a salary dependent premium plans that are helpful models?

- Oberlin
- Colgate
- Bucknell
- Davidson
- Brown
- Yale

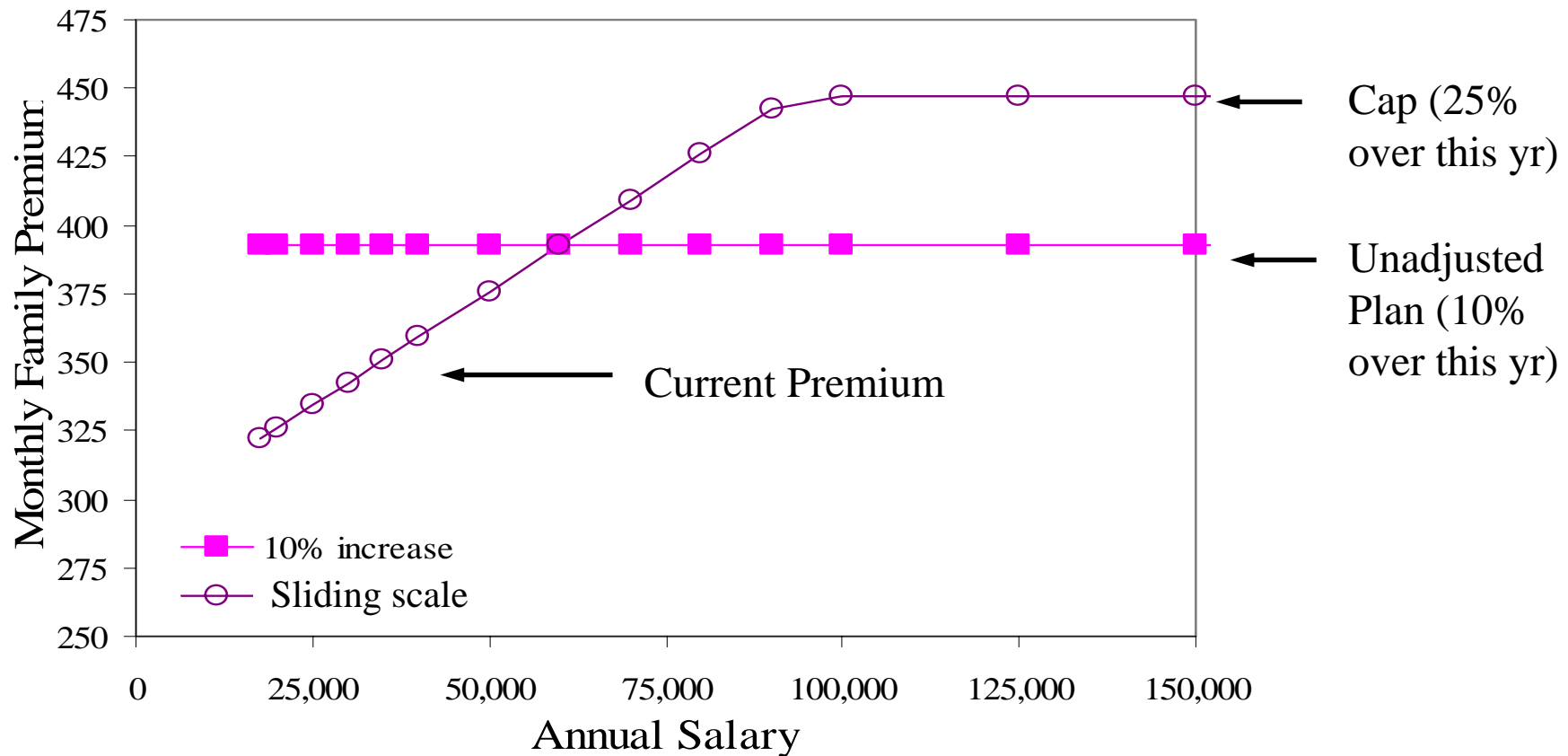
Brown University

- Employees earning \$32,000/year or less pay:
 - 5% of employee only premium or
 - 5% of employee +1 person premium or
 - 5% of family premium
- Sliding scale for employees earning between
 - \$32,000 and \$72,000/year for employee only or
 - \$32,000 and \$77,000 for 2 person or family coverage
- Employees earning above these amounts pay:
 - 25% of employee only premium or
 - 50% of employee +1 person premium or
 - 50% of family premium

Oberlin University

- Premiums are direct percentage of salary
 - Employee only coverage: 1.75%
 - Employee + partner: 3.5%
 - Employee + 1 child 3.0%
 - Family coverage 4.0%

How would a sliding scale affect premiums for family coverage at WFU? One possible plan



Based on 10% increase in premiums

The University dollars contributed at WFU are less than Brown, so the plan would reduce premiums less for lower paid employees

- Employees earning \$17,680/year pay
 - 33% of employee only premium or
 - 33% of employee +partner or
 - 33% of family premium
- Sliding scale for employees earning up to:
 - \$45,800 for employee only coverage
 - \$77,000 for employee +partner
 - \$85,860 for family
- Employees earning over these amounts pay:
 - 45% of premium cost

What salary levels would receive a reduced premium? One possible plan

Annual salary and the costs of salary dependent premiums

	Less than this year	Less than flat 10% increase	At the cap with 25% increase
Employee only plan	≤26,594	39,623	≥48,537
Employee + partner	≤34,480	60,280	≥77,080
Family	≤37,316	66,225	≥85,862

Calculations do not consider tax savings

Questions:

- Should the university subsidize premiums for the highest paid employees less, so that it can subsidize premiums for the lowest paid employees more?