

# The University Senate of Michigan Technological University

## Proposal 29-15 (Voting Units: Full Senate)

### “Proposal to Reduce Cost of Medical Care to Michigan Tech Employees”

#### I. Introduction

Based on the 2013 Senate Fringe Benefit Committee Employee Survey results, 54% of the respondents (64% response rate) delayed needed medical care due to out-of-pocket cost. One might reasonably assume that employees in lower salary ranges may be disproportionately delaying accessing necessary care because of the associated out-of-pocket costs. It is also undoubtedly the case that certain medical conditions, if not promptly attended to, will result in much higher eventual treatment expenses and/or more serious future medical consequences which may have significant financial ramifications given the termination of stop/loss coverage.

Recent experience, based on current AON-Hewitt reports, shows that total health care cost to Michigan Tech employees has increased by as much as \$3 million since 2012. Two 2.1% pay raises on a \$70 million payroll barely equals this amount.

Michigan Tech health care costs are about 9.3% of an employee's total compensation. This percentage is the lowest of any university surveyed. Page nineteen of the February 2015 AON-Hewitt report suggests that, based on favorable cost experience, some relief could be given to Michigan Tech employees.

#### II. Proposal

The Senate proposes that about \$750,000 in total health care cost relief be given to Michigan Tech employees in such a way to benefit those who need it the most. The proposed relief would begin in the 2016 calendar year. We suggest this relief could be done in one of two ways:

**Option 1:** Tiered Michigan Tech contributions to HSA (for HDHP contracts) and FSA accounts (PPO contracts). We believe tiering is necessary to generate sufficient relief to the lower salary ranges, while keeping the total cost under control.

We used the 2014 Michigan Tech IBS salary list to make our estimates, combined with the 2015 AON-Hewitt report that includes the total number of contracts. Tier construction was based on the number of employees in each tier, and our perception as to which tiers needed the most help.

The essence of our proposal is summarized in a tabulated form below.

Proposed Contribution to Tiered HSA (for HDHP contracts) and FSA accounts (PPO contracts)				
Salary Range (\$)	Percentage of Employee in the Range (%)	Tiered Benefit (Fraction)	Tiered Benefit (Amount)	
			Family	Single
0 – 40k	30	1	1000	500
41 – 80k	44	2/3	666	333
81 – 100k	13	1/2	500	250
100k & above	13	0	0	0

For the full family lowest tier (full) amount we suggest \$1000. This is 2/3 of the amount Michigan Tech contributed at the beginning of the HDHP plan. We estimate the total cost of this tiered program would be \$768,000.

**Option 2:** A rollback of the deductible limits to those of the 2012 PPO plan. Specifically, to \$1000/\$2000. In-network use and \$2000/4000 for out-of-network use for individuals/family.

Based on the AON-Hewitt 2015 report and the 2012 average deductible collected per contract, we estimate the increased cost to Michigan Tech would be about \$670,000.

While this is not a tiered approach, it should focus relief on those who have had significant medical expenses in the calendar year. It is logical to assert that those in the lower salary ranges arguably have the most difficulty in meeting these expenses.