

The University Senate of Michigan Technological University

Proposal 34-15

(Voting Units: Full Senate)

“Proposal to Review Senate Proposal 22-00 and Restructure the Benefits Liaison Group (BLG)”

I. Responsibility of the University Senate Fringe Benefits Committee

Article III.F.4.b.1 of the University Senate’s Constitution indicates that “The Senate has the responsibility to review, make recommendations, initiate, and participate in the formulation of policy and procedures” for, among other things, fringe benefits. Article D.7 of the Senate’s Bylaws delegates this responsibility to the Senate’s Fringe Benefits Committee.

The current version of the Senate’s Constitution was approved by the Board of Control on April 27, 2012; hence, the Senate’s Constitution is, in effect, Board of Control Policy.

II. Authorization of the Benefits Liaison Group (BLG): A Second Source of Benefits Recommendations

Among other things, University Senate Proposal 22-00 (see Addendum A) recommends that, “The Benefits Liaison Group, which consists of members of the University Senate, the Budget Office, and Human Resources, should become a permanent vehicle for open communication and information distribution, as well as exchanges of views, on benefits issues.”

The proposal was adopted by the University Senate on May 10, 2000 and approved by the administration on November 29, 2001.

Some of the history of the BLG is recorded in Senate minutes, including the following excerpts from the [minutes of meeting 355](#) (September 12, 2001):

[Senate President Robert] Keen said that the discussion about the Benefits Liaison Group at the last senate meeting should have include proposal 22-00, which the senate passed in May 2000. . . . This was approved without dissent by the entire senate. It was a recommendation that is not subject to approval by the administration.

Human Resources Director Ellen Horsch said that the BLG began with a request from the Board of Control to examine stop-loss insurance. Horsch called then Senate President Bruce Seely and asked for recommendations for a stop-loss committee. This committee evolved into the BLG. . . .

Senator Bill Gregg said that he had read the group's stop-loss report and found it effective, but that it wasn't clear whether the BLG reports to the senate or to the benefits office or the budget office. . . .

Horsch said that the BLG sprung out of the Stop-Loss Committee. That group had been so successful that Horsch wanted to continue it. Horsch reviewed [the] current membership of the BLG [see Appendix D, slide #2] and said that she would like to keep this membership in place until proposed health care changes have been implemented.

The mission of the BLG is to serve as an advisory group—not just to Human Resources, but to the university—to provide the best possible fringe-benefits program within available resources, in terms of both dollars and assistance.

III. Problems with Proposal 22-00: Lack of Specificity

1. Item 3 in Proposal 22-00 indicates that the BLG will consist of “members of the University Senate, the Budget Office, and Human Resources,” but it fails to specify how many members of each of these groups will be appointed, who will appoint these members, how long members will serve, etc. Consequently, at the October 9, 2013 meeting, one member of the BLG was able to unilaterally deny a request to invite a retired faculty member to join the group.

2. Proposal 22-00 also fails to specify who will set the agenda for the BLG, who will call meetings, who controls the BLG's budget, who will decide what questions any consultant (such as Aon Hewitt) will be charge with researching, how the ultimate recommendations of the group will be formulated and conveyed to the University President, what rules of order will apply to group decision making, etc. Consequently, there is the potential for the person or people in the group with the most administrative power to make all of these decisions, and participation by Senators is, potentially, little more than an empty show of shared governance. For example, the [Human Resources webpage](#) now indicates that the Director of Human Resources “manages and directs the Benefits Liaison Group.”

3. In an October 12, 2013, email message, former Senate President (2009-2012) Rudy Luck reported that he “initiated the policy that the chairs of the Fringe Benefits Committee and the Finance Committee should be standing members of the Benefits Liaison Group since it made no sense to have this group discuss fringe benefits without Senate involvement, and those assignments are also not defined in the constitution or in the by-laws. Furthermore, the Senate's Fringe Benefits Committee itself should really do the entire job of the Benefits Liaison Group since it is difficult to function as a group without any power to change anything.”

IV. Previous Attempts to Address These Problems: Proposals 7-14 and 32-14

On December 11, 2013, the University Senate unanimously passed Senate [Proposal 7-14](#), the purposes of which were (1) to encourage compliance with Senate Proposal 22-00; and (2) to restructure the BLG in response to the above mentioned structural problems.

Proposal 7-14 included 12 specific recommendations. In a [February 6, 2014 response](#), the Administration rejected all but one of these recommendations, a reduction in the notification time for any change in fringe benefits. The administration acknowledged being noncompliant with this provision and, hence, accepted the suggestion in Proposal 7-14 to reduce the 90-day requirement to 30 days.

In its response, the Administration also made, among others, the following points:

1. “The purpose of including Senate Representatives is to ensure the Senate Constituents are represented and that the representatives have meaningful contribution and discussion from the Senate (as well as bringing forth any concerns the Senate may have).”
2. “It seems that putting a formality to the group will hinder open and free communication. Having a more informal working group, as it is now, provides free discussion and less structure that allows the open flow of discussion and encourages brainstorming.”
3. “Based on these arguments, the Administration is not ready to accept the proposed amendments with the exception of amendment 12.”

However, as the above discussion suggests, this view is inconsistent with the experience of Senators who have served on the BLG. The Senate Constitution holds the Senate responsible for reviewing, making recommendations, initiating, and participating in the formulation of fringe benefits policies and procedures. The current structure of the BLG essentially risks the prospect of the administration advising the administration on fringe benefits policy and procedures. We understand the need to balance budgets, but we believe that there are other possibilities for doing so without further reducing faculty and staff benefits.

The Administration’s response to Proposal 7-14 acknowledges that, “The 2014 recommendations to the President (specifically, no changes to medical and to keep the PPO) was a direct result of a lot of discussion and concerns brought forth through the Senate representatives on the BLG.” This suggests the benefit of shared governance and of reaching good decisions by soliciting diverse opinions and ideas. But the efforts of the Senate came largely despite the current structure rather than because of it.

Consequently, on March 26, 2014, at the recommendation of both the Fringe benefits Committee and the Executive Committee, the Senate rejected the Administration’s amended version of Proposal 7-14. Subsequently, in approving [Proposal 32-14](#), the Administration (1) approved changing the notification time for most changes in fringe benefits from 90 days to 30 days; (2) extended the notification time for changes in retirement benefits from 90 days to 180 days; and (3) accepted the Senate’s right to ask questions of any external healthcare-insurance consultant, such as Aon Hewitt.

V. Efforts to Get Answers to the Senate's Healthcare-Insurance Questions

In a November 14, 2014 message to Director of Human Resources Renee Hiller, copied to Provost Max Seel and to the Senate's Executive Committee, Senate President Craig Waddell reminded Hiller that Senate Proposal 32-14 "Notification Time for Changes in Fringe Benefits and Questions for Healthcare Insurance Consultants" was approved by the Senate on April 23, 2014, approved by the Administration with proposed amendments on July 10, 2014, and approved by the Senate as amended on September 24, 2014.

Waddell reminded Hiller that this proposal authorized the Senate to pose questions to be researched by any healthcare-insurance consultants (such as Aon Hewitt) with whom the Administration contracts. Consequently, Waddell asked Hiller to let the Senate know when the Administration would next contract with a healthcare-insurance consultant and to ensure that the Senate would have an opportunity to include questions in the list of those questions that will be researched.

Waddell never received notification of when that next contract would be negotiated; however, on February 6, 2015, he was told that the Senate's questions had been submitted to Aon Hewitt. Hence, when the Benefits Liaison Group (BLG) met with Aon Hewitt representatives on February 12, 2015, at several points, Waddell referred to these questions because they were relevant to the discussion. When the representatives indicated that they had not seen the questions, Waddell gave them a hard copy in order to facilitate the discussion.

Consequently, the Senate's healthcare-insurance questions were not addressed in the February 2015 Aon Hewitt report, as they should have been.

Later that day (February 12), Waddell sent Director of Benefits Karen Hext two lists of questions from the University Senate, which Hext promptly forwarded (on February 13 and 14) to Aon Hewitt Representative Laurie Cooper. The first list (see Addendum C) consists of questions and comments that were developed collaboratively by the Senate and Senate constituents over the course of a year; the second list (see Addendum D) consists of questions submitted individually by Senate constituents in January 2015.

Hext copied the relevant messages to Waddell, and Cooper did the same with her responses. Cooper's February 18 response simply reads, "Receipt acknowledged. We'll review and respond at our earliest opportunity." After a month without receiving a response, on March 17, Waddell responded to Cooper's message, asking, "Can you give me a ballpark idea as to when you might have responses to these two lists of questions?"

Immediately after the Senate's March 18, 2015 meeting, Provost Seel informed Waddell that someone in the Administration had asked Seel to convey to Waddell that Waddell was not supposed to ask questions of Aon Hewitt. When Waddell asked why not, Seel said that the language in Proposal 32-14 (added by the Administration) indicates that questions that the Senate would like a healthcare-insurance consultant to research will be submitted "through the appropriate HR office."

In response, Waddell asked Seel, as the Administration's representative to the Senate, if he would please find out if Aon Hewitt had answered the Senate's questions and, if so, when the Senate should expect to see these answers.

On March 19, 2015, Seel responded, "according to renee hiller re. ballpark idea as to when you might have responses to the two lists of questions: hopefully early next week."

Finally, on Thursday, March 26, instead of forwarding a document from Aon Hewitt (similar to Aon Hewitt's February 2015 report), Hiller sent Waddell an internally generated Word file (as indicated by the footer, "Rlhiller H:\My Documents\Senate\Senate Questions – 3 24 2015.docx").

This document ([copy attached](#)) included answers to only 4 of the 14 questions on the Senate's first list and answers to only 6 of the 14 questions on the Senate's second list. Five of the 18 unanswered questions were marked "Aon does not provide this type of research for Michigan Tech." And 13 of the 18 unanswered questions were marked "This is within Michigan Tech's leadership responsibility/purview."

Despite the fact that 13 of the 14 questions on the Senate's first list were included with Proposal 32-14, which was approved by the Administration, in Hiller's response, 6 of these questions were marked, "This is within Michigan Tech's leadership responsibility/purview."

Consequently, there were actually significantly more answers in the comments included in the Senate's original, first list of questions (comments that were edited out of Hiller's document) than there were in the response the Senate received from the Administration.

In his correspondence with Hext, Waddell suggested several possible means of answering the Senate's questions. For example, on January 28, 2015, Waddell wrote,

There are many ways in which these questions might be addressed, depending on which is most appropriate for any given question. These include, among other possibilities, the following:

1. The Senate submitting a written list of questions to BCBSM.
2. Asking Aon Hewitt to research questions (because they have the time and resources to do so).
3. A Senate-sponsored forum on benefits (similar to today's forum on University finances); or, alternately, a full Senate meeting devoted to this purpose. I don't think the 10 minutes we have you scheduled for during the Senate's April 15 meeting will be adequate for this purpose.
4. The Senate submitting a written list of questions to you; or, perhaps, a combination of numbers 3 and 4, as we've done with today's University Finances Forum.

And on February 12, 2015, he wrote,

It would be helpful to know from [Aon Hewitt representatives] Laurie and Lindsay for which of these questions

1. Aon Hewitt might conduct original research;
2. Aon Hewitt might refer us to existing, national studies;
3. Aon Hewitt might suggest would be more appropriately addressed by research conducted by Michigan Tech.

Hence, it's not clear exactly how one should read in Hiller's response the 18 incidences of "Aon does not provide this type of research for Michigan Tech" and "This is within Michigan Tech's leadership responsibility/purview."

Do these phrases--especially the second one--indicate that this information is within Michigan Tech's leadership purview and, hence, that the Senate has no right to receive the answers to these questions? Or do they mean that the Michigan Tech leadership will, itself, provide these answers to the Senate? And if so, when?

VI. Restructuring of the BLG Proposed by the Administration

On Tuesday, March 17, Vice President for Administration Ellen Horsch posted two messages that unilaterally dismissed and reassembled the BLG (see Addendum B). The effect of these changes will be to significantly reduce the role of the University Senate on the BLG.

Benefits, salary, and competent faculty and staff are among the positive reasons for coming to Michigan Tech. However, for over a decade, benefits have been consistently on the decline.

Since the BLG is advisory, as it should be, whether or not it comes to the "right" conclusion is less important than a sound understanding of employee questions, concerns, and difficulties in regard to benefits. Historically, Michigan Tech does not have a good track record in this regard. Consequently, in the past, the BLG has made incorrect assumptions concerning employee benefits, and employees, not the Administration, have corrected these assumptions. See, for example, the Senate-generated list of questions in Addendum C.

To get the needed information about employee questions and concerns, the BLG needs a good cross section of employees, chosen by the employees themselves. Appointment of such individuals by administrators does not serve this purpose.

Vice President for Administration Horsch proposes that one staff member be elected to the BLG by the University Senate and one staff member be elected by the Staff Council, and she proposes that one faculty member be elected to the BLG by the University Senate and one faculty member be appointed by the Provost. Vice President for Administration Horsch also proposes that a retiree representative be appointed to the BLG by the Vice President for Administration.

Instead, the Senate proposes that the BLG consist of eight members appointed by the University Administration and eight members chosen (as described below) by the University Senate.

In addition, retirees deserve to choose their own representative on the BLG. Hence, the Senate proposes that the retiree representative be elected by the Michigan Tech Retirees Group founded by Professor Emeritus of Economics Alan Brokaw in 2013 (who is also a former Senate president).

VII. Proposal: The structure of the BLG will be modified as follows:

In *A Theory of Justice*, John Rawls argues that to create just systems, people must assume a “veil of ignorance” as to their original position within a given system. What system for providing feedback on fringe benefits would a reasonable person recommend not knowing in advance whether he or she would be the most powerful or the least powerful person in the system? Such a person would almost certainly not recommend the current structure of the BLG.

Therefore, out of respect for the administration, we have clarified the rationale for Proposal 7-14, and we have streamlined the proposal by removing several items. We respectfully request, however, that the administration give careful consideration to the remaining items, as proposed below:

1. The BLG will consist of eight members selected by the University Administration, eight members selected by the University Senate (as described below), and one member selected by the Michigan Tech Retirees Group (as described below).
2. Senate members of the BLG will include the President of the Senate, the Chair of the Senate’s Fringe Benefits Committee, and the Chair of the Senate’s Finance Committee. Five at-large members will be elected by Senate constituents from among the Senate constituency for staggered, three-year terms. Candidates for these positions should present to the Senate—either in person or in writing—a statement of interest in the position. At least two of the eight Senate representatives will be Senate constituents who are members of the professional staff.
3. The retiree representative will be elected by the Michigan Tech Retirees Group founded by Professor Emeritus of Economics Alan Brokaw in 2013
4. The agenda for BLG meetings will be set collaboratively by a Senate designee and an administrative designee.
5. BLG meetings will be co-chaired by a Senate designee and an administrative designee.
6. Members of the BLG will decide on appropriate parliamentary procedures, such as whether or not to adopt *Robert’s Rules of Order*.
7. When possible, BLG recommendations will be made on the basis of consensus (defined as broad, general agreement, but not necessarily unanimous agreement). When consensus is not possible, a vote may be taken (either by secret ballot or by show of hands). When consensus is

not achieved, the BLG will also provide an opportunity for a minority report.

8. BLG recommendations will be drafted collaboratively by a Senate designee and an administrative designee.

9. Reports on BLG meetings will be presented to the University Senate by a Senate designee and an administrative designee.

10. Reports to the Senate will include the substance of proposals under discussion within the BLG, thereby allowing Senators and their constituents time to respond to such proposals before the proposals become firmly established.

Addendum A: Text of University Senate Proposal 22-00

PROPOSAL 22-00

RECOMMENDATIONS ON MEDICAL AND HEALTH INSURANCE BENEFITS

University Senate concerns about fringe benefits and subsequent discussions by the Benefits Liaison Committee have led to a number of structural suggestions for developing, administering, and implementing medical benefits for University employees and retirees. Specifically, the Senate requests that:

1. The Benefits Liaison Group, which consists of members of the University Senate, the Budget Office, and Human Resources, should become a permanent vehicle for open communication and information distribution, as well as exchanges of views, on benefits issues. The Senate commends this type of cooperative forum as a model for shared governance.
2. The Senate recommends more detailed tracking and reporting of medical costs to increase general awareness about the magnitude and nature of medical costs for Michigan Tech. By providing more notice of changing circumstances, MTU employees and retirees will have knowledge before events and not be surprised by changes in benefits policies.
 - a. The administration shall provide a quarterly report, in writing, to the University community on medical and fringe benefits expenditures.
 - b. The administration shall report semiannually to the Senate on patterns and trends in medical and benefit costs and expenses. This report should focus on year-to-date activities in these areas, and also shall offer analysis of those patterns designed to alert employees to possible adjustments in benefits policies so they may make reasonable plans well in advance of any changes.
 - c. The administration shall report more directly on all expenditures that fall under the heading of Fringe Benefits. Currently these expenditures, which take place in the R&I fund, are not visible in regular budget reviews of General Fund expenditures. Ideally, this report could take the form of a line-item accounting of all fringe benefits expenditures. Such a report will simplify the tracking of these expenditures, while making clear to employees and others the costs of all covered benefits.
3. The administration shall provide employees and retirees at least 90 days notice of any change in the available fringe benefits, especially co-payments, along with complete explanations and justifications of the changes.
4. The Senate encourages the administration to adopt a proactive approach to medical cost containment. These steps could include working cooperatively with medical care and service providers to identify mutually beneficial approaches to keeping cost increases as low as possible; expanding efforts to help Michigan Tech employees become informed and responsible consumers of medical services; and exploring the development of incentive programs to reinforce wise choices by employees.

5. The Senate urges that the administration establish the policy of creating a reserve in the R&I account to cushion against unexpected vagaries in medical costs. This reserve should be established from funds budgeted for Fringe Benefits but not expended for that purpose. This action would end the current policy of planned transfers of such funds back to the General Fund at the end of the fiscal year.

Adopted by Senate: May 10, 2000

Approved by Administration: November 29, 2001

Addendum B: March 17, 2015 Memo from Vice President for Administration Ellen Horsch

Email Message:

TO: Benefits Liaison Group
FR: Ellen Horsch, Vice President for Administration

It has been 15 years since the Benefits Liaison Group (BLG) was created. In the spirit of continuous improvement, the time to review the group seems appropriate. Effective immediately, the attached document summarizes the BLG's purpose, the charge, the group structure and governance. Therefore, the current group will be reassembled.

I would like to thank you for serving on the BLG. The group has accomplished much during the past 15 years and it is due to the time and efforts of people like you.

Sincerely,

Ellen

Attachment:

Benefits Liaison Group (BLG) 2015

The Purpose

The Benefits Liaison Group is intended to contribute to shared governance by providing a sounding board for full discussion of issues who knows or comes to know and understands the fringe benefits offerings at Michigan Tech. It is an avenue to learn the issues and evaluate the possible options given the limited resources.

The Charge

To review and evaluate the current fringe benefit package which includes but may not be limited to retirement, health/dental, and wellness.

To provide recommendations to the Vice President for Administration on fringe benefits plans to attract and retain exceptional faculty and administrative talent. The BLG will contribute in a collaborative manner that takes into account developing recommendations that will be cost effective given the University's competing resources. The recommendations must include supporting information. The BLG is encouraged to benchmark with institutions that the University competes with for talented faculty and staff. Also the BLG may consider developing surveys and creating focus groups, if appropriate. The BLG should offer several options, with costing considerations for the employee/retiree/University.

Group Structure

The membership of the BLG in whole would reflect both diversity of the employee/retiree, and have the demonstrated knowledge and experience in higher education with expertise in fringe benefits, finances, budgeting and auditing.

Each member is expected, over a very short period of time, to gain a working understanding of the complicated issues surrounding fringe benefits campus-wide.

Members will include:

- ONE representative from Financial Services and Operations appointed by the Executive Director of Financial Services and Operations;
- TWO representatives elected by a vote of the full Senate, one faculty and one staff;
- ONE representative elected by Staff Council;
- ONE faculty appointed by the Provost;
- ONE staff appointed by the Vice President for Administration;
- ONE department dean/chair appointed by the Provost;
- ONE retiree appointed by the Vice President for Administration; and
- The Manager of Benefits (or one holding similar title/responsibility) will serve as ex-officio member and chair of the BLG.

Governance

The Vice President for Administration will call the first meeting to provide an overview of the role and responsibilities of the BLG. The Chair will arrange all meetings, develop the agenda in consultation with all BLG members, and invite personnel/guests, such as consultants, as necessary.

The BLG works on the principle of consensus in making recommendations to the Vice President for Administration. However, the BLG will adopt the majority vote, of those present, in the event that consensus is not possible. The Chair will vote only to break or make a tie.

The BLG will meet regularly at key decision making times during the benefit calendar cycle, but at least two (2) times during the academic year. Meetings during the summer will be determined as needed.

All deliberations and meetings will be confidential until such time that the BLG has vetted the options and determines the need to distribute information and/or solicit the campus community for feedback. Final recommendations of the BLG are non-binding. Any public releases will be in accordance with all proprietary agreements.

The BLG is an advisory administrative group seeking to promote understanding and communication, acknowledges the role of **other committees, task forces, or groups**, including the Senate Fringe Benefit Committee (FBC). The FBC has been assigned the responsibility for matters pertaining to benefits under the University Senate Constitution. The FBC provides contributions regarding and receives information on such issues through the

Senate members on the BLG. It will also utilize the BLG as the primary link for communication to the administration.

The BLG will work according to any rule of order that it adopts.

The effectiveness of the BLG will be evaluated after two (2) years to determine continuation or modifications.

Addendum C: University Senate Questions for Aon Hewitt

University Senate Proposal 32-14, which has been approved by the Administration, gives the Senate the right to submit to any external, healthcare-insurance consultant, such as Aon Hewitt, a list of questions that the Senate would like that consultant to research in order to better inform decisions about healthcare-insurance benefits. Proposal 32-14 also gives the Senate the right to review and comment on the methods that will be used to address these questions. Hence, the Senate submits the below list.

1. Does participation in the Preferred Provider Organization (PPO) option cost Michigan Tech more than participation in the High-Deductible Health Plan (HDHP)?

Comment: There appears to be an assumption by some that the PPO is more expensive. However, the Aon Hewitt study, “Preliminary Health Care Strategy and Pricing for 2014,” commissioned by Michigan Tech, concluded that “The PPO and HDHP design differences have narrowed over the last two years,” and, as a consequence, “The actuarial value between the two plans is nearly equal” (slide 14).

2. How many academic institutions offer only a single healthcare insurance option?

Comment: When asked this question by a Senator at an October 8, 2013 meeting, Aon Hewitt representative Laurie Cooper said that of the 50-60 academic institutions with which Aon works, none have only a High Deductible Health Plan. She added that some of Aon’s clients in the private sector have only one plan, but at least one of these is now considering moving to two plans.

3. Does the risk of *behavioral hazard* (health-care-consumption choices that are made to save money or avoid inconvenience in the short-term and wind up costing more money in the long term) balance or outweigh the risk of *moral hazard* (health-care-consumption choices that are made frivolously because the consumer bears no financial cost for these choices)?

Comment: A study by the New England Healthcare Institute estimated that solving non-adherence due to behavioral hazard could save \$290 billion a year, or 13% of total annual medical spending in the United States <http://goo.gl/CWEx2m>

4. Is there any evidence of a pattern of *moral hazard* among Michigan Tech employees?

Comment: On April 3, 2013, during a special meeting of the University Senate, Vice President for Administration Ellen Horsch and Director of Benefits Renee Hiller delivered a presentation entitled “Benefit Update for CY2012 and Benefit Plans for CY2013 & Beyond.” Slide 8 of the accompanying PowerPoint file is based on data from Michigan Tech’s healthcare-insurance consultant, Aon Hewitt, and is entitled “Michigan Tech’s Key Cost Drivers—Overall.”

For many of the variables represented on this chart, Michigan Tech is above the Hewitt Health Value Initiative (HHVI) average. However, for the combined factors of “Purchasing (Employer and Employee Decisions)” and “Employee Health status and Health Behaviors,” Michigan Tech

is 20% below the HHVI average, which suggests that Michigan Tech employees are making wise healthcare decisions.

5. Do faculty and staff believe that salary is of greater importance than fringe benefits in their compensation package?

Comment: There appears to be an assumption by some that salary is of greater importance. However, of the 824 faculty and staff who completed the Fringe Benefits Committee's 2013 Fringe Benefits Survey (a 64% response rate), 66% indicated that salary and fringe benefits are of equal importance in their compensation package, and 56% said that the benefits package was a very important factor in their acceptance of an offer of employment at Michigan Tech.

6. Will a reduction in health-care benefits have unforeseen and negative impacts on Michigan Tech's ability to recruit and retain top faculty and staff (goals articulated in Michigan Tech's Strategic Plan)?

7. Does Michigan Tech offer a benefits package that is more generous than those offered by our benchmark institutions?

8. Given changes in both benefits and salaries, when adjusted for inflation, how has overall compensation changed at Michigan Tech over the past decade?

9. What part of Michigan Tech's financial difficulties is reasonably attributable to increased healthcare costs?

10. Are there measurable economic effects of low morale resulting, for example, from reductions in benefits?

11. How have retirement benefits at Michigan Tech changed over the past 10 years?

Comment: Since 2009, retirement benefits at Michigan Tech have been significantly reduced. For example, formerly, Michigan Tech would contribute an amount equal to 10.55% of an employee's gross salary to the employee's 403(b) retirement plan (such as TIAA-CREF); in addition, Tech would match personal contributions of up to 2% of the employee's gross salary for a total contribution of 12.55%.

Currently, however, Tech's Matching Plan is set at 7.5% <http://www.mtu.edu/hr/benefits/retirement/>. This represents a 40% reduction in Tech's contribution to retirement plans.

12. What is the average number of members per contract for Michigan Tech?

Comment: Some have suggested that Michigan Tech's healthcare expenses have been increased due to an unusually high average number of dependent children among Michigan Tech employees. At an October 8, 2013 meeting with Aon Hewett representatives, when a Senator asked the average number of members per contract (employee plus spouse and dependent

children) for Michigan Tech, Aon Hewett representative Lindsay Matola (via conference call) provided the following numbers:

PPO: 2.1

HDHP: 3.0

All contacts for active employees: 2.65 (3,019 members / 1,139 contracts = 2.65)

All contracts for retirees: 1.6

Hence, the average number of members per health-insurance contract for active employees at Michigan Tech is **2.65**. That might, for example, be an employee, the employee's spouse (who might also be a Michigan Tech employee) and 0.65 of a dependent child.

13. Among the Michigan Tech employees who selected the HDHP option last year, have any forgone needed medical care because they felt unable to afford this care?

In a recent study, "The Impact of High-Deductible Health Plans on Men and Women: An Analysis of Emergency Department Care" (*Medical Care* 51.8 (August 2013) 639-645), Kozhimannil et al. report on the impact of enrollment in HDHPs on behavioral hazard. Here's a summary of and commentary on their findings:

"One of the most important changes in health care financing taking place today is the tremendous surge in the use of high-deductible health plans. This is yet one more study that shows that we should question the wisdom of this policy intervention.

"Males whose employers switched them from a traditional HMO to a high-deductible health plan reduced their use of emergency department high-severity visits by 34 percent. That is, they did not go to the emergency department when the severity of their condition clearly warranted it. That was followed a year later by a 30 percent increase in hospitalizations. Lead author Katy Kozhimannil stated, 'The trends suggest that men might have put off needed care after their deductible went up, leading to more severe illness requiring hospital care later on' (American Medical News, Aug. 26).

"High-deductible health plans not only cause financial hardship, they also maim and kill people. And they aren't even necessary as a means to control spending. We can control costs more effectively and far more humanely through a publicly-administered single payer program that provides first-dollar coverage."

<http://pnhp.org/blog/2013/08/27/high-deductibles-cause-men-to-avoid-emergency-department-use-for-high-severity-conditions/>

Comment: Several respondents to the Fringe Benefits Committee's September 2013 healthcare-insurance survey indicated that they believed that the HDHP option might discourage people from seeking health care when they need it.

For example, one respondent wrote, “I fear that the HDHP plan would discourage many families like mine from seeking health care as soon or as often as they should, for fear of the cost. I have to believe that this would only result in more serious illnesses and increased sick time.”

And another wrote, “After the university stopped putting an annual amount into our HDHP, my family encountered having 2 surgeries in one year. Our savings account was wiped out, and we have never caught back up. The impact of the rise in insurance costs for me and my family is that we don’t go to the doctor unless it is an absolute emergency.”

14. What might be done to improve the structure of and rate of participation in Michigan Tech’s wellness programs?

In a 2010 study, Harvard scholars Katherine Baicker, David Cutler, and Zirhui Song analyzed 32, peer-reviewed studies of the effects of institutional wellness programs and concluded,

We find that medical costs fall about \$3.27 for every dollar spent on wellness programs, and absentee day costs fall by about \$2.73 for every dollar spent. This average return on investment suggests that the wider adoption of such programs could prove beneficial for budgets and productivity as well as health outcomes.
— “Workplace Wellness Programs Can Generate Savings,” *Health Affairs* 29.2 (2010): 304-311 <http://content.healthaffairs.org/content/29/2/304>

During the 2013 calendar year while 64% of Michigan Tech employees participated in the TechFit program using some portion of the \$150 benefit, only 51% of employees took full advantage of this program. Best Practices: What might be done to improve the rate of participation?

Addendum D: Additional Benefits Questions from Senate Constituents, List 2 (individually proposed)

1. Is one goal of managing healthcare cost is to, in effect, blur the distinction between the PPO and the HDHP?

2. What are the relevant factors from year to year in the reductions in medical claims paid by Michigan Tech (see below)? For example, the switch from Aetna to BCBSM; increasing premiums and/or deductibles on the PPO; fewer healthcare claims being files (why?); the resolution of highly expensive cases; etc.

FY2012 - \$15,735,872

FY2013 - \$14,337,991

Reduction = \$1,397,881 (8%)

FY2013 - \$14,337,991

FY2014 - \$12,498,807

Reduction = \$1,839,184 (12.8%)

3. Is it correct that confidentiality applies to specific information about specific cases (e.g., “We paid \$200,000 in healthcare benefits for Joe Smith’s cancer treatments”), not to providing general information to explain changing expenses from year to year (e.g., “We had two cases, now resolved, for which we paid over \$200,000”)?

4. Please explain the tax advantages and disadvantages of the HSA verses the PPO.

5. Can healthcare insurance cost be based on income, rather than on an across-the-board percentage?

6. Will the average number of members per contract change as a result of the Affordable Care Act? For example, children up to the age of 26 can (must?) be kept on an insurance plan. What impact will that have?

7. Can Michigan Tech get the prices charged for medical services posted on a web page? The federal government has started this practice, and it would be helpful for all of us to be more informed before going in for medical services.

8. How do other universities handle the issue of married couples who both have positions at the same university? My significant other and I both work at Michigan Tech, and as far as I can see if we were to get married it would be a significant disadvantage in terms of health benefits. With an injury or serious health issue to either one of us, we’d be on the hook for a \$6,000 out-of-pocket maximum before the HDHP kicked in as opposed to \$3,000. Can you get married, but still keep individual high deductible health plans?

9. Should the out-of-pocket max or share for those on the PPO be as high as it is, or can it be brought into a more tolerable level?

10. Employees getting air-ambulances out of here in emergencies are getting billed by the vendor for amounts of \$30,000 to \$40,000. Can anything be done about this?

11. Since a person with a family has a high probability of using the HSA balance by the end of the year, if there are some medical necessities early in the year before there is a chance to get an HSA balance built up, it creates a real financial stress since these bills (up to \$3,500) need to be paid for out of pocket from some other source. When there was a portion given by the University, there was a little “cushion” at the beginning of the year for medical bills, which would allow an HSA balance to be built up.

Has there ever been any consideration to compensation increases being added to an HSA instead of wages, or a combination of each. If a person could take some of his or her yearly increase and put it into his HSA at the beginning of the calendar year, it would help the problem mentioned above.

12. Unless a soft-money employee has an account number, they participate in optional and even mandatory university activities on their own time with overtime or vacation time. The lack of university policy on providing soft-funded employees with resources for professional development, service, and university activities also affects staff participation in organizations such as the Senate and Staff Council. What can be done to improve this situation?

13. The Colorado School of Mines is one of Michigan Tech’s benchmark institutions and seems comparable to Michigan Tech in many ways, yet they appear to offer a much better benefits package than Michigan Tech does. Is anyone in the administration trying to better understand how they are able to do this? If not, why not? And can we/should we be doing so?

14. How have healthcare-insurance benefits for retirees changed over the past 10-15 years? And are current benefit adequate? If not, how might they be improved?