The University Senate of Michigan Technological University

Proposal 32-14 (revised 17 April 2014)
proposed admin amendments in purple: 10 July 2014
(Voting Units: Full Senate)

"Notification Time for Changes in Fringe Benefits and Questions for Healthcare Insurance Consultants"

A. Background

The Benefits Liaison Group (BLG) was created in the late 1990s and was subsequently formalized by Senate Proposal 22-00.

Senate Proposal 7-14 attempted to address perceived problems with Proposal 22-00, including noncompliance and lack of specificity.

On December 11, 2013, the University Senate unanimously approved Proposal 7-14. However, on February 6, 2014, the Administration rejected all but one of 12 recommendations in Proposal 7-14. The one, accepted recommendation was to reduce from 90 to 30 days the time required for the administration to provide employees and retirees notice of any change in the available fringe benefits.

On March 26, 2013, the Senate voted to reject Proposal 7-14 as amended by the Administration.

Proposal XX-14 attempts to formalize the administration's acceptance of the proposed change in notification time, with the exception of changes in retirement benefits—and to renew the request for administration approval of one of the 11 previously rejected recommendations: allowing the University Senate to submit questions to the external, healthcare-insurance consultant (most recently, this has been Aon Hewett).

B. Proposal

1. Notification of Change in Benefits

In its March 26 response to University Senate Proposal 7-14, the University administration wrote: "Agree that providing at least 90 days notice has not been adhered to but in many cases, the BLG asked for additional time to review up to date health care experience. For example, just this past year, the BLG asked to wait for September health care actual experience to evaluate 9 full months of data, instead of 8."

It may be in everyone's best interest to allow as much time as possible before making final decisions on the following year's healthcare-insurance benefits. Hence, this item from Proposal 7-14 is hereby reintroduced with two requested exceptions:

a. At least 30 days prior to the start of the open-enrollment period, the administration shall notify employees and retirees of any change in the available healthcare-insurance benefits, especially co-payments, along with complete explanations and justifications of the changes.

b. With healthcare, people typically have either chronic problems (such as asthma or arthritis), which can be planned for with either 30- or 90-day notifications, or acute problems (such as a heart attack or a diagnosis of cancer), which no one can plan for. With retirement, however, people typically plan several years in advance. Hence, it is proposed that retirement benefits be an exception to the proposed 30-day notification policy and that the administration provide at least ~~12 months~~ **180 days** notification of any proposed change in retirement benefits.

2. Questions for External, Healthcare-Insurance Consultants (such as Aon Hewett)

Without the ability to pose to outside consultants both questions and methods of addressing these questions, Senators who serve on the BLG are left to their own resources to research their questions. Service on the Senate is voluntary and—with the exception of the three Senate officers—uncompensated. Researching fringe benefits questions independently can be both time-consuming and expensive.

Hence, it is proposed that the University Senate be permitted to submit to any external, healthcare-insurance consultant engaged by the administration ~~(such as Aon Hewett)~~ **– through the appropriate HR office -** a list of questions **related to the betterment of the institution** that the Senate would like that consultant to research in order to better inform decisions about healthcare-insurance benefits. In addition, given that the methods used can bias one's results, it is further proposed that the Senate be allowed to review and comment on the methods that will be used to address these questions.

Addendum: Sample Questions for External, Healthcare-Insurance Consultant

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 Hewett 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 Hewett, 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 health-care costs?

10. Are there measureable 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?

Comment: Several respondents to the Fringe Benefits Committee's September 2013 heathcare-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."

Introduced to Senate: 9 April 2014
Revised with friendly amendment in red: 17 April 2014
Approved by Senate: 23 April 2014
Approved by Administration with proposed amendments in purple: 10 July 2014
Senate Approved Amendments: 24 September 2014