

# Faculty Welfare Committee/AAUP Excellence in Education

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## **From the FWC/AAUP Executive Committee:**

At the request of the Faculty Salary Committee (FSC), we are printing in this issue a report authored by the FSC and the faculty members on the Health Care Committee (HCC). This report has been shared with the administrative team and with the HCC. Our colleagues on the FSC wanted the report to be shared with all members of the General Faculty (GF) in advance of the GF meeting on Friday. We urge you to read the report, attend the GF meeting on Friday, and stay for the FWC-AAUP sponsored gala reception!

## **TRENDS IN HEALTHCARE EXPENSES:**

**A Report by the Faculty Salary Committee & faculty members  
on the Health Care Committee**

**February 2016**

The members of the Faculty Salary Committee (FSC) and the faculty members on the Health Care Committee (HCC) prepared this report in order to inform the collegial discussions taking place between the FSC and the administrative team, and in the Health Care Committee. We appreciate the frank and collegial discussions that have taken place in both venues so far this academic year. As you know, we are planning a report to the General Faculty (GF) at the GF meeting on Friday, February 19, 2016, and we will present our recommendations regarding a 2016-2017 Memo of Understanding/Benefits Plan Overview (MOU/BPO) at the GF meeting in March. *We have deliberately chosen to keep opinions or discussions about the current proposals out of this document; it is entirely data-based and factual in order to best inform our discussions.* We look forward to continuing our discussions in meetings.

- Section 1 concerns the effect of cost-sharing on employees
- Section 2 concerns the effect of cost-sharing on the University (“the employer”)

The data here comes from:

Fairfield University Experience Report  
January 2014 - December 2014  
(dated February 24, 2015)

Fairfield University  
Experience Report  
January - December 2015  
(dated January 27, 2016)

Further data/information is from our contractual MOU/BPOs (available on the General Faculty website) since cost-sharing was imposed on employees beginning January 1, 2010.

## **SECTION 1: Effect of cost-sharing on employees**

- **Prior to 2010, Fairfield University provided health insurance to the employee, spouse and dependent children at no cost to the employee.**

For faculty members, this contractual commitment was stated in the *Faculty Handbook*, (a contractual document between the General Faculty and the Board of Trustees, which can only be revised by mutual agreement) as follows:

“The University provides, at no cost to the faculty member, an enhanced Health Care Plan (as of July 1, 1996, a self-funded plan with benefits equivalent to the Blue Cross Blue Shield Century Preferred Plan) which covers hospital and medical/surgical expenses for the faculty member and his or her eligible dependents.”

- **Beginning January 1, 2010, faculty started cost-sharing health insurance premiums. The General Faculty approved by majority vote changes (1) to pay at most 10% of the health insurance premium for Option I or the HSA (individuals choosing Options II or III paid for the cost of the enhancements), and (2) that cost share amounts would not increase by more than 6%. This was an agreement for three years.**

Language articulating the new contractual agreement appeared in the 2009-2010 Benefits Plan Overview:

“Faculty will cost-share healthcare premiums. ... For 2010, 2011, and 2012, faculty will pay no more than 10% of the healthcare premium for Option I or the HSA option. ... For 2010, 2011, and 2012, none of the cost- share amounts ...will increase by more than 6% per year.”

The 2010 premiums for Option I and the HSA were as follows:

2010	Single	Employee + 1	Employee + >1
Option I	\$725	\$1,474	\$1,969
HSA	\$570	\$1,164	\$1,546

- Faculty received an offset into base salary in exchange for accepting this change.
- HSA deductible was \$1500/\$3000\*.
- The University contributed \$1,000/\$2,000\* toward the high deductible; 2/3 of the deductible.
- **For calendar year 2013, an agreement to continue paying 10% of premiums was reached. HSA deductible (\$1500/\$3000) and University contribution (\$1000/\$2000) remained the same.**

In this first year in which there was no agreement for a cap on the increase, and following three years with a cap on the increase of 6%, cost-shares in 2013 were, on average, 11.2% higher than 2012. The faculty is on record that paying any percent of premiums *with no cap on how high the premium will be set is totally unreasonable.*

2013	Single	Employee + 1	Employee + >1
Option I	\$905	\$1,835	\$2,457
HSA	\$715	\$1,454	\$1,937

**Beginning January 1, 2014, the employee share of premiums went to 20% (for 2014, 2015, and 2016). Faculty received an offset into base salary in exchange for agreeing to this change. In addition, the faculty's continuing position is on record that paying 20% of "premiums" with no cap on how high the premium will be set is totally unreasonable.**

For some inexplicable reason, HSA premiums for 2014 were set exactly equal to the premiums for Option 1, resulting in an extremely high increase for HSA premiums, on the order of a 150% increase in cost shares for all HSA participants.

2014	Single	Employee + 1	Employee + >1
Option I	\$1,778	\$3,556	\$4,800
HSA	\$1,778	\$3,556	\$4,800

- **Employee cost-share for calendar year 2015 (and 2016), per the agreement reached in the 2013-2014 Benefits Plan Overview is 20% of "premiums", however there continues to be no cap on the increase to premiums.**

For calendar year 2015, the employee's share of the premium increased by 14.7%. The University's share of the premium increased by only 2.5%

2015	Single	Employee + 1	Employee + >1
Option I	\$2,047	\$4,094	\$5,527
HSA	\$2,047	\$4,094	\$5,527

- **For calendar year 2016, cost-share amounts remained essentially the same, but the health insurance benefit to the employee was reduced by introducing a deductible on the PPO (\$500/\$1,000\*) and increasing substantially the deductible on the HSA (\$2,000/\$4,000\*), with no increase to the University's contribution towards the high deductible for employees participating in the HSA.**

2016	Single	Employee + 1	Employee + >1
Option I	\$2,032	\$4,063	\$5,485
HSA	\$2,032	\$4063	\$5,485

\*Individual coverage/Coverage for two or more

## SECTION 2: Effect of cost-sharing on employer

Medical costs over the last three years are decreasing

Total Cost for Medical 2013	\$13,952,665
Total Cost for Medical 2014	\$13,743,822
Total Cost for Medical 2015	\$12,326,624

Medical costs *to the University* over the last three years are decreasing, even more sharply:

Cost to University for Medical 2013	\$11,199,087
Cost to University for Medical 2014	\$10,744,342
Cost to University for Medical 2015	\$9,307,832

This appears to be due to a number of factors, including higher cost-share for employees, fewer covered employees, and lower medical claims paid per employee.

Of perhaps more importance to faculty is the difference between the amount of money budgeted for health care costs versus the amount of money actually spent on health care costs, and what happens to that difference.

In the charts below, EE stands for employee; ER stands for employer.

2013	
Gross Budget for Medical:	\$13,767,888
Amount contributed by EE (20%)	\$2,753,578
Amount “contributed” by ER (80%)	\$11,014,310
Total Cost for Medical:	\$13,952,665
Percent actually paid by EE:	19.7%
Hence, percent actually paid by ER:	80.3%
Amount for RESERVE FUND:	-\$184,777

2014	
Gross Budget for Medical:	\$14,997,401
Amount contributed by EE (20%)	\$2,999,480
Amount “contributed” by ER (80%)	\$11,997,921
Total Cost for Medical:	\$13,743,822
Percent actually paid by EE:	21.8%
Hence, percent actually paid by ER:	78.2%
Amount for RESERVE FUND:	\$1,253,579

2015	
Gross Budget for Medical:	\$15,093,960
Amount contributed by EE (20%)	\$3,018,792
Amount “contributed” by ER (80%)	\$12,075,168
Total Cost for Medical:	\$12,326,624
Percent actually paid by EE:	24.5%
Hence, percent actually paid by ER:	75.5%
Amount for RESERVE FUND:	\$2,767,336

Our understanding, based on consultation with the attorney funded by the FWC and our own research, is that a regulated insurance company must spend a minimum of 85% of premiums on claims paid. If they spend less, then they must provide a refund to the company they are insuring. We calculate that if the University had been a regulated insurance company in 2015 (and not self-insured), as insurer, they would have to refund \$1,278,054 or about \$1,706 per covered employee.

Moreover, the “surplus” affects the total compensation figures reported to the AAUP which are used to calculate the contractual commitment to keeping average total compensation in each rank at or above the AAUP’s 95<sup>th</sup> percentile. The surplus, over the last three years amounts to \$3,836,138. The faculty’s portion of this surplus is “counted” as compensation to AAUP but is not received by the faculty.

The Faculty Welfare Committee/AAUP at Fairfield University is an ad hoc committee of the General Faculty and an affiliate of the national AAUP. We promote the professional and economic interests, broadly defined, of the Fairfield University Faculty. All our activities are open to all members of the faculty but we are funded entirely by our dues-paying members. To join, contact any member of the

### From the Archives:

“As you know we have a self-insured program which includes by design a reserve fund. ... it was part of the board’s requirement as well as good management that the program be built with a reserve fund to deal with the variable nature of medical costs.”

Bill Lucas (August, 2006)

FWC/AAUP Executive Committee: Rona Preli, President; Jocelyn Boryczka, Vice-President; Bill Abbott, Secretary; Irene Mulvey, Treasurer; At-large members: Betsy Bowen, Sonya Huber, Anna Lawrence & Deb Strauss.

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