

Recommendation No. _____

Moved By: Policy, Budget, & Benefits Committee

Seconded By:

___ **Passed** ___ **Tabled** ___ **Failed**

Title: Health Insurance Premium Recommendation

The Staff Advisory Council Recommends to Administration that:

OSU adopt the March 2008 Faculty Council recommendation on health insurance premiums, conditional upon the following points:

- #1 Employees making less than \$30,000/yr base salary will not lose any benefits.
- #2 Implementation of the recommendation is based on a tiered structure, targeting the lowest paid employees to receive the greatest degree of benefit.
- #3 Funding the recommendation does not impact staff raise programs.
- #4 OSU continues to pay 100% of health insurance premiums for individual employees.

Furthermore, SAC has the following additional comments for consideration:

- A. SAC is receptive to the idea that OSU implements the recommendation at a lower percentage than proposed by Faculty Council (for example at 63%) in order to make point #1 more feasible.
- B: If the recommendation is accepted and implemented, OSU should hold another open enrollment period for dependents, with no pre-existing condition clauses/exceptions.

Rationale for lowering dependent health insurance premiums:

Faculty Council has already provided legitimate rationale for improving dependent health benefits at OSU, and SAC agrees with these reasons.

Rationale for point #1:

In order to (partially) fund their recommendation, the Faculty Council proposes using (ie. taking away) the \$34.44/ mo that were provided to individual employees this year as part of a “cafeteria plan.”

SAC solicited feedback from staff on this issue, and, while most employees with dependents were understandably in favor of the proposal, those who did not were largely against it, many of them vehemently so. Primarily, the greatest opposition stemmed from the lowest paid employees, even those with families. This is not unexpected, of course, because 34 tax-free dollars per month represents a significant benefit to many individuals.

To put the importance of this benefit into perspective, for the 509 employees making \$20,000 or under annually, \$34/month is roughly equivalent to 2% of their salary. For an employee making \$30,000, it is equivalent to 1.3% of their annual salary. Therefore, an employee without dependents making under \$30,000 annually would have to use a significant portion of their next annual raise if they wished to (for example) keep up their eye and dental insurance should OSU take this money away.

SAC does not feel it is fair to ask the lowest paid staff members to sacrifice a statistically important percentage of their annual salary to “make up” for the loss of this important benefit. SAC feels strongly that taking away the \$34/mo will have an extremely negative impact on employees without dependents at the lower end of the pay scale, and we ask Administration to protect them.

Additional feedback received included the following arguments:

- Many staff members said they were only able to afford dental and eye insurance for the first time this year because of these additional \$34/mo. Taking away the \$34/mo will effectively take away their dental and eye insurance in order to pay for insurance on someone else’s spouse (and/or children). In the long run, is this really a fair trade that benefits the majority of OSU employees? What long-term effects will it have upon premiums for dental and eye insurance?
- Taking away this benefit from employees with no dependents is “punishing” them while rewarding employees with families. Some went so far as to say it was discriminatory.
- Taking away this benefit equally across the board impacts staff more greatly than faculty since the \$34/mo represents a great percentage of income for lower paid employees.

Rationale for point #2:

SAC believes that implementing a tiered structure for dependent benefits will enable OSU to target lower paid employees who need the most assistance in order to insure their dependents while limiting additional costs overall, perhaps making point #1 more feasible.

Additionally, a tiered structure may help eliminate the potential scenario in which an employee making \$31,000/yr (or less, if point #1 is not implemented) forfeits \$400/yr

(\$34/mo) in order to subsidize insurance for the spouse of an employee making \$100,000/yr. SAC feels that this potential scenario is inherently unfair to lower paid employees.

Rationale for point #3:

SAC believes that a staff raise program should take priority over funding this recommendation.

Rationale for point #4:

SAC strongly agrees with Faculty Council that OSU should continue to pay 100% of the health insurance premiums for “employee only” insured units.

Explanation for comment A:

The Faculty Council conducted calculations for a 63% subsidy for family insurance premiums. They rejected this proposal for largely symbolic reasons (it would not raise OSU high enough in the Big XII rankings). But they projected that this solution would cost \$900,000 *less* annually to the university. Given that the Faculty Council has potentially overestimated revenues and underestimated costs, the 63% option gives the university a more realistic chance of implementing a permanent plan.

Explanation for comment B:

In fairness to employees who decide to cover their spouse and/or children based these proposed changes, OSU should work with our insurance providers in order to ensure an opportunity for open enrollment in which pre-existing conditions are not considered.