

October, 2005

To: Faculty Council and Administrative Professional Council

**From: Judith Barth, Co-Chair, University Benefits Committee (2005-06) for
Vicki Bajtelsmit, Chair University Benefits Committee (2004-05)**

**Re: Annual Report of the University Benefits Committee
Academic Year 2004-2005**

The University Benefits Committee is comprised of 4 faculty, 4 administrative professionals, and 1 retiree. The Benefits Manager and the Director of Human Resources attend the meetings ex officio. Committee members for the 2004-2005 year were: Vickie Bajtelsmit (Business and Chair), Kari Anderson (Liberal Arts), Ken Allen (Applied Human Sciences), Sue Hine (Agriculture), Cliff Matsumoto (CIRA), Judy Barth (Cooperative Extension), Ernie Marx (Cooperative Extension), Frank Johnson (Agriculture Experiment Station), and Myron Hulen (Retired Faculty).

BenPay

1. In the Fall 2004 semester, the UBC proposed a change to BenPay that would have given all faculty and administrative professionals the same dollar amount of BenPay. In an effort to be budget-neutral, the proposal was to reduce BenPay for those above the average salary in order to fund increases for those below the average salary. The UBC also proposed an increase in the opt-out charge from \$125 to \$160. The rationale for these proposals was that rising health care costs are quickly outpacing BenPay. The CSU highly regressive system of linking benefit dollars to salary is unique among our peers and limits our ability to provide affordable family health coverage to lower income employees.

Action: Both of these proposals were ultimately rejected by the administration. The rationale was that, even though there was fairly strong support among the university community for change, it was perceived as unfair to pay for this change by taking away money from higher paid employees.

2. In Spring 2005, the UBC again proposed a change to BenPay that would help lower paid employees. The cost of increasing BenPay for all faculty and APs who earn less than the average salary level to the level they would have received if they were at the average is approximately \$800,000. The committee had originally planned to propose a two tiered system of BenPay, with those above average salary being grandfathered under the old system (4.2% of average salary + 2.5% of own salary for those in the defined contribution plan; 4.2% of average salary and .7% of own salary for those in PERA). After meeting with the Committee on Strategic and Financial Planning and further discussion with Keith Ickes, the proposal was to move everyone to BenPay based on average salary (while maintaining the DCP/PERA differential), but to make up the difference for those who would be getting less under this system by making an adjustment to base salary.

Rationale: The primary rationale for this proposal was the same as the motivation for the previous proposal. A system that is not linked directly to salary will be more similar to our peers, will be easier to explain in recruiting, simpler to administer, and will make health care coverage more affordable for lower salaried employees, particularly those with families. Given the large expected faculty turnover in the next several years, new hires are more likely to be younger and lower paid than our current mix. The adjustment to salary for those above the average salary will satisfy those who argued that the proposal last year was unfair to people above the average salary.

Action: While this proposal was acceptable to University Administration, due to budget uncertainties and the desire to provide salary increases, this proposal was not advanced to the BoG by CSU administration. The feasibility of the proposal was dependent on budgetary issues.

Health Care Plans

1. The UBC closely watched the performance of our self-funded health plans in light of the previous year's decision to maintain premiums for 2004 at 2005 levels. The plans ended the year in the black.

Action: The committee's recommendation was accepted and premiums for the 2004 years were set at the same level as 2003.

2. The UBC reviewed recommendations from our actuarial consultant regarding premium increases for the 2005 plan year. Although national health cost increases are expected to be close to 15 percent and our own claim costs are forecast to increase 10 percent for 2005, when the funds generated by \$125 per month opt-out charge were taken into consideration, the estimated increase necessary to maintain fund solvency was projected to be 4.9%.

Action: The UBC concurred with the Director of Human Resource's recommendation to increase 2005 premiums 4.9% from their 2004 level.

3. The UBC continued its investigation of the cost of providing an infant well care benefit. Comparison to peer institutions indicated that CSU's infant coverage was insufficient. The average cost of wellcare for the first year of life, according to our actuarial consultant, was \$1200. Our health plan well care benefit is only \$300 and, in the Green Plan, the deductible must be met before that benefit applies.

Action: The UBC recommended that a new infant well care benefit be added to our plans for 2005 and this was implemented. The new benefit provides coverage for up to \$1,000 of wellcare for infants during their first year of life.

4. The UBC heard an Anthem Disease Management proposal in early April. This program, which is similar to those being implemented in large health plans around the

country, will provide special proactive claims management for participants with certain high claim cost diseases.

Action: The UBC recommended the addition of a Disease Management feature to the University plans.

RFPS for Human Resource Consulting firm and 3rd Party Administrator

In Spring 2004, the Benefits Office issued RFPs for our human resource consulting contract and for the 3rd party administrator of our health plans. The proposals were reviewed in Summer 2004.

Action: The UBC concurred with the Benefits Office and Director of Human Resources recommendations to renew our contract with Gallagher Benefits Administrators as our consulting firm and Anthem as the 3rd party administrator of health plans. In both cases, the proposals from our previous providers were far superior to those offered by competitors. The decision regarding Anthem was particularly driven by the breadth of Anthem's nationwide network in light of the number of CSU employees who work outside of the state of Colorado.