

**REPORT OF THE ALL-COLLEGE COMMITTEE ON COMPENSATION**

**Modification of Medical Insurance Plans for 2005-06**

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Claims against the College’s self-funded health insurance program administered by Great West have risen somewhat more quickly than national trends. The College’s consultant on health insurance predicts a 10.2% increase for 2005-06. Either we must increase premiums in that proportion, or we must modify coverage and deductibles.

The Compensation Committee prefers, on recommendation of the administration, to increase premiums 5.7% and to modify coverage and deductibles as follows:

1. To cover all diabetic supplies at 100%. The College collaborates with other local businesses and non-profits to encourage prevention, to identify diabetes in its early stages, and to try and head off serious illness from chronic diabetes.
2. To cover annual physicals and wellness exams at 100%. We support eliminating the current office co-pay of \$20 on such exams.
3. To increase the deductible from \$100 to \$250 on the Point of Service Plan (POS).
4. To increase the deductible from \$250 to \$500 on the Preferred Provider Organization (PPO) plan.
5. To increase the co-pay on office visits from \$20 to \$25 on the PPO plan.
6. To increase the maximum individual out-of-pocket expenditure from \$3,000 to \$3,750 under the PPO plan.
7. To increase brand-name co-pays from \$35 to \$50 and “preferred” drug co-pays from \$20 to \$25 for both plans. Generic co-pays will remain at \$10 for both plans.

We recommend that employees sustain a higher percentage of costs on the PPO side, where claims have exceeded premiums for the first six months of this fiscal year.

Employee contributions would be as follow for 2005-06:

**POS Plan (75% of CC employees)**

	Current per month	% Employee	2005-06 per month	Δ per month	Δ per year
Employee	73.63	18%	77.83	4.20	50.40
E. + Spouse	155.46	23%	164.31	8.85	106.20
E. + Child	131.61	20%	139.11	7.50	90.00
E. + Family	212.71	26%	224.84	12.13	145.56

**PPO Plan (25% of CC employees)**

	Current per month	% Employee	2005-06 per month	Δ per month	Δ per year
Employee	81.63	20%	96.10	14.27	171.24
E. + Spouse	172.75	25%	198.48	25.73	308.76
E. + Child	146.27	22%	170.06	23.79	285.48
E. + Family	236.40	30%	288.31	51.91	622.92

We recognize that the increase in medical premiums adds to the burden imposed by the implementation of the Emeriti proposal. We think that salary increases tentatively approved by the Board of Trustees will provide every benefit-eligible employee with a raise of at least \$770 this year. The Emeriti contribution will be \$524, and an employee with family coverage under the POS plan would incur an additional \$146. That makes a total of \$670. In the 15% tax bracket, the effective impact on net pay would be \$570, or \$200 less than \$770. That would appear to be a worst case scenario. In a separate report we are recommending that the mandatory contribution for Emeriti apply to employees who are at least 40.

With these changes the College's insurance plans will remain somewhat more generous than most offered by employers in the Colorado Springs community. Employees are currently paying only 22.4% of health insurance premiums, on the average. Marsh, the College healthcare consultant, says the "industry norm" falls between 30 and 50% and recommends an increase this year in the employee share for both plans. We endorse that recommendation for the PPO plan, which covers about a fourth of employees and tends to include those in higher salary brackets. The employee share under the POS plan will remain unchanged, if our recommendation is followed. In future years, the College would like to move the employee share of health insurance premiums for family coverage to 30% for the POS as well as the PPO plan. All employees will, as usual, have a chance to re-select insurance plans before the new fiscal year begins July 1.

For the first six months of this fiscal year, net claims in the POS plan were 92.2% of premiums, but net claims ran to 106% of premiums in the PPO plan. Because the College program is self-funded, any excess of premiums over claims enhances the College reserve; an excess of net claims over premiums is the College's responsibility. The College will actually budget about 15% more for health benefits in 2005-06 than in 2004-05 in the hope of building additional reserves against catastrophic results.