



The Senate of the
University of Illinois
at Chicago

UIC STAFF ADVISORY
COUNCIL



January 22, 2016

Dear President Killeen,

We are leaders of the Academic Professional Advisory Committee, UIC Faculty Senate, UIC Staff Advisory Council, and the UIC United Faculty Union concerned about potential changes to our health insurance, which we have heard may be substantial. According to AFSCME, the union currently negotiating with Governor Rauner about health insurance, the average worker’s healthcare costs will increase \$3,100 beginning in July 2016, and there is no discussion of capping future increases. Premiums were just doubled for most University employees in 2013. We are concerned that these proposed changes will hurt current employees and diminish the standing of the University of Illinois. This change, coupled with the challenges of the State budget that has frozen salaries and hiring, combined with the abysmal “Tier II” pension provided to new employees, puts the University in a disadvantageous position for recruiting and retaining the top-quality faculty and staff for which it is known.

We would like to meet to hear your thoughts on the proposed changes and discuss ways that we can work together to minimize the harm to the almost 30,000 University of Illinois employees and their families who receive CMS healthcare. Below we have attached a memo prepared by a UIC United Faculty staffer that gives some background on the topic.

We are available to meet at a time and place of your choosing. Obviously this problem is not limited to UIC, so we welcome you to invite any other groups that could contribute to or benefit from the discussion.

Sincerely,

UIC Academic Professional Advisory Committee
Colleen Piersen, Chair
Ahlam Al-Kodmany, Vice Chair

UIC Senate Executive Committee
Catherine Vincent, Chair

UIC Staff Advisory Council
Darlene Kendall, President
Graundia Smith, Vice President

UIC United Faculty
Janet Smith, President

CC: Michael Amiridis, UIC Chancellor

U OF I EMPLOYEES COMING TOGETHER TO PROTECT OUR HEALTHCARE

SUMMARY:

University of Illinois employee healthcare is administered by Governor Rauner's administration, and he is proposing drastic service cuts and cost increases. If the plan succeeds, we will pay, on average, \$3,100 more next year for poorer coverage. University of Illinois faculty and staff have to lead the charge along with President Killeen to ensure that these cuts do not come to fruition, some of which could happen as early as January. If the cuts and cost increases happen, the University needs to have a plan to retain its staff and faculty.

OVERVIEW:

The [State Employees Group Insurance Act of 1971](#) (the Act) provides for group life insurance, health benefits and other employee benefits for persons in the service of the State of Illinois such as state and public university employees. It also provides health benefits for certain benefit recipients of the Teachers' Retirement System and their dependents and for certain eligible retired community college employees and their dependents. The insurance plan is administered through the department of Central Management Services. According to Central Management Services (CMS), in 2015 approximately 362,692 Illinoisans are covered by plans that they administer. More information is contained in [COGFA's annual report](#).

UICUF and other U of I unions cannot bargain alternative healthcare, as the Act does not allow it. All university employees other than Graduate Employees receive insurance through the CMS plan. The Act does not include any provisions to get alternative coverage, so this is the only plan that University employees have unless they can opt out entirely and use their spouse's plan. The amount varies by plan, but on average, participants **currently** cover about 15-20% of their plan costs (premiums and out of pocket costs), with the State picking up the other 80-85%.

Governor Rauner is proposing that participants cover a fixed 40% of the total cost starting next year.

This figure is well above the current employee contribution average in most other states. The Kaiser Family Foundation's 2014 survey of employer health benefits found that an average worker contributed 18% of insurance costs for single coverage. The figure climbed to 29% for family coverage. [The study](#) found the range was 13-14% for large public employers. No plan is as poor as the Governor's proposed plan.

WHY AFSCME BARGAINS OUR INSURANCE:

U of I insurance is administered through CMS (a division of the executive branch), but is negotiated with only one union, the American Federation of State and Municipal Employees (AFSCME). AFSCME has the most members that work for the executive branch (about 35,000). There is nothing statutory that requires this arrangement, but it has been the practice for more than 20 years. This arrangement made

sense under previous governors – it would be untenable for CMS to bargain with every local union that represents State, university, and community college employees that receives healthcare through one of its plans. Up to now, AFSCME has done a good (but not perfect) job representing all 363,000 participants. The situation has now changed. Governor Rauner wants State employees to pay higher premiums for less care in order to save \$700 million. Negotiations with AFSCME are very antagonistic, and there is a possibility that all participants in the plan may suffer to satisfy his goal of weakening AFSCME.

WHAT CHANGES ARE BEING PROPOSED BY THE GOVERNOR?

At the bargaining table, Governor Rauner is pushing for two radical changes to the group insurance benefit which could increase employee costs by thousands of dollars each year. First, he is proposing to drastically increase the share of the premium paid by employees and drastically increase the out-of-pocket costs when employees access healthcare. Second, Governor Rauner wants to double the employee premium contribution to 40% of the cost for single coverage and to 40% of the cost for dependent coverage too. This proposal represents a significant change in a number of ways:

1. The current proposal is for Employee Premiums to **double** in July 2016. Deductible and out-of-pocket expenses will increase as well. On average, this will cost employees \$3,100 per year.
2. Currently employees pay a fixed dollar amount toward premiums that is specified in the contract. Moving to paying a percentage of the premium cost means that employee costs would rise **each year** based on any increase in the state's healthcare costs.
3. Currently employees who make less pay a little less for health insurance, and employees that make more pay a little more. This proposal **eliminates protections** for lower paid workers, as everyone will be paying the same amount for group insurance.

Increasing the employee premium contribution from 19% (the current average contribution) to 40% puts Illinois outside the norm of other states. The national average for state employee premium contributions is 16%.

These proposed changes to health benefits would move Illinois from average to dead last when compared to other states. No other state has an employee health insurance plan with an actuarial value anywhere near as low as what the Governor has proposed. **Combined with the "Tier II" pension for new employees, the University of Illinois system will have significant recruitment and retention issues**, as its institutions will have one of the worst pension and healthcare benefit packages of any public university system in the country.

THE UNIVERSITY IS LIMITED IN ITS INSURANCE OPTIONS:

According to the U of I Staffing Trends [data](#), in 2015 there were 29,615 employees of the University of Illinois. Generally, healthcare costs are shared between the employer and employee. For U of I insurance however, funding sources for [2015](#) show about 59% of healthcare cost are carried by GRF (general revenue funds of the state, i.e. tax dollars). Member contributions make up about 16.9%, while

University funds make up only 1.6% of funding (remainder: reimbursements (18.0%), road fund (4.4%) and miscellaneous (1.0%)). Universities appear to come out way ahead. No employer is paying that little to insure its employees. This is an issue because the U of I will not be able to find another healthcare plan that will charge it that low of a contribution rate. And even if the law allowed the U of I to opt out of the CMS plan, they would have to contribute significantly more to do so.

WHAT ARE THE OPTIONS?

First and foremost, faculty and staff from all three campuses need to work together and request a meeting with President Killeen to discuss this crisis. What is his response to these changes? Has he spoken with the Governor about this? If the changes take effect, does he plan on passing them on to employees, on making the healthcare cost increases commensurate with salary programs? Could he implement “hold harmless” language that would make the U of I responsible for cost increases above a certain threshold? Could the U of I set up and fund Health Savings Accounts, which could mitigate some of the cost increases that would occur in future years? It is important to answer these questions now since any change will be implemented in the new plan year, and open enrollment usually occurs in May.

CONCLUSION:

The healthcare changes that the Governor is proposing in AFSCME negotiations will have a tremendous impact on U of I employees. The U of I needs to have a plan if these increases take effect, and faculty and staff system-wide should meet with President Killeen and lead the charge to ensure that the U of I and its employees are not bystanders to the Governor’s healthcare proposals.