

MEMORANDUM

WHITMAN COLLEGE

Date: November 14, 2011

To: President Bridges

From: Keith Farrington and Jeff Donahue
Co-Chairs, Faculty/Staff Benefits and Compensation Committee(s)

Subject: Recommendations for Employee Health Care Premium Plan

On December 3, 2010, you sent a message to the college community, detailing your assessment of the increasing cost of fringe benefits to the college and the college's need to reduce these costs in the immediate future. In this message, you tasked the faculty and staff fringe benefits committees with the following charges:

“I request that our fringe benefits committees meet over the spring semester to assess all possible options for reducing the College's fringe benefits costs while seeking to preserve competitive fringe benefits packages for faculty and staff. I also request that the committees develop a set of proposals for the campus to review in September in anticipation of our open enrollment for the 2012 calendar year. In doing so, they should consider fringe benefits models used by other like institutions, the projected impact of increases in medical and tuition costs in future years, and the limits of Whitman's budget to absorb these costs while supporting the College's critical programmatic needs.”

In response to these mandates, the faculty and staff fringe benefits committees did meet jointly throughout the spring, 2011 semester. The results of these deliberations were presented in a report jointly issued by Jim Russo (last year's chair of the Faculty Fringe Benefits Committee) and Keith Farrington (the current chair of the newly-created Committee on Faculty Compensation) on September 1 of this year. This report stated (in part):

“We examined various models for health care plans and premium cost sharing, within the context of our principles pertaining to health care. These principles include a desire to maintain a fair and equitable shared responsibility in health care costs, a plan which imposes less burden on employees with lower salaries, and an intent to consider changes in employee contributions relative to changes in salary. We collected health care benefits data from 21 institutions (the panel of 14 colleges plus Lewis & Clark, Willamette, Gonzaga, Bowdoin, Kenyon, Middlebury, and St. Olaf) to analyze: self-insured status, # of plans offered, employee contributions to premiums, premium structures based on salary, and percentages of premiums paid by employees and families. In addition, we looked at several consortia of independent colleges in different states, and employer models in which employees' premiums are based on salary. We analyzed data for total health care costs at Whitman for 2008-10, looking at how employee costs are distributed among premiums, copays, coinsurance, and deductibles, and the total health care cost sharing between employees and the College.”

From this analysis, Professors Russo and Farrington offered the following recommendations on behalf of our committee:

- a. That employees make a contribution to their medical premiums, starting at a rate of 5% of total premiums.
- b. That the premium contributions by employees be paid as a percentage of salary.
- c. That the college discontinue cash-in-lieu payments for employees who are insured by a spouse.
- d. That the cost-sharing structure of dependent health care premiums not be changed at this time (although the Faculty Committee on Compensation will continue to take this matter under advisement).

As Professor Farrington indicated in a message sent to the faculty list serve on September 15, the combined faculty and staff fringe benefits/compensation committees opted to continue the discussion of these recommendations during the first portion of the current (fall) semester, to allow for consideration of several alternative models that had come to our attention and to make certain that we were recommending the best plan possible, given the instructions that we had initially received from you.

Following an additional two-and-a-half months of deliberation, our faculty/staff committee is ready to propose the following recommendations, for implementation as early as January 1, 2012:

- a. That full-time employees make a contribution to their medical premiums, at a rate of 5% of total premiums (the figure specified in Peter Harvey's message to faculty and staff of November 17, 2010).**
- b. That the premium contributions by employees be paid as a percentage of salary, in accordance with the specific model that we present on page 3 of this document (the model that we propose recommends a percentage-of-salary contribution of 0.65% for each full-time employee, with the several exceptions noted below).**
- c. That any full-time employee whose annual salary falls below the HHS Poverty Threshold (for a family of four) for the year in question (\$23,500 in 2011) be exempted from making a contribution (we further recommend that these calculations be done anew each year to reflect and make use of the most recent Poverty Threshold figure).**
- d. That the health care premium contributions of part-time employees remain unchanged at this time (although our committee will continue to take this matter under advisement in our deliberations on compensation and benefits during the remainder of the year).**
- e. That the cost-sharing structure of dependent health care premiums not be changed at this time (although our committee will continue to take this matter under advisement in our deliberations on compensation and benefits during the remainder of the year).**
- f. That the cash-in-lieu option remain in place for persons employed by the college prior to January 1, 2012 but is not available to those hired after that date.**

The Percent-of-Salary Employment Contribution Model Recommended by the Faculty and Staff Benefits and Compensation Committee(s), in which All Full-Time Employees Making in Excess of a Certain Annual Salary Level (Defined as the Most Recent Poverty Threshold for a Family of Four, as Calculated and Reported by the U.S. Department of Health and Human Services) Contribute as follows:

Salary De-duction %	Salary Ex-ample	Monthly Em-ployee Pre-mium Cost	College Con-tribution
0.00%	\$22,350	\$0	100.0%
0.65%	\$55,000	\$29.79	94.7%
0.65%	\$75,000	\$40.63	92.7%
0.65%	\$100,000	\$54.00	90.3%
<i>Total yearly saving to the college</i>		<i>\$150,000</i>	

In offering these specific recommendations, we would also like to make several more general points as well:

- It should go without saying – but we will say it anyway – that this proposal to implement a plan for employee contribution to health care premium payment was motivated by, and came in direct response to, your directive presented above. If left to our own devices, the members of our committee – even those of us who are most acutely aware of the college’s current financial state and who are most willing to concede that it may well be necessary for the college to move in the direction of such a cost-sharing adjustment with regard to health care – almost certainly would not, of our own volition, have opted to pursue a higher employee contribution to our health care benefits at this time. However, your original mandate did not ask whether we wanted to make up the specified \$150,000 budget shortfall; it gave us this charge. After fully considering the various alternatives – i.e., reducing the overall quality of our health care plan, paying higher co-pays, having higher deductibles – we believe that our recommendation for employee contribution to health care premiums is by far the preferable course of action to accomplish this objective.
- As we’re sure you realize, there is great concern on campus with the general issue of total compensation. Whitman faculty and staff have not had meaningful salary increases in several years. It is obvious that this situation cannot continue indefinitely into the future, especially if employees are now being asked to assume a larger share of the payment of their health care benefits. We thus recommend that the college do whatever it can to remedy this situation just as soon as possible. We anticipate that any such initiative on the part of the college will pay immediate benefits in terms of faculty and staff morale and continued commitment to Whitman’s mission to provide excellent undergraduate education to all of its students.
- While still on the matter of total compensation for faculty and staff, we call in particular for increased salary resources to be directed to those of our fellow employees who are at

the bottom of Whitman's salary structure. It is reassuring to see (in our 2010-11 Salary Comparison Report) that the college does fairly well in salary compensation for non-exempt employees when compared to other local employers, but we see no reason that our lowest-paid employees should be just above (and perhaps in a handful of cases, somewhat below) federally-defined poverty levels. While it is clear that current economic times are potentially challenging for all of us who work at Whitman, they are almost certain to be especially difficult for those at the bottom of our institutional salary structure. We thus recommend that the college do whatever it can, just as soon as possible, to relieve the financial hardships experienced by these lesser-paid Whitman employees.

- Philosophically, many (although not all) of the members of our committee would have preferred to recommend a more progressive model for employee contribution to health care premiums – a model which would have seen contributions fall more heavily on Whitman's more highly-paid employees. However, while this may be a method of distributing this expense that is fair and reasonable when the contribution level is 5%, with no assurance that this level of contribution will remain at (or near) 5%, many members of our committee felt that they simply could not commit to this more progressive model on the long term, despite its great appeal as a matter of principle.
- Relating to this same point, we believe that there is great concern among faculty and staff as the college opens the door to the general idea of employee contribution to health care premium payment. We thus ask that the college do whatever it can to assure its employees that this 5% contribution is not simply the first step toward a rapid and steadily-increasing rate of employee contribution.

With all of the above said, we realize that neither the college's administration nor its Board of Trustees are under any structural obligation to request and consider our committee's thoughts on and recommendations relating to this important issue, and we do very much appreciate the collegiality and good will shown by all parties involved in providing us with this opportunity.

Respectfully submitted by:

Sonja Aikens (Administrative Assistant for the Intercultural Center)

Jason Arp (Assistant Director of Alumni Relations)

Mark Beck (Professor of Physics)

Jeff Donahue (Construction Project Manager, Physical Plant)

Keith Farrington (Professor of Sociology)

Patrick Frierson (Associate Professor of Philosophy)

Bokyung Kim (Assistant Professor of Art History)

Jennifer McNeil (Assistant Registrar for Institutional Records)

Claudia Ness (Director of the Health Center)

Nathaniel Paust (Assistant Professor of Astronomy)

Albert Schueller (Associate Professor of Mathematics)

David Sprunger (Assistant Director, Multimedia Development and Services)

Chris Tarvin (Admission Manager, Office of Admission)

Debra Wright (Accounts Coordinator, Business Office)