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Workshop Training: Bargaining Healthcare in Higher Education

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National Center for the Study of Collective Bargaining in Higher Education and the Professions

Higher Education Health Care Case

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Table of Contents

Session Agenda.....	Page 1
Instructions	Page 2
Points to Consider.....	Page 2
Case.....	Page 3

Session Agenda

1. Introductions (10 minutes)
2. Presenters: Health care-related bargaining trends (20 minutes)
3. Participants: Health care-related issues and concerns (50 minutes)
4. Explanation of exercise and identification of groups (10 minutes)
5. Break (15 minutes)
6. Initial, small-group work (45 minutes)
7. Full labor group meets and full management group meets (30 minutes)
8. Presentations and discussion (1 hour)

Instructions

Workshop presenters will break participants into small groups representing management or labor. This initial small-group work will consist of coming up with potential proposals based on the health plan data provided and the following scenario. Each group will list their proposals.

Following the initial small-group work, all management groups will come together to fine-tune their ideas and come up with a single list of written proposals. Labor will do the same. Some ideas from the initial small groups may fall off the final list.

The final step will be for labor and management to present their final list for full-group discussion.

During this time, the facilitators will be circulating to answer questions and ask questions of their own.

Points to Consider

You may or may not decide to explicitly address these in your proposals, and you will undoubtedly come up with ideas that are not here.

- Structural issues
 - Finding savings within existing contracts or finding alternative arrangements
 - HDHPs—balancing labor-friendliness and employer cost-savings
 - Low-hanging fruit (emergency room) vs. more-complicated provisions (managing hospital stays, smaller networks, changes in care management programs, etc.)
 - Gradations of prescription drug changes (copay differences, closed formularies, care management programs, optimizing PBM contract terms, etc.)
- Employee costs
 - At what point do increases in cost-sharing materially change employer cost?
- Interactions
 - Adverse selection with different plan choices
 - Costly drugs that decrease medical utilization
 - How out-of-pocket costs can influence utilization
- Responses
 - How to respond to (management or labor) proposals
- Cost-saving programs
 - Wellness
 - Disease management
 - Provider selection
- Effective/ineffective reopener language
- Information needed
 - Comparables
 - Legal/statutory changes
 - Plan cost-drivers over time
 - Pitfalls with information

Higher Education Health Care Case

In upcoming contract negotiations, the same management team will bargain health benefits with each of the unions. For their part, the unions, which each have separate bargaining teams, want to come up with a single health care-related proposal. For these purposes, management has established several small groups to come up with bargaining ideas. Labor has also established a series of small groups drawn from multiple unions. Here is some background to consider:

1. University College is a large state higher education institution with an enrollment of about 23,000 and a staff of about 5,000 of which about 3,000 are eligible for health care benefits. In addition, there are about 1,250 retirees who are also eligible for health care, about 1,050 of whom are Medicare eligible and therefore receive Medicare supplemental benefits. The Medicare eligible retirees and their Medicare eligible dependents receive the same benefit level as the in service and pre-Medicare retirees with Medicare as primary under a coordination of benefits approach.
2. The College is in a state that maintains a group health benefits plan for state, school district, local government and other public sector employees, including University College. Health benefits are insured, as a matter of state law, and provided by the state's Blue Cross Plan. Participation in the state health plan is mandatory for the state but optional for local government employees and other public sector entities, like University College. Table 1 is a summary of the state health plan's benefits to active employees and pre-Medicare retirees. Medicare primary retirees receive the same benefits with Medicare as primary under a coordination of benefits approach.
3. The College is in a rural part of the state and is the largest employer in the region. In addition to the state's Blue Cross Plan, this part of the state is served by Aetna and two regional managed care organizations.
4. The College has employees represented by three national labor unions and two independent unions. While the five bargaining agreements contain different language, all reference participation in the state health benefits plan, in two cases along with alternatives an employee or retiree can elect. Different bargaining agreements have different contribution requirements to participate. Cost sharing arrangements are summarized on Table 2. All bargaining agreements require the continuation of health care into retirement, although different agreements have different eligibility rules and contribution requirements.
5. The state health plan has a number of participation rules, among them the following:
 - a. The state health plan is pooled. In other words, all employers pay the same rates for the same plan of benefits regardless of each employer's experience. Current monthly rates are noted below in point 6.
 - b. Any employer can offer employees an alternative to the state plan only if:
 - 1) It is part of a collective bargaining settlement,
 - 2) At least 30% of the benefits eligible population elect to join the state plan and
 - 3) There cannot be an alternative to Medicare-primary retired plan members unless it is also available to all retired plan members.

6. The state health plan is set in collective bargaining with the state’s two major unions, neither of which is affiliated with any of the unions representing the college’s employees. In the past three years, the state health plan’s cost increase has been averaging increases of over 11% per year. The current monthly rates, which are split between the college and employees/retirees under the terms of the various collective bargaining agreements, are:

Individual	\$1,019.94
Family	\$2,333.49
Medicare primary individual	\$455.11
Medicare primary family	\$1,203.80
Family with one Medicare-primary	\$1,768.64

7. There is no expectation of the state health plan’s trend normalizing and the College looking for budget relief for its health care costs. The total current health care expense (including employee/retiree contributions) is noted on Table 3.
8. While the cost of the state health plan is problematic, the College has reviewed its own experience. Due to the age of the active workforce and their health, it has found that the College’s claims cost has been averaging 8% more than the College’s (and plan member’s) premium to the state health plan. This makes establishing a separate health plan challenging for the College.
9. The College noted that the state health plan’s Medicare-primary rates are higher than the likely cost of a Medicare supplement program proving the same level of benefits. Further, the College has learned that a competitive Medicare Advantage Plan is likely to cost about 15% less than a Medicare supplement program.
10. While the College cannot only replace the Medicare supplemental coverage, it can fully replace all retiree coverage. The College obtained the rates for pre-Medicare retirees as well as for a comparable Medicare Advantage Plan indicated on Table 4.
11. The College’s eligible retiree population yields the annual savings noted on Table 4. This is about 6% of the retiree health care expense and about 1.2% of the total annual health care expense (including employee/retiree contributions). Table 3 summarizes the College’s total 2018 cost for their total eligible population.

Table 1: Summary of Benefit Terms

Benefit Category		Coverage Terms	
		In Network	Out of Network
General	Deductible	None	\$1,000 per covered person; separate \$250 deductible for Managed Physical Medicine Program
	Out of Pocket Maximum	\$4,650 for Hospital/Medical/MH/SA; \$2,500 for Rx Single; \$9,300 and \$5,000 for Family	\$3,000 per covered person; \$1,000 per covered person for the Managed Physical Medicine Program
	Lifetime Maximum	Unlimited	
	Coinsurance	100%	90% Hospital, 80% Physician
Preventive Care	Routine Adult Physical/Immunization	100%	80% physical, Immunizations not covered
	Routine Well Child Exam/Immunization	100%	80%
	Routine gynecological care exams	100%	80%
	Routine Mammograms	100%	80%
	Womens Health (OBGYN)	100%	80%
	Colorectal screening	100%	80%
	Routine Eye Exams	100%	80%
Physician Services	PCP Office Visit	\$20 Copay	80%
	Specialist Office Visit	\$20 Copay	80%
	Diagnostic Xray	\$20 copay/\$40 hospital OP	80% Office, 90% facility
	Diagnostic Laboratory	\$20 copay/\$40 hospital OP	80% Office, 90% facility
	Diagnostic Complex Imaging	\$20 copay/\$40 hospital OP	80% Office, 90% facility
	Radiation	100%	80% Office, 90% facility
	Chemotherapy	100%	80% Office, 90% facility
Emergency Medical Care	Urgent Care Provider	\$20 copay	80%
	Emergency Room	\$70 Copay (waived if admitted)	
	Emergency Use of Ambulance	100%	\$35 copay
Hospital Care	Inpatient Coverage	100%	90%
	Inpatient Maternity Coverage	100%	90%

Benefit Category		Coverage Terms	
		In Network	Out of Network
Outpatient Hospital Expenses	Outpatient Surgery	\$60 copay	80% Office, 90% facility
	Outpatient Pathology	\$40 if not part of surgery, otherwise \$0	80% Office, 90% facility
	Outpatient Surgery Non-Hospital Facility	\$30 Copay	80% Office, 90% facility
Mental Health Services	Inpatient	100%	90%
	Outpatient	\$0 copay for 1st 3 visits, then \$20 copay	80%
Substance Abuse Services	Inpatient	100%	90%
	Outpatient	\$20 Copay	80%
Other Services	Skilled Nursing	100%	90%
	Hospice Care	No Copay for up to 365 days; no coverage for Medicare eligible	90%
	Travel Reimbursement (Centers of Exc)	Facility over 100 miles (200 air) from home	
	Outpatient Speech Therapy	\$20 Copay	80%
	Outpatient PT and Occup therapy	\$20 Copay	80% after Physical Med deductible
	Chiropractic	\$20 Copay	80% after Physical Med deductible
	Durable Medical Equipment	100%	50%
	Prosthetics	100%	50%
	Orthotics	100%, \$500 Limit	50%
	Diabetic Supplies	100%	50%
	Wigs	\$1,500 Lifetime maximum	
	Hearing Aids	Up to \$1,500 per hearing aid per ear every 4 years (every 2 years for children under 12)	
Family Planning	Infertility Treatment	\$20 copay	80%
		\$50,000 Lifetime Limit	
Prescription Drug	Retail	\$5/\$25/\$45–30 day supply; \$10/\$50/\$90 31–90 day supply	
	Mail Order	\$5/\$50/\$90 31–90 day supply	

Table 2: University College and Employee/Retiree Cost Sharing Arrangements

Collective Bargaining Agreement 1

Rate Tier	Employee/Retiree Monthly Amount
Single	\$25
Family	\$75
Medicare primary individual	\$10
Medicare primary family	\$20
Family with one Medicare primary	\$65

Collective Bargaining Agreement 2

Rate Tier	Employee/Retiree Percentage
Single	5%
Family	10%
Medicare primary individual	5%
Medicare primary family	10%
Family with one Medicare primary	10%

Collective Bargaining Agreement 3

Rate Tier	Employee/Retiree Percentage
Single	10%
Family	20%
Medicare primary individual	10%
Medicare primary family	20%
Family with one Medicare primary	20%

Collective Bargaining Agreements 4 and 5

All rate tiers have a 5% employee and 50% retiree cost sharing arrangement

Table 3: University College Health Care 2018 Cost¹

Rate Tier	Count	Monthly Rates	Annual Cost
Single	960	\$1,019.94	\$11,797,709
Family	2,256	\$2,333.49	\$63,172,241
Medicare primary individual	430	\$455.11	\$2,348,368
Medicare primary family	450	\$1,203.80	\$6,500,520
Family with one Medicare primary	170	\$1,768.64	\$3,608,026
Total	4,266		\$87,426,864

Table 4: Retiree Rate & Cost Comparison

Rate Tier	Count	State Health Plan Monthly Rates	State Health Plan Annual Cost	Separate Plan Monthly Rates	Separate Plan Annual Cost
Non Medicare Retiree:					
Single	30	\$1,019.94	\$367,178	\$1,466.93	\$528,095
Family	178	\$2,333.49	\$4,984,335	\$3,356.13	\$7,168,694
Medicare Primary Retiree:					
Single	430	\$455.11	\$2,348,368	\$290.81	\$1,500,580
One Medicare, One Non Medicare	110	\$1,768.64	\$2,334,605	\$1,757.74	\$2,320,217
One Medicare, Non Medicare Family	41	\$1,768.64	\$870,171	\$2,975.71	\$1,464,049
Two Medicare	450	\$1,203.80	\$6,500,520	\$581.62	\$3,140,748
Two Medicare, One Non Medicare	17	\$1,203.80	\$245,575	\$2,048.55	\$417,904
Two Medicare, Non Medicare Family	2	\$1,203.80	\$28,891	\$3,266.52	\$78,396
Total	1,258		\$17,679,643		\$16,618,683
(Savings)/Cost					(\$1,060,960)

¹ Total cost including employer/retiree contributions