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**Miami AAUP Working Paper Series: Advocating for Change  
Paper No. 3  
Report on the State of Miami University's Health Plans, Part II  
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This is the second of several reports on the adequacy, affordability, and fairness of Miami University's employee health plans. This report focuses on the premiums that we pay in order to be covered under one of the University's two health plans. *The principal conclusion is that employees at Miami University generally pay more for our health insurance coverage than employees at other Ohio public universities and public employees in Ohio as a whole.* These higher premiums are exacerbated for some employees by significant penalties imposed for non-completion of wellness program requirements. High premiums compound the substantial cost-shifting that occurs through the relatively high deductibles, co-pays, and co-insurances under Miami's plans – especially for non-network care.

No one enjoys paying for health insurance. Many of us remember when the University paid for our coverage and there was no employee share of premiums. Alas, those days are gone at Miami University and most other employers.<sup>1</sup> Group health plans – whether purchased from an insurance company or provided through a self-insurance mechanism (“self-funding”) – are expensive.<sup>2</sup> Medical costs have risen much faster than the general rate of inflation for several decades. As a self-insured employer, the costs incurred under the health plans (or more exactly, the costs beyond what employees pay for through premiums, deductibles and so forth) come out of the University's budget and affect the resources available for other purposes. UMR administers the University's health plans, but does not pay for the health care received by employees from its own revenues. Although it is a reality that Miami University is self-insured,

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<sup>1</sup> In 2015, 13% of public employees in Ohio paid no premiums for individual coverage under their health plans and 10.7% paid no premiums for family coverage. State Employment Relations Board (SERB). *23d Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (2015), 3.

<sup>2</sup> Across employer health plans of all types, the average total premium for individual coverage in 2015 was \$6251 and \$17,545 for family coverage. Henry J. Kaiser Family Foundation. *2015 Employer Health Benefits Survey* (September 22, 2015), Exhibit 1.1. Annual health plan premiums (for plans including drug coverage) for public employers in Ohio averaged \$13,710 per employee in 2015. SERB (2015), 17.

it is not an extraordinary fact. The majority of public employers in Ohio are self-insured.<sup>3</sup> Self-insuring in the area of health care is very common among larger employers and it is done precisely to save money.<sup>4</sup>

Public employees typically receive a larger proportion of their total compensation in the form of benefits than do private sector employees and pay a smaller percentage of health plan premiums.<sup>5</sup> In Ohio, public employees paid an average of 12% of the total health plan premiums for individual coverage and 12.8% for family coverage in 2015. The employee share of premiums is higher at Ohio colleges and universities, with an average employee contribution of 13.8% for individual coverage and 15.2% of the cost of family coverage.<sup>6</sup> *Miami University employees pay a considerably larger share of the cost of health plan premiums than Ohio public employees overall and Ohio college/university employees.* On two occasions within the last year, we were informed that Miami University employees paid 19.7% of the cost of our health insurance premiums in 2015 (separate figures were not provided for individual and family coverage).<sup>7</sup> This translates to a Miami employee share of premiums that in the aggregate is approximately 35% higher than the premium burden of employees at other Ohio colleges and universities. This Miami disadvantage is particularly disconcerting because the rationale offered for the rapid increase in our premiums over the last decade was to bring them in line with other Ohio public universities, as per a Board of Trustees directive.<sup>8</sup> It appears that, as with other cost-cutting measures, the University has again overshot its mark.

We can take a closer look at how the premiums paid by Miami University employees stack up against the premiums paid by our colleagues employed at other Ohio public universities. Using the same schools and health plans considered in our previous report, Table 1 compares premiums for *single coverage* at Miami University and other schools for employees at three different levels of pay. It is necessary to choose particular levels of pay because it is the only way to directly compare Miami's pay-based premium formulas with the premium tables used by all of the other

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<sup>3</sup> 70.8% of all public employers in Ohio are self-insured. The figure is just slightly higher (71.0%) for all Ohio colleges and universities. SERB (2015), 6.

<sup>4</sup> Cost savings from self-funding usually result in *lower* employee premiums. Nationally, the average employee share of premiums for family coverage in 2015 was 26% for self-funded plans, compared to 35% for fully-insured plans. Kaiser Family Foundation (2015), Exhibit 6.21.

<sup>5</sup> David Lewin, Jeffrey H. Keefe, and Thomas A. Kochan. "The New Great Debate about Unionism and Collective Bargaining in U.S. State and Local Governments." *Industrial & Labor Relations Review* 65 (October 2012), 755.

<sup>6</sup> SERB (2105), 9.

<sup>7</sup> Presentation by Provost Callahan to the University Senate, October 26, 2015 (Senate Meeting Minutes, November 9, 2015), 18; Presentation by the University Benefits Committee to the University Senate, February 22, 2016. The Callahan presentation acknowledged the steep rate of increase in the employee share of premiums, from 6.8% in 2005 to 19.7% in 2015. Absent these occasional revelations, it is very difficult to know what percentage of total plan premiums we are paying.

<sup>8</sup> In the presentation by Provost Callahan to the University Senate, October 26, 2015, we were informed that the increased premiums were "consistent with directive from Board of Trustees to increase premium to **statewide average** for public universities in Ohio."

universities. Table 1 also notes additional amounts added to the premiums of employees who fail to complete wellness program requirements, as well as any employer contributions to the health savings accounts (HSAs) of employees with high-deductible plans. Table 2 provides the same information for *family coverage*. Figures are rounded to the nearest dollar.

Miami's premiums are at their most comparable for lower-paid employees. Premiums for individuals earning \$25,000 (assuming that there is no wellness penalty) are essentially in the middle of the pack for both the PPO and HDHP.<sup>9</sup> Family coverage under the PPO for an employee earning \$25,000 is more expensive at Miami University than at most of our Ohio peers, while it is in line with other schools for the HDHP.<sup>10</sup> *But for employees earning \$75,000 or \$125,000, the premiums under both of Miami's health plans are uniformly the highest among this set of peer institutions. Miami employees at these salary levels pay hundreds of dollars more per year for individual coverage under both plans and thousands more for family coverage.*<sup>11</sup> And with Miami's percentage of pay formulas for determining premiums, any pay raises automatically result in increased premiums - even if the underlying formula percentages remain the same.<sup>12</sup>

For some Miami University employees, high premiums are compounded by substantial penalties for non-completion of wellness program requirements.<sup>13</sup> Most Ohio public universities offer some sort of wellness program. However, it appears that only Miami and Ohio State explicitly link completion of wellness program activities to premiums. Miami employees who fail to

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<sup>9</sup> Specifically, of the 16 PPO plans listed, including Miami's, 7 plans had lower premiums for employees earning \$25,000/yr. and 8 were higher. Out of a total of 6 HDHP's, 2 plans had lower premiums than Miami's for employees at this pay level and 3 were higher.

<sup>10</sup> 10 PPO plans had lower premiums for family coverage than Miami University and 5 had higher premiums. Among HDHPs, 2 plans had lower premiums than Miami University and 3 were higher.

<sup>11</sup> Under the PPO, Miami University employees earning \$75,000/yr. paid an average of \$452 more per year for single coverage (the range was \$6 - \$1218), while employees earning \$125,000 paid \$994 more (the range was \$438 - \$1878). Under the HDHP, the corresponding figures were \$389 (the range was \$175 - \$810) and \$999 (the range was \$762 - \$1470). Under the PPO, employees earning \$75,000/yr. paid an average of \$1484 more for family coverage (the range was \$141 - \$4017), while employees earning \$125,000 paid \$3241 more (the range was \$1387 - \$6127). Under the HDHP, the corresponding figures were \$1245 (the range was \$693 - \$2553) and \$3189 (the range was \$2299 - \$4663).

<sup>12</sup> Depending on the type of coverage, Miami University employees pay premiums set at 1.32%, 2.90%, or 4.22% of salary (including any additional "base premiums" and wellness penalties). For an employee receiving a \$2000 raise, \$24.40 (individual coverage) or \$84.40 (family coverage) of that raise will revert back to the University in the form of additional premiums.

<sup>13</sup> We are labeling this extra amount that some employees must pay for their health benefits a "penalty" rather than a "reward" or "incentive." The University prefers to frame it as the latter (a "premium discount"). To a great extent, this is just a matter of semantics. But in Miami's case, the "premium discount" clearly functions as a penalty for non-completion of program requirements. Employees who earn the "discount" do not see their premiums lowered. Instead, they avoid having substantial additional amounts added to the normal premiums.

complete wellness program components face a maximum penalty of \$720/yr. (single coverage) or \$1440/yr. (family coverage). At Ohio State, the maximum penalty is \$360/yr. regardless of type of coverage. The Miami wellness penalty, while easily within the maximum allowable under the Patient Protection and Affordable Care Act, is clearly higher than at any of our Ohio peer institutions. The size of this penalty is more than a trivial matter. In 2015, 41% of Miami University employees paid at least a partial wellness penalty (or, as the University prefers, failed to earn the full “premium discount”). 17% of employees paid the entire penalty and 24% paid a partial penalty for completing some, but not all, wellness program requirements.<sup>14</sup>

One countervailing consideration is that Miami University makes a relatively large contribution to the HSAs of employees with the high deductible plan. The University contributes \$1000/yr. for individual employees and \$2000/yr. for employees with family coverage. Of the Ohio universities examined, only Wright State makes an equally large HSA contribution. The employer contributions for other schools range from \$350 to \$1600/yr. Thus, higher HSA contributions can be said to partially off-set the higher premiums we pay.<sup>15</sup> However, these contributions apply only to the minority (roughly 30%) of Miami University employees who have the HDHP. Additionally, these higher HSA contributions are not sufficiently high to cancel out the premium disadvantage, especially for employees with family coverage. Thus, somewhat higher HSA contributions at Miami University are being funded by much higher premiums, with the net effect being that we pay more for our health plans than do our colleagues at other Ohio schools.

Are we guilty of comparing apples and oranges? Certainly, all health plans differ in some respect. Higher premiums could be justified for plans that are exceptionally generous and impose relatively little in the way of deductibles, co-insurances, and co-pays. But we have yet to discover or be shown how Miami University’s health plans are materially better than the plans at other Ohio public universities. We will continue to investigate and ask questions, but for now, it looks very much like we are being charged more for health plans that are no better than most of the plans offered by other Ohio universities, and in some cases, inferior to those plans.

Then what should our premiums be? We do not purport to offer an answer to that question here. Certainly, Miami University should not be charging premiums that require us to pay a much larger share of the cost of our health plans than is the average for other Ohio public universities – particularly in light of the Board of Trustees’ directive to bring costs in line with the state-wide average. It is probably also true that the University community favors a premium structure that is progressive and guarantees that the health plans will be affordable for those with the most limited means. To get beyond these generalizations, there needs to be a mechanism for

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<sup>14</sup> Presentation of Cassie Wilson, Assistant Director, Employee Wellness to the University Benefits Committee, April 27, 2016.

<sup>15</sup> There is a legitimate question as to whether HSA contributions truly “off-set” premiums. Certainly, premiums cannot be paid out of HSA funds. Furthermore, premiums must be paid regardless of whether any medical services are used, while HSA funds can be accessed only if eligible medical expenses are incurred. Nevertheless, as a significant health care expenditure by the University and a form of income that can be applied to future medical expenses, it warrants consideration when evaluating the costliness of our health plans.

formulating, articulating, and advancing our interests in this and other areas. What types of health plans do Miami University employees really want? To what extent do we prefer to pay up-front in the form of higher premiums or on the back-end in the form of a larger share of bills for medical care? What trade-offs would we be willing to make to have better and/or more affordable health plans? That's an open question. Right now we have a modicum of faculty input through the University Benefits Committee and we should utilize that opportunity to the fullest extent possible, because without union representation and a seat at the bargaining table, decision-making about our health plans is likely to remain mostly top-down and financially driven.

### Recommendations

1. Premiums should not be increased while they remain in excess of the employee burden at other schools. The University should, in fact, roll back premiums to a level truly comparable with other Ohio public universities. This should be accomplished in a manner that does not simply reduce other forms of compensation and shift them into health benefits.
2. There is a need for considerably more information regarding our health plans and expenditures related to health benefits. The Senate, perhaps via the Benefits Committee, should formally request this information. We need to know on a regular basis not only what percentage of health plan “premiums” we are paying, but also what is actually rolled into those costs. In other words “19.7% of exactly what?” How much of this total goes toward the cost of medical care received by University employees (excluding amounts paid for by employees through deductibles, co-insurances, and co-pays)? How much goes to UMR for administering the plan? For premiums on any “stop-loss” insurance that the University might maintain as a means of limiting its liability for unexpectedly large health bills? To vendors like Chard Snyder for administering HSAs and flexible spending accounts? To consultants like Horan? To running the wellness program? To HSA contributions? To the employee clinic at the health center? To other health-related items?
3. The wellness penalty charged to Miami University employees who do not fulfill wellness program requirements seems excessive. There is a need to evaluate the components of the wellness program and to better understand employee objections to them.
4. The University should maintain its current practice regarding employer HSA contributions.

**Miami University Advocacy Chapter of the AAUP  
Working Paper #3—Health Plans, Part II**

**Table 1** – Comparison of Annual Employee Premiums at Ohio Public Universities, F/T Employees, Single Coverage Only (2016)

<b>School/ Plan</b>	<b>Employee Earns \$25,000  (\$/yr)</b>	<b>Employee Earns \$75,000  (\$/yr)</b>	<b>Employee Earns \$125,000  (\$/yr)</b>	<b>Maximum Penalty for Wellness Non- Completion  (\$/yr)</b>	<b>Employer HSA Contribution  (\$/yr)</b>
<b>Miami PPO</b>	<b>930</b>	<b>1590</b>	<b>2250</b>	<b>720</b>	<b>n.a.</b>
<b>HDHP</b>	<b>330</b>	<b>990</b>	<b>1650</b>	<b>720</b>	<b>1000</b>
U.C. PPO	1452	1536	1812	0	n.a.
HDHP	564	600	708	0	350 – 800 <sup>a</sup>
Toledo <sup>b</sup> PPO <sup>c</sup>	1307	1307	1307	0	n.a.
PPO <sup>d</sup>	1006	1006	1006	0	n.a.
HDHP	815	815	815	0	800
Ohio U. PPO	778	1231	1382	0 <sup>e</sup>	n.a.
Akron Blue PPO	372	372	372	0	n.a.
Gold PPO	936	1260	1416	0	n.a.
B.G.U. PPO	1299	1299	1299	0	n.a.
HDHP	665	665	665	0	750
Shawnee PPO <sup>f</sup>	504	828	828	0	n.a.
HDHP	180	180	180	0	500
O.S.U. Basic PPO	1123	1217	1267	0	n.a.
Prime Care Choice PPO	388	555	612	360	n.a.

**Table 1** (continued) – Comparison of Annual Employee Premiums at Ohio Public Universities, F/T Employees, Single Coverage Only (2016)

<b>School/ Plan</b>	<b>Employee Earns \$25,000 (\$/yr)</b>	<b>Employee Earns \$75,000 (\$/yr)</b>	<b>Employee Earns \$125,000 (\$/yr)</b>	<b>Maximum Penalty for Wellness Non- Completion (\$/yr)</b>	<b>Employer HSA Contribution (\$/yr)</b>
<b>Miami PPO</b>	<b>930</b>	<b>1590</b>	<b>2250</b>	<b>720</b>	<b>n.a.</b>
<b>HDHP</b>	<b>330</b>	<b>990</b>	<b>1650</b>	<b>720</b>	<b>1000</b>
Kent 90/70 PPO	760	1461	1680	0	n.a.
80/60 PPO	592	1268	1480	0	n.a.
70/50 PPO	438	1094	1300	0	n.a.
Wright 90/10 PPO	936	1584	1800	0	n.a.
80/20 PPO	432	1056	1272	0	n.a.
HDHP	312	744	888	0 <sup>g</sup>	1000

<sup>a</sup> Employer HSA contributions at U.C. vary by salary level.

<sup>b</sup> Toledo is one of several Ohio public universities at which employee premiums do not vary by salary level. The others are Bowling Green, Akron (the Blue PPO only), and Shawnee State.

<sup>c</sup> This is the OBA/FrontPath PPO plan.

<sup>d</sup> This is the Paramount 3-Tier PPO plan.

<sup>e</sup> Ohio University offers a maximum \$120 annual “premium reduction” for completion of wellness program requirements. Unlike the Miami and O.S.U. plans that impose higher premiums for non-completion of wellness requirements, premiums remain at the listed levels for non-participating Ohio University employees.

<sup>f</sup> Premiums at Shawnee State vary by broad job group, rather than by salary (but only for the PPO). The lowest premiums are for “support staff,” while the same, higher premiums apply to “admin/ATSS” and “faculty.” It is assumed here that employees earning \$25,000 are support staff, while employees earning \$75,000 or \$125,000 are in the other two job groups.

<sup>g</sup> Wright State offers a maximum \$130 annual wellness incentive as a lump-sum payment.

**Miami University Advocacy Chapter of the AAUP  
Working Paper #3—Health Plans, Part II**

**Table 2** – Comparison of Annual Employee Premiums at Ohio Public Universities, F/T Employees, Family Coverage Only (2016)

<b>School/ Plan</b>	<b>Employee Earns \$25,000  (\$/yr)</b>	<b>Employee Earns \$75,000  (\$/yr)</b>	<b>Employee Earns \$125,000  (\$/yr)</b>	<b>Maximum Penalty for Wellness Non- Completion (\$/yr)</b>	<b>Employer HSA Contribution  (\$/yr)</b>
<b>Miami PPO</b>	<b>2975</b>	<b>5085</b>	<b>7195</b>	<b>1440</b>	<b>n.a.</b>
<b>HDHP</b>	<b>1055</b>	<b>3165</b>	<b>5275</b>	<b>1440</b>	<b>2000</b>
U.C. PPO	4728	4944	5808	0	n.a.
HDHP	1668	1764	2088	0	700 – 1600 <sup>a</sup>
Toledo <sup>b</sup> PPO <sup>c</sup>	4101	4101	4101	0	n.a.
PPO <sup>d</sup>	3041	3041	3041	0	n.a.
HDHP	2461	2461	2461	0	1600
Ohio U. PPO	2644	4186	4700	0	n.a.
Akron Blue PPO	1068	1068	1068	0	n.a.
Gold PPO	2736	3636	4092	0	n.a.
B.G.U. PPO	4508	4508	4508	0	n.a.
HDHP	2293	2293	2293	0	1500
Shawnee PPO <sup>e</sup>	1416	2916	2916	0	n.a.
HDHP	612	612	612	0	1000
O.S.U. Basic PPO	4360	4548	4703	0	n.a.
Prime Care Choice PPO	2315	2589	2767	360	n.a.



**Table 2** (continued) – Comparison of Annual Employee Premiums at Ohio Public Universities, F/T Employees, Family Coverage Only (2016)

<b>School/ Plan</b>	<b>Employee Earns \$25,000  (\$/yr)</b>	<b>Employee Earns \$75,000  (\$/yr)</b>	<b>Employee Earns \$125,000  (\$/yr)</b>	<b>Maximum Penalty for Wellness Non- Completion (\$/yr)</b>	<b>Employer HSA Contribution  (\$/yr)</b>
<b>Miami PPO</b>	<b>2975</b>	<b>5085</b>	<b>7195</b>	<b>720</b>	<b>n.a.</b>
<b>HDHP</b>	<b>1055</b>	<b>3165</b>	<b>5275</b>	<b>720</b>	<b>2000</b>
Kent 90/70 PPO	2014	3871	4452	0	n.a.
80/60 PPO	1570	3360	3921	0	n.a.
70/50 PPO	1161	2900	3444	0	n.a.
Wright 90/10 PPO	2592	4752	5472	0	n.a.
80/20 PPO	1464	3600	4320	0	n.a.
HDHP	1008	2472	2976	0	2000

<sup>a</sup> Employer HSA contributions at U.C. vary by salary level.

<sup>b</sup> Toledo is one of several Ohio public universities at which employee premiums do not vary by salary level. The others are Bowling Green, Akron (the Blue PPO only), and Shawnee State.

<sup>c</sup> This is the OBA/FrontPath PPO plan.

<sup>d</sup> This is the Paramount 3-Tier PPO plan.

<sup>e</sup> Premiums at Shawnee State vary by broad job group, rather than salary (but only for the PPO). The lowest premiums are for “support staff,” while the same, higher premiums apply to “admin/ATSS” and “faculty.” It is assumed here that employees earning \$25,000 are support staff, while employees earning \$75,000 or \$125,000 are in the other two job groups.

*AAUP Advocacy Chapter Working Papers are prepared with the approval of the AAUP Executive Committee. This Working Paper was drafted by Dr. David J. Walsh, Miami University AAUP Director of Research.*