

UNIVERSITY HEALTH INSURANCE CONTRIBUTION RECOMMENDATION FROM **FRIC**

The Funded Retirement Insurance Committee (**FRIC**) is recommending that the University contribute 100% of the single CHIP 3 plan premium and 75% of the other family statuses in the CHIP 3 plan. These contribution figures would apply to a person's family status regardless of the health plan selected.

This recommendation is based upon the following factors:

1. University's historical contribution level.
2. Retention of the current faculty and staff.
3. Recruiting needs compared to our competitors.
4. Ability to promote Merit staff from within the University.
5. Perception of how the single faculty and staff regard their 100% contribution level vs. the larger family dollar amount.
6. Continuing the family friendly philosophy by contributing a larger dollar amount to family statuses other than single.
7. Achieving an equitable level of contribution across University employee groups.

FRIC believes that this contribution relationship should be implemented on January 1, 2004, for the above reasons, but understands that a phase-in period may be necessary to accomplish this goal. If a phased process is necessary, emphasis should first be placed on meeting the 100% single target.

2004 HEALTH INSURANCE PROJECTION

Based upon what is currently known in the health insurance marketplace, continued double-digit premium increases are projected to continue for the next 4 to 6 years. The best advice from sources such as Wellmark and various consulting firms is to plan in the neighborhood of a 15% increase for 2004. Future years increases will vary generally between 13% and 15%.

The following chart summarizes 2002 and 2003 university (employer) contributions for employee health insurance. It also projects additional university costs based upon the assumptions noted below.

	1	2	3	4	5	6	7
	NUMBER	2002 EMPLOYER COST	2003 EMPLOYER COST	ADDITIONAL COST FOR FRIC PROPOSAL BASED ON 2003 RATES	2004 COST WITH CURRENT % SPLIT	EMPLOYER PAYS 100% OF 2004 INCREASE *	EMPLOYER 2004 COST FOR FRIC PROPOSAL
SINGLE	2088	\$ 5,662,656	\$ 6,213,888	\$ 2,906,496	\$ 927,072	\$ 1,378,080	\$ 4,284,576
EMP/SPOUSE	2156	\$ 8,899,968	\$ 9,779,616	\$ 7,063,056	\$ 1,604,064	\$ 3,389,232	\$ 9,604,980
EMP/CHILDREN	351	\$ 1,343,628	\$ 1,474,200	\$ 86,346	\$ 235,872	\$ 315,900	\$ 323,271
FAMILY	4240	\$ 20,301,120	\$ 22,285,440	\$ 8,624,160	\$ 3,358,080	\$ 6,207,360	\$ 13,279,680
TOTAL	8835	\$ 36,207,372	\$ 39,753,144	\$ 18,680,058	\$ 6,125,088	\$ 11,290,572	\$ 27,492,507
GEF SHARE	2650	\$ 10,862,212	\$ 11,925,943	\$ 5,604,017	\$ 1,837,526	\$ 3,387,172	\$ 8,247,752

COLUMN 1	NUMBER OF EMPLOYEES (Faculty and P&S) IN EACH FAMILY STATUS
COLUMN 2	EMPLOYER COST FOR THE HEALTH INSURANCE COMPONENT OF THE FLEX CREDIT POOL FOR 2002
COLUMN 3	EMPLOYER COST FOR THE HEALTH INSURANCE COMPONENT OF THE FLEX CREDIT POOL FOR 2003
COLUMN 4	ADDITIONAL COST FOR THE EMPLOYER TO IMPLEMENT FRIC'S RECOMMENDATION IN 2003
COLUMN 5	EMPLOYER'S PROJECTED COST FOR 2004 IF % RELATIONSHIP BETWEEN EMPLOYER AND EMPLOYEE IS MAINTAINED AT THE 2003 LEVEL OF 68% FOR SINGLE AND 54% FOR FAMILY
COLUMN 6	ADDITIONAL COST IF THE UNIVERSITY PICKS UP THE ENTIRE PROJECTED INCREASE (15%) FOR 2004
COLUMN 7	ADDITIONAL COST FOR THE EMPLOYER TO IMPLEMENT FRIC'S RECOMMENDATION IN 2004 (assuming 15% increase)

* Raises employer % from current level of 68% for single to 72%, and family from 54% to 59% for CHIP 3.

HEALTH FLEX
CREDITS*

STATUS	1999	2000	2001	2002	2003
SINGLE	\$ 179	\$ 188	\$ 207	\$ 226	\$ 248
EMP/SPOUSE	\$ 271	\$ 285	\$ 314	\$ 344	\$ 378
EMP/CHILDREN	\$ 252	\$ 265	\$ 292	\$ 319	\$ 350
FAMILY	\$ 317	\$ 333	\$ 366	\$ 399	\$ 438

RATES

CHIP 1

STATUS	1999	2000	2001	2002	2003
SINGLE	\$ 248	\$ 298	\$ 346	\$ 387	NA
EMP/SPOUSE	\$ 592	\$ 711	\$ 724	\$ 873	NA
EMP/CHILDREN	\$ 443	\$ 461	\$ 600	\$ 750	NA
FAMILY	\$ 738	\$ 738	\$ 889	\$ 1,025	NA

CHIP 2

STATUS	1999	2000	2001	2002	2003
SINGLE	\$ 136	\$ 171	\$ 199	\$ 199	\$ 249
EMP/SPOUSE	\$ 232	\$ 311	\$ 405	\$ 405	\$ 507
EMP/CHILDREN	\$ 165	\$ 199	\$ 235	\$ 286	\$ 358
FAMILY	\$ 251	\$ 314	\$ 344	\$ 408	\$ 510

CHIP 3

STATUS	1999	2000	2001	2002	2003
SINGLE	\$ 193	\$ 223	\$ 291	\$ 291	\$ 364
EMP/SPOUSE	\$ 444	\$ 533	\$ 693	\$ 736	\$ 868
EMP/CHILDREN	\$ 347	\$ 417	\$ 476	\$ 476	\$ 494
FAMILY	\$ 482	\$ 492	\$ 621	\$ 648	\$ 810

UICARE

STATUS	1999	2000	2001	2002	2003
SINGLE	\$ 170	\$ 177	\$ 195	\$ 212	\$ 268
EMP/SPOUSE	\$ 391	\$ 407	\$ 420	\$ 420	\$ 540
EMP/CHILDREN	\$ 306	\$ 319	\$ 351	\$ 351	\$ 399
FAMILY	\$ 425	\$ 442	\$ 442	\$ 477	\$ 597

FLEX CREDITS are a combination of the university's contribution towards the cost of health, dental, life, and long-term disability insurances. The health insurance contribution is determined by the person's family status. The dental insurance contribution is determined by the person's family status and length of employment. The life insurance contribution is determined by the person's salary. The long-term disability contribution is determined by the person's length of employment and their salary.

The credits shown on the prior page illustrate the health insurance contribution to the flex credit pool.

HEALTH INSURANCE BIG 10 SCHOOLS FOR 2002/03

CHIP 3 SINGLE	PREM	EMPLOYER COST	%	EMPLOYEE
ILLINOIS	\$ 487.06	\$ 454.06	93	\$ 33.00
INDIANA	\$ 280.58	\$ 245.56	88	\$ 35.02
MICHIGAN	\$ 284.85	\$ 284.85	100	\$ -
MICH STATE	\$ 304.67	\$ 292.53	96	\$ 12.14
MINNESOTA	\$ 328.54	\$ 328.54	100	\$ -
OHIO STATE	\$ 249.82	\$ 233.19	93	\$ 16.63
PENN STATE	\$ 373.28	\$ 298.97	80	\$ 74.31
NORTHWESTERN	\$ 420.50	\$ 362.50	86	\$ 58.00
PURDUE	\$ 342.44	\$ 306.59	90	\$ 35.85
WISCONSIN 90/10	NA	NA	NA	NA
IOWA	\$ 364.00	\$ 248.00	68	\$ 116.00
AVERAGE	\$ 343.57	\$ 305.48	89	\$ 38.10

CHIP 3 FAMILY	PREM	EMPLOYER COST	%	EMPLOYEE
ILLINOIS	\$1,096.40	\$ 894.40	82	\$ 202.00
INDIANA	\$ 783.87	\$ 558.07	71	\$ 225.80
MICHIGAN	\$ 779.15	\$ 489.57	63	\$ 289.58
MICH STATE	\$ 751.98	\$ 722.29	96	\$ 29.69
MINNESOTA	\$1,169.64	\$ 615.60	53	\$ 554.04
OHIO STATE	\$1,247.66	\$ 728.70	58	\$ 518.96
PENN STATE	\$ 858.54	\$ 650.59	76	\$ 207.95
NORTHWESTERN	\$1,203.50	\$ 1,037.50	86	\$ 166.00
PURDUE	\$ 992.93	\$ 866.84	87	\$ 126.09
WISCONSIN 90/10	NA	NA	NA	NA
IOWA	\$ 810.00	\$ 438.00	54	\$ 372.00
AVERAGE	\$ 969.37	\$ 700.16	72	\$ 269.21

CHIP 3 2003	SINGLE	EMPLOYER COST	FAMILY	EMPOLYER COST
IOWA	68%	\$248	54%	\$438
ISU	81%	\$260	63%	\$597
UNI	100%	\$323	80%	\$673
STATE	100%	\$402	76%	\$696

HEALTH INSURANCE BIG 10 SCHOOLS FOR 2002/03

UICARE SINGLE	PREM	EMPLOYER	%	EMPLOYEE
ILLINOIS	\$ 294.54	\$ 269.54	92	\$ 25.00
INDIANA	\$ 246.56	\$ 245.56	100	\$ 1.00
MICHIGAN	\$ 262.92	\$ 262.92	100	\$ -
MICH STATE	\$ 292.53	\$ 292.53	100	\$ -
MINNESOTA	\$ 287.58	\$ 287.58	100	\$ -
OHIO STATE	\$ 274.33	\$ 233.18	85	\$ 41.15
PENN STATE	\$ 166.98	\$ 145.16	87	\$ 21.82
NORTHWESTERN	\$ 391.50	\$ 337.50	86	\$ 54.00
PURDUE	\$ 334.31	\$ 306.59	92	\$ 27.72
WISCONSIN	\$ 346.00	\$ 346.00	100	\$ -
IOWA	\$ 268.00	\$ 248.00	93	\$ 20.00
AVERAGE	\$ 287.75	\$ 270.41	94	\$ 17.34

UICARE FAMILY	PREM	EMPLOYER	%	EMPLOYEE
ILLINOIS	\$ 718.68	\$ 587.68	82	\$ 131.00
INDIANA	\$ 658.54	\$ 558.07	85	\$ 100.47
MICHIGAN	\$ 559.57	\$ 489.57	87	\$ 70.00
MICH STATE	\$ 751.98	\$ 722.29	96	\$ 29.69
MINNESOTA	\$ 655.00	\$ 615.60	94	\$ 39.40
OHIO STATE	\$ 857.28	\$ 728.69	85	\$ 128.59
PENN STATE	\$ 437.01	\$ 374.41	86	\$ 62.60
NORTHWESTERN	\$1,029.50	\$ 887.50	86	\$ 142.00
PURDUE	\$ 970.18	\$ 866.84	89	\$ 103.34
WISCONSIN	\$ 857.70	\$ 857.70	100	\$ -
IOWA	\$ 597.00	\$ 438.00	73	\$ 159.00
AVERAGE	\$ 735.68	\$ 647.85	88	\$ 87.83

UICARE 2003	SINGLE	EMPLOYER COST	FAMILY	EMPLOYER COST
IOWA	92%	\$248	73%	\$438
ISU	100%	\$260	84%	\$597
UNI	100%	\$323	80%	\$673
STATE	100%	\$402	100%	\$696