I would hope that we are only going to be here an hour.

Thank all of you for coming. Obviously they're more than just Staff Congress members here.

We are a self-insured health plan. Very simply put we've got to bring enough money in premiums to cover what goes out in claims. If we don't do that then the plan is insolvent and it hurts all of us. So we must have enough money in premiums to cover what we need for our families and for ourselves for health care. It's just as simple as that. So please keep that in the back of your mind. There's no magic wand out there that can solve problems if a health insurance plan becomes insolvent. The only way to solve insolvent plans is to ask more money to come in in premiums. Now premiums are made up two ways here. One is employee contribution and the other is university contribution. The university contribution to your health plan is 72% of the cost. **At the end of this year almost ? out of every ? dollars goes into premiums paid by the university. (022).** It is probably the richest plan in the commonwealth and the most generous plan in the commonwealth. Now I want to take you back a year because I think you need to put everything into context. One year ago, about a year and a half ago, I knew very little about health care insurance. Mainly because our health insurance program was financially solid. Every one was pretty happy, our rates were low, we were getting what we wanted, and everyone seemed to be happy. I started analyzing with the help of staff, number to learn more about health insurance. And what I found out was a bit alarming. What I thought was a good program really wasn't for a great number of our employees. A great number of our employees were not taking advantage of the health insurance program. So when (which is a normal route here) the benefits committee put forth representing you what they wanted to see in health care, and what they thought it was going to cost, and how we find out what things cost by the way, is that we use a third party, we use our provider, and they tell us about what it is going to cost and how much we have to have in premiums to meet those costs. They do that for us. One of the things I gave as a challenge to that committee, is that I wanted to see our plans change in such a way that more of our employees truly did use this wonderful, wonderful, thing that all of us have in health insurance. The good news is that it worked. They came

up with a plan and for the first time many of you who had individual plans went to family plans. Many of you started using the program whereas in the past many of you did not. That's the good news, that's what we wanted to accomplish and we accomplished it. The bad news is how much it cost us. And that is what I want to share with you first before we start looking at this year.

In January 1, and this is on a calendar year. Your raises come in July and health insurance change in January. We had a good year last year. I'm proud of what we were able to do in salaries. In the first 6 months of this year that 5% raise probably meant a lot for a lot of you. On average 5%. And that was tough for this institution to do that but we did it but we also put $850,000 more into your health care. So in a way not only did you get a 5% raise in July, you got a significant increase of university contribution into your health care. And that was a decision made really to insure that you had good health care and that we could move forward in salaries.

(058) In January 1 of 2000, we had a reserve in our health care. $750,000. That was recommended to us by our third party insurer CHA that we needed to have that much in reserve to insure that if we did not collect enough money in premiums, that there was money to keep the program solvent. In July 1, of 2001, that had shrunk to about $230,000. In other words we had over spent beyond premiums a half a million dollars. It is projected that by December 31, of this year that we will have depleted all of reserve and have gone in the hole approximately $140,000. In other words we have spent $900,000 more than we have collected in health insurance. So obviously you can't do business that way. It's impossible. You cannot do it. The university isn't rich enough to do it and it's something you can't even do in your own personal lives. You cannot spend more than you make.

(071) So we went to the third party and we went back to the normal way that we look at health insurance. We went to the committee this year and said to the committee and we didn't bother them with a lot of numbers. We said what do you want in health care. It's always where we start. What do we want in our program? And they came up with a program. We took that program with some modifications, not major,

minor. Took that program and took it to the third party that decides how much it is going to cost to do that. I'll share that number with you. I don't know if you can see this. I'll try to make it bigger if somebody will help me. I'll say the numbers anyway. I know you can't see this but I'll read them to you anyway. We have three plans here. We're the group in the state that has three plans. We have the basic, we have the HMO, and we have the premium. We have about equal participation in the basic and the HMO and small participation in the premium. The premium is more expensive. I have always worked under the assumption that every thing we do should evolve around the basic because the only thing the university really has to do is provide basic or at least the opportunity for basic health insurance. If one chooses HMO, they're choosing it for their own purposes and if they choose premium they're doing it for their own purposes. The basic is there for everybody if they wish to participate. As you can see, because of our experience last year the rates they gave us, the first rates that I saw were: the single cost $170 it went to $270, a rate increase of 59%. All of you who were in that single base last year didn't pay a dime; as a matter of fact you got $40 credit for other purposes within the health care program. So we went from $170 to $270 in one year. 59%. The next column. 2-person, 55%. The next column 59%. So just in the basics alone our projected cost for next year on average would go up 58% per person. Little bit of a problem. Then go to the HMO. Now this is a choice program. The number is even higher. It has about the equal number that we have in the basic, but the projected cost next year in order to have a solvent program is that it would go up 68%. In other words singles from $190 to $320. Families from $417 to $650 not many of us can afford that but I can you know that. But $650 a month for most of our employees would mean that you're working for insurance. But I want to tell you something. You're not alone. I talked to the pubic schools yesterday. In some income categories they are literally working for insurance. There is no discretionary pay after they pay insurance. That's atrocious in this country. I don't like it, you don't like it. So the problem facing me as your president, is how can we solve this problem? How can we have and keep a viable, and we have a very rich, a very viable health program? Well let me tell you something (111)? Popular. This is not a one-person problem; this is a thousand person problem. There a thousand people that works at this university. Everybody that lights up a cigarette, everybody that smokes too much,

everybody who's grossly overweight, everybody who has bad health habits, costs you money. In this program. Everybody. Now one of the things we could have done is go to people with bad health habits and charge them a hell of a lot more. That's one way to handle it. But no, we don't do that. We try to find a way that we can all share and all prosper and have health insurance. That's what we have to do as a working community. That's what I want to see as a working community. But this is a tremendous problem that is facing us. This is the increases. They are there, they are real. They're not made up. They are real. (122) In order to pay for this program, it is estimated that we had to have $4million, 7 hundred thousand dollars in collection of premiums in order to be solvent. That's where all those numbers came from of all those increases. What was so frustrating to me is that we put the year before almost $800,000 into this program. And I'll tell right now, and I'll tell you numbers, we're going to put $1.4 million in it this year. The university is. And even by us putting $1.4 million it's going to cost every one of us more for health insurance. That's how severe the problem is. There will be an average contribution by the university, every one of you on average of $292. Just take $292 times 12. That is what every one of you on average will have invested in you by the university in health insurance. Now one of the things we found, one of the first charts they gave me; How do we pay for this? And how we've done it in the past and this is the first chart I had in my possession. Let me show it to you. It wasn't based on $292, it was based on $270. (140) In the past, in the past, we had taken what ever the university would contribute and we applied that same number per month to every employee. Last year those of you who were in the single either in the HMO or Basic actually got a bonus; we paid more than what your costs were. Those days are over. There's no way we can do that anymore. When you took at that time $270 cause that was what was recommended to me; I moved it to $292 on average. But when you took $270 and played it across, that meant in the basic the cost is $270 the amount is $270, there would be no cost. Single basic coverage no cost. However, the employee for 2-person went to $160 and for family went to $320. when you got further into the HMO it went to $50, $220, $380, and then the premium $0, $390, and I can't quite see that, $620. I thought those were too high. I thought that would keep you from doing what we wanted to do and that is have you use health insurance. So we start seeking how do other places

handle this problem? We're not, we're kind of on a train that we're kind of on the end of that train. Other places have had to, you've read about UK and their health care problems, you've read about Western by the way which they had to do a surcharge to every employee. I wanted to avoid that. So I asked our staff, give us ideas, let us be able to talk about better ways to do this. And what other institutions do whether you like it or not, is that they differentiate between what the university provides per month depending upon the pla.., not the plan but level of a plan that they select. In other words, a single would receive one rate per month, a two-person a different rate per month, and a family a different rate per month. Now let me tell you something from my perspective and the university's perspective, we are paying for three quarters of your health insurance. The law does not say we have to do that at all. This problem could have easily been solved. We just say we're going to pay this much and you have to make up the rest. Didn't want to do that. That's why is upsets me when I hear the under tones, "oh they're not trying to help, they're just trying to screw us". I heard that a few times around. I just didn't???(164) It couldn't be further from the truth. We're working as hard as we can to help all 1000 of us be able to have something to protect us and our families. All other institutions including the state differentiate among the level within a plan of what is charged. We even have a graph of that and I will show it you in a little bit. So I asked them to go back to the drawing boards, this was not going to work. And they came up with a plan, which I have personally modified myself, and it has been tossed (? 170) out within the group. I've had representatives from staff congress, from faculty senate, from the benefits committee, from the Board of Regents, from administration all putting advice into this. What we have come up with means all of have a little bit of a personal sacrifice. All of us are a part of the problem; all of us share in the solution. All of us. Now for the first time, I mean in this time we have preserved that the single basic will have no cost this year. We have preserved that. It is the only category where there will be no cost. I want to tell you right now so there is no confusion if we are standing here next year I don't think unless we have drastic changes in how we handle our health and how we handle our personal health, there is no doubt in my mind that next year we will not be able to do that. That even the single basic will cost something, but it won't this year. I'll show you the numbers in a minute. But we cannot do that forever. Now

before I show you the numbers, which I know every body wants to see, and the numbers you have, are wrong I'll tell you that right now they're wrong so you just might as well fold them up or write on top of them. Now this is what we call macroeconomics. Macro is just like macaroni, it's bigger that spaghetti. It's looking at the big picture and I can't even get it up here apparently. This is a macroeconomic lesson that I had to do with the faculty and I'm doing it with you and this is reality testing. You entrust with me, the state entrusts in me that this institution runs in all parts of it. Academically, physical plant, you name it, alumni, work with legislatures, donors, everything falls on the president's shoulders. No doubt about it. One of the things I have to do is ensure that we have a physically solvent institution. And I will say this even in tough times, the ten years I've been here, we've this place solvent. We haven't had to come in and do major surgery in middle of the year. I want to tell you what is facing us next year. We raised tuition. I had to set in this very room and tell kids, your kids, your grandkids, your cousins, uncles, whatever I had to tell them it would cost 8% more to come here to this university next year. That generates 2.1 million dollars roughly. Pretty close to that. I can't tell you exactly. Our fixed costs are about a million a year. That's lights, software, cleaning fluid, I mean you name it. All costs more money. So, if you gotta about 2.1 and you have fixed cost of a million, you gotta about 1.1 million left. And that's to do everything with. Rates. You have always shared since I have been here. The staff has always shared at the same level of the faculty. I have never differentiated. Whatever the salary pool was we all thousand shared in. Many of you are lower paid that means you have less money coming in but percentage wise it's always been the same. I believe in that. And it's always been that way. However a 1% raise at this institution costs $420,000. 2% $840,000, 3% $1 million, 260,000. just for a 3% raise. Health insurance which is a personnel cost, a personnel cost, its discretionary by the way. By that I means it doesn't have to happen. It's discretionary by the administration whether it's done or not. But we're gonna do it. You know that. $82 per month per employee costs $970,000 new dollars going into your premium for your health care. Another $500,000 has to be taken out of the university budget to bring our reserves back to the level where they were. Because in order to charge these costs even though they went up fifty-something percent, we still have to have the reserves. So we have to move money from the

university over to cover that. So in your health care program, the university will contribute one million four-hundred seventy something thousand dollars. Well, all of us read the newspaper, we certainly watch television. Budget reductions. You say it today. Higher education will not dodge the budget reductions. The state was three hundred sixty million dollars behind as of August now they are saying that is going to be five hundred and sixty million dollars. Our share of that as near as we can tell will be something between 2 and 3 %. For the sake of explaining this to you today, the budget reduction each 1% costs $413,000 to our institution. This is money they take away. 2% is roughly $426,000. So look what's facing us next year. We've got 1 million one new money. If you take the income you subtract the health care and subtract 2% budget cut, we are one million 1hundred and 99thousand dollars in the hole and I will challenge all of our budget heads to come up with some sort of approach to raises. I don't want us to have zero raises, but every time we add 1% to that we've got to find somewhere in the institution $420,000. So if it was a 1% raise that would jump to 2.7 if its 2% it goes up as you can see. Now the reason I tell you these things is that it's just not as simple as a lot of people thing it is. It is not simple. Now I have made a decision supported by, I think the leadership of Staff Congress and the leadership of the Faculty Senate that this part this 1.4 million was the most important part for our employees to try to keep the health care system whole. It's non-taxable dollars. It benefits not only you but can benefit your family. And so the very first priority of spending new money, which already puts us in the hole when we do it, is 1.4 million commitment to you. I hope there is a raise package and that'll add on top of it. But that is what we have had to do. I mean I'm telling you exactly what I set there and got gray at it at age 34. I'm not 34 I was joking. Everybody's (?? 234). Uh, now. What are the costs. I've already so your already prepared. There will be differential costs or differential premiums applied to various stages. You know that already. Some your like it, some of you don't like it. But I'm gonna tell you. I don't like it but it's the way it's gonna be. (??238) this is the new and the cost. I'm getting' over to it. I didn't have it on the right one. Here it is right here from this point on.

(242) Basic plan. No cost to those of you who take it as a single. We have worked hard to try to do that. Secondly, the increase for the family

in that level will be, we will apply $110 to the family. I'm sorry to the two-person. And we will apply university money $210 to the family. What that means is that your monthly increase in order to stay in these two plans are $0, $42, and $50. It's a lot different than what you saw on that first sheet. But it means we all share in it. And some of you may not wanna share. But you're going to. If you take the plan because I'm not going to change it. So you might as well know it. So if you're mad, you're mad. In the, now remember we radiate everything out of the basic. Everything below the basic is a matter of choice. So, we drop back and said we will apply $240, which is $30 more than we currently do for any single who wants the HMO. The additional cost per month will be $80 if you want to be in the HMO. $89 for the two-person and $63 for the family per month. And then if you are in the premium and very few are in here, uh, the numbers are the same. 240, 320, and 380 and they go up 61, 112, and 112. There's very few people in that in that plan at the family level and our the others so they can make a choice. Their premiums are much higher because they pay a much higher premium to begin with. I don't know if we can preserve not of having one place where you know you can migrate to for you know health care. I don't think we can preserve next year. It really depends on all of us. I'll tell you one story. Dr. gave me Claritin. Gave me some samples cause those of you who know me, know I have allergies. Claritin costs about $2.75 a pill, almost, well let's just call it $2 even. So that's $720 a year just for the pill. You have to go to the doctor twice cause it's got some side effects, you gotta get checked so there's two more $50-$60 bills. Some cases in some of these things you need blood work. That's $400. So this little pill can cost as much can go up to as much as $2000. for one pill. He gave it to me. Fortunately it made me looney. I mean I felt like everybody else was slow motion and I was in fast. And those who worked around me said it was hell to be there because it was what's wrong with you, can't you get that done quick. It was a personality alter and I'm usually pretty gently on personalty, really one-on-one. And so I said this is crazy. I'm going to experiment myself. Cause you know everybody you read the newspapers, you go through the health magazines – Claritin and vioxx and zocar and lipitor and you know all these designer drugs. They tell you to go to the doctor and ask for them. There is a reason for that. They make a lot of money. I found out that sudefed – 20 cents a tablet did the very same thing for me. So the way I

figured, and don't even use it every day, only when I have to you know when things get rough like this time of year's kinda rough. You know it's probably only going to cost me 10 bucks instead of 2000. that's why these costs are out of line. All of us have a responsibility we all want the best health care but we also have a responsibility to say how is the least expensive but yet make sure you have what you need. I'm not telling anybody not to have what they need. That's what threw these costs up. 22% of our costs are in drugs. 22%. It's a thousand person problem folks it's not a one-person problem. It's not a university by itself we the university. It's all of our responsibilities. These are the costs. Some of you may have to cut back. I hate that. Some of you may have to. But with these costs that have come to us I don't know of any way around it. Cause you can see we have already spent into the red to provide this. (279)I think it is a Claritin call not a clar a ton, but a clarian call to all of us that we have to start worrying about health if we're going to keep these things in line. We've got to take care of ourselves and decide just like our whole lives have been changed around our personal safety. Now some of you men lift heavy things and I know that we provide I know that we provide safety equipment for you. Yet 80% of you don't use it. I going to tell you right now I'm telling every supervisor right now, if I see any worker who is supposed to have safety equipment on, that supervisor will hear from us. This serious business and we've got to take serious steps. Now we are all adults here. But these things are important. Cause one wrenched back unnecessarily costs all of us. Plus the pain and personal things to the person and that's the worst. We've got to start taking care of ourselves and one another or else what we'll have to do is basically say we can't afford to do health care we'll just get catastrophic insurance. Catastrophic insurance is basically if you have a catastrophic illness- cancer other sorts of things. But in order to make sure your families and you are covered we have to, we have to take care of ourselves well.

(VP Dailey) Mr. President you mentioned the state situations a minute ago and of course we've talked about the university being a thousand employees and the type of program we have been able to provide in the past. Those of you that were here in the early 90's remember the state law that was passed that was going to bring all of the universities into the state health insurance pool. We fought that. That's the reason that we

went self-insured was in order to stay out of that state pool. There is an effort right now by the state to once again attempt to bring all of the universities into the state health insurance pool. Most of that is stemming from the fact that our retirees are not part of the university's insurance pool. They go into the state pool and therefore the retirees on average being an older group, a higher risk group is adding significant cost to the state plan. So the theory is that if higher education faculty and retired staff are going into the state plan and causing that plan to have increased cost then let's bring all university employees into that state plan. If that happens and we will fight that; very much opposed to that.

President Eaglin: let me tell you what it means folks. I've got the numbers. We did a number comparison across all other plans. There are some better than us, some worse, but they don't have the same coverage we do. We've got the best coverage in the state. That' what you've got to really put it up against. They're paying a lot of money for a lot less. But in these various plans where they have them, you can see ours, the new ones right in this column. You can see that yeah they're a little less here, but when we looked at their plan, their basic plan single plan is a lot less than us. I mean it doesn't have all the things in it. You can see how they go up to family. Look at the family rates. But let's go over to the state. If we were in the state right now everyone in the basic would be zero. They do cover that. But then it becomes $292 for two-person, $351 this is your cost $351, $67 a little less than us, $442, $518.

?I don't think the state has a two-person plan.

DE: they have a parent plus. We don't have a parent plus plan. They do have a couple. I don't know what I can tell you. I think one of the questions that came that I saw is what do we do if two of you are working in the same family. Now let me at least handle that. If you chose to go into a basic plan, we will combine the 270 and 270, that becomes 540. Therefore you could have just about all plans at no cost in that category. (311) If you want to go to the PPO, it would be 200 and is it 40 I forget or 50, it would be $240 and 240 and it would be applied to any plan that you would want. So if wanted to apply that 240 to a two-person, I think it would pay for a two-person but if you apply it to a family it would not pay

it all but I think it would be a little bit more. So if there is two of you working if you decide to go into an HMO, it'll be 250, 250, if you decided to go into a basic it will be 270,270. We thought that was the fairest way because the HMO is a choice. It is a choice. So you would loose 40 a month collectively. At least applied. You don't loose it, it is applied. That was one of the questions I had seen. (317) The plan itself I don't know if that has been shared with anybody. It's going to come out. There are some recommendations that came from the congress and from the senate and from the benefits committee. Some of the co-pays are higher, some of the percentages are higher and you'll have to look at that. Study it cause you need to make a decision here pretty soon about what you want to do. Now I think if we all are careful, you know that if we all really understand that it is our responsibility, I think we can get a solvent program again. But it is insolvent right now. And we've got to bring it back into solvency. I'm going to work as hard as I can to try to look at our total budget to eek out some sort of raise package. It makes it even more difficult because we have already made the decision to invest this into health insurance. But we'll have something but I don't know what it will be. I don't know at this point. It's too premature. I will tell you this and you can watch the newspapers, if the economy of the state gets worse, and more pressure is placed on money they take away, then that just makes the problem that much harder. But we will stand behind health insurance at this point. I mean we are not going to back off that. We will go into that agreement for January 1 so at least you won't have that worry on top of your head. I'll take some questions. I'm not very technically sound on every little bit. I've tried to make myself as knowledgeable about this and I've tried to be as fair as I could with the help of a lot of other people.

Hopper: one question that was raised to me by a couple of constituents was the differences in the percentages of increase that employees will pay. For example a two-person HMO person will pay 110% more this year whereas a two-person in base plan will only pay a 62% increase.

Eaglin: and the answer to that is very simple. The HMO is a choice. The basic is the basic and we had to start from somewhere. You can almost take the premium out of the equation there is so few people in that and I think you'll see a lot of people migrate out it. But if you, my

income category, I can afford to do this. I'm in the premium. Two-person, my wife and I. We probable will not migrate out of it. But there are some folks who cannot afford it and I know, but they are not losing a lot in benefits. They really aren't. the benefits are pretty much the same, it's just that there are ?(336) negotiations in some of the co-pays. One of the advantages in the HMO as you well know is you don't have all those darn you know you don't have to make the deductibles. If you need to put pencil to paper and see you know if the deductible is better to pay than the extra premium you'll have to pay in the HMO. You've got to put paper and pencil to it and get the best deal for yourself and your family. I felt we had to preserve and this is the answer, we had to preserve the basic. People can make choices and our basic program is the best in the state. We aught to be proud of it. Any other questions.

(?341) do you plan on rating next year's single person gets less than two-person, two-person less than family is that the plans for next year.

Eaglin: I don't have a plan for next year. I really don't. I think we've gotta get some experience with this one the first six months. The way we do that is to go to the benefits committee, try to analyze data use CHA to look where we're really spending you know maybe money in a out of higher than we should normally. We cannot, we cannot predict catastrophic illness. In any given year you know if heaven forbid, if twenty our people come down with a serious catastrophic you know cancer or something like this if twenty people hit all at one time in one year do you think we are going to abandon those folks? No, but it'll throw this thing way and those are things beyond our control. But we're really talking about normal health care issues and we do figure in that we will have some catastrophic illness but we have no experience yet on this. So what we are trying to do is preserve as much as we can for the family, two-person.

(?341) I have family; two kids and a husband but that makes it really hard ? with us that had insurances.

Eaglin: you've gotta look at them both and decide.

So if they're not both open at the same time.

Eaglin: I can’t help with the timing. I have no control over timing. We are on a calendar year. I wish I could help you, but there is no way I could.

(?