

Before I go into the analysis of net pay increases - there have been a couple of questions on what is meant by 5% cap. The 5% cap means that if the total insurance premium goes up by more than 5% the University will pay 100% of the premium for the amount that is over 5%:

Example: Family Coverage Comprehensive

| | 1/1/2006 Premium | 1/1/2007 Premium 5% cap | 1/1/2007 Premium increase above 5% |
|------------------|------------------|-------------------------|------------------------------------|
| Employee Share | \$154.73 | \$184.45 | \$184.45 |
| University Share | \$1,074.93 | \$1,106.69 | \$1168.17 |

I hope this clarifies the 5% cap - this is historical. The university has never agreed to a cap on insurance costs increases previously.

Also, I've been asked what we mean by no maximum out of pocket. The previous contract had a maximum out of pocket expense for prescriptions of \$1200 per person or \$1800 family maximum. Once these were reached then you no longer had to pay the co-pays. The no out of pocket maximum for prescriptions was one of the items that we couldn't get the university to move on, however, we did get 3 months of prescriptions for the 2 co-pays. This will help offset any the costs that may result for some by doing away with the maximum out of pocket.

ANALYSIS: (1154 total full time represented professionals who use the health insurance plans)

The analysis was done for both year 1 (Effective 1/1/2006) and year 2 (Effective 1/1/2007) insurance premium increases with the salary increases for full time employees using the database supplied by UMS.

In the Year 1 analysis, I included the premium offset payment for those that will receive it. For all employees, I included the appropriate amount for the premium rebate. Year 2, I increased the premium by 5% which is the maximum amount of increase (it could be less but it can't be more than this amount for us).

Year 1 Analysis:

The range which has the most employees will receive a net increase between \$1101 and \$1200. No one will lose any ground, the least amount of increase is between \$501 and \$600 (1 person) - there are only 15 people below \$1000 net salary increase. The majority of those below a net \$1000 increase are full time employees who work fewer than 12 months and/or receive free room and board therefore have a salary lower than \$23,600.

845 employees will receive between \$1001 and \$1500 net salary increase. (73% of the group)

Year 2 Analysis:

The range which has the most employees will receive a net increase between \$1101 and \$1200. No one will lose ground, the least amount of increase is between \$101 and \$200 (1 person). There are 18 people who will receive less than \$900 - (mostly the 15 people in year 1 same reasoning).

790 employees will receive between \$901 and \$1500. (68.5% of the group)

I hope this helps in your decision making in reference to voting on this contract.

Please do not hesitate to contact me if you have any other concerns or questions.

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I was asked to further explain how I came up with the figures I had in the analysis and clarification emails as well as a couple of other questions. Here are the questions & Responses:

1. How did you come up with the net pay increase figure and did you include the value of the dental plan paid by the University. I did not include dental premium because we don't have the value of that yet.

Below is the formula that I used:

Year 1 (1/1/2006 Health Insurance premium increase)

- + 3.5% salary increase from the Current Salary
- + Premium offset (\$200 or \$300 for those that qualify)
- + Premium Rebate - for whichever plan that person has
- Health Insurance premium increase (increase cost + the 1 ½ percent increase premium share)

Net Salary Increase

Year 2 (1/1/2007 Health Insurance premium increase)

- + 3.5% salary increase from the Year 1 salary (after the 9/19/2005 3.5% increase)
- Health Insurance premium increase (increase cost + the 1 ½ percent increase premium share)

Net Salary increase

2. Why does the employee share go from \$154.73 to \$184.45 for 1/1/2007 – that is more than a 5% increase?

I used the Family Comprehensive Health Plan which is the most expensive plan.

Premium percents – 1st figure is the percentage for employee/2nd figure is the percentage for dependent coverage)

| Description | Employee Share | University Share | Total Premium |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------------|----------------------------------------------------|
| Current Premium prior to any changes | \$133.78 | \$1264.75 | \$1264.75 (without plan changes) |
| Premium effective 1/1/2006 with plan changes which includes paying a higher percentage of the premium (went from 10%/12% to 11.5%/13%) | \$154.73 | \$1,074.93 | \$1229.66 (with plan changes) |
| Premium effective 1/1/2007 with plan changes which includes paying a higher percentage of the premium (went from 11.5%/13% to 13%/15%) | \$184.45 | \$1,106.69 | \$1291.14 NOTE: \$1,229.66 x 1.05% = 1291.14 |
| Premium if the total costs are more than 5% (this is an example and made up increase to illustrate what would happen if total premium increase is over 5%) | \$184.45 | \$1168.17 | \$1352.62 |

Basically, although we won't be responsible for any premium increase over the 5% cap - we are paying an increase percentage of the cost of the total costs for health insurance that's why our premiums go up more than 5%. As the table above shows – although the premium was over the 5% in the last example our share did not go up only the universities did.

I hope this clarifies things for all of you. If not, please email me at kerrys@usm.maine.edu

