Are You Ready???

Anna Bellisari, President

The Bargaining Council has met every Friday afternoon during Fall and Winter quarters to review the current Collective Bargaining Agreement and hammer out new proposals. Since January the Negotiating Team has been meeting every Friday afternoon to prepare for and conduct bargaining sessions with the WSU administration's team. And now it is your turn!

Are you ready to...

read the two important articles about the current status of compensation and health insurance issues that were prepared by our Chief Negotiator for this issue of the Right Flier? Negotiations over these issues are critical, and results will have a great impact on all of us.

respond to the information in these articles by contacting any of the members of the AAUP-WSU Negotiating Team and Executive Committee to voice your opinions and suggestions? They need to hear from you.

complain, criticize, grumble, gripe, whine, protest, and otherwise express your outrage and take action against any unfair and unreasonable provisions proposed for the Collective Bargaining Agreement? Our collective voice is our most powerful tool during these negotiations. Support your union now!

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<th>AAUP-WSU Executive Committee Contact Info</th>
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<td>Anna Bellisari, President</td>
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<td>Henry Ruminski, Vice President</td>
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<td>Audrey McGowin, Secretary</td>
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<td>Travis Doom, Treasurer</td>
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<td>Jim Vance, Communication Officer</td>
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<td>Maggie MacDonald, Member-at-Large</td>
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A Primer on Health Savings Accounts (HSAs)

Rudy Fichtenbaum, Chief Negotiator

Health savings accounts (HSAs) allow employees to save before-tax dollars for medical expenses. They are like Flexible Spending Accounts (FSAs) except that an HSA rolls over from year to year, whereas in an FSA, unused funds are lost. In order to qualify for an HSA you must also have a High Deductible Health Plan (HDHP). There are advantages and disadvantages to an HSA as with any plan, but the HSA coupled with the HDHP proposed by the administration is one that would negatively impact a majority of our Bargaining Unit Faculty. Below is a summary of how the HSA plan proposed by the administration would impact our Bargaining Unit:

The Good: For individuals who never get sick and only use preventive services the HSA plan is great.

The Bad: For people with catastrophic illnesses the proposed HSA would raise the out-of-pocket limit from the current level of $1,250 in-network for those with employee-only coverage to $1,500 ($2,000 less $500) and for those with employee plus dependent(s), $2,500 in-network for employee plus one or employee plus two or more dependents to $3,000 ($4,000 less $1,000).

The Ugly: For the vast majority of people who are not catastrophically ill but need some non-preventive medical care during the year, the HSA plan proposed by the administration is a bad idea. For example, let’s take a Bargaining Unit Faculty Member making $55,000 who currently has PPO coverage for employee plus one, and who has four doctor visits plus $4,000 in other medical expenses for one member of the household and no medical expenses for the other; this person would currently pay $400 (10% copay on the $4,000) plus four $20 copays on the doctor visits, for a grand total of $480. Now let us look at what happens to this person under the HSA-HDHP. She would pay $3,000 (that’s the $4,000 out-of-pocket maximum less the $1,000 HSA contribution the administration would make). In this case, the faculty member’s spendable income after medical expenses would drop from $54,520 to $52,000, an effective pay cut of $2,520 or 4.6%.

How do HSAs work?

Any employer can offer employees an FSA, and we currently have this as a benefit at Wright State. However, in order to have an HSA, you must have what is known as a High Deductible Health Plan. Currently the minimum deductible to qualify for an HSA is $1,100 for an individual and $2,200 for a family. Typically these policies cover preventive treatment like annual checkups and various types of medical screening on an age and sex appropriate basis. They also frequently cover 100% of catastrophic expenses, i.e., expenses beyond the deductible. Employees are allowed to put pre-tax dollars into an HSA and use this money to meet their deductibles. Often, employers will partially fund and in some cases even fully fund an HSA with an employer contribution.

The theory behind HSAs coupled with High Deductible Health Plans is that since the money in your HSA is your money, you will be careful how you spend it, and you will reduce your expenditures on “unnecessary” medical care. In theory, HSAs should work because of a problem in economics known as moral hazard. Whenever a person buys any type of insurance, the insurance gives people an incentive to change their behavior, “consuming” more of the item that the purchased insurance covers. Medical insurance effectively lowers the price of the medical care you buy, and if medical care is a good like any other good when its price goes down, other things being equal, we will purchase a larger quantity. One strategy for dealing with the problem of moral hazard is to have deductibles and copays. In theory when you have to spend your own money first or if you have to pay a significant portion of the overall bill, you will be less likely to “make a purchase” (e.g., visit a doctor), making a high-deductible HSA plan less expensive to the employer. This is the reason many employers give for adopting HSA-qualified health insurance plans.

What’s wrong with HSAs? First, it is not clear at all that purchasing medical care is like buying most of the other goods we purchase on a day to day basis. If a gas station lowers its price to $1.50 per gallon people will line up for miles in order to fill up their tanks. In fact most would buy up as much gasoline as they could and hoard it if they had a safe way of storing it. The question is, do consumers react the same way when it comes to health care? Most people hate going to the doctor. If a hospital has a sale on heart bypass operations, will people line up for them as if they were buying gasoline? How about a special on chemotherapy? Brain transplants 50% off – Sunday only! You get the idea. Most people depend on
doctors or other health professionals to guide their decisions regarding the purchase of medical care -- assuming they can actually afford to purchase it at all. It may well be true that as a society we have a lot of unnecessary spending on medical care, but this spending is largely determined by doctors and other health care professionals. So raising the price of health care for individuals is unlikely to reduce unnecessary medical care.

Employers like HSAs because either they shift medical care expenses from the employer to the employee or employees reduce spending -- perhaps involuntarily -- because employees feel they cannot afford to pay for necessary medical care. Employers like HSAs because they reduce the expense of health insurance for the employer. Do employees reduce their spending on medical care, or do they pay more for their medical care via higher out-of-pocket expenses? Either way, the employer pays less. When employees cannot reduce their spending on medical care and therefore are forced to reduce spending on other items to pay for the increased out-of-pocket expense, this is known as cost shifting.

When employees do reduce medical spending, it is not always because they believe the forgone medical care is unnecessary. For example, parents might be reluctant to go to the doctor themselves unless their HSA is fully funded if they worry about how they will pay for the doctor bills if their children get sick. In another case, people with HSAs that are not fully funded might put off getting treatment for problems like high blood pressure or diabetes, resulting in more serious conditions or even death.

The administration has proposed an HSA qualified High Deductible health plan for employees at Wright State. The proposed plan would cover 100% of preventive services, but for all other services there would be a $2,000 deductible for Bargaining Unit Faculty with employee-only coverage and a $4,000 deductible for Bargaining Unit Faculty with employee plus one or employee plus two or more coverage. The administration would deposit $500 in an HSA for faculty with employee-only coverage and $1,000 for those with employee plus one dependent or employee plus two or more dependents. That would leave $1,500 and $3,000, respectively, that the faculty member would have to pay. In-network expenses beyond the deductible would be fully covered.

Please see the companion article “Where Things Stand in Negotiations” for an example of how the administration’s proposal could badly hurt individuals, and also for our estimate of the effect on our overall compensation.

In summary, we believe that the administration’s proposal to add an HSA qualified High Deductible Health Plan would result in a large increase in out-of-pocket spending for Bargaining Unit Faculty Members who have moderate levels of spending on medical care. The burden would fall most heavily on the lowest paid Bargaining Unit Faculty Members. The administration says that HSAs will reduce “unnecessary” health care spending. We are 100% behind cost savings, provided it does not reduce the quality of medical care to our Members, but we are unalterably opposed to cost shifting.

Where Things Stand in Negotiations

Rudy Fichtenbaum, Chief Negotiator

The administration and the AAUP-WSU have now put all proposals on the table. You can see a side-by-side comparison of the proposals on our website. Substantial progress has been made in a number of important areas, and we are close to agreement on many non-economic articles. However, in this article I want to concentrate on the economic articles, specifically the administration’s salary proposal (Article 23) and their health insurance proposal (Article 26).

Administration Proposes Real Pay Cut

The bottom line is that the administration has proposed modest raises and a major cut in health benefits. Taking into account rising inflation, our analysis of the administration’s initial proposal is that it would be equivalent to a 6.05 percent cut in real pay over three years.

In its opening offer the administration has proposed a combination of across-the-board and “merit” raises totaling 2.5 percent for 2008-09, 3 percent for 2009-10, and 3 percent for 2010-11. At first glance this might seem like a good opening proposal from the administration. However, appearances can be deceiving.
First, inflation is substantially higher now than it has been in the past. Figure 1 below shows inflation over our three contracts. The bars show inflation calculated from July 1 to June 30 for the academic years 1999-2000 through 2007-2008. (All data comes from the U.S. Bureau of Labor Statistics; the figure for the full academic year 2007-2008 extrapolates inflation thus far to the rest of the year).

![Figure 1](image)

The average rate of inflation over the term of our first contract, 1999-2002, was 2.5 percent, and it was 2.3 percent 2002-2005. Unfortunately, inflation increased substantially over the term of our 2005-2008 contract, averaging 3.3 percent per year. Moreover, inflation is currently running at a rate of more than 4 percent annually, and while the rate of increase in prices may slow as the economy weakens, inflation will likely be higher over the next three years than it was over the previous three. Our conservative forecast of the average rate of inflation for the next three years is 3.75 percent per year. The administration has proposed total raises of 8.5 percent over three years, and we project total inflation of 11.25 percent (3.75% per year) over that period. Thus in effect the administration has proposed that we take a 2.75 percent cut in real wages over the next three years. But that is just the beginning of the story.

**Administration Proposes Cut in Health Benefits**

The administration is proposing to offer an HSA qualified High Deductible Health Plan as our low cost health plan. Table 1 shows the increases in premiums that the administration proposes if you keep your current PPO or HMO coverage.

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<tr>
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<td>Employee &amp; One Dependent</td>
<td>$ 108.48</td>
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<td>Employee &amp; Two or More Dependents</td>
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Please note that the percentages in Table 1 are increases. For example, if you now have PPO coverage for employee and two or more dependents and wish to keep it in 2009, your increase would be 202%, which means you’d pay more than three times what you are paying now.

Premiums for the HSA plan effective January 1, 2009 would be approximately equal to the 2008 premiums for our current PPO coverage. The administration proposes to increase these premiums in 2010 and 2011 by the percentage increase in
the cost of coverage to the University. It cannot tell us what this increase would be. That is, it is asking Bargaining Unit Faculty to pay an unspecified larger amount. This strikes us as akin to being asked to sign a blank check! We’d be happy to accept that provision, provided the administration is willing to let us tell them what our pay raises will be after they tell us how much our monthly medical premiums will go up.

How would the HSA work? Checkups and age- and sex-appropriate preventive care would be covered in full with no copays or deductibles. All other care would be subject to either a $2,000 deductible for employee-only coverage or a $4,000 deductible for households with employee plus one coverage or employee plus two or more dependent coverage. This literally means that if you have employee-only coverage you would be responsible for the first $2,000 of medical expenses each year, and if you have employee plus one coverage or employee plus two or more coverage, you would be responsible for the first $4,000 of medical expenses each year.

With these high deductibles you would be qualified for a Health Savings Account (HSA); this is an account into which you can deposit before-tax dollars which in turn can be used to pay your deductibles. The administration proposes to deposit each year $500 into HSAs for those with employee-only coverage and $1,000 into HSAs for those with employee plus one coverage or employee plus two or more coverage. So for employee-only coverage, your maximum out-of-pocket expense would effectively be $1,500 per year, and for those with employee plus one coverage and employee plus two or more coverage, the effective maximum out-of-pocket expense would be $3,000. Once you reach your out-of-pocket limit, the insurance fully covers in-network expenses.

On April 9, 2008, we made an extensive information request to the administration to better understand the consequences of their proposal. While we cannot fully assess the impact of the administration’s proposal for an HSA qualified high deductible health insurance plan until we receive the information we requested, our preliminary estimate is that the administration’s proposal would cost Bargaining Unit Faculty approximately $1.1 million dollars per year, which is equivalent to a 3.3 percent pay cut.

Take the 2.75 cut in real pay and combine it with an additional cut of 3.3 percent and you get a 6.05 percent real cut in real pay.

Can the Administration Afford to Provide Competitive Compensation?

Is such a proposal justified by the administration given the economic condition of the University? The answer is unequivocally no! Let’s look at what has happen to the University’s finances over the last six years.

Figure 2 shows the net income (revenue less expenses, excluding capital appropriations and grants) for the University 2002-2007. Although the University experienced a loss in 2002, it had a positive net income in all other years, averaging $4 million per year. In looking at net income, it is important to recognize that expenses include depreciation, which is a non-cash expense. So the University’s cash flow situation has been considerably better than $4 million dollars per year in the black.

Indeed, let’s look at the University’s cash flow: the cash inflow for operations minus the cash outflow for operations (that is, net cash used by operating activities plus net cash provided by noncapital financing activities less interest paid on capital debts and leases). Figure 2 also shows the operating cash flows for the University from 2002-2007. The average operating cash flow for the University from 2002-2007 was $13.1 million per year.
Finally, we look at the change in net assets, which includes the University’s net income along with its capital appropriations and gifts. This is the most comprehensive measure of earnings, and it is the measure of earnings used by the Ohio Board of Regents to compare earnings of various universities in the state. Figure 2 also shows the change in net assets for the University from 2002-2007. The average change in net assets for the University was $14.8 million per year. So the bottom line is that the University is in excellent financial condition.

**What is Happening to Benefit Costs?**

What about spending on benefits? The University claims that spending on benefits, health benefits in particular, is out of control. In fact, at the negotiating table, they told us that Anthem is asking for a 23 percent increase in its health insurance premiums.

One of the reasons for the increase in premiums is that the University has been on a hiring binge. According to the Ohio Board of Regents (OBR), the University has increased full time employment at the University from 1,967 employees to 2,278; that’s 311 more full time employees. Of those 311 full time employees, about 44 are accounted for by increases in the number of Bargaining Unit Faculty. In other words, for every one Bargaining Unit Faculty Member the University hired between 2002 and 2007, the University hired six other full-time employees. Naturally, if you hire more full time employees, benefit costs will increase. However, this does not mean that employees at the University are driving up health care costs by getting sick more often or otherwise using more medical care.

Between 2006 and 2007, total spending on employee benefits increased by 25.8 percent. Some of the increase in spending on benefits is driven by salary increases. For example, as salaries increase, spending on retirement benefits increases. However, most of the increase in benefit spending is probably being driven by increases in health insurance premiums, and the growth in full-time employment (assuming that most employees who receive benefits are full-time employees). Therefore a far better measure of increase in the cost of benefits is the percentage change in benefit costs *per full-time employee*. Between 2006 and 2007, there was a 15.1 percent increase in benefits per full time employee. That means that roughly 10.7 percent of the increase in overall spending on benefits was accounted for by all the additional employees the University hired. From 2002 to 2007, the average percentage increase in spending on benefits per full time employee was 6.7%. Figure 3 shows the percentage increase in spending on benefits per full-time employee at the University from 2002-2007.

![Figure 3](image)

**Figure 3**

Percentage Increases in Benefits per Full-Time Employee

It is entirely possible that the large increase in benefit costs per employee in 2007 was due to the unusually small increases in 2005 and 2006. However, if spending on health benefits is out of control, it is because the administration has been on a hiring binge and not because the employees are driving up the cost of health care. Should we take the equivalent of a 3.3 percent cut in pay in the form of either higher insurance premiums or higher out-of-pocket expenses because the administration has been on a hiring binge? (The answer to this question is not in the notes or in the textbook!)
What Can You Do?

Can we stop this cut in real pay? Yes -- but only if we are united in our resolve and willing to exercise the full range of options provided us by the statute governing collective bargaining for university faculty. The first step would be to let the administration know that we are prepared to go to fact-finding (see sidebar). Generally, fact-finders try to find some middle ground when it comes to salary and the cost of benefits, and it seems unlikely that a fact-finder would impose an HSA type health insurance plan since currently no such plan exists for faculty at any other state university in Ohio. However, fact finding is no guarantee.

Nine years ago the administration forced us to go to fact-finding. The administration was able to take this tack because they knew the margin of victory in our union election was small, so they judged that we were unlikely to reject a fact-finder’s report and go on strike. Our negotiating position was further weakened because only 49 percent of Bargaining Unit Faculty were members of AAUP-WSU. Moreover, we were unable to mobilize faculty to demonstrate their outrage at the administration’s stand on compensation: when the AAUP negotiating team asked faculty to send letters and e-mail saying that the offer the administration had placed on the table was insulting, the response was minimal. Had we obtained an overwhelming response, we could have taken those messages, thrown them on the table, and told the administration that if they did not come up with a reasonable counter offer they might face costly consequences.

There’s a major lesson here that we must all understand: negotiating is a political process, and what occurs away from the bargaining table is at least as important as what takes place at the table. In order to persuade the administration to concede ground, they must be convinced that failure to compromise will have unpleasant ramifications.

The most extreme such ramification — a full-blown strike — is not one to be entertained lightly. But State of Ohio law does give us, the Bargaining Unit faculty, the statutory authority to impose this ultimate sanction, and lesser ones as well. We must be willing to exercise this authority, if necessary, in order for collective bargaining to be most effective for us.

Today, 75 percent of the Bargaining Unit Faculty are members of AAUP-WSU. While we hope to reach a settlement with the administration in the current round of negotiations, we must be prepared to go to fact-finding. If the fact-finder gives us a reasonable compromise, we can accept that compromise. This of course does not mean the administration will accept the compromise, and we must be prepared for that possibility, too. If we are forced to go to fact finding and we think the fact finder’s report is unreasonable, we must be prepared to reject the report.

In summary, the administration has asked us to take a substantial cut in real pay. We have shown that the University’s economic circumstances do not warrant this cut, and we hope the administration will come to its senses. We hope that we do not have to go to fact-finding. We hope that we do not have to reject a fact-finder’s report. It is our hope that we never have to strike or even undertake lesser job actions. But, we must be prepared to do all those things if circumstances warrant.

In fact, our best chance of reaching a settlement with the administration is to demonstrate to the administration that we are indeed prepared to go to fact-finding and to reject an unsatisfactory fact-finder’s report. That is, we must be cognizant of the real authority given to us under Ohio labor law, and be willing to use it. This will strengthen our position at the bargaining table, and make it more likely that we can reach a negotiated agreement which is both fair and equitable.

What is Fact-Finding?

When the parties undertaking negotiations cannot resolve all the contract issues before them -- when they reach an impasse -- state law calls for a neutral third party, a fact-finder, to hear the positions of both sides and to propose a settlement of all unresolved issues. The fact-finder’s “report” (the proposed settlement) is implemented along with all the agreed-upon contract language, unless one party or the other votes by a supermajority of 60% to reject the fact-finder’s report. In that event, the employer is permitted to impose its last best offer, and the union is permitted by law to strike -- though the two sides may instead elect to return to negotiations.
SPRING QUARTER
CHAPTER MEETING

Monday, May 19, 2008 at 11:00 a.m.

Rooms to be announced.

Because collective bargaining matters will be discussed, only Regular Chapter Members (persons in the collective bargaining unit who have chosen to join AAUP-WSU) are eligible to attend.

Agenda items are expected to include the following: Treasurer’s report; reports from our chapter’s President, Vice President, Grievance and Contract Administration Officer, and Chief Negotiator.

Refreshments will be served.