Faculty Benefits Committee (FBC)
Annual Report for 2003 – 2004

Major Issues

Major issues addressed during the year included: finalizing the benefits comparison report, long term care insurance, partner benefits, sabbatical leave policy, disability insurance for non-administrative academic faculty with more than a nine month academic year appointment, long term health care cost trends, flex plans, contribution limits on medical savings plans, and institution of a vision plan.

Benefits Comparison Report

The Benefits Committee finalized its comparative study of Georgia Tech benefits. The comparison is based on the 2002 Comprehensive Survey of College and University Benefits Programs conducted by the College and University Professional Association for Human Resources. Benefits Committee members analyzed this data relative to Georgia Tech benefits. Two areas of concern raised by the analysis included sabbatical leaves and domestic partners. Concerning leaves, out of 392 universities reporting in the survey, 250 provided information on whether they provided for sabbatical leaves. Of these, all provided for sabbatical leave. Concerning domestic partners, less than a third of universities provide any benefits to domestic partners. Georgia Tech extends benefits to domestic partners if those benefits are fully paid for by the employee, with no employer contribution. The comparative study can be found attached to the Benefits Committee AY 2003 Annual Report.

Long Term Care Insurance

Long term care has been raised by faculty as a growing concern. The Benefits Committee examined concerns and options available, but did not finalize its decision during AY 04. The committee continues to explore this issue.

Several significant concerns make assessment of these policies difficult.

- Long-term-care insurance remains difficult to evaluate because policies are only now becoming standardized, cost trends are difficult to predict over a 20 to 40 year time horizon, and some insurers have shaky finances. Policies vary in the options they offer, the conditions necessary to receive benefits, whether payments are increased for inflation, etc.
- The cost of the insurance will depend heavily on the policy's provisions, such as the elimination period (length of time until coverage starts after you enter long term care), the coverage period, an inflation rider, type of coverage (e.g., home care), and conditions for qualification.
- While health insurance is only a yearly commitment, long-term-care policies represent a long-term commitment. They are similar to contingent annuities. Future conditions will vary not only based on inflation and the stability of the insurer, but also on future Medicaid and governmental policy toward long-term care.
- These policies present complex choices to employees considering buying the insurance.

Committee members identified the following as desirable characteristics for a long term care policy: 4 years coverage, 30 day exclusion (waiting period), coverage of $140/day (net present value), inflation protection, compound interest (ideally based on inflation in health care but mostly likely based either on a CPI or, most commonly, on a fixed rate, e.g., 5%), and home care option allowed to cover professional assistance.

Committee members conducted a rudimentary analysis of costs and benefits of such a insurance policy, based on likely insurance premiums and alternative pay-out scenarios. The committee members determined that the potential protection is substantial, but remained concerned about the significant changes occurring in the insurance industry over long term care products.

The committee determined that if a long term care product were to be offered by Georgia Tech, it would be best to do so during the spring. The offer should be accompanied by adequate information to help employees make this choice, and this could not be readily provided at the fall Benefits Fair. The decision on whether to offer the policy was carried over into AY 05.

Partner Benefits

The Benefits Committee had considered partner benefits during the previous 02-03 AY. At that time, Georgia Tech extended all benefits under the direct control of Georgia Tech to partners. When Georgia Tech extended benefits to partners last year, most individuals using the new provisions were from opposite sex couples.

This year, the Benefits Committee determined that Georgia Tech now provides all the benefits it can as a unit of the Board of Regents under the current laws of Georgia and policies of the Board of Regents. However, benefits provided by the Board of Regents were not covered by this policy change. In particular, health care benefits were not covered. Georgia Tech, as a state school, would need Board of Regent approval or perhaps legislation in order to provide more extensive benefits.

The Committee therefore considered a specific request to present a resolution to the Board of Regents to strengthen its nondiscrimination policy to include sexual orientation and to expand the provision of benefits (including medical) to domestic partners throughout the University System. The faculty initiating the proposal requested that the Benefits Committee review a proposed resolution to this effect (modeled on one passed by the Faculty at the University of Georgia) and to forward the proposed resolution to the Georgia Tech Faculty Senate for their consideration.

The Benefits Committee reviewed the domestic partner policies of 25 peer institutions[1].

- Of the 8 private schools in the group, all offered domestic partner medical benefits to same-sex couples, while only 25% offered these benefits to opposite-sex couples.
- Of the 17 public schools, 59% offered benefits to same-sex couples and 12% to opposite-sex couples.
- The issuance of medical benefits to same-sex domestic partners is distinctly regional. 9 of 11 state universities located outside the south offer these benefits, while none of the 6 southeast and south central state schools offer such benefits.

[1] Cal Tech, Carnegie Mellon, Cornell (private & public sides), Duke, Iowa State, John Hopkins, MIT, NC State, Northwestern, Penn State, Rutgers, Stanford, Texas A&M, UC Berkeley, UC Davis, UCLA, U of Florida, U of Illinois, U of Michigan, U of Minnesota, U of Texas Austin, U of Washington, U of Wisconsin, and Virginia Tech.

Given the current political, policy and budget climate in Georgia, the Benefits Committee determined that this would not be an opportune time to move on this petition, and voted to not forward the proposed resolution to the Georgia Tech Senate at this time.

Sabbatical Leave Policy

Sabbaticals currently fall under Regents and Georgia Tech Paid and Unpaid Leave Policy. The Regents policy requires review of each leave. In general, the policy states:

- leaves, with or without pay, are granted by the president of the institution with approval by the Chancellor of the Board of Regents (although generally the president approves leaves of less than one year in-house, while longer leaves require Regents approval),
- leaves may be provided only for purposes of promoting scholarly work and encouraging professional development,
- the president may refuse leaves if the employee's job cannot be handled by other employees and if funds are not available to replace the employee, and
- leaves should be granted only to those holding at least a masters degree and who have worked at the institution for at least 3 years.

The policy is therefore permissive, but provides no entitlement to a sabbatical leave as-of-right. Moreover, the funding for leaves must be generated by Tech or the researcher and is not provided for by the state.

Under existing policy, sabbaticals could not be granted as of right, but professional leaves could be made more systematic. A sabbatical policy would therefore require Tech to develop a system for financing sabbaticals and a set of criteria promulgated by the President that would govern his approval of sabbaticals.

Sabbaticals raise a series of issues that would need to be addressed before a sabbatical policy could be created at Georgia Tech. These include:

- Value to faculty: what value do sabbaticals have for Tech? What value is created? How important is a sabbatical to current faculty? To faculty recruitment? To connection to colleagues at other institutions?
- Fit with existing faculty work load policies: How would a sabbatical fit into current work load policies, including course load, advisement, research and scholarship, administration, and service?
- Priorities: Who would receive priority for sabbatical leave? Untenured or tenured faculty? Individuals who generate considerable overhead or shared equally? Committee members have misgivings about creating a two tiered system.
- How would sabbaticals be funded? Increase in pool rate for sponsored research overhead? School units through absorption of released person's work load internally?

The Committee members feel a useful first step is to create a policy system that supports the use of sabbaticals and sets forth criteria, with some mechanisms for at least partial funding. We will focus on these policy supports and getting Georgia Tech to take a clearer stand on this issue.

Long Term Disability

It has been several years since the Benefits Committee recommended and the Faculty Senate and President approved a change in disability insurance policy. This new policy would enable 9-month academic faculty to base their disability benefit on the number of months worked the previous year rather than defaulting to 9 months of coverage. Thus, an academic faculty who works in the summer could purchase more disability insurance than one who is paid the same but only works 9 months. To implement this policy, Human Resources needs to link the disability insurance to the number of months worked the previous year. However, PeopleSoft does not allow for conditional "if-then" statements, and there is currently no mechanism for implementing the change in policy. Human Resources remains committed to finding a way to deal with this problem, but this has not yet happened.

Health Care Insurance Trends

The Benefits Committee reviewed trends associated with rising health care insurance costs. The highlights are as follows:

- While inflation and increases in workers' earnings have remained very steady over the past 15 years (ranging between 2 and 5 percent per year for every year), changes in the cost of health insurance premiums have been highly erratic.
- From a peak of 18% inflation in premiums in 1989, the rate of increase dropped steadily until it reached 0.8% in 1996. Since then, the rate of increase has risen steadily, reaching 14.5% on 2003.
- The increases are found in all types of medical insurance, including PPO, HMO and POS plans. Inflation in managed care systems (14.5%) was not significantly below inflation in non-network systems (16.3%). Thus, the significant cost savings found by shifting to networks are no longer yielding additional cost savings.
- Not surprisingly, employees increasingly regard health care as their most significant benefit. As some employers have moved to shift costs onto employees, costs to employees have increased both due to inflation and due to this cost shifting.
- The system of health insurance is becoming increasingly stressed as inflation in health costs has, on average, doubled general consumer inflation and workers' earnings increases over the past 15 years.

The FBC will continue to monitor these costs, especially in relationship to program changes proposed by Georgia Tech and the Board of Regents

FlexPlans

The Benefits Committee reviewed the desirability of Georgia Tech using FlexPlans to provide benefits. FlexPlans allow employees to trade-off between benefits, with the company providing a fixed total contribution and employees choosing benefits from a menu of options. Because of the flexibility, FlexPlans are particularly helpful to employees with unusual benefits needs, such as a person whose spouse provides for health care insurance. However, the Benefits Committee felt that a FlexPlan was not likely to improve benefits at Georgia Tech for the following reasons:

- FlexPlans make it very easy to reduce employer support for benefits.

- A FlexPlan would kill off the indemnity health care plan since this plan costs twice as much as the lowest cost plan (Georgia Tech currently pays 75% of all plans, regardless of cost).
- Higher levels of benefits (which are less politically sensitive) are a way to compensate state employees for limits on salary. A FlexPlan might make increases in benefits more equivalent to increases in salaries.
- Rates of increases in FlexPlans are generally lower than increases in the cost of health care.
- Georgia Tech primarily subsidizes health care costs, and health care plans already offer some flexibility (between plan types, with varying costs).
- Flexibility between health care and other benefits (e.g., childcare) might be beneficial, but not if the total employer contribution drops in the process.

Medical Care Savings Plans

Based on recommendations by the Benefits Committee, the Office of Human Resources raised the contribution limits for the medical savings plan from $2,500 to $5,000 (the maximum set by law).

Vision Benefits

43% of US employers offer a vision plan. These are usually 100% voluntary, but some include employer contributions.

Georgia Tech does not offer a vision plan, except in as much as health care policies offer limited vision benefits. These benefits primarily provide discounts or cover exams only.

Approximately 60% of Americans require some form of vision correction, while 1/6th of children 3-16 wear eyeglasses. Retail prices for eyewear is generally 3 to 5 times as expensive as wholesale.

The Benefits Committee discussed the relative costs and benefits of vision insurance. By examining the cost of the insurance and co-pays and comparing these to the economic benefits of services and products provided, the committee determined that

- net benefits for many employees is likely to be small but positive;
- net benefits increase if an employee or family member use both eyeglasses and contacts, or multiple forms of eyeglasses; and
- net benefits to employees that do not currently use a Medical Care Spending Account (to pay for health costs using pre-tax dollars) would also be more significant, since the Vision Plan would be paid for with pre-tax dollars.

Based on these findings, the Benefits Committee recommended that Human Resources initiate a Vision Plan for Georgia Tech starting with the Fall Open Enrollment.