



OHIO UNIVERSITY

Office of the Executive
Vice President and Provost

Cutler Hall
Athens OH 45701-2979

T: 740.593.2600
F: 740.593.9591

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To: Joe McLaughlin, Chair, Faculty Senate

From: Pam Benoit, Executive Vice President and Provost *PB*

Subject: Resolution on the Increase in Health Benefits Costs for Employees

I'd like to begin by acknowledging that it has been a difficult year. There were layoffs, no salary increases and budget reductions. So let me take this opportunity to express our gratitude to faculty and staff for your commitment to Ohio University, its educational mission, and its students. We care deeply about the impact that the current and continuing financial situation has had on Ohio University's faculty, staff, and students.

We continue to face extraordinarily difficult economic circumstances. The U.S. unemployment rate increased to 9.5% in June while the unemployment rate in Ohio for May increased to 10.8%. Compared to 2008, Ohio's tax receipts showed a record loss of \$2.3 billion. The \$50.5 billion two-year budget is heavily dependent on federal stimulus funding that is one-time money and includes a \$190 million cut to higher education. Although this cut could have been deeper, it will have significant impact on us at Ohio University. It is within this context that I cannot sign the resolution on the increase in health benefits costs for employees passed at the May 11, 2009 meeting of the Faculty Senate.

After my consultations with President McDavis and Vice President for Finance and Administration Bill Decatur, there are two reasons why I have decided I cannot sign the resolution. I'd like to explain these reasons in more detail.

First, what I have learned is that there are multiple interpretations regarding how "contribution rates" were defined when this language was first placed in the Faculty Handbook (section IIIA). The second resolution related to health benefits passed by the Faculty Senate at the May meeting acknowledges that there have been multiple interpretations. In researching this issue, Marty Tuck has recently had a conversation with former Faculty Senate Chair Gary Pfeiffer, who was chair of the Faculty Senate at the time in which the language regarding health benefits was added to the Faculty Handbook. Dr. Pfeiffer informed Marty that at the time Faculty Senate was drafting this language, "contribution rates" were interpreted as premium costs which were

deducted from employee salaries and was not intended to include other employee health care costs such as office visits or prescription co-payments. Dr. Pfeiffer informed Marty that the intention at the time was to negotiate these types of health care costs (and possible increases) through the Benefits Advisory Committee (BAC), where the faculty and the other employee groups of the university were represented. Pfeiffer indicated specifically in his conversation with Marty that health care costs (other than premium contributions) were never intended to be brought to the Faculty Senate for approval but negotiated with the university administration through the BAC. Based on this information, I believe it is incorrect to assume that changes in these additional health care costs require Faculty Senate approval as suggested in the first “Be it resolved” clause of the resolution.

Second, I would make a case that health care benefit structures are fluid and health care costs are continuing to increase at an alarming rate at a time in which revenue for the university is decreasing through continued losses in state subsidy. In creating the university budget, it is critical to retain fiscal flexibility so the university can absorb additional costs and at the same time protect the academic mission of the institution. These are always very difficult decisions, but the recent decision to increase employee contribution rates for health care as well as implement the other changes in the employee health care plan was done with a great deal of thought and campus discussion and designed to minimize the financial impact on our employees while at the same time protect jobs and the mission of the institution. It is likely that we will continue to be required to make difficult decisions in the future and that there will be external constraints that we will not be able to control. We will all need to work together to find appropriate and equitable solutions to these problems. I am looking forward to continued campus discussion with representatives from all employee groups that are impacted by these decisions. I pledge to use the Benefits Advisory Committee and the Budget Planning Council to discuss these important issues and inform university decisions related to changes in the employee benefits package.

I am convinced that considering the current state budget climate, rescinding the portion of the health care employee contributions as suggested by the resolution would result in even more severe budget problems for Ohio University, additional employee layoffs, and most importantly an erosion of our critical academic mission. For these reasons, I cannot sign the resolution.