

**Testimony of Sandi Sherman, AFSCME 3800 Representative to the Benefits Advisory Committee  
Board of Regents Public Forum on the University Budget  
Wednesday, June 5, 2013**

My name is Sandi Sherman. I am AFSCME Local 3800's representative on the University's Benefits Advisory Committee. I am speaking to express our opposition to the health insurance proposal presented to the BAC that will shift costs to employees and significantly raise out of pocket costs. The Affordable Health Care Act is being used to justify this move, despite the fact that the provision of the ACA relating to the "Cadillac tax" does not go into effect until 2018, and the value of our plans is still well below the threshold. Though it is clear that the U will face the potential for new taxes under the act, it is not true that employees must bear the brunt of the financial burden in order to comply with the new law.

The proposal increases office copays from \$15 to \$25 for primary care and to \$40 for specialists. Increasing office co-pays punishes those employees who have chronic conditions and need to see health care professionals regularly. I ask the Board of Regents to try hard to put yourselves into the shoes of many University workers who are on very tight budgets and whose wages have been stagnant for many years. Take, for instance, the \$200 dollar deductible that is being proposed. For some University workers, \$200 is two weeks' lunch and coffee money. For many, \$200 is two weeks of groceries for a single parent with two kids. Having to choose between seeking necessary medical care or buying groceries will most certainly result in more costly care and hospitalizations at a future time.

The University's plan to avoid new taxes under the Affordable Care Act places all of the burden on employees. When premium rates increase, the University pays 80.5 percent of the increase for those on family tiers and 87 percent for those on single coverage. The University intends, however, to pass on \$4 million of the potential tax hit per year to employees.

Why is it necessary for employees to soak up all of that damage? Are there potential scenarios in which U pays all or part of those costs? One option would be for the University to return to the Health Care fund the dollars that were taken out and placed in the General Fund in 2005, when the UPlan had a projected savings of \$6 million. This would more than cover the projected \$4 million addition to the premiums. I might add that as long as the UPlan has been in effect, costs have come in under those projected by our actuaries.

An option for cost-sharing may lie in the premium itself. Premiums have to be kept below a certain threshold to avoid the employer's potential tax liability. Right now the employer pays 87 percent of the cost of single premium for the base plan and 80.5 percent of the family premium. One route would be for the University to increase its share of the premium, meaning lower premium costs for workers.

Or, what about premiums based on the ability to pay? Premiums in the health exchanges will be based on a three-part formula – family income, family size, and poverty level. Could University officials devise a similar method for setting premiums here at the U, so those who earn more pay more, and those who earn less pay less?

Is the University truly unable to consider any increased liability for taxes? Or are there other areas the University could cut – such as management staffing – in order to find the funds necessary to ease the health insurance burden?

It is true that the U's insurance plan is better than what many people have. This is especially true in greater Minnesota, where access to quality care is limited. U employees paying more will not result in others paying less. It only results in a race to the bottom. We need to fight not only to defend our insurance, but also for quality affordable health care for all. The University, if it truly aspires to be a world class institution, should lead the way in providing world class benefits that set a high standard for everybody in the state, rather than trying to set the bar lower and lower. And so we call upon the administration to stop their plan to shift these costs onto employees and instead look for other cost savings in the University budget in order to provide the kind of health benefits that your employees deserve.