THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION
ITEM FOR INFORMATION

Subject: Faculty Governance: Health care benefits for retirees

Next on the agenda for reassessment is the university support for health care benefits provided for its retirees. Some say cutting retiree health care benefits is a sign of the times, that we face significant financial constraints and the costs of health care are going up almost as much as general university costs. One university-funded study compared our offerings to a select group of other universities and hospitals and rated our offerings for retirees as significantly better than those peers. From this perspective, reducing university support seems a foregone conclusion. As always, the issue is far more complex.

Until 2003, the oft-repeated university mantra in hiring and retention was, "The salary is not as high (as the corporate world), but the benefits are good." Many accepted a reduction in salary to come to Michigan, balancing carefully the elements of their compensation. A primary factor in their decision was Michigan's promise of retiree health care benefits made to those it sought to attract at all levels and positions. Six years ago, the word was e-mailed to human resource officers to change the mantra. "The pay may not be as good, but the work environment is great."

Should the university eliminate or reduce health care support for our retirees? Other universities have discovered a significant downside of poor retiree health care support, summed up using the kind expression "superannuated faculty." Horror stories ripple out of elderly professors suffering some dementia who believe they cannot retire because of lack of retiree health care insurance. While many scholars remain bright and engaged to their dying day, others suffer loss of mental acuity. To compound the problem, those budget lines are not available to hire the new generation of scholars. That demographic can threaten the viability of a research university. Diminished retiree benefits will affect recruitment.

One area in which our university shines is in the insurance benefits provided to retiree spouses. Many universities ignore the health care needs of this population. Several years ago, our university discussed ending retiree spousal support. We decided that this would disproportionately affect women. The specter of hundreds of elderly women being cut off from health care support was more than could be stomached; the idea was squelched.

A more complex issue is the variable state of retirees' finances and their ability to pay for medical costs. The financial viability of retirees can be a result of their salary, their years of service, and their length of retirement. What seemed a generous living allotment at retirement can become very restrictive two decades later. The support for university retirees has already been diminished. For years the university paid all or most of the Medicare insurance premium for retirees. That changed recently. No new retirees will receive that benefit. In fact, when first announced, the cessation of the benefit was made retroactive for three months of retirement "so people would not retire to retain the benefit." Diminishing benefits for retirees would hurt many vulnerable people.

A committee will be set up in the near future to consider retiree health care benefits. We would suggest that if reductions are mandated, recognize both length of service and time to retirement. Someone who has served the university for decades should not face the same constrictions as a recent hire. In the 1980s, the university set up a chart that took in employee age and years of service for eligibility for health care benefits in retirement. A similar plan could be established that would have a graduated grandparenting schema.

Finally a few words about the composition of the next benefits committee:

• We suggest that the chair of the committee have the counsel of an expert at meetings and group strategic thinking. We have such members on the faculty.

• In addition, include an ethicist in the group; these issues are ethical as well as fiscal.

• Although subject-matter expertise on such a committee is valuable, so too is diversity, especially economic diversity. Changes in benefits have an impact that varies from employee group to employee group and campus to campus, thus it is important that representatives from as many groups as possible be included. By having all parties represented, self-interests are balanced.

• The committee should be a set of fresh players; it is time to move away from the same members who served on COSHB and CHIPD.

• Finally, we recommend the establishment of a standing committee on benefits; these continuing issues are too complex to handle adequately in a few short months.