Response to the Faculty Senate Resolution On the Reasonable Cost of Health Care Coverage For Graduate Student Dependents

Gregory E. Sterling
Dean of the Graduate School

On behalf of the Graduate School and the University, I want to thank the Faculty Senate for taking up the issue of health care for graduate student spouses and dependents. I know that I speak for Fr. John, Tom Burish, and John Affleck-Graves when I say that we all want to see improvements in the health care for students, their spouses, and their dependents. Please permit me to respond by indicating our progress in the last four years, the costs for spousal and dependent support, what we are currently doing, and our long-term goals.

The Last Four Years

It might be helpful to sketch what has been done and explain why it has been done. I have set two priorities for funding in the Graduate School: stipends and health insurance. Since 2008 we have raised the base stipends between 20% and 25% in the STEM disciplines and 13% and 20% for the humanities and social sciences. We have raised most of the select fellowships by greater margins as a result of restructuring them, i.e., we made them all top-ups from base stipends. The goal has been to make our base stipends competitive with schools like Brown, Emory, Rice, and Vanderbilt. We have tried to make our select fellowships competitive with the Ivies. While we have made excellent progress, we still lack the twelve month support in the humanities and social sciences that our best peers and our aspirational peers offer (we offer twelve month support through faculty grants in the STEM disciplines). The external review last fall urged us to raise the base stipend to $21,000 over twelve months in the humanities and social sciences. We were able to raise the nine month stipend to $18,000, but not to reach their recommendation. I have privileged stipends over health insurance subsidies for two reasons: first, they are the more important factor in recruiting; and second, they place funds in the pockets of the students which students can spend as they deem appropriate for their circumstances.

Our second priority has been to make progress on health insurance premiums. The following table will give you an idea of what has transpired, using 2008-2009 as the beginning point.

Year	Premium	Subsidy	# of Students Subsidized	Total Subsidies
2008-2009	$1468	$734	1067	$885,969

2009-2010	$1239	$868	1241	$1,136,865
2010-2011	$1239	$930	1313	$1,287,534
2011-2012	$1666	$1175	1313*	$1,655,755
2012-2013	$1886	$1410	1328*	$1,981,008

*Estimates

There are a couple of points of clarification about the table that might prove helpful. We provide 100% of the costs for the select student fellowships (Notebaert fellows, Presidential/Schmitt fellows, Deans' fellows). Thus every year around fifty students receive their health insurance premiums without cost. This means that out of the 1328 students who will receive subsidies, around 250 of them receive full subsidies. The costs of the subsidies are paid by the source of the stipend. The Graduate School pays for about 50% of all subsidies; other sources–most prominently grants–pay for ca. 50% of the subsidies. This means that when I raise the subsidy for the Graduate School, I also raise it for faculty who support students on grants.

There are a number of noteworthy trends in the table. First, the premiums have risen precipitously in the last two years as a result of claims and the Affordable Care Act. The Act has a number of stipulations including a gradual removal of all limits on coverage and zero copay for preventive care. We expect our premiums to run around $2400 per student in 2014. This will continue to put enormous pressure on the budget (see below for efforts to control these costs). Second we have raised the subsidy by 92% in the last five years while the costs have risen by 28%. This has resulted in a significant savings to the students who now pay $476 per annum for their part versus $734 in 2008-2009. This results in an extra $258 in their pocket in spite of the increase of $418 in premiums (28%). Third, more students now receive subsidies: we estimate 261 more next year than in 2008-2009. The result is that the Graduate School and the faculty who support students on grants are now paying just under $2m to support the basic health insurance of our students. This is an increase of 124% over 2008-2009. While we are not yet supporting our students at the level that we aspire to support them, I think that it is important to recognize how far we have come.

It would have been possible to move funds from stipends over to health insurance, but this would have put us further behind our competition in stipend support. It would also have been possible to put some of the funds from student health insurance premiums towards families, but this would have increased the costs of insurance for everyone by requiring everyone on a base stipend to pay a greater share of the premium. In the final analysis, I elected to put the funds where I thought they would help the most people. Perhaps you are thinking, yes, but you should have requested and received more funds from the University. While I asked for more, there was no room to complain. Graduate students have benefitted from increases far more than faculty or staff in recent years. Last year, we received almost one-

third of the University's entire new allocation. The budgets have been tight for everyone. In spite of this, we have made significant progress.

Costs for Spouses and Dependents

The costs for spouses and dependents are high, especially if we keep the 75% subsidy that we currently provide. We estimate that 30% of our graduate students are married. If 30% of 1328 were to cover their spouses this would cost an additional $1,407,726 per year (398 x $4716 x .75). We estimate that 15% of our students have children. If we extended the subsidy to dependents, it would cost an additional $549,091 (199 x $3,679 x .75). Combined the two would cost an additional $1,956,817. This would virtually double our current costs. The greatest challenge is that this is an annual rate cost; it is not a one-time expense. The only way that we could do this within our current budget would be to eliminate 109 doctoral students from the University (109 x $18,000=$1,962,000). This is a significant enough number that we would need to consider the elimination of programs or certainly of subfields within programs. I have not been willing to do this. The situation would be exacerbated if the number of students who enroll increased as it did when we increased our coverage for students (compare the numbers of enrolled students in the table above from 2008-2009 to 2010-2011).

How can some of our peers provide coverage for spouses and families? There are two groups of universities that are able to provide family benefits: the best funded Ivy league schools and the large state universities. The former, such as Yale, are able to do so because of endowments. The latter are able to do so because they can place students in statewide pools and keep the costs down. Some in both groups have medical schools that help to reduce the costs appreciably.

You point to the disparity between the costs at Princeton and Notre Dame. Before I go into details, I need to point out that you have used this year's premiums for the other institutions and next year's premiums for Notre Dame. The results are skewed as a consequence. The numbers that you should have used for Notre Dame are $1666 for the student, $5829 for the student plus spouse, $4164 for the student plus 1 dependent, $8327 for the student with a spouse and one dependent, and $9075 for the family. We are thus less expensive than Boston College and UW Madison. Duke has a medical school which gives them a distinct advantage. This leaves us with Prinecton. There are some reasons for the differences between Princeton and Notre Dame. First, Princeton requires all students to enroll; only undergraduates may opt out if they can demonstrate that they have equivalent coverage. Graduate students must enroll in the plan. This gives them lower rates since the average cost is leveled out, but raises the total cost by a considerable margin. We suffer from adverse selection. In 2009-2010, 120 of the 160 enrolled dependents had claims. Only students who plan to incur expenses enroll, driving the costs of our premiums up notably. The Princeton plan also has several features that lower the costs, but provide less coverage for the students. The out of pocket expenses at Princeton are $5,000 per student, while we have a $2,500 limit. More importantly, Princeton uses

Medco in much the same way that we do for faculty and staff. We currently provide pharmaceuticals with reduced copayments and no deductible when students use St. Liam's. The result is that one-third of our claims are pharmaceutical (I am advocating a change [see below]). Princeton's plan does not provide coverage for annual physicals–including for women–at present, but will have to do so in 2012-2013. I expect Princeton's premiums to rise along with others. Finally, Princeton is self-insured as we are for faculty and staff. I do not offer this explanation as a means to discount the need for us to increase support, but to help you contextualize the specifics.

Current Efforts

We are currently working on several fronts to control costs. First, the University formed a committee to negotiate health insurance premiums. In the past, the selection of the health plan was entirely in the hands of the Director of Health Services. The first year that the committee worked, the premiums dropped from $1468 to $1239. However, this was short-lived. Two factors pushed the premiums higher: prescription costs and maternity benefits on our part and the Affordable Care Act with increasing coverage and limits on the government's part.

Second, as a result of spiraling health care costs for everyone, the University decided to build the Wellness Center (due to open 1 July 2012). We were able to lobby successfully for access to the Center for spouses and dependents of students at reduced costs. Both Tom Burish and John Affleck-Graves have publicly supported this concept. While there are no details yet, the support of the Provost and Executive Vice President make me optimistic that this will become a reality. I am personally advocating that all graduate student health care go through the Wellness Center. There are multiple reasons to move it there: it is more accessible to students who drive to campus, it reduces the likelihood of graduate students running into undergraduate students for whom they serve as TAs or Instructors of Record, and it should control the costs to some degree. At present St. Liam's does not have the capacity to take deductibles into account; the new Wellness Center will. This may help reduce some of the pharmaceutical costs. Last year graduate students ran up a prescription bill of ca. $900,000 through St. Liam's. While we want everyone to have the medications that they need, this figure gives me pause to ask whether some over-medication is taking place. The current system encourages this since students never pay any deductible; only a negligible co-pay. The shift from St. Liam's to the Wellness Center would bring us more into line with what occurs at Princeton (and for faculty and staff here at ND) and should result in a reduced premium.

Third, the University now has a task force that is considering health care costs. These costs have risen so dramatically that we need to explore every possible avenue of reducing them. I have volunteered to stay on this until I leave because I want to serve as a voice for the graduate students. I think that we need to explore every possible option carefully in order to find more affordable ways to provide coverage. These will include some of the things currently done at Princeton.

Long-Term Goals

At the moment it is not possible to know all of the implications of the Affordable Care Act. Our long-term goal has been to provide 90% of the premiums for students, spouses, and dependents. We are currently at 75% for students. We should begin to provide subsidized care for routine expenses for spouses and dependents this summer when the Wellness Center opens. As national health care unfolds we will re-evaluate our goals.

No one is happy with the current situation for spouses and dependents. It is particularly distressing to consider the situation of our international students with families. It is one of the issues that keeps me awake at night.

Conclusion

Let me conclude where I began. Thank you for taking up this important topic and formulating a resolution. The challenge is not whether we should do something, but what we should do. There may be some tough choices to make. If the economy were robust, we could phase in more assistance. Unfortunately, the economy is far from robust and has put pressure on a number of points in the University, most notably undergraduate financial aid. If the economy continues along its current trajectory, the University may need to make some difficult choices. I trust that if we come to this, the Senate will be willing to support difficult decisions made on behalf of graduate students' spouses and dependents.