



GAIP Premiums: Who Pays the Cost?

UW Overpayments to Insurance Provider Identified

In response to our inquiries in bargaining, the University has acknowledged overpaying for our GAIP health insurance plan since 2002. According to UW administrators, the overpayment has been due to the fact that UW made bids to insurance carriers on the basis of average national costs, rather than the actual costs for health care utilized by academic student employees at UW (whose health care costs are much lower than the national average).

While the administration's bargaining committee will not disclose the specific amount they believe the University has overpaid, we know that only 71% of GAIP premiums over this period has been used to pay for claims. In health insurance industry jargon this percentage of premiums spent on medical claims is called the "medical loss ratio." In the case of GAIP premiums, the remaining 29% went to paying the insurance carrier, paying a 3rd party to negotiate the plan, and paying a 4th party to administer the plan.

Had the University negotiated a medical loss ratio at an amount equal to or above the national standard of 85% (recently enshrined in the national health care reform bills as an industry minimum, and the current level already met by most health plans)¹, the University would have saved at least **\$10.6 million dollars** since 2002.

The University's Response

Although University administrators claim they are assessing whether to try to recoup the overpayments, they will not provide us any details of their efforts, saying that all such information is shielded by attorney-client privilege. So the same administrators who carelessly spent millions in GAIP premium overpayments are asking us, in essence, to trust them to get the money back.

¹ US Senate analysis of for-profit insurers in 2008 found the average medical loss ratio for large employer groups to be 84%. *New York Times*, November 2, 2009, "Senate Pressing Insurers on the Amount of Premiums They Spend on Care," Reed Abelson



Our Response

Nevertheless, we have a suggestion for these administrators. According to the recent national health care reform bills, insurers must provide an annual rebate if the medical loss ratio is less than 85%. In each year since 2002, the loss ratio under GAIP has fallen well below 85%.

We will not sit by while the same administrators who made these gross overpayments propose to weaken the University with the cuts they made to ASE jobs last year and their current proposals of severe cuts (in jobs/wages/benefits, or?) . If they cannot resolve the financial crisis in which they find themselves by remedying their past errors through rebates from the insurance companies or consultants UW used or fixing any other form of waste they may have created, we propose they find some other way to compensate for their mistakes. We hold the University accountable for having made these overpayments and will not relent until a fair settlement is reached on these matters.