A First Step in the Right Direction:  
An Analysis of the University’s Proposed Plan for Retiree Medical Insurance in 2024

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On September 7 and 8, several faculty members from the emeriti professors’ organization EPIC and the University Senate’s Benefits Sub-Committee met, in two separate meetings, with Sr. EVP Gerald Rosberg and the leadership team of the HR department. A new plan for retiree medical insurance was presented to us verbally. Herewith is a review and analysis. It follows a more comprehensive analysis contained in the earlier First Report in June 2023. Together, they led to the Administration’s review of this matter and to a revised plan of September 2023. The present Second Report analyzes that plan.

A good number of factual questions could not be answered by the Administration team present at the meetings. It was agreed that there would be responses to follow-up questions. Such questions were transmitted to the Administration on September 10, followed by a phone conversation and emails. I have not received answers or an anticipated date for them, and therefore must proceed with this report without full information, given the tight time schedule leading up to the Administration’s planned October unveiling of the new plan. If the requested information is indeed provided it will be incorporated into an updated report.

The new plan

First, the Good News.

1. The annual contribution by the University is being raised from $220 for an officer retiree\(^2\) (and $110 for a spouse) to $900 (plus $450 for a spouse.) This is more than a quadrupling. In dollar terms, it is an increase of $680 for an individual and $1020 for a couple.

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\(^1\) My involvement in this matter started in 2022 when I chaired or co-chaired two University Senate committees (the Budget Committee and the Joint Subcommittee on Benefits). The Administration approached us with its plan to alter the retiree medical insurance plan. I worked on a review of the new plan for the committees but was denied promised information. Soon thereafter I retired from the tenured faculty and the Senate, as long planned, but felt a responsibility to maintain an involvement in this issue and use the expertise I had gained. This led to a draft report in January 2023 and a final First Report in June 2023. Together, they led to the Administration’s review of this matter and to a revised plan of September 2023. The present Second Report analyzes this plan. The perspective of these reports are my own and may or may not represent the University Senate or the Emeritus Professors in Columbia, on whose Steering Committee I serve.

\(^2\) It should be clarified that ‘retirees’ here and in the rest of this report means those officers eligible for retirement benefits according to the University’s criteria of seniority and age: 55 years or older and 10 or more years of service with the University after age 45.
2. The eligibility for the contribution is being extended to all those who might have gone off the Columbia plans in the past 5 years. They have one year to sign up, with a possibility left open for an extension into a second year.

Other items:

3. The Administration is abolishing the catastrophic drug support program. However, this is not a major shift because Federal legislation has capped such expenses at $2,000 per year, starting in 2025 (and $3250 in 2024). Dropping Columbia’s safety net in the 2024 plan seems therefore to have little impact beyond what the 2023 plan already changed.3

4. Via Benefits remains as the sole exchange through which one must pick insurance plans if one wants to receive the University’s contribution.

Some Conclusions

The Officer side has made a persuasive and forceful case and improved the 2024 plan considerably over that of 2023. An appreciation is due to those in the Administration, led by Sr. EVP Rosberg, who have listened with an open mind. We are heartened that on such issues, arguments and facts can still prevail at Columbia.

But we should also recognize that there are several important problems left that must be addressed to improve the system beyond 2024 and provide stability, continuity, and predictability. They relate to

- Benefit level
- Eligibility
- Funding capacity and transparency
- Incentives to retire and make room for younger faculty
- Via exclusivity
- The general process

This will be discussed in the following, in a constructive spirit. The issue is not so much the dollar figures of the contribution. The Administration should not treat this as a labor negotiation with a constituency that is seeking to maximize a benefit, and which must be pacified with a raise. Having now overcome some of the most objectionable aspects of the 2023

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3 The major impact was the shift in the 2023 plan relative to 2022 and earlier years, which were based on co-payments, in contrast to the co-insurance that was adopted for 2023, and which considerably raised the costs for high-cost drug use. This area is complex and fact-driven. See the discussion in the June 2023 Report. We should be attentive to reports from the affected individuals and aim to deal with general problems they identify. It should also be understood and agreed that if the Federal law changed in the future in an unfavorable direction, a Columbia backup system for catastrophic situations would be re-instituted.
plan, we should now jointly develop a better system. We should move from crisis management to long-term solution.

Such a system needs to balance multiple goals:

- Affordability
- Comparability to peer institutions
- Fairness across different age cohorts of retirees
- Incentives to senior faculty to retire
- Efficiency in operations

The analysis below will show that the 2024 plan—with its much-appreciated improvements over the 2023 plan—has problems on these fronts, and that these problems require a second and collaborative step of improvements.

The following observations can be made:

- The 2024 plan provides $900 in contribution. Adjusted for inflation, the 2012 contribution level adopted in 2012 was of $864, or $1,150 in today’s money, 28% higher than the new system. Pre-2012 retirees, in turn, will now receive over double the contribution of last year, but only about half of what they received just two years ago. On the positive side, every eligible retiree would get this contribution, not just those on Columbia plans as was the case pre-2022.
- Even after the increase for 2024, Columbia is at the lower end of its peer institutions, lower than other employee categories on campus, and at the low end of its own history of contributions.
- Even after the increase and expansion planned for 2024, the aggregate cost, at $2 million, is well below that of pre-2012. It is, however, well above those of 2022 ($1.1 million) and the subsequent drop in the 2023 plan to $0.31. In addition, the cost of the new plan will increase gradually with the larger number of retirees, to about $3 million in 2034.
- The CURML Trust Fund, with an employee-based allocation to Officers, yields about $8 million/year after expenses. That amount—after allowing for realistic future contingencies—could be spent on its stated legal purpose—support of retirees’ medical insurance—without dipping into capital, and without requiring support from the fringe pool. In contrast, the University plans to spend only $2 million/year on Officer-retirees. This is only 25% of what the Trust Fund could comfortably support. (Even with a more restrictive assumption on the allocation (50%), the Trust Fund, under the new plan, would spend only 41% of its capability.)
- This amount would mean an availability of $3,661 per eligible retiree per year. (At the more conservative allocation of 50% of assets to Officers, it would be $2,220 per year.)
- When it comes to eligibility for the contribution, there is no principled way for younger retirees to be treated better than older retiree cohorts who had opted out of the system.
more than five years ago. The primary reason is the added cost, estimated as $2.7 million.

Instead of merely asking for “more”, this report will suggest a way to restructure the system. It would do so in the following way:

1. **Reorganizing the Trust Fund**
   - The assets attributable to the Officers in the existing and flush Columbia University Retiree Medical and Life Insurance (CURML) Trust Fund would be transferred into a fully separated Columbia Officer-retirees Medical Insurance Trust (COMIT) Fund.
   - The principle would be adopted that retiree medical insurance will not be funded from the general fringe pool but only from the COMIT Fund. It would financially be a “tub on its own bottom”, and the University would be cut loose from future financial responsibilities.
   - The Fund, governed by its Trustees, would operate under the principle that it would allocate each year a payout that would amount to the aggregate annual contributions available for retirees’ medical insurance. That return on Trust Fund assets would be set by the University’s payout rate on endowment, a conservative and prudent measure. The Fund would operate under principles of financial prudence, an averaging over several years, and – importantly -- full transparency.

2. **Widening the Eligibility**
   - When it comes to eligibility for a contribution, there is no principled argument to favor more recent retirees. Eligibility would be expanded to all past and new retirees, and if this would exceed the overall aggregate annual contribution that is available, individual benefits would be reduced to permit the broader coverage.
   - Under the system proposed, the Trust Fund would have a certain amount to disburse in a year, based on the payout rate on endowments. That amount would be divided by the number of covered retirees. A higher number of covered retirees might lead to a reduction for everyone, but not to an exclusion of older retirees altogether for cost reasons, as the current plan does.
   - However, given the above calculations of expected annual resources, it is unlikely that the currently proposed contribution of $900 would have to be cut by an expansion of the eligibility to all retirees, or that such cuts would be significant. But it is a possibility that must be accepted.
   - The exception to age-neutrality is that as an incentive to early retirement, those who retire before the age of 70 will receive a double contribution for up to two years.

3. **Ending Via Exclusivity**

The plan, going forward for 20 years, provide Via with a net present value of **$29.1 million**, on an exclusive basis. (At a discount rate of 10%, it is $17.2 million.) This was done, to the best of
our knowledge, without competitive bidding, with Via’s owner WTW being Columbia’s HR consultant.

Via gets a benefit -- year-in, year-out -- from this arrangement for about half an hour of routine consultation near the beginning of retirement, that is more than one half of what the University extends to an Officer during their retirement years in return for a life-long service.

The exclusivity of Via, coupled with its vertical relation to its owner WTW, Columbia’s HR consultant, does not operate in favor of the retirees and makes them captive customers to an organization without financial incentives to improve service and reduce cost. This monopoly should be replaced by a system in which the management of the contribution is separated from the exchange function, as is the case at NYU.

**Discussion**

One retiree writes:

“It seems to me that we should flatly reject the University's money offer. Am I wrong in believing this to be ridiculously low?”

But how would one evaluate the Administration’s plan? There are several approaches to determine an appropriate support level:

1. Historical continuity
2. Comparison with other Columbia employees
3. Collective bargaining
4. Comparison with peers
5. Cost and Opportunity Cost
6. Affordability

The proposed 2024 plan will now be reviewed for each of these approaches.

**1. Historical continuity**

*Columbia, proposed 2024: $900*
Columbia, 2023: $220
Columbia 2022: $864
Columbia 2012: $1,150 (inflation adjusted)
Columbia 2011: $2,136 (inflation adjusted)
Columbia 1993: $3,000 (inflation adjusted)

**The numbers in perspective.**
The change for 2024, welcome as it is, merely brings Officers somewhat back to the status quo of a year ago before the system was unilaterally and abruptly changed. In 2012 – 2022, the contribution was $864 (and $432 for spouse) for those retirees who chose the Columbia insurance plans. The 2024 plan now offers $900, and for all retirees. Since 2012, cumulative general inflation was, per Bureau of Labor Statistics, 33.14%. This means that the 2012 contribution, in today’s money, would be $1,150, or 28% higher than the $900 that are now planned.

(Actually, the inflation rate for medical services has risen somewhat faster than the general inflation rate. It was 36.1% for the ten-year period 2012-2022. Assuming that insurance rates rose at that rate, the 2012 contribution would buy today $1,176. This is 30% higher than the planned contribution for 2024.

Also, the 2012 contribution was already only half of what it was since 1994-2011, when it was, in today’s money, $2,136, or 237% more than now being provided.

Also, It should be noted that the increase in the contribution from $220 to $900 applies to those who retired after 2012. For those retired earlier, 1994-2011, the 2023 figure has been $440 and will be raised to the same $900. These retirees, if they picked the Columbia plans in its first year, 1994, would have received, in 2022 dollars, a contribution of $2,136, which shrank over time, due to inflation, to $1,728 in 2022. These retirees would now receive $900—over double that for last year, but about half of of what they received two years ago.

One clear implication is that (until the COMIT system described above) is adopted, the 2024 contribution level must be indexed to inflation. 5

2. Comparison with other Columbia employees.

Columbia, proposed: $900
Barnard: xxx
Columbia Support Staff: $3,960 covering household

Support Staff employees, represented by their unions in an effective manner, are receiving retirement full medical coverage for their entire household, approximately a $3,960/year value.

As one retiree writes:

4 Calculated from the data provided in Data Source: U.S. Bureau of Labor Statistics: Medical care in U.S. city average, all urban consumers, not seasonally adjusted
5 If an open-ended contingency creates actuarial problems, one could cap the annual inflation adjustment percentage, or set the average medical inflation percentage of the past ten years.
“My own preference...is to ask for a figure that matches that of the support staff: $3,960 a year...Does a faculty member deserve less than other employees?? .... What we should be getting is what Barnard provides--full "medigap" coverage for every retiree.”

It should be acknowledged that most of staff employees are paid lower salaries than Officers, partly in return for higher medical benefits. The difference, however, is significant.

3. Collective bargaining

As is the case with other employee categories in recent years, one could determine the support level by the result of fights in which threats, lawsuits, negative publicity, etc. are made by the Officers and their representatives, and the Administration grudgingly extends as little as it can get away with in order to restore peace. It would be regrettable if this were to slide into such a divisive pattern, especially since a much better arrangement is possible.

4. Comparison with peers

Princeton: $11,580  
Harvard: $9,744  
NYU: $6,782  
MIT: $4,740  
Stanford: $3,372  
Yale $1,870  
Columbia, proposed: $900. (2023: $220)  
Cornell: $951  
Penn: $348

Several universities such as Harvard, Stanford, MIT and NYU state their contribution clearly, as does Columbia. In other cases, the comparison numbers are more difficult to calculate. The assumptions are provided in Table 4 of the longer June 2023 report.\(^6\) Note that some universities, such as Harvard, provide the same subsidy to a spouse, while Columbia offers a one-half subsidy.\(^7\)

What these numbers show is that even after the increase for 2024 over 2023, Columbia is at the lower end of its peer institutions, lower than other employee categories on campus, and at

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\(^6\) The numbers do not include the potential benefit of a university negotiating a favorable group rate, and hence might under-estimate the overall benefit extended to a retiree. Columbia, since 2023, has no group rates. For the other universities one must calculate the contributions by looking at comparable plans offered by the same insurer in the open market and contrast that number with the price charged to the retiree through their university. See Table 4 in the June 2023 Report.

\(^7\) We did not conduct a comparative investigation on the extent of inclusion of spouses across the universities.
the low end of its own history of contributions despite the overall rise in medical expenses and the shorter retirement period due to considerably later retirement ages.

That said, the increase of 2024 over 2023 returns Columbia into the ballpark range, having been an outlier for a year.

What then is the right number? That the contribution numbers for Columbia Officers under the new plan are still low relative to others is not a dispositive argument.

As one retiree observed:

“Comparing only one benefit, namely, retirement medical benefits, with those at competing institutions, without comparing all the other elements of compensation, including salary, is not I think a fair way to assess what Columbia is doing. “

5. Cost and Opportunity Cost

We are aware that budgets are tight, tuition rates are high, fundraising is already at full throttle, and New York is expensive. Retiree medical insurance, if it comes out of the general budget, must contend with numerous other worthy projects. The overall budget includes the fringe pool as an important sub-part, funded by what is essentially an internal tax on salaries of employees, with the money then being returned by the University to the employees as fringe benefits, sometimes with additions from other budgets.

In such a system each expenditure (outside of earmarked endowments) must be justified relative to its opportunity cost. Realistically, retirees will have an uphill struggle to make their case. As far as the University is concerned, let us face it, retirees are a largely expendable cost item. They do not fare well in a cold-blooded cost-benefit analysis. Their prime arguments would be a fairness to people who gave their professional lives to the institution and the University community, an appeal to younger Officers to consider that one day the same fate will befall them, and the disincentive to retirement if the cliff in benefits from active employee to retired ones is too steep. The latter imposes a significant cost, directly and indirectly, on the University budget and the University as a research community.

The low priority of retiree is reflected in the overall expenditures by the University over the years. It seems that no belt has been more tightened than that of retirees in their medical support.

Graph 1 Columbia Aggregate Contribution (in Million 2022 Dollars)
The Graph shows the aggregate cost of the subsidy. Since the relevant information was not made available it had to be estimated, with the calculations explained in detail in the June 2023 report. The graph shows a steep decline for the three decades after 1993, reaching a nadir in 2023. The aggregate of the contribution to retirees declined by more than 95%, to a token amount. I am not aware of another broad-based benefit that experienced the same cuts.

And what will be the impact of the 2024 plan? It has three growth components: an increase in the contribution to a covered individual, including their spouse; an expansion of the number of eligible individuals by opening it to retirees who had left the Columbia system less than five years ago; and a coverage of all such retirees, not only those on Columbia plans.

**Estimate of the Cost of the Proposed Plan in 2024**
Number of supported 2022 Columbia plan retirees: 655
New eligible retirees 2023 and 2024, annually 267. Pro-rated for date of retirement: 534
Assuming 80% take rate: 427 additions
Departures from plan: death and move to outside plans, 5% of existing supported officers, (27)

Additional enrollments from 5-year returnees:
Total number of eligible retirees over past 5 years: 5x267= 1,335
Share of these retirees who elected non-Columbia plans: 78%. Total 1,041.
Of these, assume that 2/3 will return to a plan by way of Via (a high assumption): 693

Total number of Officers enrolled: 1,748
Assume ½ with spouse, and spousal coverage of ½ of Officer, for an equivalent to 437 officer-individuals.
Total number of individual-equivalents covered: **2,185**
Contribution proposed by the University per individual: $900
Total Estimated contribution by the University = number of individuals times University contribution of $900 = $1.966 million. Rounded up, $2 million.

This number will rise gently over the years, as the number of new retirees (estimated above as 267/yr, with an 80% take rate, half with spouse, for a total of 267/yr) will exceed those who will depart, by death (assumed 5% of the total of 1,748) or by moving to outside plans (assumed 5%), for a total of 175 per year. The net addition per year is hence 92/year, and with spouses, 115. In dollar terms, the annual addition would be about $103,500. In 2034, total cost of the program would hence cost an extra $1.03 million, for a total of about $3 million.

These projections are included in the Graph above. They show a reversal of the downward trend, with a jump in the first year, 2024.

To conclude: even after the increases of the 2024 plans, the overall cost, at $2 million, is well below that of pre-2012. It is, however, well above those of 2022 ($1.1 million) and the subsequent drop in the 2023 plan to $0.31. In addition, the cost will increase gradually with the larger number of retirees, to about $3 million in 2034.

One should appreciate the turning around the downward slide. And one should also observe that relative to the $5.5 billion university budget, a contribution of $2 million to the total community of its past Officers still constitutes a rounding error.

6. Affordability

The preceding approach was cost based: how much would a new system cost, in the aggregate, and what are the opportunity costs to the University. But there is another way to look at it in the case of Columbia. As it happens, a significant Trust Fund exists as a potential source for retiree medical funding.

Earlier, we concluded that the new plan for 2024 is basically a return to 2012-2022 in terms of aggregate dollar contribution and eligibility to return. It would cost about $1.7 million more than in 2023, and $0.9 million more than in 2022.

The problem with returning to the status quo ante is that we have now gained a better understanding of the system and its financing. This applies not only to the Officers but also to the Administration. We are therefore able to analyze the University’s revised plan better than before. In particular, we have better understanding of the Columbia University Retiree Medical and Life Insurance Trust Fund (CURML Trust Fund.)

The CURML Trust Fund is a not-for-profit 501(c)3 organization, set up in 1994, that is run by Trustees who are University officials. But it is legally separate from the University. It is an entity with its own revenues, assets, tax returns, trustees, auditors, etc. It is not part of the fringe
pool. Moneys in that trust fund are not the University’s but are held separately, for the mission -- as stated in its name -- to benefit the retirees. The funds can only be used for the benefit of the retirees’ medical and life insurance. There are two major categories of employees supported by CURML, the Officers (82.2% of employees) and the unionized Support Staff. There are separate financial accounts for these two categories (as well as for sub-categories within them) but only the totals have been disclosed.

**Estimate of resources available**

Total Assets in CURML: **$260 million** (2021)

The average investment gain for the past 13 years for which we have University filings: 8.34%.

*Instead, we use the much more conservative Columbia 4.5% payout rate on endowments.*

The payout rate of 4.5%, applied to the assets: $11.7 million/yr. (Using the actual historic figure, it would be $21.86 million/yr.)

Admin expenses and investment management fees (estimated) $2 million/year.

**Net income: $9.7 million.**

Share of Officers in overall Columbia employees: 82.2 %

Allocated net income according to Officers’ share in overall employees: **$7.973 million.**

[This allocation on a per-capita basis is a key assumption. It could be hardened instantly by the University providing the actual number, since the accounts are segmented internally. I have asked many times for that information. If, for example, we assume instead that the Officers’ allocated share of assets is 50% rather than 82.2%, the net annual income would be $4.85 mil].

To conclude: The CURML Trust Fund, with an employee-based allocation to Officers, yields about $8 million/year after expenses, which could be spent on its stated legal purpose – support of retirees’ medical insurance—without dipping into capital, and without requiring support from the fringe pool. In contrast, the University plans to spend only **$2 million/year** on Officers. This is only 25% of what the Trust Fund could comfortably support.

Even with a more restrictive assumption on the allocation (50%), the Trust Fund would spend only 41% of its capability.

If we assume, more aggressively but perfectly reasonably, that the return to the assets is at its historic rate of the reported past 13 years (8.34%, lower than of the S&P index), then the payout towards the Officer retirees’ medical insurance is only 12% of the available annual return, even after allowing for generous operating expenses.

We are being told that the proposed figure of $900 is the best the University can do. Our calculation shows it to be much higher. We calculated, quite generously, 2,185 participants in 2024, including retirees returning after less than 5 years outside the Columbia system, new retirees, and spouses. We also assume the more conservative Columbia payout rate of 4.5%. At the CURML Trust Fund allocation to Officers on a per-capita basis, this would mean an availability of **$3,661** per eligible retiree per year. At the more conservative allocation of 50% to Officers, it would be $2,220 per year. Not $900.
My calculation is a back-of-the-envelope analysis. I will be happy to revise it with the real numbers that have been requested.

**A New Funding System**

Let us agree on a key principle: that the support for Officer Retiree Medical Insurance will come solely from the CURML Trust Fund or its successor, with no contributions from the fringe pool, or from direct University budgets. In other words, the Officers’ insurance is a tub on its own bottom, with no future liability whatsoever by the university.

The portion of the existing CURML Trust assets that is attributable to the Officers would be segmented or transferred into a new Columbia Officer-retirees Medical Insurance Trust (COMIT) Fund, specifically to support Officers. That new Trust Fund would function like an endowment, with its overall available annual income based on the University’s payout rate on endowment accounts.

The COMIT Fund, governed by its trustees, would allocate a certain return each year to the payout of aggregate annual contribution, in the same way that University endowments are credited to various accounts. *It would operate under principles of financial prudence, of averaging such payouts over years, of fiduciary obligation to spend the reasonable return of the fund for its intended purpose, and with full transparency.*

Once the University has allocated and segmented these assets, its contingent obligations to Officer retirees cease. All future payments are made by income from the assets.

**Eligibility**

The available budget also plays a role in the discussion of a contentious and difficult issue, namely who will receive a contribution towards their medical insurance.

The Administration, in its 2024 plan, extended the ability for retirees to rejoin the Columbia-endorsed arrangement within 5 years of having left it in the past. This is a step in the right direction. It should be recognized, however, that it is merely a return to the arrangement that existed before 2022, where retirees could revert to the Columbia plans within 5 years. (Possibly, it was required by law where employer-sponsored plans existed.)

It is appreciated that the Administration has recognized the unfairness of cutting off past retirees who simply did earlier exactly what now everyone else is required to do – to pick an outside non-Columbia plan—while providing the contribution to every newly retired Officer.

The problem is that the same argument of basic unfairness can be made for those who left more than five years ago.
It must be acknowledged that such an expansion might raise the number of covered retirees considerably, and hence the cost of the overall program. There are also some practical issues involved of locating and contacting Officers who retired a long time ago.

Thus, one must weigh the multiple goals: fairness to older retirees; incentives to senior active faculty to retire; and affordability.

Why the 5-year cutoff policy in the past? The policy goal for Columbia was to prevent a situation where people would pick a lower-cost outside plans until they got sick, and then would return to the better coverage of a Columbia plan. This would have accelerated the adverse selection problem and made the Columbia plans still more expensive. However, the law required to keep a certain window open for such a return, limited to 5 years. None of this is relevant now. Nobody is returning to Columbia plans anymore since none exist. The question is simply whether a benefit will be provided to all retirees or only to the most recent ones, as a way to reduce cost, as well as an incentives for future retirements. The fact that the University’s contribution in the past extended only to those in the Columbia plans and not to those on outside plans is actually quite objectionable, now that we understand the system better.

The CURML Trust Fund’s stated purpose was to support retirees, not a sub-category of retirees opting for the Columbia-sponsored plans. The Columbia plans were just a vehicle for retiree coverage. Since initially they were synonymous with retiree medical insurance, the issue did not arise at first. But for a variety of reasons this changed as most Officers moved out to more affordable plans. But this should not have implied that the support to such retirees should have ended. They have worked for Columbia and earned the retiree benefits just as much as their colleagues who picked the Columbia plans, and there is no justification that their (usually reluctant) departure from the Columbia plans should have been a cost saving to others or to the Trust Fund.

In weighing the equities, I find no principled way to justify treating those – typically older—retirees worse than recent ones. Especially since older cohorts are likely to have more health problems and higher cost burdens.

But this principle must go both ways. The Officers who retired before 2012 and were on the Columbia plans currently receive a contribution that is twice as high as that of younger retirees. This seems asymmetric, and the 2024 plan indeed does away with the asymmetry in contributions, but not that for eligibility. The principle should be equal treatment.

The primary problem with a full eligibility for all retirees is its cost.

To estimate this cost for retiree of cohorts 5-20 (we assume an average life expectancy of 20 years): Each retiree cohort is 267 people. Of these, we assume 60% will sign up. (For new retirees we assumed 80%, but older retirees are likely to be more locked into their existing medial insurance arrangements. They might also be harder to find and contact.) Together with
spouses, this amounts to about 3,000 additional covered individuals. At $900 per individual, this adds to about $2.7 million initially.

Under the system proposed, the COMIT Fund would have a certain amount to disburse in a year, as discussed. That amount would be divided by the number of covered retirees. A higher number of covered retirees might lead to a reduction for everyone, but not to an exclusion of some retirees altogether as the current plan does.

Furthermore, any cost saving due to the exclusion of many of the older retirees would be purely temporary. Since ALL new retirees are eligible for the contribution, and since older retirees will inevitably decline in numbers, in a few years virtually all retirees (who meet age and service conditions) will be covered.

Given the above calculations of expected annual resources, it is unlikely that the currently proposed contribution of $900 would have to be cut by an expansion of the eligibility to all retirees, or that such cuts would be significant.

If, on the other hand, the University will not institute the proposed COMIT Fund concept or will take several years to reach the conclusion that it is the better system, it will be necessary to structure an intermediate arrangement. This applies with great certainty to the immediate year of 2024.

It will be difficult but not impossible to expand the eligibility in the remaining few days before a necessary announcement and rollout of the 2024 plan. It is unfortunate that the Administration has taken months to design relatively simple changes in the 2023 system, while giving us only days – and no data -- to review the new plan and propose changes. If the logistics of an expansion of eligibility cannot be accomplished for this enrollment season, we might have to unhappily go along for this year. But we should strive to implement changes along these principles:

1. A full inclusion of all retirees eligible for retirement benefits.
2. Overall funding should be covered— as discussed above — by the Trust Fund and not the fringe pool.
3. If the Trust Fund is unable to support the 0-5 year groups at the $900 contribution level, the contribution would be lowered to make the expansion possible.

**Incentives for early retirement**

There should be one exception to the principle of equal treatment of retirees that was spelled out above. One of the goals of the system is to encourage retirement by reducing senior faculty members incentives to hang on in order not to lose the benefits. To achieve this goal there should be a special and time-limited extra contribution for those who retire fairly early. For
example, those who retire before the age of 70 would receive, for up to two years, a double contribution.

The cost of such extra incentive would depend on the effectiveness of the incentive. If we assume that 5% of people close to retirement would accelerate this act by 1 year, it will add an annual cost of $12,150. With two such early-retirement cohorts at each time, this would add to $24,300, a small number. But the financial benefit to the University would be larger, by being able to hire each year more younger people, typically at a lower rate than the more senior colleagues they replace. Not to mention the academic benefits.

Transparency

The University, in our meeting, spoke about having gone through “scenarios” and “actuarial calculations”. No details were provided, and when we asked for them, we were told that the relevant experts were not present at the meeting. We are thus left with a black box, and have no knowledge of the assumptions, such as on projected income, discount rates, life expectancy, take rates, etc. We have no knowledge whether the calculations include any offsetting savings to the University from more rapid retirements. By varying the assumptions, almost any desired result can be obtained.

We are not closed to reasoned arguments. But we are also members of a community that believes in research, numbers, evidence, analysis, rather than in acquiescence to assertions.

The information required is not in the nature as operational data where the need for confidentiality might be argued. The CURML Trust Fund is a separate entity from the University. Its mandate is to support exactly what its name says, retiree medical and life insurance. It has a legal and moral obligation of disclosure. There is nothing confidential about that.

Having such transparency helps everyone in this discussion. We were – and still are – told that the 2023 plan was not aimed at cost savings to the University. This has not been substantiated. Indeed, by our calculation, the contribution to the Officer retirees from CURML was $1.1 million in 2022. In 2023, after the change, it was an estimated to be $0.309 million, or 72% less than in 2022. Given these issues, we cannot accept blanket statements.

Our request for transparency for basic information about the Trust Fund such as the amount of Trust assets that had been set aside to benefit Officers medical insurance and its contingencies, is legitimate and within the spirit of the law governing retirement as well as not-for-profits and charities. They are required by law to file annual disclosures on the Federal and State levels, and Columbia does so. But the Administration lumps together the two major employee categories, whose retirement medical insurance systems are different, and since 2023 entirely so. This negates the legal requirements for transparency. We have asked repeatedly\(^8\) for this information, which is readily available in the accounting system, without even a response. It is

\(^8\) I have asked for that information at least 11 times in writing and in meetings.
not clear why the CURML Trustees and the Administration continue to do so. If that information is denied to the intended beneficiaries of this system, we should consider various ways to compel transparency, including a complaint to the authorities supervising not-for-profits and charities. This is not a struggle that the Administration and the CURML Trustees would win legally or in terms of PR. But the question is, why is this even an issue? Since the University already discloses annually the aggregate financial numbers for Officers and support staff, why does it resist to disaggregate some of that information for the two categories of employees?

Catastrophic Prescription Drug Coverage

The new plan drops the coverage of catastrophic drug needs that were part of the 2023 plan. While this might seem objectionable, the new Federal legislation caps such expenses, partly for 2024 and fully (with a cap of $2,000) starting in 2025\(^9\). On first impression, that aspect of the University’s 2024 plan therefore seems to make little difference over what the 2023 plan already did, which is to shift drug coverage from Columbia plans with their co-payment system to one of co-insurance, which can end up much more costly. This matter is discussed in the full report of June 2023. I confess a lack of full understanding of some circumstances and their implications in this bewildering territory, and thus defer a final judgement, recognizing that this issue is of great importance to retirees with serious and chronic health issues.

Via’s Exclusivity

Via remains as the exclusive agent for managing the system. To get the Columbia contribution, a retired Officer must go through Via and only Via. This tie-in has now been further strengthened by the raising of the contribution. This is not a requirement at NYU, where Via merely manages the contributions and routes them to an exchange picked by an Officer. We were told, despite such actual evidence from our Manhattan neighbor institution, that anything less than exclusivity would create an “administrative nightmare.” No substantiation was provided then or subsequently. Until then, we should remain opposed to an exclusivity that, together with the vertical relation of Via with Columbia’s HR consultant WTW – Via’s owner—creates an obvious conflict of interest.

It should be noted that Via stands to gain further from the revised system, insofar as the expanded eligibility for those who have left the Columbia plans less than five years ago now provides it with a bonanza. All those newly eligible Officers provide Via with a source of commissions, year-in, year-out.

As estimated above:

Returning to the Columbia arrangement and signing up through Via: 693 Officers  
Spouses also signing up through Via: 346  
Total 5-yr returnee Via customers: 1039

\(^9\) The law also permits the Federal government to negotiate Maximum Fair Prices (MFPs) with drug manufacturers.
New 2024 retirees signups: 213
Spouses: 106
Total 2024 retirees sign up: 319
Total new signups and 5-year returnees: 1,348
Average first signup commission: $700
Total added Via revenue in year 1: $943,600

This is on top of the Via revenues from all the Columbia signups in 2023. These are estimated as 655 Columbia plan users, plus 80% of the new retirees in 2023, plus spouses, for a total of 1,085 persons signing up through Via. This generated commissions of $759,500.

Virtually all retirees will stay with Via. This means that Via will have a totally predictable revenue stream after Year 1 from these retirees of about $350 per person, about $471,800 in each year. And since virtually all customers also stay with their insurance carrier for a long time, there will be almost no work involved for Via. If one assumes an average life expectancy of 20 years for everyone who joins the plan in 2024, zero inflation, and a discount rate of 5%, this means that Via has just been handed $5.88 million in net present value.

A higher discount rate can also be used, for example 10%, and it would reduce this numbers to $4.01 million. At the same time, the University would then also need to use the same higher discount rate when it projects the cost of future burdens on the CURML Trust Fund. There, a higher discount rate reduces the contingent burden on the Trust Fund and thus enables a higher payout. Whatever discount rate one picks, it must be applied consistently.

In addition, the NPV for the already existing 2023 signups can be calculated as $4.74 mil at a discount rate of 5% (and $3.24 at 10%).

As for the future cohorts: if one assumes conservatively an annual and stable number of retirees at 267, with 80% signing up, plus spouses, for a total of 267 per year. Projecting this forward for 20 years, each cohort is worth in terms of NPV in its initial Year 1, $1.35 million in commissions ($186,900 for initial signups, and $93,450 for renewals.)

The aggregate net present value of these future cohorts, in turn, for the next 20 cohorts from today, is $16.8 million. ($8.3 mil with a 10% discount rate.)

These are very high numbers. In terms of intuition, they derive from 20 cohorts of 267 people, each cohort with a life expectancy of 20 years, and each person generating annual net revenues of $350 per year.

Summing up:

The 2023 and 2024 plans going forward provide Via with a net present value of $29.1 million, on an exclusive basis. (At a discount rate of 10%, it is $17.2 million.) This was done, to the best of our knowledge, without competitive bidding, with Via’s owner WTW being Columbia’s HR consultant.
What enables this system is the Columbia-granted exclusivity to Via, whose effectiveness is enforced by the subsidy being available only if one uses the Via exchange.

This makes retiree Officers captive customers of Via if they want to keep the Columbia subsidy. Via need not compete for the Columbia officer by offering more favorable deals, such as by sharing the commission it received, or by negotiating a better deal for the retiree with the insurance company.\(^{10}\)

If they don’t want to miss out on the contribution, they must switch to Via from exchanges or insurance companies they have been perfectly happy with. Note that even if Via offers an insurance plan that the retiree already has, it will not let the retiree keep it because they will not receive a sign-up commission from the insurance company, given that for the latter it’s not a new customer.

The arrangement of exclusivity ties Columbia Officers to one particular intermediary with a certain range of offerings. There are numerous other vendors competing for the insurance or intermediary business, as evidenced by the offers that fill everyone’s mailbox once they reach a certain age. Columbia and its retirees could still have a relationship with Via without making it exclusive through the subsidy being tied only to this particular company. This could be accomplished by making the subsidy portable to any insurance arrangement the retiree chooses. The subsidy and its administration would be separated from the choice of exchange or insurance plan. This is done by NYU, using the same company, Via.

Dropping the Via exclusivity would

- Create competitive pressures for service quality.
- Create competitive pressure on exchanges to share some of the commissions they receive from insurance companies with the retirees.
- Facilitate Columbia’s ability to supervise and enforce service quality.
- Provide retirees with alternatives when they are unhappy with an existing arrangement.
- Provide retirees with options of other insurance providers, especially when they live in other states with a different mix of providers.

Columbia’s Administration, as well as its WTW consultant (the parent company of Via) argue that it would be administratively burdensome to have more than one vendor as the conduit for insurance and subsidy. But at NYU, which uses the same exchange as Columbia does, this seems to be no problem. At NYU, the HRA contribution (i.e., the subsidy contribution) is separated from a plan purchased through Via, but it is administered through Via. Indeed, the HRA need not be spent only on medical insurance but can be used also for copays, medical procedures that are not covered by insurance, or other health-related expenses, in the way that FSAs (Flexible Spending Accounts) operate. Here’s what NYU says:

\(^{10}\) A positive argument for Via’s exclusivity over the Columbia retirees is that it might provide Via with greater leverage—though the larger user base—towards insurance companies when it comes to quality control of its plans. There is no evidence that this is taking place.
A similar system could be instituted by Columbia, with Via administering the HRA contribution extended by the University to its Officer retirees, and with the retirees able to choose to pick their insurance coverage either through Via itself, or outside Via with other providers without losing their HRA support. Or Columbia retirees could use the HRA to fund other medical expenses. This is an arrangement that Via offers. NYU chose it, but Columbia did not. It seems that Via is charging extra for such a flexible arrangement, and that Columbia did not want to incur that cost. But the cost cannot be high. Indeed, to an economist, it would seem that if a competitive bidding for running the exchange existed, it would be Via that pays Columbia and not the other way around. After all, Columbia is delivering thousands of potential customers, most of whom will be a source for Via’s commission income. A flexible arrangement might reduce that percentage somewhat, but it would still be a profitable arrangement for the company. A company normally expects to invest in customer acquisition. Here, it seems that it is actually getting paid by Columbia to take the new customers.

The claim then is made that Via is not really selling consumers a product but that it provides a valuable service in advising them. And in doing so it incurs a cost. But even if we use the generous calculation of $130\(^{11}\), it contrasts with the commission benefit to Via which we estimate as $672 for the popular UHC Type G plan in the first year. The profit is hence $542, a high margin of 416%.

In subsequent years, Via’s consultation time and sign-up would shrink considerably, given that only a tiny percentage of retirees change their plans once picked. If we assume quite generously that costs per returning retirees is one third of what it is for new signups, this will reduce the cost to $43. The commission is reduced, too, to $336, which translates into a profit of $293, a margin of 681%. All this is virtually free of risk, since Via’s money comes from the insurance companies which, by their basic business model, are a very low a risk. On top of that, Via is also being compensated by the University.

\(^{11}\) Let us review this, back-of-the-envelope. Assume generously that an advisor’s compensation costs Via $100K per year, including benefits, which covers 48 weeks of 40 hours. This means a per-hour cost of $52. Assume a doubling to cover company overhead and technology. Assume a consultation time of 45 minutes, and of 30 minutes for the actual sign-up. This would mean that a retiree consultation and signup cost the company about $130. (And it might be argued that the time spent on the actual signup isn’t a benefit to the retiree – who would get that from the insurance company for free and with a warm thank-you – but to Via itself.)
Average profit per year on a retiree or spouse, $365. This is a useful number to visualize. It means that once an Officer retires, Via can expect a profit from them (net of cost) of 1$ for every single day of their remaining lives, and the same for their spouse. Via would earn that profit for advising the Officer, usually just once at the initial signup, of the options that make sense for the Officer. That information is readily available for free online and over the phone, though less conveniently.

The Officer, meanwhile, receives a contribution that is, per the Administration’s plan, about 2.5 times as high (1.25 as high for a spouse.) Combined, it would typically be for a couple less than twice as high (1.85). To put this in perspective beyond the dry numbers: Via gets a benefit -- year-in, year-out -- from this arrangement for a half-hour routine consultation near the beginning of the retirement, that is more than one half of that extended to an Officer during their retirement years in return for a life-long service to the University.

Even if all of these numbers could be shown to be on the high side, it is hard to see how the calculation could come down to a normal profit. This therefore suggests that there are significant market imperfections.

For all of these reasons, I cannot endorse this arrangement of exclusivity -- as an economist with articles and books on monopoly and market power, and as a former regulator as New York State Public Service Commissioner dealing with monopoly utilities. It would make a difference to this judgement, however, if:

1. Substantial efficiencies could be demonstrated (rather than broadly asserted) that would overcome the negatives.
2. The university would be realistically able to shift to alternative vendors in the future, keeping in mind the potential inconvenience to thousands of people, and keeping in mind that the identification, recommendation, and implementation for such a switch would be coordinated with Columbia’s HR consultant WTW, Via’s parent.

Is the Administration entitled to this arrangement? Probably. (Though a careful reading of the ERISA law is needed to answer this question conclusively.) But are the Officer-retirees entitled to observe that, absent a substantiation, this is a case where the administrative convenience to the University seems to trump the disadvantages to thousands of retirees, without a single advantage to them having been shown so far? Definitely.

A retiree writes:

“I fail to understand that arrangement, nor why each of us (which is what it comes down to) should be paying VIA a huge chunk of money for channeling us into a limited set of programs. Once again, it seems to me that we should simply refuse this ploy.”
The Process

Columbia’s Sr. EVP Gerald Rosberg has been an honorable partner. But the process has not worked well towards the end. It has taken the University five months to come up with a 2024 plan that is essentially a return to the plan of 2022, with an expansion of eligibility. No doubt there has been a lot of internal activity, and we thank those who worked on this. But we received a new plan in a purely verbal briefing, just three weeks before the need for the University to inform the Columbia community of the new plan so that they can make informed choices in the Open Enrollment period of November.

For fundamental questions about income, costs, numbers, etc., we received no answers and were told that the experts were other people not in the call.

There were no representatives from the Finance part of the University.

There were no representatives of Columbia’s HR consultancy.

There was no representation from the Provost’s Office, signaling that the University does not consider this an academic matter of faculty renewal but only an HR/benefits matter.

Most objectionable, there has been a continuous non-involvement by the Trustees of the CURML Trust Fund, who manage the moneys designated to support the medical insurance.

Subsequent to our meetings, I submitted a set of questions but received no answers. The Administration’s position seems to be that as management, it is entitled to do whatever it wants, within the law, without having to justify it factually.

With all due respect to the competent and honorable men and women who have dealt with this matter, the 2023 plan had too many holes in it to support any notion of unilateral wisdom. Instead, we have educated each other in a collaborative process. This should continue.

In addition, the treatment of the CURML Trust Fund is not a matter solely under the discretion of the Administration. Legally it is an entirely separate entity, though that separation seems to be tenuous in practice which might one day come to bite the University. CURML’s trustees are obliged to follow the stated objectives of the Trust instrument, not the University’s general preferences. They cannot be sitting on a growing pile of money specifically earmarked for Officer retirement medical insurance, without justifying this in a transparent matter to the intended beneficiaries. It is for such various types of issues of employer treatment of pensions and medical benefit plans that a battery of Federal and State laws is in place.

As mentioned, this is a community of people whose professional lives have been steeped in fact-based analysis. They want to be persuaded, not told. These problems have led to antagonism that could have been avoided. It is therefore not surprising that responses have been unhappy. One retiree writes:
“The offer is insulting... armed with better information and knowledge of the system, we are right to keep insisting on more transparency and consideration. They can't possibly pass this off as a good deal. “

Another retiree writes:

“I am confused about why we "must accept" a proposal with which we are thoroughly dissatisfied, and in the preparation of which, our suggestions and recommendations were completely ignored. The University will do what it will do anyway. But should they continue with this plan, we should make it clear to the present faculty and to all retirees, that we disagree with its decision to do so; and that the University has, at every step obfuscated its financial position, and failed in its moral obligations to all its faculty." 

Going Forward

1. We should acknowledge that the 2024 plan is much better than the 2023 plan, bringing it back from ‘intolerable’ to a ‘tolerable’ territory.

2. But more work needs to be done beyond the simple “$900 and 5-years return eligibility” revision. We should go along with the 2024 plan for the purely logistical reasons that time has run out, but only as long as
   a. The administration commits itself to immediate discussion of a second step for improving the system for the 2025 plan, in particular dealing with the CURML Trust Fund, the eligibility of all Officer retirees, inflation adjustments, and the exclusivity of Via, for a 2025 plan.
   b. The Administration commits itself to a transparency of the CURML Trust Fund.

3. We do not consider this to be an adversarial situation focused on money, but part of a joint effort of create a better system, based on a transparent spending of a reasonable rate of an existing fund as the sole source of retiree medical insurance. If the Administration will not commit to a good-faith effort to improve the system now, we will know that it prefers procedural prerogatives over solving a festering problem. We should then not endorse the new plan as an acceptable first step. And we should consider further moves.

The existing system, now that we understand it better, has shown its problems. And the past year has demonstrated that it will be an ongoing conflictual situation. Fortunately, it is possible to collaboratively structure an alternative that is better for retirees, for the University, and for harmony.