PSEA
PENNSYLVANIA STATE EDUCATION ASSOCIATION
Leadership for Public Education

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March 21, 2005

Ms. Lisa Sanno
State System of Higher Education
Dixon University Center
2986 N. Second Street
Harrisburg, PA 17110

Dear Ms. Sanno

Enclosed is a signed copy of the Healthcare Language covering the move to the PEBTF and post-retirement healthcare. Please ask the Campus Human Resources offices to begin to provide retirement counseling in accordance with our agreement.

Thank you for your consideration in this matter.

Sincerely,

Marc C. Kornfeld

Marc C. Kornfeld
UniServ Rep

Enclosure

cc: Ray Bazylak
Merris Harvey

STATE SYSTEM OF
Higher Education

MAR 17 2005

March 16, 2005

Mr. Marc Kornfeld
UniServ Representative
Pennsylvania State Education Association
4746 Delbrook Road
Mechanicsburg PA 17050

RE: Article 28, Health Benefits Proposal
Page 6 Revision
SCUPA

Dear Mr. Kornfeld:

As discussed, enclosed is a revised page 6 to the February 3, 2005, Article 28, Health Benefits proposal. The revisions include deleting "July 1, 2007 - June 30, 2008 - See Section 3.A.5 below" under Section 3.A.4 and changing "June 30, 2008" to "June 30, 2007" in Section 3.A.5. Please replace page 6 of the February 3, 2005, proposal sent via cover letter dated February 8, 2005, with this revised page.

Please signify your concurrence with the proposal by initialing each page of the proposal, and return a copy of the proposal to this office.

Sincerely,

Lisa A. Sanno

Lisa A. Sanno
Labor Relation Manager

LAS/tlh
Enclosure
c: Ms. LouAnn Kauffman

RECEIVED
MAR 22 2005
LABOR RELATIONS

Marc C. Kornfeld 3/21/05
Marc C. Kornfeld Date
On behalf of SCUPA

ARTICLE 28

HEALTH BENEFITS

Section 1.

A. The Employer and SCUPA agree that SCUPA will petition the Pennsylvania Employees Benefit Trust Fund (PEBTF) to allow the inclusion of the employees covered by this collective bargaining agreement as covered employees for the purpose of providing medical plan benefits, supplemental benefits and other benefits to be extended by the Board of Trustees of the PEBTF in their discretion and within the terms of the Agreement and Declaration of Trust.

B. In the event the PEBTF agrees to include the employees covered by this Agreement as covered employees as described in Section 1.A above, the transition from the Employer's health benefit plans to the PEBTF will occur January 1, 2005. Effective January 1, 2005, active employees' covered by this Agreement are included in the PEBTF and health benefits shall be as provided for in Section 3. below.

C. Until January 1, 2005, active employees' health benefits shall be as provided for in Section 2. below.

D. Annuitant health care benefits shall be as provided for in Section 4. below.

Section 2.

A. Effective July 1, 2004, the Employer shall provide each eligible permanent full-time professional employee a choice between enrollment in the indemnity plan, a Health Maintenance Organization (HMO) plan, or a Preferred Provider Organization (PPO) plan. Eligible professional employees shall be those determined by the health plans in accordance with the eligibility provisions of the State System of Higher Education Group Health Program (SSHEGHP). The choice among plans shall be operated as follows:

1. The option to elect the coverage in a plan shall be made available to those professional employees who reside within the service area of the plan.

2. The amount and kind of benefits available to professional employees shall be those offered by the plan and contracted for by the Employer.

3. The option to elect coverage under a plan shall be available during annual open enrollment periods designated by the Employer and the plans. Professional employees who are newly hired or newly transferred into a plan's service area may choose from available plans. Professional employees who leave the service area or who

are dissatisfied with an HMO or other health plan may elect coverage in the indemnity plan.

B. The Employer shall provide dependency coverage where the dependents of the professional employee qualify under such Plan.

C. The Employer shall continue to provide each permanent part-time professional employee who is expected to be in an active pay status at least fifty percent (50%) of the time every pay period with fifty percent (50%) Employer paid coverage under the indemnity plan or PPO plan. In addition, it shall provide fifty percent (50%) Employer paid dependency coverage where the dependents of the professional employee qualify under such plan. Eligible permanent part-time professional employees shall contribute fifty percent (50%) of the Employer's cost of coverage for the type of contract for the health and prescription drug plan selected by the part-time professional employee in addition to the ten percent (10%) contribution required under Section 2.G.3.

D. Effective July 1, 2004, the following changes shall be implemented.

1. The current indemnity plan shall be modified as follows:

(a) The major medical deductible under the indemnity plan for active professional employees shall be $500 per person and a maximum $1,500 per family per calendar year.

(b) Major medical out-of-state claims will be processed up to twice the rate of in-state major medical reimbursement.

(c) Attention deficit disorder (ADD) and attention deficit hyperactivity disorder (ADHD) claims will be processed as mental health claims when provided and billed by a psychiatric provider.

(d) Outpatient spinal manipulation visits will be limited to thirty (30) per calendar year.

(e) Outpatient physical therapy visits will be unlimited.

2. Establish a PPO plan.

3. Eliminate the POS plan.

4. Continue the HMO plan.

5. The prescription drug benefit plan will be included in each of the health plans and will be revised as follows:

(a) A three (3) tier open formulary with retail co-payments of $5 for generic, $10 for brand formulary, and $20 for brand non-formulary drugs for up to a thirty (30) day supply.

(b) Co-payments for mail order prescriptions of two (2) times the retail co-payments set forth in (a) above for up to a ninety (90) day supply.

(c) A deductible for all professional employee prescription coverage (total retail and mail order) of $100 per person/$300 per family maximum per calendar year.

(d) Mandatory generic reimbursement where the professional employee pays, in addition to the applicable co-payments, the cost difference between brand and generic if a generic drug exists. If a physician prescribes a brand drug and indicates no substitution, the professional employee will not have to pay the difference between that drug and the generic.

E. Permanent full-time professional employees and permanent part-time professional employees who are expected to be in an active pay status at least fifty percent (50%) of the time every pay period will be provided with dental, vision, and hearing benefits in accordance with the Management Benefits Program.

F.

1. Permanent professional employees who are granted leave without pay due to sickness or parental leave will continue to receive medical and prescription benefits under the State System of Higher Education Group Health Plan (SSHEGHP) and supplemental benefits under the Management Benefits Program for up to six (6) months. Permanent professional employees who are granted family care leave will continue to receive medical and prescription benefits and supplemental benefits under the Management Benefits Program for up to twelve (12) weeks. Medical and prescription benefits will continue provided that the required professional employee contribution is paid while on leave. If the professional employee does not pay their share of the premium, coverage will be cancelled, and they will be permitted to continue coverage under COBRA provisions or on a direct pay basis.

2. Except as provided in Section 2.F.3 below, permanent part-time professional employees and permanent full-time professional employees, who are placed on suspension or who are granted leave without pay for any reason other than for sickness, parental, or family care leave for longer than one full pay period, or who are on leave without pay due to sickness or parental leave longer than six (6) months, or family

care leave longer than twelve (12) weeks, will be permitted to continue coverage under COBRA provisions or on a direct pay basis.

3. Permanent full-time professional employees and permanent part-time professional employees who are eligible under Section C. above who are employed on a nine (9) month schedule and have an expectation of year-to-year employment with the University will continue to receive benefits as specified herein for the period of leave without pay between the completion of a nine (9) month work schedule and beginning of a subsequent work schedule if the required professional employee contribution is paid while on leave. If the professional employee does not pay their share of the premium or if the leave extends beyond the regular leave period, professional employees will be permitted to continue coverage under COBRA provisions or on a direct pay basis.

4. Medical, prescription, and supplemental benefits shall cease on the date a professional employee terminates employment. For the purposes of this section, termination of employment does not include furloughs and deaths. For furloughed professional employees and surviving dependents, when the last day of employment falls between the first and the 14th of the month, coverage will end on the last day of that month. When the last day of employment falls between the 15th and the last day of the month, coverage will end on the 14th of the following month.

G.

1. Through December 31, 2004, the Employer shall, at its sole cost and expense, continue to provide each eligible professional employee, as defined in Sections 2.A and 2.F.1, with coverage as provided herein under the indemnity plan or the PPO plan. The Employer shall provide fifty percent (50%) Employer paid coverage as provided herein under the indemnity plan or the PPO plan for each eligible permanent part-time professional employee, as defined in Sections 2.C and 2.F.1

2. Through December 31, 2004, the Employer shall contribute to an HMO, for each eligible full-time professional employee, as defined in Sections 2.A and 2.F.1, an amount not to exceed the amount that would be contributed under subsection G.1 above based on the indemnity plan individual or multi-party rate component appropriate for the geographic area in which the HMO is located. Additional costs, if any, of the HMO plan shall be paid for by the professional employee through payroll deductions.

3. Effective January 1, 2005, all participating active professional employees shall contribute on a pre-tax basis through bi-weekly payroll deductions, at a flat rate of ten percent (10%) of the Employer's expected costs for the type of contract for the chosen medical and prescription drug plan for fiscal year 2004-2005 and for each fiscal year thereafter. Contributions shall be established by a plan based on the following demographic tiers: single, two-party, and family for the indemnity and PPO plans and single and multi-party for the HMO plan.

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4. If the indemnity and drug card plan costs increase more than twelve percent (12%) from one year to the next, any cost increase in excess of twelve percent (12%) shall be paid by the plan participants in addition to the flat ten percent (10%) contribution rate, unless the plan is redesigned to maintain costs within the twelve percent (12%) cap. Any such additional contributions shall be paid by pre-tax payroll deductions.

5. If (1) the Pennsylvania Employee Benefit Trust Fund (PEBTF) reduces or eliminates employee shares scheduled to go into effect on or after July 2005; and, (2) the amount of the reconciliation for the combined total of all health care and prescription costs, as reflected on the reconciled health care and prescription drug statements for the Employer issued immediately following the effective date of the PEBTF reduction or elimination, shows an increase of less than ten percent (10%) from the same combined total reflected on the previous year's reconciled financial statements: then, the amount of or necessity for a professional employee contribution shall be reconsidered.

H.

1. A Health Care Cost Containment Committee shall be established as of July 1, 2004. The Health Care Cost Containment Committee shall be composed of fourteen (14) members with seven (7) management representatives and seven (7) union representatives, four (4) of whom shall represent and be appointed by the Association of Pennsylvania State College and University Faculties (APSCUF), one who shall represent and be appointed by SCUPA, one who shall represent and be appointed by the Office and Professional Employees' International Union (OPEIU), and one who shall represent and be appointed by SPFPA.

2. The Health Care Cost Containment Committee shall meet periodically to discuss health care costs containment strategies, including plan redesign of the indemnity program to maintain costs with the twelve percent (12%) cap provided for in Section 2.G.4 above. The Committee may also make recommendations for modifications to the other health care plans. The Committee shall make recommendations to the Employer and SCUPA for modifications of the health care plans for active professional employees. Recommendations of the Committee must have been approved by Committee members by a majority vote of both management members and a majority vote of union members.

3. Medical and prescription rate information used to develop professional employee contributions will be shared with all members of the Committee.

<u>Section 3.</u>

A. Pennsylvania Employees Benefit Trust Fund

1. A jointly administered, multi-union, health and welfare Fund has

been established under the provisions of an Agreement and Declaration of Trust executed by and between Council 13, Association of Federal, State, County, and Municipal Employees (AFSCME), AFL-CIO, and the Commonwealth of Pennsylvania.

This jointly administered Fund is known as the Pennsylvania Employees Benefit Trust Fund (hereinafter Fund or PEBTF). The Fund shall conform to all existing and future Federal and Commonwealth statutes applicable to and controlling such Health and Welfare Fund. Said Agreement and Declaration of Trust shall provide for equal representation on the Board of Trustees by the Unions and the Commonwealth of Pennsylvania. In addition, the Agreement and Declaration of Trust will allow the Fund to provide benefits to management level and retired employees, as well as employees represented by other unions and other employers in the Commonwealth of Pennsylvania.

2. The Employer and SCUPA agree that the Board of Trustees of the Fund shall determine in their discretion and within the terms of this Agreement and the Agreement and Declaration of Trust the extent and level of medical plan benefits, supplemental benefits, and other benefits to be extended by the Fund.

3. The Employer and SCUPA agree that the medical plan benefits, supplemental benefits and other benefits applicable to the professional employees represented by SCUPA shall be determined exclusively by the Fund as described in Section 3.A.2 above.

4. The Employer shall contribute to the Fund the amounts indicated below on behalf of each permanent professional full-time employee eligible for benefits and covered by this Agreement:

Effective with the transition to the PEBTF – June 30, 2005 – $270.00 biweekly per professional employee
July 1, 2005 – June 30, 2006 - $275.00 biweekly per professional employee
July 1, 2006 – June 30, 2007 - $300.00 biweekly per professional employee

The contributions for permanent professional part-time employees, who are eligible for benefits and expected to be in an active pay status at least fifty percent (50%) of the time every pay period, will be fifty percent (50%) of the above referenced rates.

5. If the negotiations with the employee organization that represents the majority of Commonwealth employees modifies the Employer contributions or changes the language in this Article for the period of July 1, 2004, to June 30, 2007, and thereafter, the results of those negotiations and any language changes will be applied to professional employees represented by SCUPA.

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6. The Employer shall make aggregate payments of Employer contributions together with an itemized statement to the Fund within one month from the end of the month in which the contributions were collected.

7. All benefits extended by the Fund must be designed to be excludable from the "regular rate" definition of the Fair Labor Standards Act, unless hereinafter required by federal law to be included.

8. No dispute over eligibility for benefits or over a claim for any benefits extended by the Fund shall be subject to the grievance procedure established in this collective bargaining agreement.

9. It is expressly agreed and understood that the Employer does not accept, nor is the Employer to be hereby charged with any responsibility in any manner connected with the determination of liability to any professional employee claiming any of the benefits extended by the Fund. It is expressly agreed that the Employer's liability, in any and every event, with respect to benefits extended by the Fund shall be limited to the contributions indicated under Section 3.A.4 above.

B. The provisions of Sections 3.C through 3.G shall be modified to the extent the medical plan benefits, supplemental benefits, and other benefits as determined and extended by the Fund are modified for current and/or future professional employees as provided for in Section 3.A of this Article.

C. The Fund shall continue to provide each permanent full-time active professional employee medical plan benefits, supplemental benefits, and other benefits as determined and extended by the Fund. In addition, it shall provide dependency coverage where the dependents of the professional employee qualify. The Fund shall continue to provide permanent professional part-time employees who are expected to be in active pay status at least fifty percent (50%) of the time every pay period medical plan benefits, supplemental benefits and other benefits as determined and extended by the Fund. In addition, it shall provide fifty percent (50%) dependency coverage where the dependents of the professional employee qualify. Such professional employees shall contribute an amount determined by the Fund's Trustees toward the cost of coverage. Enrollment and continued coverage in Fund benefits is further subject to the following conditions:

1. Professional employees hired before August 1, 2003 – Subject to the provisions of Section 3.C.2, effective at the beginning of the first full pay period in July 2005, will contribute one-half percent (0.5%) of their biweekly gross salary. Biweekly gross salary as used throughout this Section excludes premium or supplemental payments such as overtime, shift differentials, higher class pay, etc. Effective at the beginning of the first full pay period in January 2007, the contribution rate will be one percent (1.0%) of the professional employee's biweekly gross salary.

2. If the Fund's actuary certifies that a three (3) month reserve of projected claims and expenses has been achieved and will be maintained for at least six (6) months, the Trustees will evaluate whether employee cost sharing for professional

employees hired before August 1, 2003, can be reduced or eliminated, provided that at no time shall any such reduction or elimination of cost sharing result in the reserve being reduced below the three (3) months of total projected claims and expenses. Should the Trustees, after evaluating the employee cost sharing, decide that contributions by employees hired before August 1, 2003, will be reduced or eliminated, the reserve will be reviewed on a six (6) month basis by the Fund's actuary. If the actuary certifies that the amount of the reserve has dropped below the three (3) month level, such contributions will resume immediately at the levels established in this Agreement, without any action on the part of the parties or the PEBTF Board of Trustees.

3. Professional employees hired on or after August 1, 2003 – Effective with the date coverage under the Fund begins, professional employees will contribute one percent (1%) of their biweekly gross salary, and:

(a) For the first six (6) months of employment, the professional employee will be offered single coverage in the least costly medical plan offered and available in his/her area, with no supplemental benefits. The professional employee may opt to purchase medical coverage for the professional employee's qualifying dependents in the same medical plan as the professional employee, and/or may opt to purchase a more costly plan in the area by paying the difference in cost between the least costly and the more costly plan, in addition to the one percent (1%) professional employee contribution.

(b) After completing six (6) months of employment, the professional employee and his/her qualifying dependents will be eligible for coverage under the Fund's supplemental benefits, and the professional employee will be permitted to cover his/her qualifying dependents under the least costly medical plan at no additional cost. If a more costly medical plan is selected, the professional employee will be required to pay the cost difference between the least costly and more costly plan, in addition to the one percent (1%) professional employee contribution.

4. Only professional employees who elect to enroll for PEBTF coverage, including those who enroll only for supplemental benefits, are subject to the employee contributions in this Section. A professional employee who is only enrolled as a spouse of another PEBTF covered employee is not subject to any required employee contributions.

5. Professional employee contributions under this Section will be paid to the Fund on a biweekly basis as soon as is practicable using the Employer's standard methods for transferring money. The parties intend that these contributions will be submitted in a more accelerated manner than the Employer contributions. Any

professional employee contributions made pursuant to this Section will be made on a pre-tax basis.

D.

1. Permanent professional employees, who are granted sick leave without pay or parental leave without pay, may continue to receive benefits as determined and extended by the Fund for up to six (6) months. Permanent professional employees, who are granted family care leave, may continue to receive benefits as determined and extended by the Fund for up to twelve (12) weeks. Permanent professional employees, who are granted work-related disability leave, may continue to receive benefits as determined and extended by the Fund for up to twelve (12) months.

2. Except as provided in Section 3.D.3 below, permanent professional part-time employees and those permanent professional full-time employees, who are placed on suspension or who are granted leave without pay for any reason other than sickness, parental leave, family care leave or injury leave for longer than one full pay period or who are on leave longer than the applicable period specified in Section 3.D.1 above, will be permitted to continue coverage on a direct pay basis at a rate to be determined by the Fund but no greater than the COBRA rate.

3. Permanent professional full-time employees and permanent professional part-time employees, who are eligible for benefits and who are regularly placed on leave without pay for one to three (3) months every year due to cyclical work schedules or weather conditions, will continue to receive benefits as determined and extended by the Fund for the period they are on leave. If the leave extends beyond the regular leave period, professional employees will be permitted to continue coverage on a direct pay basis at a rate to be determined by the Fund but no greater than the COBRA rate.

4. The Employer shall continue to make full contributions to the Fund for permanent professional full-time employees for the period of time for which they are entitled to benefits under Section 3.D.1 and 3.D.3 and fifty percent (50%) contributions for permanent professional part-time employees for the period of time for which they are entitled to benefits under Section 3.D.1 or 3.D.3.

5. The continuation of benefits under this Subsection is subject to the professional employee's payment of any required professional employee contribution under Section 3.C.

E. Spousal Eligibility (Effective With the Date Coverage Under the Fund Begins)

1. For professional employees hired on or after August 1, 2003: If the spouse of a professional employee is covered by any PEBTF health care plan, and he/she is eligible for coverage under another employer's plan(s), the spouse shall be required to enroll in each such plan, which shall be the spouse's primary coverage, as a condition of the spouse's eligibility for coverage by the PEBTF plan(s), without regard to whether the spouse's plan requires cost sharing or to whether the spouse's employer

offers an incentive to the spouse not to enroll.

2. For professional employees hired before August 1, 2003: if the spouse of a professional employee covered by any PEBTF health plan also is eligible for coverage under another employer's plan(s), the spouse shall be required to enroll in each such plan, provided that the plan in question does not require an employee contribution by the spouse or the spouse's employer does not offer an incentive to the spouse not to enroll. Once covered by another employer's plan, that plan will be the spouse's primary coverage, and the PEBTF plan will be secondary.

3. Nothing herein shall be construed to limit the authority of the Board of Trustees to modify or adopt these or other spousal eligibility rules.

4. A. The Employer shall allow each professional employee, who was eligible as an active employee under the SSHEGHP and who retires, to elect coverage upon retirement under the Annuitant Health Care Program (AHCP). Effective January 1, 2005, the Employer shall allow each professional employee who was eligible as an active professional employee under the Fund's health benefits plan to elect coverage upon retirement under the AHCP. In addition, dependency coverage shall be allowed where the dependents of the annuitant qualify under the AHCP.

B. Effective July 1, 2004, AHCP benefits for new pre-Medicare eligible retirees shall be those in effect for active professional employees, and may change from time-to-time as active professional employee benefits change. Effective January 1, 2005, AHCP benefits shall be those in effect for other employees covered by the SSHEGHP. Professional employees retiring on or after July 1, 2004, but prior to July 1, 2005, and who meet the criteria in subsection E. below, will be eligible to elect coverage in the AHCP, and the Employer will continue to pay the full cost of coverage.

C. Eligible professional employees, who retire after June 30, 2005, and who enroll in the AHCP and are not eligible for Medicare shall select a health care plan available in the AHCP and shall contribute to the cost of coverage at the dollar amount for their choice of plan that was in effect the day of their retirement. Upon becoming eligible for Medicare, they shall cease the foregoing contribution and instead pay the same percentage of the Employer's cost for the Medicare supplement as other employees covered by the SSHEGHP are paying for their PPO plan benefits. If an annuitant, who retires after June 30, 2005, opts to change health plans, he/she shall contribute to the new plan in the same dollar amount that was in effect for that plan as of the date of his/her retirement.

D. Professional employees, who retire and are covered under the AHCP, will be required to enroll in Medicare Part B in order to continue comprehensive medical coverage. The Employer shall continue to provide Blue Shield 65-Special Supplement.

E. The Employer shall continue to pay the cost of coverage, subject to the required annuitant shares, for annuitants who retire under (1), (2) or (3) below and who have elected coverage under the AHCP. For purposes of the section, "credited service" for all professional employees who begin employment on or after July 1, 1997, shall only include actual service with the State System or Commonwealth and shall not include other types of service purchasable for retirement credit.

(1) Retirement at or after superannuation age (age sixty [60] for Alternative Retirement Plan [ARP]) with at least fifteen (15) years of credited service (at least ten [10] years of credited service if hired before July 1, 1997) (twenty [20] or more years of service if hired after July 1, 2004), in the State and/or Public School Employees' Retirement Systems, or ARP, except that

(a) a professional employee who leaves State System employment prior to superannuation age, vests retirement benefits and subsequently retires at or after superannuation age must have twenty-five (25) years of credited service in the State and/or Public School Employees' Retirement Systems, or ARP,

(b) a professional employee, who is furloughed prior to superannuation age, vests retirement benefits and subsequently retires at or after superannuation age during the recall period, must have fifteen (15) or more years of credited service (at least ten [10] years of credited service if hired before July 1, 1997) (twenty [20] or more years of service if hired after July 1, 2004), in the State and/or Public School Retirement Systems, or ARP,

(2) Disability retirement, which requires at least five years of credited service in the State and/or Public School Employees' Retirement Systems, or ARP, except if a professional employee had previously qualified based on an approved disability retirement, then returns and retires under a normal or early retirement, he or she must retire at or after superannuation age with fifteen (15) years of credited service (at least ten [10] years of credited service if hired before July 1, 1997) (twenty [20] or more years of service if hired on or after July 1, 2004) in the State and/or Public School Employees' Retirement System, or ARP or twenty-five (25) years of credited service in the State and/or Public School Employees' Retirement System, or ARP. For purposes of this subsection, retirement under the ARP shall be considered disability if the retiree meets the same disability retirement standards used by the State Employees' Retirement System in accordance with the procedures provided for in Appendix G.

(3) Other retirement with at least twenty-five (25) years of credited service in the State and/or Public School Employees' Retirement Systems, or ARP, except that an employee who leaves State System employment, is subsequently rehired and retires must have at least twenty-five (25) years of credited service in the State and/or Public School Employees' Retirement Systems, or ARP.

5. It is understood that the references to the types of health plans in Section 2 and 4 in this Article shall not restrict the Employer's right to replace the current insurers/administrators with other insurers/administrators, provided equivalent coverage, benefits, and Employer/professional employee contributions are maintained.