

THE GEORGE WASHINGTON UNIVERSITY
Washington, DC

MINUTES OF THE REGULAR FACULTY SENATE MEETING
HELD ON DECEMBER 11, 2015
IN THE STATE ROOM

Present: President Knapp, Provost Lerman, Registrar Amundson, and Parliamentarian Charnovitz; Executive Committee Chair Garris; Dean Brigety, Professors Barnhill, Brazinsky, Costello, Dickinson, Griesshammer, Harrington, Hawley, Hopkins, Marotta-Walters, McAleavey, McDonnell, McHugh, Newcomer, Packer, Price, Pulcini, Roddis, Rohrbeck, Sidawy, Squires, Swaine, Swiercz, Williams, Wilmarth, and Wirtz.

Absent: Deans Akman, Dolling, Eskandarian, Feuer, Goldman, Jeffries, Livingstone, Morant, Vinson; Professors Downes, Ellis, Galston, Katz, Khourey, Miller, Perry, Rehman, Rice, Rimal, Sarkar, Shesser, Welsh, and Zeman.

CALL TO ORDER

The meeting was called to order at 2:18 p.m.

APPROVAL OF THE MINUTES

The minutes from the September 11th Faculty Senate meeting were approved. The October 9th and November 13th minutes will be ready for approval at the January 15th Senate meeting.

INTRODUCTION OF NEW SENATE MEMBER

President Knapp introduced Dean Reuben E. Brigety II, who joined the Elliott School of International Affairs on October 1, 2015.

DISCUSSION OF A RESOLUTION TO AMEND THE *FACULTY ORGANIZATION PLAN* TO AUTHORIZE NON-TENURED REGULAR FACULTY IN THREE SCHOOLS TO SERVE IN THE FACULTY SENATE (16/6), Professors A. Wilmarth on behalf of PEAFF, A. Sidawy, J. Pulcini, and K. McDonnell (Debate and vote to take place at the January 15th Faculty Senate meeting)

Professor Wilmarth opened discussion of the proposed resolution that the Professional Ethics and Academic Freedom (PEAF) Committee adopted at its most recent meeting and has forwarded to the Executive Committee. The Executive Committee decided that the Senate should be given an opportunity for discussion of the resolution at this meeting prior to a formal debate and vote on the resolution at the January 15th Senate meeting.

The resolution addresses the same issue that was the subject of the November Faculty Assembly meeting, specifically, the question of whether non-tenured faculty should be given the right to participate as members of the Faculty Senate. At the Faculty Assembly, two different proposals were considered. One was the Senate's version, which would have allowed non-tenured regular faculty

members in each school to serve in the Senate with the requirement of at least three years of full-time service at GW, the rank of Associate Professor or higher, and the limitation that at least half of the senators from each school must be tenured. The Board of Trustees' proposal was similar to the Senate's proposal, except that the Board of Trustees would allow either non-tenured regular faculty or non-tenured, full-time specialized faculty to serve in the Senate, subject to the same limitations provided in the Senate proposal. Both proposals were not adopted by the Faculty Assembly, because neither proposal received the requisite two-thirds vote.

Professor Wilmarth remarked that the Faculty Assembly engaged in an active and prolonged discussion of the representation issue. There was a strong feeling of dissatisfaction after the meeting, and there was a widespread view that representation issues are particularly acute with regard to the School of Medicine and Health Sciences (SMHS), the Milken Institute School of Public Health (GWSPH), and the School of Nursing (SON). All three schools were strongly represented at the Faculty Assembly meeting, and the greatest amount of dissatisfaction with the outcome of the meeting came from these three schools.

Based on faculty counts provided to the PEAFF Committee by Vice Provost Dianne Martin in early 2015, GW employs about 900 full-time faculty who hold either tenured or tenure-track appointments. Approximately 480 other faculty are full-time, regular, non-tenure-accruing faculty (often referred to as contract faculty). Another 150 faculty are classified as specialized faculty. Approximately 60% of the regular, non-tenure-accruing faculty are in SMHS, GWSPH, and SON. About 70% of the research faculty also hold appointments in the same three schools.

Professor Wilmarth explained that the PEAFF committee decided to revisit the issues addressed at the Assembly meeting in order to determine whether any further action should be taken. There was considerable sympathy among members of the committee for the view that some kind of action should be taken to address the Senate representation issues at SMHS, GWSPH, and SON. SMHS and SON, for example, have intensive clinical teaching programs that require large numbers of full-time clinical faculty, but it is not feasible for SMHS or SON to offer tenure to full-time clinical faculty. In addition, the Medical Faculty Associates (MFA), which is responsible for most of the clinical teaching in SMHS, is a separate entity, and faculty there are no longer granted tenure. As a result, long-standing senior tenured MFA faculty in SMHS are eligible to serve in the Faculty Senate, but more recent MFA faculty do not and will not receive tenure and will not be eligible to serve in the Faculty Senate under the current provisions of the *Faculty Organization Plan*. Eventually, this will result in a situation where no MFA faculty are eligible to serve in the Senate. SON currently has very few tenured faculty, and the only tenured faculty member currently eligible for Senate service is Professor Pulcini. The number of tenured faculty members is expected to grow in SON over the next several years as new hires are made.

Professor Wilmarth noted that, until 2010, there was a separate medical center faculty senate, but that senate was abolished when the medical center ceased to be a separate entity at GW. Tenure was not required for service in the medical center faculty senate.

The current resolution would extend the right to serve in the Senate to non-tenured regular (also known as contract) faculty in SMHS, GWSPH, and SON, subject to three conditions. Non-tenured regular faculty in those schools would have to complete at least three years of full-time service at GW and would have to attain the rank of Associate Professor or higher. In addition, at least half of the faculty members in the Senate from each school would need to hold tenured appointments. As a

practical matter, this would mean that two of the five SMHS Senators, one of the three GWSPH Senators, and one of the two SON Senators could hold non-tenured regular faculty appointments. Thus, the proposed resolution would authorize up to four non-tenured Faculty Senate positions across those three schools.

Professor Wilmarth concluded his remarks by referring to an issue that the PEAf committee considered but elected not to act on. The committee again discussed whether the right to serve in the Senate should be extended to full-time specialized faculty from SMHS, GWSPH, and SON. Previous discussions on this matter are reflected in the September 11 Faculty Senate meeting minutes. The PEAf committee continues to have significant concerns about extending Senate representation to specialized faculty members and therefore did not support such an extension.

One concern relates to independence. Research faculty operate primarily on soft money that is funded by research grants. In order to engage in non-research activities, research faculty have to obtain departmental or school funding support from their chairs and deans. The kind of specific approval required for research faculty to engage in non-research activities (including University service) is not consistent with what the PEAf committee believes is the required amount of independence for a Senate member.

Second, in many cases, specialized faculty do not have contractual responsibilities for all three areas of faculty responsibility (teaching, research, and service). As a practical matter, they may engage in all three activities, but their contractual responsibilities are typically limited to one or two of the three core areas. This limitation on the duties of specialized faculty makes them, in the PEAf committee's view, distinctly different from regular non-tenured faculty with contractual obligations in all three areas.

Finally, the question of independence arises again with regard to termination of service. Under the resolution's proposed limitations for non-tenured regular faculty serving in the Senate, each non-tenured regular faculty member would have to complete three years of full-time service at GW in order to become eligible for service in the Senate. Under Article V.B of the *Faculty Code*, non-tenured regular faculty members who have completed at least two years of service is entitled to a full year of notice before termination. Presumably, if such faculty members were terminated for reasons related to their exercise of academic freedom (including service in the Faculty Senate), they would have the right to pursue grievances during the terminal year of their contracts. That is a significant protection for non-tenured regular faculty members with two or more years of service. Specialized faculty are not protected under Article V.B and may be terminated without notice.

Professor Sidawy thanked Professor Wilmarth for his representation of the faculty representation situation in SMHS, GWSPH, and SON and the PEAf committee for their work on the resolution. Professor Sidawy reiterated the point that SMHS full-time regular faculty do not feel that they have representation on the Senate. The faculty feels strongly about this, as evidenced by their strong showing at the Faculty Assembly despite the logistical difficulties involved in doing so (e.g., clinical and operating schedules).

Professor Pulcini noted that SON is a new school, just having celebrated its fifth year, and is growing rapidly. Enrollment is growing quickly, necessitating faculty growth to meet low faculty-student ratio requirements. The new dean of SON is working on growing the research enterprise within the school, and SON is actively interviewing for new faculty positions. SON currently has six

tenured faculty, eleven on the tenure track, sixteen nontenure-track regular active status faculty, seven special service clinical faculty, and three research faculty. Professor Pulcini thanked the Senate for considering the current resolution.

Professor McDonnell thanked the Senate and the PEAFF committee for its work on the resolution. She noted the fact that the three schools covered under the resolution are no longer a medical center entity but are instead separate bodies, all within the last five years. Recognizing that these schools operate very differently from the other schools at the university, the proposed revisions to the Faculty Code would permit GWSPH the flexibility to determine who represents the faculty in the Senate.

President Knapp noted that full debate of the resolution will occur at the January 15th Senate meeting and opened the floor for additional comments or questions from Senate members.

Professor McAleavey noted his support for the resolution and asked a question related to the non-tenure-eligible status of the MFA faculty. He recalled a discussion in Executive Committee a few years ago in which President Knapp indicated that, at Johns Hopkins, there was a mechanism in place to award a kind of tenure in name for faculty of this ilk so that they could indeed serve as full citizens in the Senate. Professor McAleavey suggested that a mechanism like this might be explored for not all MFA faculty but perhaps for those with the most research accomplishments, for example, for the purpose of Senate representation.

Professor Sidawy responded that Professor Gary Simon, a previous SMHS representative to the Senate, indeed worked on the possibility of doing something like this. The issue became one of “watering down” tenure, or providing tenure for the sole purpose of serving on the Senate. This seems to be a separate, larger question that goes to the heart of the principle of tenure and not just to the idea of allowing some portion of the school’s Senate seats to be filled by untenured faculty.

Professor Swiercz expressed a number of concerns with the proposed resolution. First, the resolution seems like a workaround after the Faculty Assembly vote resulted in a decision not to permit this type of representation. Second, Professor Swiercz expressed concerns about equity in that non-tenure-eligible faculty in other schools would not also be extended the same opportunity to serve on the Senate. He noted that several School of Business (GWSB) faculty were forcibly reclassified to special service faculty rank during the prior deanship; these faculty are bringing all the dedication, skill, capacity, and commitment to perform the duties of a faculty member but are not tenurable by administration policy. Under the current resolution, they are necessarily excluded from Senate representation opportunities.

Professor Swiercz also cautioned against confusing participation with shared governance. Participation permits comments and input but does not extend to decisions. Shared governance includes domains of responsibility that belong uniquely to the faculty and require the independence provided by tenure in order to be fulfilled to their fullest extent.

President Knapp clarified that the way the resolution appeared before the Faculty Assembly was in accordance with the procedures for presenting an amendment to revise the Faculty Organization Plan as specified in the Faculty Organization Plan itself.

Professor Wirtz noted that he hoped the current discussion opportunity did not mean that the Senate would truncate the discussion when the resolution comes up for a vote at the January Senate meeting. He stated his understanding that the objective today is to inform the Senate representatives on the issues related to the resolution so that they may then present those issues within their schools in an informed manner. President Knapp responded that the agenda does reflect that debate and vote will occur at the January Senate meeting. The only ways a debate would be truncated at the January meeting would be if the chair concludes that points are being repeated or if there is a motion to call the question.

Professor Wirtz asked why the discussion isn't focused more on the issue of increasing tenure slots in the affected schools rather than permitting nontenured faculty to serve on the Senate. The SON issue is one of time, as they are growing and will add more tenured faculty lines as they continue to grow. The issue seems to come down, though, to whether or not the schools in question really ought to have more tenure seats and whether that discussion should take place before the current discussion. The current resolution responds to what seems to be an administrative mandate to limit tenure in these schools.

President Knapp responded by noting that there seems to be a misunderstanding of the situation within SMHS and in particular with the MFA clinical faculty. The MFA is a separate entity from the university, and the faculty are not employees of the university. GW does not financially underpin their appointments. The university compensates the MFA for its teaching efforts but not on the basis of individual salaries. Many clinical faculties across the country have a type of tenure that is decoupled from a salary guarantee. When the MFA decoupled from GW years ago, for financial reasons, MFA faculty no longer enjoyed the tenure they had when the MFA was part of GW. At many institutions, tenure does not come with a financial guarantee. The Johns Hopkins example is a slightly unusual case; there is a "20 percent" rule which states that a clinical faculty member who is no longer able to support him or herself, either through clinical or research funding, may have his or her salary reduced by 20%/year down to zero. This issue is specific to the medical school.

Professor Wirtz asked whether a similar case can be made for either GWSPH or SON. President Knapp responded that the faculty in these schools are GW employees. Tenure line requests are determined by the departments and the deans and approved by the Provost. Professor Wirtz noted that his predisposition would be very different if this discussion were focused on SMHS alone as opposed to all three schools. The discussion of GWSPH and SON should focus on increasing tenure slots.

Professor Sidawy noted that the fundamental issue in SMHS is that with the expansion of the clinical enterprise, the percentage of tenured faculty in SMHS necessarily decreases. Regular full-time faculty who are clinical participate in teaching, research, and service but are not tenure-eligible and therefore feel underrepresented in the Senate.

Professor Griesshammer noted his sympathy for the idea of providing more Senate representation possibilities for the schools. However, the two-thirds majority required in a Faculty Assembly vote for a change to the Faculty Organization Plan is an extremely high hurdle. In the November vote, the margin fell well short of this requirement. Even if the fifty faculty who had to leave early would all have voted in favor of the resolution, it would have fallen one hundred votes short of the two-thirds majority requirement, given the number of "no" votes. In order to bring a sizable majority of the faculty on board with this idea, more time is required. Senate members should go back to the

schools and discuss this matter with the affected faculty. For example, the percentage of Columbian College (CCAS) faculty who are non-tenure accruing is as large or larger than that in SMHS or SON. The faculty of the Writing Program are exclusively non-tenure accruing appointments. The question is whether the Senate can present this resolution to these faculty, essentially treating the same rank of faculty differently based on their affiliated schools, and expect support for that across the faculty. Politically, it is also counterproductive to have an Assembly such as November's in which each constituency (the Board of Trustees, the Senate, and faculty) was dissatisfied with the result of the meeting.

President Knapp clarified that the Board did not have an emotional reaction of any kind to the outcome of the Faculty Assembly vote. The Board saw its role as passing along recommendations that came from the working group, which it then modified based largely on advice from the Senate. The Board was not wedded to that proposal; individual board members have communicated this to the President on numerous occasions. They merely felt they were completing a process. The President noted that he personally has no interest in persuading the faculty in either direction on this question of how the faculty should represent itself and concurred with Professor Griesshammer's advice to be sure that all faculty are involved in this discussion. The purpose of this exercise should be to get this model right for the benefit of the faculty so that the faculty can be as strong a partner as possible with the administration in shared governance.

Professor Roddis spoke for the motion with respect to the inclusion of GWSPH. Contract and tenured faculty in that school both require soft money for all or part of their academic year salaries. The regular faculty in GWSPH are a unified academic community, and it is not in the university's interest to artificially divide GWSPH faculty along lines of employment conditions largely outside the control of the school. In an ideal world, GWSPH faculty would be largely tenure or tenure-track. The reality, however, is that this excellent faculty includes tenure, tenure-track, and contract faculty. GWSPH faculty should first be supported in terms of Senate representation; then the Senate can work with the school to increase tenure and tenure-track slots in that school.

Professor Barnhill agreed with Professor Griesshammer that this is an important topic and that it would be a poor next step to bring the issue back to a Faculty Assembly with a starkly divided faculty. More time is needed to reflect on this in the schools; it's very important that the faculty be informed and provide some expression of their views on these topics. Professor Wilmarth came to GWSB to present the proposal, and discussion there centered on the importance of having consulting bodies that would be more inclusive (including nontenured faculty, students, staff, and alumni) that can provide perspective and ideas enrich the discussion of issues.

Professor Barnhill commented that some universities have no faculty senate but only a consultative body that provides information to a managerial class of decision-making administrators. He noted that he does not support such a model and expressed his opinion that the current proposal is likely to be pressed for adoption in all the schools. Adopting this proposal university-wide would fundamentally change the nature of the Faculty Senate, the strength of which is that senators have accomplished a lot in research, teaching, and service, are tenured, and have an independent voice that can be represented even on contentious issues. A consultative body should be strengthened, perhaps through the Senate committee structure or another avenue.

Professor Barnhill also noted that while he spoke at the Assembly against the Board's resolution and the Senate's modification to that resolution, he also spoke in favor of doing something for SMHS,

GWSPH, and SON, where there is a clearly a representation problem. While supporting this proposal in the PEAf committee, Professor Barnhill now expects that he will vote against this proposal as he believes it will, in time, be pushed to the rest of the university, creating the type of confrontation to which Professor Griesshammer alluded. This resolution should be returned to the PEAf committee to discuss in detail how a more narrowly crafted proposal and resolution that will effectively deal with the limited-scope problem that has been discussed.

Professor Sidawy closed the discussion of this agenda item by noting that the initial resolution proposing expanded criteria for Senate representation was soundly defeated at the Faculty Assembly and that any new resolution would have to go back in front of the faculty at the next assembly. A new resolution could also be defeated. There will be a lot of time after the January 15 Senate meeting for the new resolution to be discussed in the schools. Professor Sidawy noted that the three schools in the resolution are not seeking confrontation but are rather attempting to address their feeling of disenfranchisement and desire to participate in the Faculty Senate.

REPORT OF THE SENATE COMMITTEE ON FISCAL PLANNING AND BUDGETING: UNIVERSITY BUDGET

Professor Cordes introduced his report by indicating that he would be reporting on 1) the overall state of the university's finances for the past two complete fiscal years as well as at the current fiscal year; 2) trends and operating performance; 3) borrowing and debt; and 4) issues and challenges the fiscal planning and budgeting committee will be considering either on its own or in conjunction with the ASPP and PEAf committees.

The data presented comes from the end-year financial statement that the university is required to prepare each year. The most recent of these available was completed for the fiscal year ending June 30, 2015 and includes assets, liabilities, and net assets. One notable item in the assets report is that the university's cash assets have been decreasing over the past couple of years. Cash usage has been to smooth over any bumps in the wake of the great recession as well as in support of strategic initiatives. The objective is to return cash assets to their 2013 levels.

The biggest component of the net assets, or net worth, of the university is the unrestricted component. The other two areas – temporary and permanent restricted assets – are areas where the university doesn't have complete discretion as to how the assets are used. The \$80million gift to the Milken School of Public Health would be an example of an asset with a permanent restriction.

Net wealth includes building and investment as well as charges against those areas. The data shows that the university grew fairly strongly between fiscal years 2013 and 2014. Growth occurred in the past fiscal year but not at the same pace.

The university's financial statements are prepared on an accrual basis, which means that not only cash items but also expected income items are counted as revenues. Operating revenue grew about 4% between 2013 and 2014 and by a smaller percentage between 2014 and 2015. In FY2014, expenses were growing at a faster rate, which was not a sustainable state. FY2015 showed an increase in expenses of only 1%, reflecting cost-saving measures that were implemented (including not filling open positions for a longer time period).

The university's operating margin, or the difference between assets coming in and assets leaving the books, is a key indicator of financial health on which most nonprofits focus. The operating margin is still negative but has improved in the last two years.

The approved budget for FY2016 shows strong projections for tuition revenue growth as a result of efforts to boost enrollments. However, the university's discount rate will also need to grow as families are challenged in their ability to afford high tuition costs. The net tuition increase of 5.5% translates to projected total revenue growth of 5.1%.

With regard to debt, this past summer, the university issued a \$350million bond. Part of the proceeds of this bond retired a previous bond of \$50million. Approximately \$112million was used to defeat nonrecourse debt. Mandatory debt service relates largely to interest payments, and one strategy in place to reduce this cost has been to rely on favorable interest rates to refinance debt and roll it forward with lower rates. One challenge the university will face is managing these costs when interest rates begin to rise again.

The rating agencies continue to rate GW at the A+ level, the third-best credit rating. The agencies consider GW fairly stable on enrollment, revenue diversity, and financial performance (with the exception of 2014). Concerns raised included just adequate resources for operating expenses and debt, high capital spending to renovate, the Corcoran building and its uncertain capital costs future.

Professor Cordes reminded the group that the university has moved from doing budget planning on a year-by-year basis to a five-year-plan model where the out years change over the course of each year. The biggest change under the new budget model is the higher allocation of revenues to the schools

Graduate enrollments are improving, but the university is now nearing the on-campus enrollment cap imposed by the District of Columbia. Some ways of addressing the cap issue include moving some programs to the Virginia Science & Technology Campus, to off-campus sites in Virginia, and online.

Other items with budgetary impact include the Corcoran School integration, fringe benefit costs, and reductions across the university in operating costs. President Knapp noted that the administration has asked all of the central administrative offices – not the schools – to look at scenarios for 3% and 5% cuts in each of the next five years. These planned cuts are driven by factors including the need for increased undergraduate financial aid and the loss of tuition revenue at the central administration level due to the new budget model.

Professor Cordes noted that, on the positive side, the capital campaign is proceeding toward its \$1billion goal. President Knapp confirmed that the campaign has thus far raised \$815million. Professor Cordes noted that this would substantially increase the endowment. He also noted that other revenue sources will include the sale of HOVA and development of a Pennsylvania Avenue property.

Professor Wilmarth asked for clarification of the figures related to the University's debt. He noted that the bonds issued between 2009 and 2012 added up to \$956 million, all of which will have to be paid off or refinanced by 2022. That number appeared to be a very large debt burden that would be coming due within the next five years. Professor Cordes responded by noting that refinancing this

debt going forward will indeed be a challenge due to likely rising interest rates. President Knapp suggested that if the Senate is interested in hearing about the debt service, it would benefit from inviting Vice President & Treasurer Lou Katz to speak on the debt strategy of the university. Refinancing debt under lower interest rates has been a common practice at GW, and this practice has been carefully monitored by the Board of Trustees and its Finance and Audit Committee, which actually encouraged moving in this direction because of favorable economic conditions.

Professor Wilmarth also asked about the endowment, which currently stands at \$1.5 billion. Going back four or five years, he recalled that the endowment was in the range of \$1.2-\$1.3 billion. If the capital campaign has raised \$815 million to date, it seems surprising that the endowment has not grown by a larger amount. President Knapp clarified that there isn't a one-to-one relationship between the campaign and the endowment; some funds raised are designated for programs, and some have split purposes (e.g., the Milken gift). Donors more often now want to see a more immediate impact from their gifts and may therefore mandate that the gift be spent within five or ten years.

Professor Griesshammer asked for elaboration on how central administration budget cuts will work in practical terms. There is concern that these cuts will translate into administrative issues being pushed into the schools and departments without adequate provisions to fund those new tasks as opposed to smart red tape cuts. He asked President Knapp how the new task force on bureaucratic red tape is related to the proposed budget cuts.

President Knapp responded that he hopes that the cuts will include eliminating red tape. The new task force will address reducing bureaucracy. This should have some payoff financially, but this hasn't been projected at this point. The task force will have to look at all administrative operations – on the business and the Provost sides of the operation – to see how costs can be reduced.

Provost Lerman added that this represents a redirection and shift of the relative ratio of expenditures on different parts of the budget, with more spent in the schools and less spent centrally. More funds will be put into financial aid, and less funding will be available for central spending; this is a question of priorities. In order to generate net positive operating revenue to rebuild the university's reserves, the administration will need to make intelligent cuts.

President Knapp acknowledged the importance of Professor Griesshammer's comment, namely that cuts in one operation not result in increased expense expectations in other units. The university operates under a single budget, and this would not be a productive outcome to this exercise.

Professor McAleavey noted that the library is a central administrative operation and expressed his concern that cuts not be made to this critical academic unit. President Knapp noted that he would like to see faculty and deans involved in evaluating the proposed cuts when they have been determined.

Professor Newcomer asked about rumors that cuts would be forthcoming in the Development office. President Knapp responded that, while Development is part of the central administration, the university will have to be strategic about determining where cuts should be made and not reduce operations that will be critical and financially harmful if reduced.

Professor Barnhill observed that he is very encouraged by the discussion of cost savings but that the solution ultimately will be in terms of the entrepreneurial capacity of the faculty and the schools to take advantage of the opportunities available in the global economy for which GW has a great location advantage. To do this, there will need to be some kind of durable agreement between the schools and the university stipulating cost and revenue sharing that extends over an extended period of time. This topic hasn't received substantial public discussion yet.

REPORT OF THE BENEFITS TASK FORCE: LONG-TERM REPORT

Professor Rosenbaum presented the Long-Term Report of the Benefits Task Force, which is the final report of the task force. The report, which is long and complex, is meant to take a long view of benefits, which make up an important part of employee compensation at GW and elsewhere for faculty and staff. Given the short timeline for preparing the report, it contains neither recommendations nor cost estimates.

As the administration, in consultation with the faculty, moves through the process of establishing a long-term strategy around benefits, much of the ultimate strategy will rest on the cost of these options and how GW chooses to emphasize certain benefits. Benefits are broad, encompassing many things – health, retirement, tuition, leave – and they are very personal to people in different ways. Coming up with a long-term solid strategy will therefore require more time than was available for assembling this report. The issues identified in the report, however, are important and strategic and represent a mix of priorities. They represent a sensible response to larger economic trends, particularly health care.

Professor Rosenbaum noted that President Knapp charged the task force with five key principles to guide their work:

1. Sustainability over the long term;
2. nondiscrimination between faculty and staff;
3. affordability for the entire GW community;
4. a particular focus on health benefits; and
5. a need to remain competitive as a university.

The task force added a sixth principle – transparency – for all the reasons noted previously (the complexity, importance, and wide variety of options of benefits).

A market basket benchmarking exercise was undertaken using the same market basket the Board of Trustees uses. In this analysis, GW ranks in the middle of the group on health, a little lower on retirement, and a little better on tuition benefits. As the issue of benchmarking has raised many questions, Professor Rosenbaum noted the importance of this analysis as a baseline exercise. Many universities are making substantial changes to health benefits, which would indicate that a benchmarking exercise next year reflect very different rankings. Also of note is the fact that Washington is a uniquely high cost area, which affects how we might read this benchmarking exercise.

The task force worked through each of the options in the report until consensus was reached. For all the options that involved a potential reduction or significant change in benefits, the task force

emphasized grandfathering so that people who currently have benefits keep those benefits. Three core principles were employed:

1. Lead time of as much as 24 months before benefit restructuring begins;
2. any savings must be reinvested in other employee benefits and recaptured in the fringe pool; and
3. transparency.

In health benefits, three plans comprise the current offerings: two PPOs with various deductibles and a high deductible health plan with a link to a health savings account (HSA). The option the task force put on the table was to move away from these three design structures and go with a high deductible health plans linked to an HSA to which the university contributes without regard to whether the employee contributes.

The task force also explored what is known as an exclusive provider organization, which is really just an HMO option. This is something many employees have asked for. The deductible is a little bit lower, and the premium is a little bit higher. It's a narrower network, but a lot of people like that model. The MFA offers such a model and has been doing so for years. The task force is in the process of working with the MFA on researching the model and thinks this is an area where the administration might continue the discussion.

The task force also made a series of recommendations designed to slow cost growth through the use of cost containment tools. These tools do not take away or reduce benefits but work at more active management of very high cost health benefits such as specialty drugs and specialty care.

Another recommendation is to use value based insurance design, meaning very limited to no cost sharing for primary care and for prescription drugs required for the maintenance of chronic conditions like hypertension, diabetes, or depression.

Additionally, the task force raised the issue of a surcharge for spouses who have coverage as participants in their own employee plan. The more typical pathway at GW is for those with spouses who work for the government to choose governmental coverage and be the spouse on that coverage. The task force also recommended using competitive bidding to renew contracts with providers.

GW continues to shine in retiree health care, as most employers no longer offer funded retiree health plans. The plan is more costly than it needs to be, so while grandfathering current retirees, the task force has identified as an option for future retirees (people retiring in 2016 or later) moving to a private exchange and defined contribution model. Actuarial estimates suggest that moving to a private exchange early actually decrease the cost of retiree health benefits. Defined contribution permits continued strong support for retiree health benefits even as the university gains more retirees.

The task force recommends looking at an option of five years of funded retiree health benefits or retiree health benefits funded up to age 75, whichever is longer. For retirees retiring prior to Medicare eligibility, no changes are recommended as these are people who remain in the GW employee plan. The private exchange model would be for those who retire and are Medicare eligible at the time of retirement.

The task force recommends a modification in the cash retirement plan. Currently, after a two-year vesting period, GW contributes 4% toward benefit-eligible compensation as the base university compensation and then up to another 6%. The task force recommends taking five years to get to the 6% contribution. These would again be changes going forward; no current employee would be affected by this change. The task force also identified as an option the automatic enrollment of all employees into a 403(b) plan. Automatic enrollment with an opt-out option is an easy way for the university to encourage retirement savings, which is of course of crucial importance.

Tuition benefits are extremely important not only to staff who work and attend school at GW but also to faculty who have children who use tuition benefits. The task force recommended the continuation of tuition benefits for part-time employees. The first option is to fully cover the initial bachelor's degree at 100% for any employee who does not already have a bachelor's degree as a way of underscoring the university's role in bettering its employees. Tuition benefits should be made richer but more limited while allowing employees to elect a 100% remission rate with a service payback or a slightly lower rate without a service payback. Finally, some level of tuition benefits should be made available as a true portable benefit tied to certain workers, certain duration, and certain criteria that essentially give some degree of portability to tuition.

Under leave benefits, an extremely popular recommendation is to give employees the entire Christmas week off. Many institutions, including ones in the Washington area, already do this.

The task force recommended restricting the fringe pool. Currently, the fringe rate is 25% but only for some compensation categories. Other categories incur a smaller fringe rate of 8.3% is attached to wages and salaries paid as bonuses. The task force recommended taxing all compensation at a standard fringe rate and to slowly, over the next five years, increase the fringe rate by about 1/10 of 1% per year to give GW a slightly higher and consistent fringe pool.

Finally, Professor Rosenbaum noted, the report discusses the issue of transparency at length. These options are complex and highly interactive. They represent different values depending on the holder of the compensation, so the task force recommends a lengthy period of engagement with the university community, including both polling and other means of communicating options, possible option combinations, and the cost of options.

Professor Wilmarth asked about the possibility of benchmarking the fringe benefit rate for a better sense of how GW compares to other institutions on this measure. Professor Cordes responded, noting that this is a difficult exercise as there isn't a standard classification of what's treated as a fringe benefit expense. For example, the paid parental leave benefit for faculty is not part of the fringe benefit calculation but is instead a cost the schools and departments manage on their own.

Provost Lerman added that some institutions have fringe rates that appear lower than they are because they fund their benefit costs using funds beyond the traditional fringe pool, e.g., prior excess earnings.

Professor Price asked how moving the merit pay expenses to the school will influence how the total fringe rate is calculated, given that the merit pool is now covered by the central administration. President Knapp noted that the schools, in reality, already funded their own merit increases because the merit pool came from tuition revenue returned to the central administration and then turned

back around to the schools in the form of a merit pool. The central administration is now simply not the pass-through entity for this process.

Professor Wirtz congratulated the task force on a very thorough report, noting that it reflects a lot of work and a great service to the university. He asked whether the task force looked at the burden shouldered by the faculty and staff over time (and how that has changed), the relative contribution of the faculty and staff to health care compared to the university's contribution to health care (and how that has changed over time), and what the recommendations would be for how that might fall out in the future. He also asked whether pulling retirees out to form their own base wouldn't result in a huge increase in premiums for that relatively older population.

Professor Rosenbaum responded to the retiree question first, speaking about Medicare retirees. The university's Medicare retirees do better when they move into a geographically based private exchange pool as opposed to only being experience rated against themselves, which is how GW's current PPO works. Under this geographically based private exchange pool, the premiums were notably lower, allowing for policies that are as good if not better than the Medicare PPO while still achieving premium contribution savings. The picture may change in the future, but this reflects current data.

Responding to Professor Wirtz's first question, Professor Rosenbaum noted that is it absolutely the case that employees at GW and all over the country are shouldering a larger portion of their health care premiums than they did years ago. As costs have risen, employers have shifted a higher share of the premium to employees. Even as they have done so, deductibles and cost-sharing have also risen. One of the reasons the task force felt moving to a high deductible health plan with a linked HSA is that employees can be provided with generous savings accounts funded by the university while keeping premium costs lower.

Professor Wirtz followed up with a question about the effective salary increase based on these increased costs to faculty and staff and whether this is something the task force investigated. Professor Rosenbaum noted that the Commonwealth Fund noted in its health policy analytic work that the trend nationwide is such that factoring in the higher cost of health coverage results in flat incomes despite raises.

President Knapp clarified that this reality underpins the premise of the task force's work. Concerns regarding a reduction in tuition benefits last year led to the formation of the task force to take a serious look at this question and understand the trade-offs from reduced benefits.

INTRODUCTION OF RESOLUTIONS

None.

GENERAL BUSINESS

- I. Introduction of new nominations for election of faculty members to Senate Standing Committees:
 - a. Professor Scott Beveridge, GSEHD, Educational Policy (elected by unanimous vote)
- II. Reports of Senate Standing Committees (none)

III. Report of the Executive Committee: Professor C.A. Garris, Chair

Professor Garris noted that, following the Faculty Assembly, the Executive Committee worked on the resolution discussed earlier in today's meeting. The Committee also formed a task force to look at teleconferencing and remote voting technologies while accounting for the importance of participation in deliberation. The task force will be chaired by Professor Wirtz and includes Parliamentarian Charnovitz, Vice Provost Martin, Associate Provost Garrett, Professor Hess-Rice, and Professor Leslie. The task force will explore processes at market basket institutions, available technologies and will seek to balance practicality with excellence in the participatory process. It is hoped that the task force can report its recommendations this semester so that a resolution might be prepared for the Faculty Assembly to amend the Faculty Organization Plan to allow for remote voting.

The Executive Committee plans to request a presentation from Enrollment Management on the new test-optional admissions process.

Two grievances are pending: one from SMHS and one from the Graduate School of Education and Human Development (GSEHD). A third grievance from the School of Engineering and Applied Science (SEAS) completed the mediation process and was resolved to everyone's satisfaction. Professor Garris extended his thanks to Professor Schaffner for her excellent work as chair of the Dispute Resolution Committee. This is her first year in the job following the retirement of Professor Darr.

The Executive Committee also discussed recent ISIS attacks in Paris as well as recent race-related demonstrations at other universities and the impact of these events on the GW campus.

Professor Garris also reported that the role of the Senate coordinator position has been filled. Liz Carlson will begin work in the position on January 6th. Liz has been at GW for over fourteen years and comes to the Senate from the Provost's office.

Professor Garris thanked Jackie Akyea, Cassandra Wiseman, Jennifer Sieck, Professor Griesshammer, Vice Provost Martin, and Provost Lerman for their invaluable support in the period since Sue Campbell's death.

At the January 15th Senate meeting, the Senate will debate and vote on the resolution discussed today. Vice Provost Berman will report on online education initiatives. A further report on health care will also be presented by the joint committee of ASPP and Fiscal Planning & Budgeting.

Professor Garris invited the meeting attendees to a reception immediately following the meeting to honor outgoing Provost Lerman.

IV. Provost's Remarks

Provost Lerman delivered his last set of Provost remarks. He expressed his thanks to the Senate members, noting that his time as Provost has been an extraordinary experience in his life and that he has enjoyed his time in this role immensely.

V. Chair's Remarks

President Knapp addressed one of the themes of Professor Garris' comments, the question of race relations on the GW campus and nationally. He noted that GW students have been extraordinarily thoughtful and engaged in this process and that this has been a very good opportunity for dialogue.

President Knapp noted that he attended an event last week that was hosted by the still-new president of Howard University, Dr. Wayne Frederick, with invited colleagues from the consortium of universities. President Knapp noted that he now chairs the Consortium of the Universities of Metropolitan Washington, which is made up of fourteen institutions, nine of them within the District of Columbia and the other five inside the Beltway but outside the District limits.

Approximately two hundred students attended, including a number from Howard University and a strong showing by GW students. President Knapp participated in a panel discussion, along with Dr. Frederick and the president of American University, Neal Kirwin; the panel also included one student from each of these three institutions. President Knapp noted he was accompanied by Leslie Ogu, the current chair of the GW Black Student Union.

President Knapp commented on how different dialogues are this year from any previous conversations he has had with representatives of our multicultural organizations and student organizations. Typically in the past, when African-American students have been involved in these discussions, they have talked about the same things that other students are talking about, such as financial aid needing to work together more effectively with the housing office, counseling hours being too short - the usual run of concerns that all students have.

This year - and President Knapp attributed this directly to the empowering effects of the Black Lives Matter movement - students are really speaking up about the experiences they're having on campus of feeling alienated in many cases, encountering unconscious bias, which they recognize is unconscious bias but nevertheless makes them feel singled out, meeting expectations that are really inappropriate, and of course this is experience by minority faculty very often as well as minority students.

Professor Knapp noted that this has been particularly coming out this year in a very powerful way, alerting him to the need to get some dialogue going between students and faculty members, because if some colleagues were aware of the effects that some of the things they say and do in the classroom are having on their African-American students in particular - and I'm sure students from other backgrounds as well - they would certainly want to correct that and not create the effect it's currently having, which in many cases, is that students who come to campus having heard GW advertise its openness and inclusivity experience a much less welcoming environment than expected. The typical response to that is not to rise up in anger or to demonstrate; it's rather simply to check out.

This is not a desirable outcome. Professor Knapp noted that administrators and faculty want GW students to achieve their aspirations and operate at the highest possible levels their talents and their ambitions can take them. There is work to be done on this.

President Knapp launched the task force on access and success the day after the presidential summit on access and success that President Obama hosted in January 2014 and gave it two charges, one of which was to look at ways in which GW could open its doors more effectively to students who really

could benefit from what GW has to offer and who would succeed but are in some cases deterred from applying for a variety of reasons.

This is part of what was behind the recommendation to go test optional, which will be discussed before long. The task force was also charged to look at the factors impeding success, things like stereotype threats that students encounter. Hard work is needed here; it's easier to simply increase admission numbers.

Some creative things are being done along those lines, including expanding the scholarship program for residents of the District of Columbia rather dramatically just recently. In addition to that, GW has now joined the Fosse Foundation, which will bring a cohort of students from Atlanta, Georgia, next year.

The harder part is ensuring the success of students when they encounter behaviors, comments, lack of access to opportunities on campus that turn them off and make them simply check the boxes before they graduate.

President Knapp closed his remarks with an appreciation for all the work Provost Lerman has done during his time in office.

BRIEF STATEMENTS

Speaker complimented President Knapp on the Washington Post report this morning regarding the Palestinian flag incident. It was handled very professionally and promptly and represented the university very well in a difficult situation.

ADJOURNMENT

The meeting was adjourned at 4:38 pm.

**A RESOLUTION TO AMEND THE *FACULTY ORGANIZATION PLAN* TO
AUTHORIZE NON-TENURED REGULAR FACULTY IN THREE SCHOOLS
TO SERVE IN THE FACULTY SENATE**

WHEREAS, Whereas, Article III.2(a)(3) of the *Faculty Organization Plan*, entitled “Membership,” currently provides:

“3. The faculty members of the Senate shall be elected by and from their faculties as follows: the Columbian College of Arts and Sciences, 11 seats; the Graduate School of Education and Human Development, 3 seats; the School of Engineering and Applied Science, 4 seats; the School of Business, 5 seats; the School of Medicine and Health Sciences, 5 seats; the Law School, 4 seats; the Elliott School of International Affairs, 3 seats; the Milken Institute School of Public Health, 3 seats; and the School of Nursing, 2 seats. The faculty members shall be professors, associate professors, or assistant professors in full-time service who have tenure as of the academic year next succeeding the date of the election. Vice presidents, assistant vice presidents, deans, associate deans, assistant deans, and other faculty members whose duties are primarily administrative in nature shall be ineligible for election as faculty members of the Senate.”

WHEREAS, the academic programs of the School of Medicine and Health Sciences (SMHS) and the School of Nursing (SON) are different from the academic programs of other schools in the University because intensive clinical training represents a very large component of the academic programs of SMHS and SON, and the clinical training programs of SMHS and SON require a low student-faculty ratio as well as a large number of Regular Faculty who hold non-tenure-track appointments; and

WHEREAS, SMHS and SON each has a comparatively small percentage of tenured faculty who are eligible to serve in the Faculty Senate, and the percentage of tenured faculty at each School is expected to decline or not increase significantly in future years; and

WHEREAS, On June 18, 2015, the University’s Board of Trustees approved amendments to Article I.B. of the *Faculty Code*, including an amendment that exempted SMHS, SON, and the Milken Institute School of Public Health (MISPH) from the provisions of Article I.B. requiring that at least 75% of the Regular Faculty in each school must hold tenured or tenure-track appointments and at least 50% of the Regular Faculty in each department must hold tenured or tenure-track appointments; and

WHEREAS, As a result of that amendment to Article I.B. of the *Faculty Code*, SMHS, SON and MISPH do not have maximum limits on their authority to appoint Regular Faculty with non-tenure-track positions;

WHEREAS, Before MISPH and SON became independent schools, the University's public health and nursing programs were part of the University's former Medical Center, which included SMHS; and

WHEREAS, The former Medical Center established its own Medical Center Faculty Assembly and Medical Center Faculty Senate, which functioned as separate governance bodies until the Medical Center was disbanded several years ago; and

WHEREAS, Full-time faculty with non-tenure-track positions in the former Medical Center (including faculty from the medical, nursing and public health programs) were eligible to serve in the former Medical Center Faculty Senate; and

WHEREAS, SMHS, SON and MISPH each has Regular Faculty with non-tenure-track appointments at the rank of Associate Professor and Professor who have more than three years of full-time service to the University and are willing to serve in the Faculty Senate; and

WHEREAS, On September 11, 2015, the Faculty Senate approved Revised Substitute Faculty Senate Resolution 16/4, which endorsed the concept of expanding Senate membership to permit the inclusion of non-tenured Regular Faculty from each school at the rank of Associate Professor and Professor with at least three years of full-time service to the University, provided that at least half of the faculty members of the Senate from each school would be required to hold tenured appointments, but that proposal was not adopted by the Faculty Assembly at its meeting on November 10, 2015;

NOW, THEREFORE BE IT RESOLVED BY THE FACULTY SENATE OF THE GEORGE WASHINGTON UNIVERSITY

1. That paragraph 3 of Article III, Section 2(a) entitled, "Membership" be amended by the addition of the following sentence at the end of the paragraph:

An exemption to the foregoing rule regarding eligibility for service as a faculty member of the Senate is provided for the School of Medicine and Health Sciences, the School of Nursing, and the Milken Institute School of Public Health to the extent that, from those three schools only, Regular Faculty with non-tenure-track appointments shall be eligible to serve in the Faculty Senate, provided that such Regular Faculty shall have completed at least three years of full-time service to the University and shall have attained the rank of Associate Professor or higher, and provided further, that at least half of the faculty members of the Senate from each of those three Schools shall be tenured faculty members.

2. That the Faculty Senate Executive Committee consult with the Administration as to an appropriate time for consideration of this proposal by the Faculty Assembly and that the Executive Committee be authorized, on behalf of the Faculty Senate, to issue a formal petition to the President, as Chairman of the Faculty Assembly, to place this proposal on the Agenda of the next regular or special meeting of the Faculty Assembly.

References:

A Revised Substitute Resolution on Recommended Changes to the *Faculty Organization Plan* Regarding Faculty Participation in the Faculty Senate (Revised Substitute 16/4), approved by the Faculty Senate on September 11, 2015.

University Budget and Financial Update

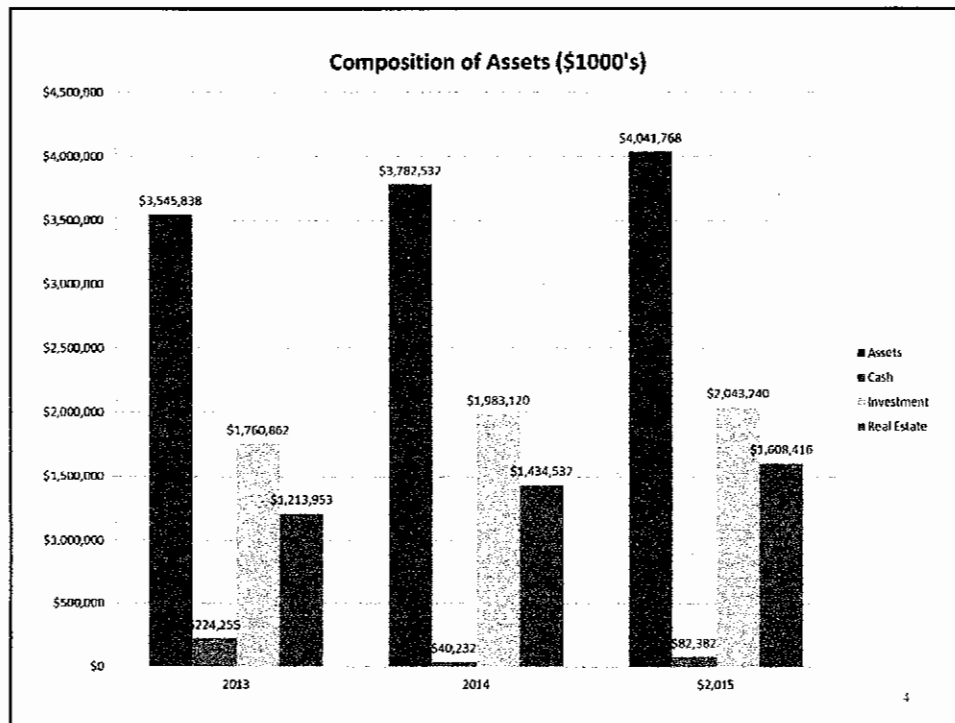
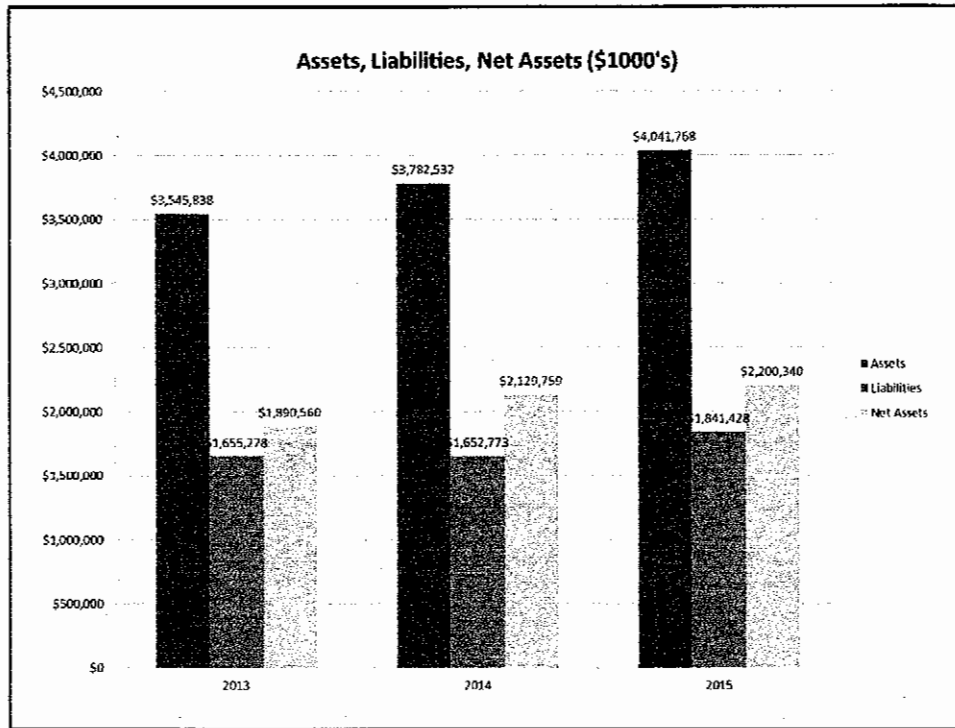
Faculty Senate Committee on Fiscal
Planning and Budgeting
December 2015

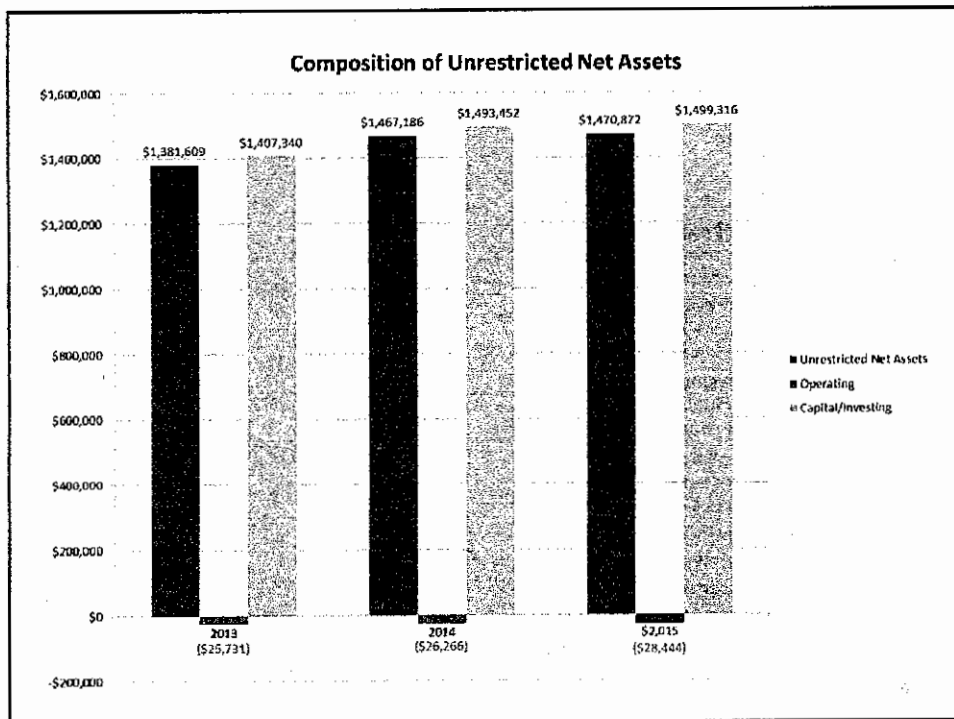
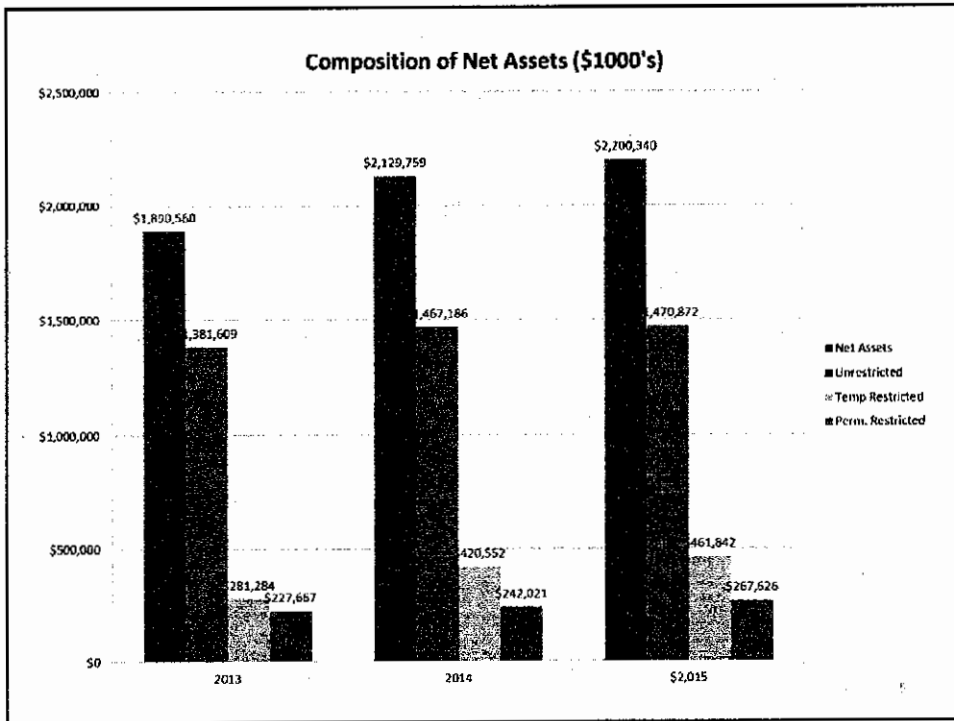
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Outline

- Overall university finances: FY's 2014-2016
- Trends in Operating Performance
- Borrowing and Debt
- Issues and Challenges

2





	OPERATING REVENUE (end of fiscal year financial items)				CASH			OPERATING EXPENSE		
	2013	2014	2015	2015	2013	2014	2015	2013	2014	2015
REVENUE	\$1,097,990	\$1,049,888	\$1,072,801	\$124,732	\$854,328	\$889,778	\$893,418	\$1,097,990	\$1,049,888	\$1,072,801
Net Change	-4.8%	-4.8%	2.1%	28.2%	-3.9%	4.0%	4.0%	-	-	-
tuition	\$877,080	\$880,778			\$847,080	\$849,778	\$871,811			
Net Change	0.4%	0.4%								
Gifts - Limited Collaboration	\$208,737	\$251,737			\$207,664	\$250,876	\$250,811			
Net Change	2.4%	2.0%								
Net Tuition	\$668,343	\$708,883			\$649,414	\$699,654	\$722,622			
Net Change	6.0%	5.7%								
Income from Auxiliary	\$13,881	\$12,232			\$13,881	\$12,232	\$12,232			
Net Change	-11.9%	-11.9%								
Programs Fund	\$271,784	\$14,233	\$4,724							
Net Change	-94.5%	-94.5%	100.0%							
Net Interest	\$2,764	\$6,388	\$7,438		\$2,764	\$7,184	\$7,438			
Net Change	234.4%	113.1%	3.8%							
Net Investment Income	\$26	\$267	\$26,979	\$3,209						
Net Change	1,153.8%	1,000.0%	1,000.0%	3,000.0%						
Non-recurring Real Property, Net			\$10,400	\$10,400						
Net Change			100.0%	100.0%						
Net Contributions	\$17,432	\$18,802	\$4,647	\$4,721	\$17,432	\$18,802	\$18,802			
Net Change	8.4%	7.8%	22.3%	1.7%						
Grants	\$6,324	\$18,802	\$4,647	\$4,721	\$6,324	\$18,802	\$18,802			
Net Change	298.2%	298.2%	73.9%	73.9%						
Student Education Assistance	\$58,424	\$59,121	\$5,075	\$2,077	\$58,424	\$59,121	\$59,121			
Net Change	1.2%	1.2%	8.5%	3.5%						
Other Revenue	\$18,214	\$18,214	\$18,432	\$18,432	\$18,214	\$18,432	\$18,432			
Net Change	0.0%	0.0%	1.2%	1.2%						
EXPENSE	\$1,044,428	\$1,024,181	\$1,048,481	\$1,024,642	\$486,240	\$508,721	\$505,474			
Net Change	-1.9%	-1.9%	2.3%	-2.4%	-4.7%	-4.4%	-4.4%			
Salaries	\$1,010,407	\$1,017,711			\$1,010,407	\$1,017,711	\$1,017,711			
Net Change	0.7%	0.7%								
Travel Expense	\$117,875	\$132,332			\$117,875	\$132,332	\$132,332			
Net Change	11.8%	12.3%								
Net Change	11.8%	12.3%								
Utilities & Public Benefits	\$68,471	\$69,200			\$68,471	\$69,200	\$69,200			
Net Change	1.1%	1.1%								
Equipment Acquired	\$223,086	\$216,751			\$223,086	\$216,751	\$216,751			
Net Change	-2.9%	-2.8%								
Depreciation	\$45,012	\$45,009	\$67,372	\$73,182	\$45,012	\$45,009	\$45,009			
Net Change	-0.0%	-0.0%	50.0%	62.5%						
Impairment and Property			\$39,217	\$49,648						
Net Change			100.0%	125.0%						
REVENUE	\$17,217	\$17,217	\$17,217	\$17,217						
Net Change	0.0%	0.0%	0.0%	0.0%						
Scholarships and Fellowships	\$17,217	\$17,217			\$17,217	\$17,217	\$17,217			
Net Change	0.0%	0.0%								
Red Debt	\$3,042	\$3,464			\$3,042	\$3,464	\$3,464			
Net Change	14.2%	14.2%								
Other Expenses	\$49,140	\$59,717			\$49,140	\$59,717	\$59,717			
Net Change	22.2%	21.7%								
UNRESTRICTED NET ASSETS	\$176,774	\$177,434	\$126,847	\$124,732	\$176,774	\$177,434	\$177,434			
Net Change	0.4%	0.4%	71.3%	69.7%						
OTHER INCREASE/DECREASES IN NET ASSETS										
Inter-Senate and Other Boundary	\$16,747	\$16,747	\$16,747	\$16,747	\$16,747	\$16,747	\$16,747			
Endowment Support	\$44,814	\$44,814	\$44,814	\$44,814	\$44,814	\$44,814	\$44,814			
Capital Expenditures	\$150,433	\$150,433	\$150,433	\$150,433	\$150,433	\$150,433	\$150,433			
Other Endowment Support			\$16,668	\$16,668						
Support/Investment	\$55,811	\$55,811	\$55,811	\$55,811	\$55,811	\$55,811	\$55,811			
TOTAL OTHER CHANGES IN NET ASSETS	\$327,215	\$327,215	\$327,215	\$327,215	\$327,215	\$327,215	\$327,215			
INCREASE/DECREASE IN NET ASSETS	\$157,127	\$157,127	\$157,127	\$157,127	\$157,127	\$157,127	\$157,127			
NET ASSETS (LIABILITIES) BEGINNING OF YEAR	\$130,212	\$130,212	\$130,212	\$130,212	\$130,212	\$130,212	\$130,212			
NET ASSETS (LIABILITIES) END OF YEAR	\$287,339	\$287,339	\$287,339	\$287,339	\$287,339	\$287,339	\$287,339			

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Trends and Patterns

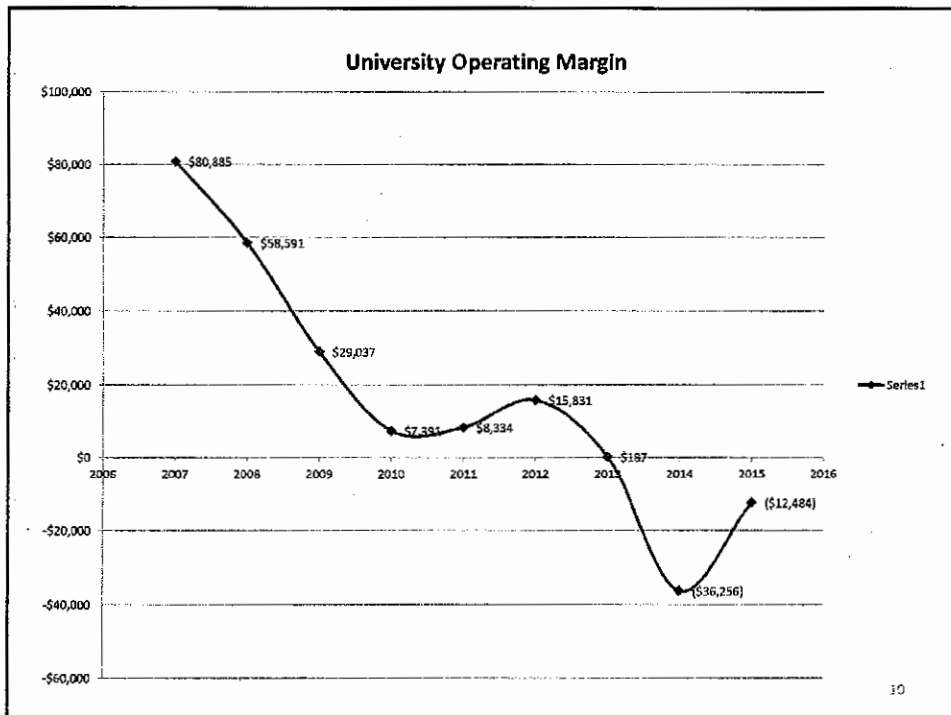
- Trends
 - University Net Assets
 - Increase of 12.7% from FY 2013 to FY 2014
 - Increase of 3.3% from FY 2014 to FY 2015
 - University Unrestricted Net Assets
 - Increase of 6.2% from FY 2013 to FY 2014
 - Increase of 1.9% from FY 2014 to FY 2015
 - Operating Revenue (Accrual)
 - Increase of 4.1% from FY 2013 to FY 2014
 - Increase of 3.4% from FY 2014 to FY 2015
 - Operating Expense (Accrual)
 - Increase of 7.8% from FY 2013 to FY 2014
 - Increase of 1% from FY 2014 to FY 2015
 - Operating Revenue (Cash)
 - Increase of 4.0% from FY 2014 and FY 2015
 - Operating Expense (Cash)
 - Increase of 2.1% from FY 2014 to FY 2015

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University Operating Margin

- FY 2014:
 - Growth in operating revenues: 4.1%
 - Growth in operating expenses: 7.8%
- FY 2014
 - Growth in operating revenues: 3.4%
 - Growth in operating expenses: 1.0%
- Importance
 - Operating margin is by no means the only indicator of financial performance, but important nonetheless

9



FY 2016 Approved Budget

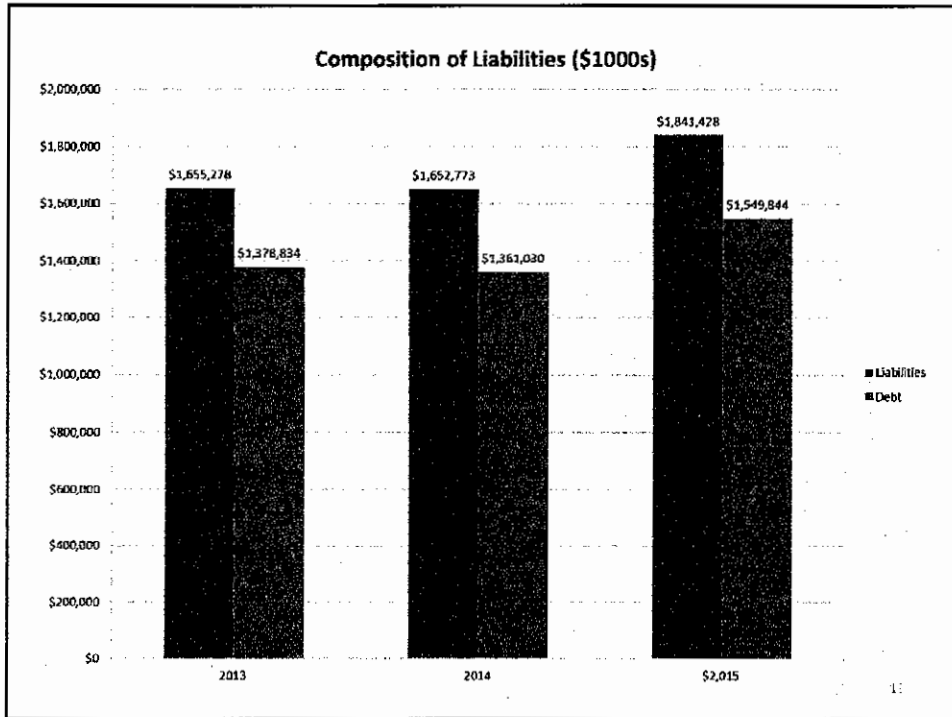
- Projected Growth in Tuition Revenue
 - Gross tuition: 6.4%
 - Tuition Discount: 8.6%
 - Net Tuition: 5.5%
- Projected revenue growth
 - Total Revenue: 5.1%
- Projected expense growth
 - Total Expense: 5.1%
- Projected operating surplus (deficit)
 - (\$14,936)

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Debt: Recent GW Bond Issues and Due Dates

Bond Issue Date	Amount (\$)	Due Date
2009	200,000,000	2019
2010	138,000,000	Various: 2010-2020
2011	150,000,000	2021
2012	300,000,000	2022
2012	168,000,000	2017
2013	170,000,000	2043
2014	300,000,000	2044
2015	350,000,000	2045

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Debt and Borrowing

- With July 2014 debt issue of \$300 million, GWU total rated debt equals approximately \$1.66 billion.
- Both S&P and Moody's continue to affirm A+(S&P) and A1 (Moody's) ratings and maintained outlook as "Stable."
 - <https://finance.gwu.edu/sites/finance.gwu.edu/files/downloads/George%20Washington%20University%20S%26P%20Analysis%20June%2022%202015.pdf>
 - <https://finance.gwu.edu/sites/finance.gwu.edu/files/downloads/George%20Washington%20Univ%20MDC%20report%20June%202015%20%282%29.pdf>
- Ratings reflect both strengths and challenges

How the Credit Rating Agencies See Us: S&P

Our A+ rating reflects our belief that GWU's enterprise profile is adequate as it is a comprehensive university with slightly more than half of its enrollment coming from its graduate and professional programs that have experienced softer enrollment in fall 2013 and 2014 while its undergraduate program enrollment remains fairly stable. Also, reflected in the rating is our belief that GWU's financial profile is strong with positive operating results for fiscal years 2010 through 2013 before incurring a loss in fiscal 2014 associated with the aforementioned recent softer enrollment. The rating also reflects our view that GWU's financial resources are somewhat weak for the rating and its debt burden moderately high. We also continue to believe GWU has strong governance and management. Also, GWU's capital spending for the past three years is substantially in excess of its cash flow from depreciation and amortization and is expected to remain at an elevated level through the end of the current fiscal year; however, capital spending is budgeted to decline substantially in fiscal 2016 suggesting that financial resources may begin to improve at that time.

The rating further reflects our view of the university's:

- Relatively stable enrollment and strong demand for its comprehensive academic programs—although graduate enrollment demand is softer as of late;
- Good revenue diversity with tuition and fees accounting for slightly more than two-thirds of revenue;
- Strong financial operating performance in most recent years except for fiscal 2014;
- Increasing amounts of monies received for its research programs; and
- Demonstrated successful fundraising capabilities and increasing amounts of annual fundraising support.

In our opinion, partially offsetting credit factors include:

- Only adequate financial (expendable) resources to operating expenses and debt;
- Continuing high capital spending to renovate and expand campus facilities, including a new \$275 million science and engineering facility and a new \$75 million building that opened in May 2014;
- Somewhat high nominal debt and debt burden with large bullet maturities in fiscal years 2019, 2021 to 2023 and 2044 to 2046 due to the university's frequent practice of issuing taxable debt with 10-year bullet maturities (the current issuance has a 30-year term with interest only amortization until the 30th year);
- An investment portfolio with a heavy allocation to real estate typically viewed as a less liquid asset; and
- Uncertainty about future capital costs from the renovation of the 17th Street building—one of the Corcoran Art Gallery buildings GWU acquired last summer.

15

Current Budget/Finance Issues and Challenges

- Budget and Financial Planning
 - New budget model
 - 5-year budgeting
- Enrollment tuition revenue
 - Graduate enrollments and the DC enrollment cap
 - Annual increases and tuition discounts
- School-based financing of merit raises
- Costs of debt service
 - Increase in debt: (FY : 2013-2014: -1.3%; FY 2014-2015: 13.8%)
 - Expected increases in interest rates
- Budgetary impact of integrating the Corcoran
- Health and Other Fringe benefits
 - Benefit Task Force Report
 - DC-mandated paid family leave?
- Further belt-tightening
 - Reduction in central administration expenses of 15 to 25% between FY 2017 and FY 2021?
- Other revenue sources
 - Capital campaign
 - Sale of HOVA
 - Development of Pennsylvania Ave. Property

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THE LONG-TERM REPORT *of the*

BENEFITS TASK FORCE

DECEMBER 1, 2015



THE GEORGE
WASHINGTON
UNIVERSITY

WASHINGTON, DC

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INTRODUCTION

How and how much to compensate employees in terms of wages and fringe benefits represents a fundamental employer decision, especially in highly competitive job sectors such as higher education. The strength of any university, especially one that aspires to be one of the world's premier research universities as stated in the university's strategic plan "Vision 2021," rests first and foremost on the quality of its workforce.¹ The university's employees create and run its educational programs; undertake cutting-edge scholarship, research and teaching; develop strategic community relationships; engage in vital service; and ensure overall excellence in all aspects of university administration. In order for GW to achieve its aspirational goals, highly-qualified, engaged and committed faculty and staff are essential, and employee investment is of paramount importance to ensuring our success.

The Washington Post has identified Washington D.C., as the costliest U.S. urban environment² in which to live, work and raise a family. In order to remain competitive, GW must make a significant investment in its talent pool. The challenge becomes how to remain competitive and ensure well-compensated employees, while also addressing the cost increases associated with employee health insurance, retirement plans, tuition benefits and dependent care. A university benefits from the collective willingness of its workforce to forgo the more generous salary levels many could command in the private sector because of their individual commitment to the higher education mission. But the relative strength of benefits—both for active employees and later in retirement—is a key factor in both recruitment and retention.

Non-cash benefits represent a significant proportion and an integral part of total employee compensation. This portion of compensation is financed by each university employee unit through a concept known as a "fringe rate." It is through this mechanism that the pool of funds to support non-cash benefits is created. The fringe rate is currently set at 25 percent of employee wages. The size of the fringe pool must be able to grow in response to changes in the underlying structure of the benefit mix, as well as changes in external pressures on the cost of benefits, particularly healthcare costs, which historically have risen at a faster rate than the rate of wage increases. Despite a slowdown in healthcare cost increases in the wake of the Affordable Care Act (ACA), costs continue to rise significantly faster than either wages or the university's contribution to the fringe rate.³ These cost increases, as well as changes in federal policy, have hit health benefit plans especially hard, with a significant curtailment in coverage over the past several years.⁴

As the Benefits Task Force stated in its May 2015 short-term report, since 2010, the university's budgeting approach for employee benefits has been to cap increases to benefits spending at 3 percent of benefits-eligible compensation each year. The tension between this cap and underlying increases in the cost of fringe benefits, presents a stubborn long-term challenge that must be addressed to bring balance between the institution and employees. As benefit costs continue to rise above 3 percent each year, driven primarily by

¹ Vision 2021, p. 6. Available at:

https://provost.gwu.edu/sites/provost.gwu.edu/files/downloads/Strategic%20Plan_May13.pdf

² <http://www.washingtonpost.com/blogs/local/wp/2014/10/13/its-more-expensive-to-live-in-d-c-than-new-york-study-says/> (Accessed online October 10, 2015)

³ <http://healthpopuli.com/2015/09/23/health-consumers-cost-increases-far-outpace-wage-growth/>

⁴ Sara Rosenbaum, 2015. One Nation, Underinsured. *The Milbank Quarterly* (online blog) <http://www.milbank.org/the-milbank-quarterly/current-issue/article/4049/one-nation-underinsured>

increasing healthcare costs, the importance of finding long-term solutions rises. While the factors driving cost increases largely lie outside the university's ability to control, the importance of its response to the challenge cannot be overstated because of the consequences for employees.

Benefits have a value that transcends their nominal economic worth. Good health insurance is so vital to health and financial protection for employees and their families that it routinely ranks as one of the most important benefits people consider when assessing job options. Health benefits are important not only during active employment, but also in retirement as a supplement to Medicare and as a bridge for workers who retire prior to the beginning of Medicare coverage. The ACA has created a pathway to affordable health insurance for people under 65 who are not yet Medicare beneficiaries and who do not receive employer sponsored health plans. But premiums in the new individual market remain relatively high for all but the lowest-income families who qualify for generous tax subsidies. For this reason, employer health plans that offer good coverage and generous employer-paid subsidies remain a key element of workplace benefits.

In a similar vein, a good retirement plan is an absolute must for workers given the relatively modest nature of Social Security retirement benefits. Particularly important are plans that incentivize savings while rewarding a long-term commitment to an employer. Additionally for younger employees, who the university must attract and retain if its achievements are to be sustained over time, as well as workers at the height of their careers and preparing to send their own children into higher education, tuition remission represents not only a crucial benefit for furthering higher education but also one squarely in keeping with the values of an institution of higher education.

Benefits have a palpable effect on employee morale. Well-designed benefit plans that are affordable to the institution and its employees and are created through a transparent and inclusive process have the potential to generate stronger employee commitment. Inclusiveness in developing a strategy for managing benefits is particularly important at times when an employer is struggling to hold the line on costs, when competing values are at play in driving benefit design and when a broad range of competing considerations and tradeoffs must be taken into account. Whether compensation should favor higher salaries and more modest benefits and whether the benefits offered should emphasize health, educational, or retirement needs are all critical choices for GW employees, and a mechanism for moving forward with the fullest possible inclusion becomes essential. Poorly designed benefits that are developed opaquely, make sweeping changes without evidence of the process by which those changes were selected and adopted and that show diminishing value convey to employees that the institution's bottom line is what matters most and that their values and preferences have not been considered. The detrimental impact on employee morale can be enormous.

Designing health and welfare plans presents many challenges to employers. Rising and unpredictable costs make health benefits particularly difficult to design and manage. The ACA has added a new twist as a result of its "Cadillac" tax (a 40 percent excise tax on the "excessive value" of more generous health plans),⁵ which is set to take effect in 2018, and has led employers nationwide to reduce the value of coverage through the use of narrower provider networks (limiting choice of providers) and fewer covered benefits, higher deductibles and higher cost sharing at the point of care. Mercer, GW's actuary and benefits consultant, has

⁵ The threshold at which the tax begins is \$10,200 for individual coverage and \$27,500 for family coverage in 2018, trended forward. The IRS has not yet released the precise formula by which value will be assessed.

informed the university that, like other employers, it can expect its health insurance offerings to hit the cap unless Congress and the Administration decide to alter federal policy, which at this point does not appear likely.

In response to the excise tax challenge, GW has been revising its health benefits. For the 2015 plan year, GW eliminated its highest coverage plan and introduced a high deductible health plan linked to a health savings account (HSA). GW has provided a modest matching HSA contribution tied to employee contributions (\$300 for individuals, \$600 for families) for the 2016 plan year. In addition, for the 2016 plan year, GW also introduced a more generous approach to income banding in order to better protect employees earning below the median wage, not just those with the lowest wages.

Beyond the large impact of underlying healthcare costs, GW's health plan premiums are rising for other reasons experienced by employers generally: an aging workforce and rising utilization of costly new treatment technologies, with specialty drugs in particular. In addition, GW has maintained a commitment to subsidizing health benefits for retirees, both those who qualify for Medicare and need supplemental coverage and those who retire prior to reaching Medicare beneficiary status and who depend on the GW employee health plan as their principal source of coverage for themselves and their dependents.

Primarily because of the uncontrollable and unpredictable nature of employee and retiree health benefit costs, managing the overall cost of fringe benefits presents a long term challenge for GW, as it does for all employers. Addressing this challenge means designing and managing benefits prudently and efficiently. It also means ensuring a robust fringe benefit pool strong enough to support current benefits while actively maintaining a reserve that can smooth out volatility in claims experience and unpredictable overall cost increases.

PRESIDENT KNAPP'S CHARGE TO THE BENEFITS TASK FORCE

The university has arrived at a critical juncture and has wisely sought the advice and input of a broadly representative Benefits Task Force (BTF). The BTF considers this report an initial step in what it anticipates will be an ongoing, open and inclusive process that assists in identifying tradeoffs and gauging employee preferences. Indeed, the BTF offers options for further consideration, and these options will require reflection, in-depth analysis and consultation.

In recognition of the complexity of the tasks, President Knapp in January 2015 appointed a BTF composed of faculty and staff whose purpose is to evaluate the university's benefits and review the balance between the salaries and benefit components in both the short-term and long-term. A list of members of the BTF can be found in **Appendix A**.

The BTF filed its short-term report on May 1, 2015. This report reflects the BTF's deliberations regarding longer-term options for the university to consider as it moves forward with health and welfare benefit restructuring efforts. Crafting the short-term report presented difficulties nevertheless, the BTF attempted to create a balanced set of recommendations covering both investment and cost offsets that could be evaluated and considered for the 2016 planning process. Some of its short-term reports options were integrated to some extent in the 2016 plan changes, however the report's main recommendations were not acted upon.

In charging the long-term work of the BTF, President Knapp identified several key principles:

1. Benefits must be sustainable over the long term
2. Benefits must not discriminate between faculty and staff
3. Benefits must be affordable to the GW community
4. Particular focus should be placed on employee and retiree health benefits because of the special challenges they present
5. GW's benefits should remain competitive with its market-basket institutions over the long term

In addition, the goals of transparency and accountability emerged for the BTF as a **major 6th principle**, discussed at greater length later in the report. This principle will become especially important as the university begins to consider options for significantly restructuring employee benefits.

MARKET BASKET BENCHMARKING

The university retained Mercer, which provides actuarial and benefits consulting services to the university on an ongoing basis, to assist the Benefits Task Force in its long-term scope of work in evaluating the university's relative position on benefits in relation to the institutional market basket used by the Board of Trustees (BOT) for other policy-making matters such as faculty compensation and endowment per student. The Mercer summary report, along with an in-depth explanation of the methodology used by Mercer to create the rankings, can be found at go.gwu.edu/bvr.

The Mercer report suggests that GW ranks approximately in the middle on the combined value of its health and welfare benefits. Notably, the BTF's short-term report presented to the President in May found a lower ranking than that identified by Mercer in its evaluation. A key difference is that while the BTF measured GW's position based on the actuarial value of GW's health plan offerings (i.e., the percentage of premium returned to covered individuals in the form of actual health benefits and the standard measure employed by the ACA), Mercer also factored in employer premium contributions, another approach to measurement. The median ranking ascribed to GW by Mercer suggests (and Mercer's actuaries concurred) that GW in fact pays a larger share of total premium costs but for a less generous benefit package.

Like all snapshots, Mercer represents a single point in time, meaning that GW may be competitive one year and not in the following year. The Mercer report also cannot tell us whether GW's position may have risen or fallen compared to previous years and if so, whether an upward change in position may have been the result of declining benefits at other schools. For this reason, the BTF is skeptical regarding how much weight can be placed on the Mercer rankings as indicating a competitive position, although the Mercer study does provide a baseline going forward. Given the inconclusive nature of a single year ranking study, the BTF emphasizes the importance of establishing ongoing accountability and transparency as a key goal going forward, including ongoing annual rankings (rather than a one-time snapshot). In addition, several members of the BTF expressed concern that the Board-approved market basket is neither self-evident nor likely to be taken as particularly instructive to many university constituencies given the extraordinary cost of living conditions that confront GW employees. However, the Mercer analysts did account for unique factors such

as geography, claims experience and demographics in conducting its analysis and establishing the relative ranking of GW's plans.

Mercer's benefits valuation report (BVR) analyzed GW's health, retirement and tuition remission plans relative to those offered at 17 peer universities used by the GW BOT in its own policy making activities:

American University, Boston University, Duke University, Emory University, Georgetown University, New York University, Northeastern University, Northwestern University, Southern Methodist University, Tufts University, Tulane University, University of Miami, University of Pennsylvania, University of Rochester, University of Southern California, Vanderbilt University, Washington University- St. Louis

Of the 18 institutions (including GW) analyzed in Mercer's report, GW ranked 8th in the total value of benefits included in the assessment⁶. GW's total value of \$17,245 places it above the median of \$16,777 per employee per year and closer to the highest-valued plan (\$20,837) than the lowest-valued plan (\$11,618).

HEALTH BENEFITS

Of the 18 institutions analyzed, GW ranked 8th in health benefits with a value of \$8,061 per employee per year—just below the 75th percentile value of \$8,343. The value of the GW health benefit is based on the university's Basic medical plan which has the highest enrollment, with 3,745 employees enrolled.

The methodology in the report looked at the plan with the highest enrollment (if known). If that enrollment information was not known, then the highest valued PPO option for each university was valued. Three of 18 universities surpassed the 75th percentile threshold. Other than those three universities, the health plans offered by the other 15 universities are very close to one another in terms of value as 80 percent/20 percent coinsurance PPO plans.

RETIREMENT BENEFITS

GW's retirement benefits ranks 7th among the 18 schools in the report, valued at \$7,081 per employee per year. GW ranked slightly above the median in retirement benefits.

TUITION BENEFITS

GW's tuition benefits at GW rank 10th out of the 18 schools included in the report. Differentiating factors among universities include employee eligibility, dependent eligibility and covered dependents; the number of credits the student can take per semester; maximum reimbursement; eligibility for part-time employees; and degree programs eligible for tuition remission. As a result, tuition benefit values are inherently difficult to quantify and vary more than other categories among the respective 18 universities.

RETIREE HEALTH BENEFITS

The BTF is awaiting Mercer rankings on this matter. According to the Kaiser Family Foundation, less than 30 percent of employers provided funded retiree health benefits at this time.

ENDOWMENT

⁶ The BVR analyzed GW's health, retirement and tuition remission benefits, which constitute the largest benefits programs at GW, measured by yearly expenditures.

Endowment size is an important metric in evaluating a university's fiscal resources. The data was obtained through the National Association of College and University Business Officers (NACUBO) Endowment Study and GW Endowment Records for 2014. GW ranked 14th out of the 18 schools with an endowment per student of \$74,603. The median endowment per student of was \$152,669.

HOW THE REMAINDER OF THIS REPORT IS ORGANIZED

The remainder of this report presents seven separate sets of restructuring options:

1. Employee health benefits
2. Retiree health benefits
3. Retirement financial plans
4. Tuition benefits
5. Leave benefits
6. Reforming the fringe pool
7. Community engagement, accountability and transparency

ADDITIONAL BTF CONSIDERATIONS

Because of the time constraints and the number of recommendations contained in this report, the BTF has carefully evaluated the benefits landscape at GW and has identified options for strong consideration rather than fully developed recommendations with detailed costing estimates. Additional research and analysis by University Human Resources will be needed to determine which options offer the best combination of changes for the GW community. Many will have interactive budgetary and operational effects on employees, retirees and plan administration.

This limited time frame, as well as the significance of the options identified, leads the BTF to underscore several fundamental assumptions that have guided its work.

First, for all options involving a potential reduction or significant change in benefits, the BTF emphasizes the importance of grandfathering current benefit recipients, as well as giving employees sufficient lead time (where appropriate, at least 12 months, and in some cases, 24 months) before benefit restructuring begins.

The BTF notes that, despite its express recommendation as well as identified offsets, this was not done in the case of the tuition benefit reductions that took effect in January 2015, thereby compounding the hardships faced by employees who depend on such benefits, as well as adversely affecting employee morale.

Second, any benefit savings achieved should be reinvested in other employee benefits and all cost-savings should be recaptured in the fringe pool. The purpose of the options we have identified is not to reduce overall compensation to employees and their families. Indeed these options are intended to strengthen the fringe pool and sustain a strengthened fringe pool over time. In other words, these options are intended to

identify approaches that will together allow sustainability over time while maintaining the maximum level of benefits possible. In other words, the BTF assumes that all compensation savings will be reinvested in the fringe pool and that **any revision to benefits will be integrally related to fringe pool conservation and “right-sizing.”** The BTF believes that not only should savings from one part of the fringe account be reinvested in other benefits, but that the university should pursue a careful upward adjustment of the pool over time while also eliminating certain exemptions that have enabled certain schools and programs to effectively be (semi) free riders on the fringe pool even as other schools and programs have fully contributed to benefits.

Third, as noted above, transparency to ensure full accountability should be a hallmark of change. Later in this report, the BTF will discuss steps that can be taken to further these goals.

1. HEALTH BENEFITS FOR EMPLOYEES AND THEIR FAMILIES

GW's full-time and part-time faculty and staff in benefit eligible positions are entitled to a health benefit plan with employer contributions pro-rated for part-time work status. Compared to other universities in the market basket, GW contributes a slightly higher percentage of the total premium (on average, GW's expected cost share for the 2016 plan year is 69.9 percent of medical and Rx expenses). GW contributes toward the cost of spousal coverage without regard to whether an employee's spouse has access to employer-sponsored coverage based on his or her own employment status. Some universities, including five institutions in our market basket, now assess a surcharge on employees who elect to cover a spouse who has access to participant coverage through an employer. In some cases, spouses in this scenario are not covered at all, a practice used by the University of Virginia.

A self-insuring employer, the university pays claims directly out of its operating budget, with reinsurance against high-cost claims. The university currently offers three plans, two PPOs (that is, as preferred provider organizations that limit but do not entirely exclude payment when covered benefits are received out of network and a high-deductible health plan (HDHP). The university contributes to the cost of the annual premiums employees pay for themselves and (where selected) their family members. The health plan uses UnitedHealthcare as its third party administrator (TPA). In addition, the university offers unsubsidized, fully-insured vision and dental coverage plans available to employees. Two plans (known as the Medium and Basic plan) offer relatively generous coverage with deductibles below the national average in 2015 (\$500 and \$850 respectively) as well as cost-sharing within standard norms. The range of covered benefits varies slightly, with the Medium plan offering certain types of coverage (e.g., infertility coverage, bariatric surgery, and hearing aids) not found in the Basic plan. Employees who choose the Medium or Basic plan can also contribute to a pre-tax flexible spending account (FSA) to cover deductibles, copayments and coinsurance, and certain other out-of-pocket, uncovered health costs (such as contact lens supplies). Employees have until March 15th when the 2- ½ month grace period has ended to request reimbursement from their FSA account. Per IRS rules, funds remaining in individual accounts at the end of the plan year are required to be forfeited and revert back to employers. In 2014, approximately \$78,000 in medical FSA funds were forfeited.

The third plan is a high-deductible health plan, now increasingly offered by employers. A high deductible with significantly higher in-network deductibles (\$1,500 for individuals, \$3,000 for families for 2015 and 2016) is coupled with a health savings account (HSA) to which GW contributes modestly in 2016 (\$300 for individuals and \$600 for families, contingent on participant contributions). GW's contributions are well below

the mid-Atlantic average, which is \$500 for individuals and \$818 for families).⁷ The health savings account belongs to individual employees, and funds remaining in the account at the end of a plan year remain the property of each enrollee and can build over time.

GW also offers “wellness” benefits and programs for faculty, staff and their families. Benefits consist of a range of classes and individual wellness programs including a smoking cessation benefit, free flu shots, a Healthy Pregnancy program and fitness classes. Mercer has concluded that by implementing a wellness program that effectively manages patients with chronic illness while incentivizing employees to better manage their health and health care utilization, GW could reduce its overall medical and prescription drug claims trend by 2 percent. Research on employee wellness provides some support for these assumptions because such programs help employees understand their health and how to improve it. Based on data from UnitedHealthcare, less than half of enrolled GW employees completed their annual wellness visit in the last year.

The potential for better member management results in improved health and lower cost is further amplified by the fact that GW plan members are more likely to use a higher level of emergency department care than in general for UnitedHealthcare’s benchmarking. Our plan members are also less likely than members of other UnitedHealthcare plans to receive appropriate generic drugs as a substitute for brand-name drugs. GW data further suggest that 4 percent of in-patient admissions were categorized as “avoidable.” These findings from our claims experience suggest that a wellness program strategy might yield savings, while being important for the health of employees and their families. However, BTF recommends that a more formal, funded, and resourced approach to wellness is critical to realize the benefits of wellness offerings.

As the BTF reported in May, over the past several years the premiums paid by GW employees have risen significantly faster than growth in employee wages, while the actuarial value of GW’s plan offerings has declined significantly, a trend mirrored nationally according to the latest authoritative report by the Kaiser Family Foundation⁸. Furthermore, in order to keep its fringe rate from rising faster than 3 percent, GW has shifted premium costs onto employees and its own premium contributions have declined. At the same time however, according to the Mercer one-year snapshot, GW actually makes a slightly higher premium contribution than other market basket universities. This slightly higher premium contribution has the effect of increasing GW’s rankings, since from a strictly “actuarial value” (AV) perspective (i.e., the proportion of each premium dollar paid out in actual benefits to participants and beneficiaries), GW’s health plan offerings, as indicated in the BTF’s May 2015 report, appears to be somewhat below the market-basket average.

An important factor propelling this shift are the various fees and taxes introduced with the Affordable Care Act (“ACA”). ACA introduced a Transitional Reinsurance Program Fee, Patient-Centered Outcomes Research Institute (“PCORI”) Fee, as well as a “Cadillac tax,” a 40 percent excise tax on the “excess” value of health plans over a certain threshold. The tax begins in 2018 and is causing national retrenchment in the proportion of compensation allocated to health benefits. While there is considerable sentiment for repealing the tax, the

⁷ “Contributions to HSAs vary by employer size, region and industry.” <http://www.shrm.org/hrdisciplines/benefits/articles/pages/hsa-contributions-vary.aspx> (Accessed online 2 November 2015)

⁸ Kaiser Family Foundation, 2015 Employer Health Benefits Survey <http://kff.org/report-section/ehbs-2015-summary-of-findings/> (Accessed online, October 12, 2015)

cost of doing so is steep enough so that repealing or reducing the tax is not likely any time soon. In enacting the tax, Congress assumed that total employee compensation would not drop but that the compensation received by employees would shift toward taxable sources (such as wages), thereby creating a higher income tax revenue stream to help offset the cost of the ACA's subsidy expansions for low and moderate income individuals and families. In response, and like other employers, in 2015 GW discontinued the Premium plan, which is one of its penalty-liable medical plans (our most generous PPO with the lowest deductibles). The remaining plans offered by GW are projected to have some exposure to the Cadillac tax in the future.

For the 2016 plan year, GW has introduced a more generous income-adjusted premium in order to protect not only the very lowest-paid employees but also those whose incomes fall below the median. Higher-paid employees therefore bear a greater share of the premium payment in order to offset this adjustment.

Key to sustainability of health insurance costs are efforts to address the underlying cost of health care. Clearly this is an issue that vastly transcends GW's own abilities; indeed employer plans far larger than GW are struggling with this problem. For this reason, GW cannot count on sustainable plan growth rates, although it might take certain steps to manage cost growth as efficiently as possible.

The university has introduced some management techniques this year. One example is in-network "reference pricing" for diagnostic testing and imaging services such as basic blood panel tests, MRI, PET and CT scans, meaning that plan members will be able to comparison shop among testing providers, with pricing transparency that allows them to select providers whose costs are lower and therefore more fully covered by the plan. Another example is more active management of physician prescribing practices in connection with high-cost drug use. Others management techniques include more wellness programs, more consumer tools to enable members to understand lower cost options (such as using an urgent care clinic in non-emergency situations in lieu of the emergency department) and other reforms. This may help alleviate cost pressures, but the long term pressure arising from costs will be great because of prices, utilization and demographics.

OPTIONS

1. **Consider eliminating the Basic and Medium plans entirely in place of a well-structured high-deductible health plan that uses a broad PPO network, provides generous HSA contributions not tied to employee contributions and uses value-based design by exempting primary healthcare and maintenance prescription drugs from the deductible entirely.** This approach is worth considering if the employer contribution to the HSA is sufficient to bring employees' actual costs out of pocket to the same level of protection against patient cost sharing –that is currently available under the Medium PPO, without regard to employee contributions to the plan's linked HSA. Under this option, all employees would be enrolled in a HDHP that continues to offer PPO coverage that continues to allow members to see out-of-network providers in exchange for higher out-of-pocket payments rather than excluding coverage altogether. In addition, certain benefits would be exempted from the deductible entirely, in keeping with what has come to be known as value-based benefit design. Under value-based benefit design, not only would preventive services be exempt from any cost sharing as required by the ACA, but drugs for treating long-term chronic health conditions such as hypertension, diabetes and depression also would be exempt from the deductible, as would be primary care office visits.

The result would be a HDHP linked to an HSA that is well-funded without regard to employee contributions and that remains with employees and their families rather than being forfeited at the end of a plan year as is the case with flexible spending accounts (which would be eliminated for the HDHP population, yet another plan administration efficiency). Coverage would be comparable to that offered through the Medium plan PPO, with changes in benefit design to ensure that benefits that are now unique to the Medium PPO (bariatric surgery, infertility treatment, hearing aids) would also be included. A more generous HSA contribution would help offset the impact of the shift while still maintaining the broad provider choice associated with PPO-style coverage. Were the university to shift toward a more generously designed high-deductible approach to coverage, savings (up to 18 percent based on industry research) would be achievable from both active and retired employees who would belong to the same risk pool.

The downside of HDHP design -high deductibles- can be mitigated through generous university contributions covering nearly the entire deductible (e.g., \$1,500 for an individual and \$3,000 for a family) along with primary care and health maintenance exemptions for primary care office visits and a wide array of preventive or maintenance prescription drugs. Key to this option is also the availability of strong consumer support tools and readily available assistance, such as the GW Health Advocate service or CastLight, to help members learn to use a plan in which a debit card is used to pay many out-of-pocket costs until the coverage threshold is reached. Employees with FSAs already have experienced this approach to coverage, as have those who have selected the HDHP. But going forward with a major new plan design strategy means thinking not only about the design but also how to make sure that employees know how to use the plan. To this end, introducing health care transparency tools will be paramount to sustainable success.

Even with this approach, however, it will be necessary to maintain at least the basic PPO and a flex fund option for certain employees because they (or their family members) are barred from participation in HSAs. These employees are those who are also currently enrolled in Medicare or TriCare, as well as employees claimed as dependents by another taxpayer.

- 2. Consider adding a new “exclusive provider organization” EPO option.** Employees have asked about the possibility a “Kaiser” option where health benefits are concerned - that is, membership in a health plan that relies on a very tightly managed provider network as a means of containing costs, while keeping deductibles and other cost sharing lower. This model uses a higher premium, akin to a traditional HMO. But the deductible is far lower, and cost sharing may be lower. In modern parlance, this option is known as an “exclusive provider organization” (EPO) in keeping with tighter network management. One option may be to work with the GW Medical Faculty Associates (MFA), which has offered such an approach for its own employees for some time thus providing a possible avenue for offering such a benefit to GW employees and their families. Early research into the experience of MFA employees who are members of its EPO suggest lower premiums among its plan offerings, but also challenges with cost sharing and access. (The EPO research project was interrupted by open enrollment season, and we plan to resume in December with results available in January 2016). Both cost sharing and access challenges are ones that can be addressed with an expanded network and

better coverage design. In our view, it is worth ongoing discussion with the MFA regarding whether their employee product can be restructured to reach GW employees.

Given employee interest in a traditional HMO model, the BTF considers this direction one that merits a more in-depth examination by the university. The results of our research suggest that a move in this direction cannot happen in the short-term given the need to build more extensive provider capacity and ensure a fair cost-sharing design so that benefits are as generous as those offered to non-EPO employees, except for the narrower network used. But the BTF believes that continuing negotiations are worthwhile and should be pursued.

- 3. Continue to develop options for controlling high-cost medical procedures that lend themselves to reference pricing strategies.** The university has started to introduce the concept of reference pricing in connection with diagnostic services, in which plan members are encouraged through the use of variable cost sharing to select certain procedures at free-standing vs. hospital-based facilities (radiology, MRIs, X-rays, for example) from lower-cost network providers whose care is of equal quality, as rated by the TPA. The BTF considers this to be a promising approach for controlling healthcare costs and one that might be extended to other services like elective surgical procedures that show considerable network pricing variation, such as hip and knee replacements. This is a strategy now being used by the federal government under Medicare as well as CalPERs, one of the largest of all employer-sponsored group purchasing systems in the nation and a leader in health care innovation.
- 4. Consider expanding value-based insurance design strategies.** The BTF has discussed value-based insurance design strategies, which encourage employees and families to actively use preventive services as part of their first option, and it recommends continued work in this direction. The university has begun to emphasize value-based insurance design in recent years, and certain preventive services are already free of cost-sharing under the ACA. Prescribed drugs and treatments needed to maintain health among people with chronic health conditions such as diabetes, cardiovascular disease and depression all represent areas of close study in benefit design because of the significant potential payoff in terms of lowered healthcare costs. Research has shown that covering medications through a value-based formulary produces tangible cost-savings by ensuring there are no cost barriers to drugs classified as preventive or "maintenance medications." The concept at play is that adherence to a maintenance prescription medication is correlated to lower utilization of emergency room visits and fewer avoidable admissions. First-dollar coverage of cost-effective treatments such as management of chronic health conditions amenable to preventive treatments should be pursued to the maximum degree possible. The BTF further recommends that the university consider implementing value-based design in prescription drug coverage via a formulary that will provide 100 percent coverage for maintenance or preventive medications (a change already in effect under the high-deductible health plan option) as a means of providing an incentive for employees with chronic conditions to maintain adherence to prescription regimens. Furthermore, GW could also explore other value-based coverage designs, such as increasing the subsidy for mail-order pharmacy and covering the full cost of the use of the telemedicine program (currently assessed an office co-pay).

- 5. Introduce innovative health care transparency tools.** Using health benefits has become increasingly complex for employees to understand, particularly as deductibles and cost sharing have risen, value-based purchasing strategies such as reference pricing have been introduced and networks have tightened. Ensuring that employees are as enabled as possible to understand and use their benefits is absolutely crucial if cost containment strategies are to succeed in ways other than simply discouraging the use of unnecessary health care. Yet the most authoritative study to date, noted previously, raises this concern that health care costs will be reduced not through smarter buying but by discouraging the use of care. For this reason, the BTF believes that employee support tools such as Castlight or comparable products, which are designed to be plan-specific and to enable employees to understand how to make the most of their coverage, will be particularly essential.

These tools would be accompanied by greater investment in face-to-face, telephone and online counseling assistance from University Human Resources (UHR), with office hours held at the Faculty & Staff Service Center (FSSC). Currently, there is little integration because available sources of help (FSSC, UHR staff, HR Client Partners, Benefits Administration, UnitedHealthcare, CVS/Caremark and outsourced partners such as Mercer or the GW Health Advocate) are unevenly coordinated. By testing a concept of a more direct case management approach, the BTF concludes that this value-added service will contribute to the goal of helping employees understand our benefit plans.

- 6. Consider establishing a formal wellness program.** The BTF noted that while there is evidence that several wellness programs exist such as Smoke Free GW, walking challenges, flu shots, etc., there is not an overall programmatic approach and strategy that is considered holistic, strategic or tightly-managed. Furthermore, there is some confusion as to how the Healthy GW initiative delivers tangible wellness programs designed to accomplish the overall purpose of improving wellness at GW. Therefore, BTF recommends that UHR develop a robust wellness program that is sufficiently resourced and budgeted for a long-term solution. A good wellness program would include an incentive management program, which would include incentives for participation in biometric screenings, receiving preventive screenings and participating in wellness and expanded disease management programs. Such a program should include health and financial literacy and mental health promotion, which have been shown to improve employee retention, productivity and morale. It is important to note that no direct revenue would be generated by these initiatives; rather, its purpose is future cost avoidance - a long-term approach. In addition, GW could consider an appropriate subsidy for gym membership.
- 7. Consider changing spousal premium contribution policies to incentivize spouses with access to coverage through their employer to enroll in their own plans.** GW currently does not condition the size of its contributions to employee coverage on the availability of direct spousal coverage. Such an option could be considered for spouses, with a modest surcharge for spouses who have access to their own direct coverage but elect to enroll in the GW plan. In no event should such an option be used for other dependents. This option should be considered, in the view of the BTF, only if it is estimated to yield significant savings and only if the resulting savings are reclaimed as part of the

fringe pool; indeed, this assumption that savings will be recaptured in the fringe pool is inherent in all BTF options.

8. **Consider competitive bidding for medical and prescription third-party administrators.** Best practice in vendor management is to go to the external market through a “request for proposals,” or RFP process, every three to five years in order to secure the best possible terms, prices and conditions. GW selected UnitedHealthcare as its third-party administrator for 2011 and has not actively sought bids since that time. Therefore, in order to ensure our fees and costs are competitive and that the current offering is still meeting employee needs, the BTF recommends that GW conduct a full RFP process with potential third-party administrators in order to determine whether employees are receiving coverage that is both innovative and of good value. Before making formal changes to third-party administrators, UHR should take the pulse of faculty and staff to assess their willingness to change health or pharmacy providers, and then factor that input into the analysis. This recommendation is within the spirit of the BTF’s strong guidance to better engage the campus in benefit changes that impact university employees. The BTF recommends a contract negotiation approach to ensure that the most favorable terms are secured in contract language, such as rebate recovery and low administrative fees.

2. HEALTH BENEFITS FOR RETIREES AND THEIR FAMILIES

ELIGIBILITY

In August, the retiree health benefits BTF Subcommittee was provided an overview of the retiree health benefit by Benefits Administration, attached as **Appendix B**. This overview suggested that for the first eight years of retirement, premiums for faculty were subsidized between \$297.71 and \$888.12, while staff were subsidized at the rate of \$40 a month. All subsidies were to end after eight years of retirement were completed.

A chart provided more recently to the subcommittee on retiree health by Benefits Administration shows that retired faculty are receiving substantial premium subsidies. GW pays, in some cases, over 80 percent of the premium for retired faculty health insurance. For staff, GW pays between \$258 and \$1,209 a month for retiree coverage, depending upon the plan and the numbers covered. This figure is considerably higher than \$40 per month. The chart is attached as **Appendix C**.

According to the Benefits Administration document, retirees who are eight or more years past their retirement dates receive no subsidy and enjoy “access only” coverage without an employer contribution. However, data from Benefits Administration suggests that these retirees in fact continue to receive premium subsidies from GW. Faculty and staff receive equal levels of subsidy, ranging from \$225 a month for an individual Medicare plan (Blue 65), to \$1,155 for a pre-Medicare plan covering three or more people. In 2012 the university began a gradual management program to correct the subsidy over 10 years.

COVERAGE

GW offers two types of retiree medical plans. The first is the Basic plan, which is identical to the plan offered to active employees and is open to pre-Medicare retirees and pre-Medicare dependents of retirees. The second is the UHC Blue 65 Choice PPO plan, which supplements Medicare coverage. Blue 65 is open to

Medicare eligible retirees and Medicare eligible dependents of retirees. This plan requires that eligible retirees elect Medicare Part B (at a cost of at least \$104.90 a month in 2015 and calculated to increase). The prescription coverage within this plan allows retirees to postpone enrollment in Medicare Part D, providing some savings. This plan also contains coverage for some services that Medicare does not cover, such as an annual eye exam, but these additional services do not appear extensive.

The Blue 65 premiums, based on evidence provided for community-based rates in the Washington, D.C., area for Medicare F and N plans, are more expensive in comparison with many Medigap plans, as the plan pays second to Medicare (so Medicare has already paid most of the claims).

OPTIONS

- 1. For faculty and staff retiring in 2017 or later, consider the establishment of a private health insurance exchange for Medicare-eligible retirees, with equal university contributions for both faculty and staff. Consider permitting current retirees who have been given grandfathered status to opt for enrollment in a private exchange plan in lieu of their current plan, either at retirement or later during open enrollment. The BTF views a private exchange as an alternative to the current UHB Blue 65 PPO plan for both current and future retirees.** A detailed analysis prepared by Towers Watson for the BTF shows that by moving to a retiree exchange, GW would benefit from a community rating (claims experience compared across the entire GW geographic region) rather than the experience rating approach (i.e., examining claims experience only of GW plan members) that is used for our existing UHC-PPO plan. The savings to both retirees and the university are considerable and should be actively explored. Indeed, for the most generous MediGap plan on the market, retirees would pay hundreds of dollars less per each year for roughly equivalent coverage, and it appears that the university contributions would drop so significantly that it could consider extending the contribution period for both faculty and staff beyond the stated current period of eight years. The savings are sufficient (at least from preliminary data) to enable the university to give adequately generous underwriting for both faculty and staff to nearly eliminate retirees' premium contributions for self-only coverage. (The university does not pay a subsidy for the spouses of Medicare beneficiaries who are retired employees, but this coverage could be purchased, of course, at lower community rates).

As noted, existing retirees could be given the option of switching to the new private exchange plan. Many may wish to remain in their GW insurance plans, possibly to maintain continuity while retirement changes many other aspects of daily life, or if they retired involuntarily, for example, the prospect of immediately changing health insurance could be overwhelming. The BTF analysis showed that the substantial majority of GW retirees live in the D.C. / Maryland / Virginia area (approximately 90 percent). University Human Resources should evaluate the private exchange option, gather data from its initial implementation and implement the long-term solution that is most appropriate for GW's retiree population. In the interest of managing change, GW should also engage current retirees and those who are making plans to retire in open forums and town halls to get their input on private exchanges, the existing structure and grandfathering terms before changes take place. These sessions will provide retirees the opportunity to give feedback and ask questions on the proposed private exchange option.

2. **Establish a university retiree health plan contribution policy of five years or up to age 75, whichever is longer.** Employees retiring at age 67 would thus receive eight years of contribution, while those retiring at age 70 when the maximum social security benefit is reached, would realize a five-year contribution level.
3. **Institute more active health care management.** If the private exchange concept is not implemented, for both pre-Medicare retirees and those receiving Medicare benefits, active management and value-based coverage strategies should be fully employed with an emphasis on prescription drug management and value-based coverage of cost-effective preventive treatment for conditions such as hypertension, diabetes and depression.

3. RETIREMENT FINANCIAL BENEFITS

GW makes a base contribution of 4 percent to its retirement plan. GW also contributes an amount equal to 150 percent of the first 4 percent of eligible employee compensation that employees contribute to the 403(b) Plan as a matching contribution. The maximum matching payment by GW cannot exceed 6 percent of eligible employee compensation, giving employees a maximum total contribution of 10 percent from GW.

Employees are currently eligible to receive the university matching contribution after two years of employment at the university, with immediate vesting upon qualifying for the match. GW permits a waiver of eligibility restrictions for employees with prior service at an institution of higher education.

OPTIONS

1. **Consider modifying current maximum university contributions for employees hired after 2016.** Consider modifying current retiree plan practice compared to GW's market basket by adjusting the university match in accordance with the following (or similar) schedule:
 - a. Employees would continue to be eligible for the university contribution after two years of service, with immediate vesting upon qualifying for the match;
 - b. The maximum university match would be reduced from 6 percent to 3 percent for the first five years of eligibility;
 - c. The maximum university match would increase to 6 percent after the initial period of five years;
 - d. The proposed change in the retirement system would not take place until FY 2017.
 - e. Existing employees would be grandfathered in the current retirement plan and associated contributions.

*The parameters of the proposed change could be varied in any number of ways. The above is meant to illustrate one possible approach.

The proposal could generate substantial savings over time as it is applied to more and more new employees. Preliminary estimates based on data on employee turnover and hiring indicate that savings in the first year the new plan took effect could save \$200,000 in the first and \$200,000 in the second years assuming the scenario outlined above. Once the new plan was fully phased in after a period of five years, the annual budgetary saving could be up to \$5 million.

The proposed change should not affect any employees hired before FY 2016. For employees hired under the new plan, the approach would have the effect of reducing the amount of income in retirement for employees who did not make any adjustments, or require that such employees make additional contributions on their own (through the supplemental 403(b) program).

Under the assumption that employees did not make offsetting increases in their own saving for retirement, the BTF estimates that an employee earning and participating in the proposed revised retirement plan would accumulate about \$120,000 less in retirement savings at the end of 40 years. This amount would have an annual annuity value of about \$7,400 assuming level annual payments for 25 years at an interest rate of 4 percent.

2. Consider automatically enrolling all employees in the 403(b) retirement plan with an opt-out provision to encourage responsible financial preparation for retirement by maximizing the benefit of the university's contributions. Given the importance of saving for retirement, the BTF recommends introduction of an opt-out approach to retirement plan participation for all employees, beginning with employees hired in CY 2017. UHR could consider the opt-out approach for staff only after sufficient notice to staff currently not participating in the matching portion of GW's retirement plan.

4. TUITION BENEFITS

Tuition remission is one of the unique benefits provided by universities in general and by GW's market basket universities in particular. A strong commitment to the provision of this benefit to employees and their families is intrinsic to an institution of higher learning. Indeed, one of GW's stated values is "Learning."

Tuition benefits are currently offered to full- and part-time employees, as well as their dependents and spouses. There has been some discussion about whether the provision of the benefit to part-time employees should continue. The BTF believes that given the importance of an affordable education to social and income mobility, continuing to provide the benefit to part-time employees with requisite service requirements, shows the university's commitment to individual and community betterment through education.

The committee has identified three areas where it believes the university can improve its tuition benefit. The recommendations present general principles, rather than specific proposals. With the exception of the first recommendation, we believe these changes could be structured in such a way as to be revenue neutral to the university.

OPTIONS

1. **Consider fully covering an initial bachelor's degree at 100 percent at GW** for any employee who does not already have one.
2. **Consider making tuition remission a richer but more limited benefit, while allowing employees to elect a 100 percent remission rate with a service payback requirement or a slightly lower rate but without a service payback requirement.** In exchange for this full remission rate, the university could enact a post-degree service requirement, assessed on a salary-based sliding scale for employees. In the case of employees who depart prior to completing an applicable service requirement, a pro-rated

tuition charge could be levied. Employees would be expected to elect at the beginning of their course of study. The service requirement could be higher for part time employees. Careful consideration in the design of this service requirement is of importance, especially to long-term employees attaining a GW degree and highly mobile researchers and research staff who may be serving as project-related research staff while obtaining a graduate degree. It will be important to design a post-degree service requirement that mitigates unintended adverse consequences, but the BTF committee believes that service is a condition whose application merits consideration.

- a. The dependent tuition benefit is currently limited to one degree per dependent at a maximum remission rate of 87 percent. This rate puts GW in the bottom third of the market basket, with 12 schools offering a richer remission rate. BTF believes the logic of richer remission in exchange for a service requirement equally applies to dependents. The maximum remission rate of 87 percent could be increased, with a commensurate increase in years of service dependent on salary to accompany/qualify.
3. **Consider making tuition reimbursement, albeit at a lower rate, available under certain circumstances for employees and their dependents pursuing degrees at another institution.** Tuition reimbursement should be applicable, at a lower rate, at other schools both for employees and for their dependents. Eight of the 17 market basket schools offer such a program. The schools offering such programs are best characterized as GW's aspirational basket, with the exception of the University of Miami.⁹ A key consideration in offering such a benefit would be arriving at a design that is affordable and linked to a considerable length of service to the university. Potentially another factor to be considered is whether another institution offers a degree that can be considered unique. Realizing that this benefit would carry new costs, the BTF recommends that GW test the estimated cost impact of different defined contribution amounts as a means of gauging the impact of the option.

5. LEAVE BENEFITS

Studies have shown that paid time off leads to higher productivity, stronger workplace morale, greater employee retention and significant health benefits¹⁰. Due to recent layoffs and hiring delays, GW employees have been asked to fill in for vacant positions and have taken on more responsibilities. Currently GW offers a limited paid leave policy for the winter. This leave policy consists of two days off for winter holiday and two days off for the New Year holiday. GW records show that approximately 90 percent of non-exempt employees used this leave in 2014. Of the 18 market basket institutions analyzed, nine institutions receive a winter break between Christmas Eve on December 24 through New Year's Day on January 1 when the institution is closed. Georgetown and American University are indeed closed during this time period.

OPTIONS

1. **Consider increasing the winter break paid leave by three days.** This would bring GW in line with market basket institutions as well as other local institutions and would be an important employee morale booster. By

⁹ Duke, Georgetown, NYU, Northwestern, University of Pennsylvania, Vanderbilt, Washington University and University of Miami.

¹⁰ Oxford Economics, Impact of Paid Time Off Study, <http://www.projecttimeoff.com/research/all-work-and-no-pay-impact-forfeited-time>

implementing a winter break, GW would also support its sustainability initiative. GW would reduce its carbon footprint and energy consumption related to reheating the buildings. The estimated savings for the reduction in energy utilization is approximately \$150,000 based on energy usage during the same period in 2014.

6. RESTRUCTURING THE FRINGE POOL

A fringe rate is the cost of an employee's benefits divided by the wages paid to an employee. The largest share of CY 2014 wages and salaries (\$480 million, or 88 percent) is subject to a fringe benefit rate of 25 percent, and a smaller share (\$63 million, or 12 percent) is subject to a fringe rate of 8.3 percent. Of the wages and salaries that are subject to the 8.3 percent a total of \$15.3 million is received by benefited university employees in the following forms: (1) supplemental compensation for faculty, (2) incentive compensation for faculty and staff and (3) overtime wages for regular full-time staff.

Restructuring the fringe pool to eliminate the “free riding” that comes when certain schools, programs and offices pay less than the full 25 percent fringe rate on total employee pay represents one important change designed to help offset the rising cost of benefits, particularly health plan cost increases.

OPTIONS

- 1. Consider establishing a policy that all compensation received by a “benefited” employee will be treated uniformly and subject to the university’s standard fringe rate (currently 25 percent).** The proposed change would be to apply a uniform fringe benefit rate to all benefited university employees. At current fringe benefit rates, this would mean applying a rate of 25 percent instead of 8.3 percent to the types of compensation described above. Once fully phased in, the proposed change is estimated to increase the amount contributed by the various units of the university (academic and administrative) to the overall fringe benefit pool by some \$2 million. If the change were to be phased in over two years, the annual impact would be to increase the amount allocated to the fringe benefit pool by \$1 million per year for five years.
- 2. Consider increasing the 25 percent fringe rate by 0.1 percent per year for five years.** The proposed change would increase the 25 percent fringe rate to 25.5 percent over a five-year period. The proposed increases in the fringe benefit rate would take effect in years three to seven (after the increase in the fringe rate from 8.3 percent to 25 percent was fully phased-in). When the recommendation was fully phased in, approximately \$2.4 million would be added to the benefit pool.

7. ACCOUNTABILITY, TRANSPARENCY: COMMUNICATION AND ENGAGEMENT WITH GW EMPLOYEES

The options set forth in this report carry important, interactive implications. Even more importantly, they reflect a range of values. For example, maintaining and strengthening retiree health benefits for GW staff and faculty emphasizes the importance of good retirement benefits. Offering expanded tuition benefits, including a defined contribution, emphasize the value of attracting younger faculty and staff who are considering advanced education for themselves or their growing children. The tradeoffs and choices to be made are deeply important, and the BTF believes strongly that only the GW community as a whole can make these

choices. Community engagement around the re-design of benefits is thus critical to long-term benefit changes. Transparency and community engagement should be a hallmark of benefit restructuring given the major implications of changes for all GW employees.

RECOMMENDATIONS

For this reason, the BTF makes its sole set of recommendations in the area of robust community engagement as a core principle of benefit transformation. **Unlike our prior options, these recommendations receive the unanimous and enthusiastic support of the BTF precisely because the university will need employee input and buy-in as it moves forward to reshape benefits.**

1. **Engage the GW community as a whole, and on an ongoing basis.** A one-time benchmarking may give GW a sense of the starting point for re-designing benefits. However, it provides little help in guiding the university through complex and interactive changes over time, whose cumulative effect could have significant upward or downward implications for GW's standing in the coming years. Therefore, the most important consideration should not be where GW stands in any particular year, but whether the changes to be introduced over time are understood by the GW community, viewed as sensible and fair in light of changing circumstances and responsive to the needs of the GW community as a whole. If health benefits are going to be scaled back, for example, such savings should be reinvested in other benefits or wages, and this reinvestment needs to be communicated to employees. Employees also should have confidence that before reducing benefits, the university has taken active and reasonable steps to maximize the pool of funds needed to support benefits. Employees should be able to understand the tradeoff considerations that inevitably arise when developing benefit policy and should feel involved in the effort. Moreover, this sense of engagement must extend beyond the relatively narrow confines of the Faculty Senate, ASPP and the Benefits Advisory Committee and include the university community as a whole. It should be noted that UHR took exceptional steps for the 2016 plan year to be much more transparent in the benefits process by engaging employees directly in the communication effort through benefits briefings, held both at the unit level for many schools, as well as at four general sessions available to the community at-large. BTF recommends that UHR continue this positive trend and momentum and build on this engagement.

For these reasons, the BTF recommends:

- a. Ongoing assessment of GW's benefit competitiveness in relation to the BOT market basket, updated annually, so that the Administration is continually working off the best evidence of GW's position in the university benefits environment
- b. Ongoing assessments of community needs and preferences where benefits are concerned, through the use of confidential and anonymous surveys designed to give the university insight into employee-wide preferences over time
- c. Communication regarding the results of these anonymous surveys on a community-wide basis through both written results and frequent town halls or focus groups open to the entire community
- d. Timely written reports that provide a full and understandable description regarding the types of changes under active consideration, who will be affected by the changes, potential strengths

and limits of various options and ways in which the university is approaching the challenge of mitigating the impact of changes that mean benefit reduction

- e. Ensuring that all schools have a central HR resource (i.e., a Client Partner) on these matters, now lacking at both the GW Law and the Elliott School of International Affairs
 - f. Use of a web-based platform where GW can communicate considered changes on an ongoing basis. The university also should explore investment in technology tools that communicate key benefit changes through video explanations delivered by a specialized vendor such as Guidespark.
 - g. Investment in resources that provide online tutorials, including full explanations of how each benefit works
 - h. As noted, expansion of an online benefits navigation tool that can assist employees in making informed decisions about what benefit offerings are the most appropriate fit based on needs and preferences
2. **Commission an internal formal review on the effectiveness of all HR communications**, particularly benefit communications, to assess the degree in which employees use various avenues of information. Techniques for measuring effectiveness include measurement of click-rates, web site visits and other measures. Based on the results of the review, GW can make appropriate adjustments and refinements to its communications approach in order to maximize employee engagement and understanding of key benefit changes.
3. **Consider in-sourcing all benefits counseling / employee-facing customer service** functions in a role we conceptualize as a "Benefits Navigator," which will serve as a case manager/advocate to help employees navigate all of GW's benefits. The goal with this recommendation is to provide a central point(s) of contact for any matter pertaining to GW's benefits. For example, a dedicated professional might be physically assigned to the Faculty & Staff Service Center and deployed across campus, as needed, to provide counseling to employees on key benefit matters and serve as a liaison between employees and benefits administration. The demand for such a person might necessitate more than one employee, although employee services could be supplemented by well-trained, well-supervised graduate student assistants studying health law or public health policy, and who in many cases, perform this type of counseling service as part of their course of study. At a minimum the BTF believes that the university should launch such a program for the 2017 plan year.
- a. The BTF acknowledges that the institution cannot give advice on selecting a plan, choosing an investment option within the retirement plan, or making other comparable choices. But much can be done short of specific plan selection on an employee's behalf, to ease the employee's burden of making the choice him or herself. Providing information and explanations of benefits, educating employees about the meaning and significance of terms of art used in many plan documents, as well as assisting employees to compare their options, will allow employees to make sound choices and to make changes when these choices no longer serve them.

4. **Consider creating a customer satisfaction survey** or other feedback tools to allow employees to provide ongoing feedback regarding their experiences with benefit matters.
5. **Create a new position that focuses on robust HR communications.** This position, accountable to the Vice President for University Human Resources, should have a dedicated focus on development and implementation of a comprehensive internal communication strategy designed to make GW the best among its market basket in how employee benefits are communicated to the employee population. BTF considers this recommendation as essential to success to employee engagement. For minimal investment required for the resources identified in this section, we believe this is likely the most important and will slowly change our culture and build trust across the community.
6. **Review the current composition of the Benefits Advisory Committee (BAC)** to ensure broad representation from across divisions and schools and equitable distribution of membership among faculty, staff and administrative representatives. This committee arguably has a very influential role through feedback and advisory contribution to UHR throughout the planning cycle. Consider whether the BAC members should, on an ongoing basis, brief their respective division or school on possible changes under consideration, where appropriate. Careful consideration should be given to ensure that the size of the BAC is manageable and effective.

APPENDIX A: BENEFITS TASK FORCE MEMBERSHIP

Chairs:

Sara Rosenbaum, Harold and Jane Hirsh Professor of Health Policy, Milken Institute School of Public Health

John Kosky, associate vice president of HR talent management, University Human Resources

Faculty Representatives:

Gregg Brazinsky, associate professor of history and international affairs, Elliott School of International Affairs

Shawneequa Callier, assistant professor of bioethics and health care regulation, School of Medicine and Health Sciences

Joseph Cordes, associate director of the Trachtenberg School of Public Policy and Public Administration and International Affairs Public Policy program, Elliott School of International Affairs

Benjamin Hopkins, associate professor of history and international affairs, Elliott School of International Affairs

Suzanne Jackson, professor of clinical law and director of the Health Rights Law Clinic, GW Law

Forrest Maltzman, interim provost, senior vice provost for academic affairs and planning and professor of political science

Staff Representatives:

Linda Brown, associate director, Colonial Central

Pallavi Rai Gullo, director of legal clinics, GW Law

Deanah McLeod, senior associate director of development, School of Engineering and Applied Science

Sheneka Smith, office manager, Division of Development and Alumni Relations

Alan Thompson, foreman, Engineering Operations

Medical Resident Representative:

Pooja Lakshmin, psychiatry and behavioral sciences, George Washington University Hospital

Society of the Emeriti:

George Bozzini, Associate Professor Emeritus of English

Secretary and Staff Support:

Kara Musselman, health and wellness analyst, University Human Resources

Janet Monaco, director of benefits administration, Finance Division

Cara Shumate, retirement plan administrator, Finance Division

Special Advisor:

Jennifer Lopez, assistant vice president, Tax, Payroll and Benefits Administration

APPENDIX B: OVERVIEW OF RETIREE HEALTH BENEFITS

GW Retiree Medical - Intended Contributions:

Faculty within 8 years post retirement:

- GW contributes the same amount as for active faculty members with comparable coverage.

Staff within 8 years post retirement:

- GW contributes \$40 per month.

Faculty/Staff 8 years or more post retirement:

- GW subsidy ceases, access only.

APPENDIX C: RETIREE HEALTH BENEFITS SUBSIDY TABLE

Retiree Staff Contributions (Within Eight Years From Date of Retirement)			
	2016 Monthly		
Pre-Medicare	Rates	Retiree Contrib.	GW Contrib.
Basic			
Individual	\$ 1,048.41	\$ 620.33	\$ 428.08
Individual + one	\$ 2,096.82	\$ 1,416.95	\$ 679.86
Individual + two or more	\$ 3,145.22	\$ 1,935.96	\$ 1,209.26
Medicare Eligible Retirees			
Blue 65 PPO			
Individual	\$ 671.57	\$ 413.57	\$ 258.00
Individual + one	\$ 1,356.71	\$ 914.34	\$ 442.37
Individual + two or more	\$ 1,952.87	\$ 1,221.40	\$ 731.47
Retiree Faculty Contributions (Within Eight Years From Date of Retirement)			
	2016 Monthly		
Pre-Medicare	Rates	Retiree Contrib.	GW Contrib.
Basic			
Individual	\$ 1,048.41	\$ 222.58	\$ 825.83
Individual + one	\$ 2,096.82	\$ 643.46	\$ 1,453.36
Individual + two or more	\$ 3,145.22	\$ 1,010.21	\$ 2,135.01
Medicare Eligible Retirees			
Blue 65 PPO			
Individual	\$ 671.57	\$ 114.90	\$ 556.66
Individual + one	\$ 1,356.71	\$ 425.14	\$ 931.57
Individual + two or more	\$ 1,952.87	\$ 626.99	\$ 1,325.88
Retiree Faculty/Staff Contributions (Eight or More Years from Date of Retirement)			
	2016 Monthly		
Pre-Medicare	Rates	Retiree Contrib.	GW Contrib.
Basic			
Individual	\$ 1,048.41	\$ 674.11	\$ 374.29
Individual + one	\$ 2,096.82	\$ 1,467.68	\$ 629.13
Individual + two or more	\$ 3,145.22	\$ 1,989.73	\$ 1,155.49
Medicare Eligible Retirees			
Blue 65 PPO			
Individual	\$ 671.57	\$ 446.26	\$ 225.31
Individual + one	\$ 1,356.71	\$ 960.06	\$ 396.65
Individual + two or more	\$ 1,952.87	\$ 1,272.51	\$ 680.36

THE GEORGE WASHINGTON UNIVERSITY

WASHINGTON, DC

REPORT OF THE EXECUTIVE COMMITTEE

Charles A. Garris, Chair

December 11, 2015

ACTIONS OF THE EXECUTIVE COMMITTEE

Faculty Governance:

As a follow-up to the November Faculty Assembly meeting, the Executive Committee took the following actions:

1. The EC worked with faculty from SMHS, SON, and MISPH and with PEAFF to develop a new resolution exempting these schools from the requirement that all members of the Faculty Senate be tenured, subject to several limitations.
2. The EC created a Task Force on Remote Voting. While the November 10 Faculty Assembly was the best attended Faculty Assembly in recent memory, only about 23% of the faculty eligible to vote attended and there were many who wished to participate but could not because of the rigid rules for being present imposed by the Faculty Organization Plan. The Task Force was charged with studying modern teleconferencing technologies while accounting for the importance of participation in the deliberation. The Task Force will be Chaired by Professor Phil Wirtz, and includes Parliamentarian Steve Charnovitz; Vice Provost Dianne Martin; P. B. Garrett - Associate Provost for Academic Technologies; Professor Elisabeth Hess Rice, GSEHD; and Professor Mayri Leslie, SON. They will explore processes at market basket institutions, available technologies, and seek to balance practicality with an excellent participatory process. It is hoped that this committee can report on its recommendations this semester so that we might prepare a resolution for the Fall Faculty Assembly to change the Faculty Organization Plan to allow for remote voting. Please feel free to contact committee members to make suggestions or to actively participate.

Health Care Benefits:

The Executive Committee has been keeping in communication with the ASPP, Benefits Task Force, and the Benefits Advisory Counsel in connection with health benefits. We will make sure that Benefits continue to be an issue at the forefront of Senate study.

Provost Transition Process:

The Executive Committee continues to interact with the Administration to discuss changes within the Provost office and how the Senate can most productively ensure meaningful input during the interim period. We will also be following the search process for a new Provost.

GW Admissions Status

Undergraduates applying to GW for the 2016-17 school year will have the option to include standardized test scores for SAT and ACT as part of their application. The Executive

Committee has discussed this with the administration and may schedule a presentation from Enrollment Management on this subject as well as admissions criteria in general.

FACULTY PERSONNEL MATTERS

Grievances

There are currently two grievances pending. One is from the School of Medicine and Health Sciences, and a new one from the Graduate School of Education and Human Development. A third previously reported grievance from the School of Engineering and Applied Science completed the mediation process and was resolved to everyone's satisfaction. We should thank Professor Joan Schaffner for her excellent work as Chair of the Grievance Committee after the retirement of Professor Kurt Darr.

ANY OTHER MATTERS

- In view of the ISIS attack in Paris and security concerns in Washington, the Executive Committee has been following campus security developments.
- Recent campus demonstrations at U. of Missouri, Yale University, Columbia University, Ithica College, and others on the lack of a racially friendly atmosphere have been a concern of the Executive Committee. We have been following recent developments on campus in this area.
- I am happy to report that the Faculty Senate Coordinator position has been filled with a highly qualified person who will help us improve the ability of the Faculty Senate to serve the faculty and the University. Liz Anderson Carlson has accepted our offer and will start her Senate duties on January 6, 2016. Liz currently works in the Office of the Provost and has spent her career in higher education, working at the Yale School of Medicine and MIT before coming to GW in 2001. During her 14 years at GW, she has worked with Don Lehman, Craig Linbaugh, and many other high level administrators, and she is very computer savvy, so she will not have trouble finding her way through the administrative world on campus. I think you will find that she is a very smart, delightful, friendly person that you will find responsive to your needs as Senators and will be a pleasure to work with. She holds a BA in Psychology from Yale University. I will introduce you to her at our January 15 meeting. After Liz's arrival, we will seek an assistant's position to work under Liz. We have many big ideas for improving the Senate and the services we provide to the faculty and hope to enlist your support in enlisting new ideas and in implementing them, particularly with regard to the Senate website and what we can include to improve our service to the faculty.
- In the meantime, we have continued to enjoy the marvelous support of Jacqueline Akyea, Jennifer Siecks, Cassandra Wiseman, and who have been on loan from the Provost's Office. Jackie has been indispensable in putting together our complex minutes from historically very important Senate meetings. I would also like to thank Professor Harald Griesshammer for his help in assuring the minutes are accurate and include all essential details. I once again thank Provost Lerman and Vice Provost Dianne Martin for providing the excellent support that has made it possible for the

Senate to keep operational after the tragic deal of Sue Campbell. Hopefully, we will be getting back to normal next semester with Liz joining us.

- An updated list of the Senate Standing Committee membership is posted to the Senate website. Kindly advise me of any omissions or errors and if you would like to nominate new members to the standing committees.

ANNOUNCEMENTS

The following are upcoming reports:

January 15, 2016

1. A RESOLUTION TO AMEND THE FACULTY ORGANIZATION PLAN TO AUTHORIZE NON-TENURED REGULAR FACULTY IN THREE SCHOOLS TO SERVE IN THE FACULTY SENATE. (PEAF)
2. Vice Provost Paul Berman – On-Line Education Programs.
3. Report of the Joint Benefits Committee of ASPP & FP&B (Professors Cordes, Harrington, and Anbinder)

February 12, 2016:

Mr. Aristede Collins – Report on GW Development
Dean Linda Livingstone – Report on New Directions in the School of Business
Mr. Patrick Nero – Report on GW Athletic Activities

March 11

President Knapp – Report on Initiatives to Reduce University Buracracy

IMMEDIATELY FOLLOWING THE SENATE MEETING, THERE WILL BE A RECEPTION IN HONOR PROVOST STEVEN LERMAN WHO WILL BE STEPPING DOWN AS PROVOST AND LEAVING THE SENATE. THE RECEPTION WILL TAKE PLACE IN THE LOBBY IMMEDIATELY OUTSIDE THIS ROOM. ALL ARE WELCOME.

I wish you all a very happy and safe holiday. I look forward to seeing you all again in January and another exciting semester – possible less exciting than the last!!!

Thank You.