Medical Contribution Base Guidelines

Background
The University implemented “salary banding” for purposes of determining the University and employee share of the total medical plan premium in 2004. The intent behind this differentiation in contributions was to support a strategy whereby those employees appointed at a lower salary rate would receive a greater contribution from UC than those appointed at a higher salary level. By its decision to adopt this tiered approach, the University joined other large companies and institutions of higher learning in differentiating insurance plan contribution levels by salary.

At the University, each employee’s share of the total premium cost is based on his/her medical contribution base (MCB). The MCB is calculated and falls into one of four salary bands or tiers, using the full time salary rate for all employees – full time, part time and employees who take a leave during the year. The salary rate is defined as the monthly salary the employee is appointed to receive, and not based on monies actually earned. As a result, the calculation does not take into account certain variations in an employee’s actual earnings.

General
The MCB is based on an employee’s annual salary rate, per the guidelines listed below.

Definition of MCB salary rate – An employee’s full-time salary rate on January 1 of the previous year (or the hire date if later) is used to determine the MCB for the current year. The salary rate is defined as the monthly salary the employee is appointed to receive under an academic, nonacademic, and/or administrative title(s) payable through the University. It does not include:

- stipends,
- shift or other differential pay,
- overtime payments,
- consulting fees or payments in lieu of private practice,
- general assistance “by-agreement” payments in excess of regular salary,
- compensation for extension teaching in excess of regular salary,
- compensation received for summer session or other vacation period employment in excess of regular salary,
- any remuneration received which is in excess of 100% of full-time equivalent of your regular and normal position, and
- pay that exceeds the base salary as negotiated under the Health Sciences Compensation Plan,
- perquisites and any bonuses of other special compensation.

MCB calculated on full time rate – The MCB is calculated based on an appointment rate of 100%. If the employee works less than 100% time, the MCB is calculated using a salary rate that is the equivalent of a full time rate for their title. A full time salary rate for part time employees is used in recognition of the fact that insurance premiums are charged in full regardless of the number of hours the
person works.

Because of this, UC’s medical contribution makes up a greater percentage of an employee’s pay for a part time employee than it does for a full time employee. To illustrate:

$21,000 - UC annual contribution rate for an employee electing family Coverage (illustrative)
$90,000 - employee’s full time salary rate
UC’s annual contribution rate for this employee would be:
23.3% of pay for an employee working 100%
31.1% of pay for an employee working 75%
46.7% of pay for an employee working 50%

Since UC’s medical contributions already make up a greater percentage of pay for part time employees, to even further increase the value of the employer contribution for these employees by placing them in a salary band reflected by the part time salary would further skew the value of these benefits for part time employees.

**MCB for employees with two appointments calculated on higher salary rate.**
In calculating the MCB for an individual with two appointments at different salary rates, the MCB is apportioned based on appointment percentage and salary at each rate. See example #1

**MCB for employees with two appointments, one of which is “benefits eligible” and one of which is not.** MCB should only be calculating on positions that are eligible for benefits – it should not include “ineligible” positions such as post docs (title code 3252).

**MCB for employees with 9/9 or 10/10 appointments.** The MCB for all employees with this type of appointment/pay is calculated by multiplying the monthly salary by the “paid over” number of months, rather than by twelve months. This change creates equity between two people who work in the same job, but one is appointed/paid 9/12 and one is appointed/paid 9/9. See example #2.

**MCB calculation for employees whose salary rate changes during the year.**
In the event an employee experiences an employment or salary change during the year or accepts a position with a lower salary rate, both the current and future MCB fields may be adjusted manually to reflect the lower rate. For locations who have converted to UCPay, the MCB is adjusted automatically due to salary decreased during the year. For locations on PPS, the MCB can be manually adjusted to reflect a salary decrease during the year. Downward adjustments to the MCB will also be reflected for other salary bases used to determine premium contribution and coverage level for other benefits (such as life insurance). This change may be made effective on the first of the month following the reduction in salary. Retroactive adjustments to the MCB are not allowed. The amount of the MCB is not adjusted automatically due to salary increases during the year, nor should it be manually increased. See example #3.

**MCB calculation following a break in service.** Recalculation of the MCB will follow the 120 day threshold rule found in the Group Insurance Regulations; that is,
if the break in service is 120 days or more, the employee is treated as a newly eligible employee and the MCB will be based on the new salary rate. For breaks less than 120 days, the MCB on record (as of the beginning of the break in service) will be used.

“Break in service” for purposes of the UC Group Insurance Regulations, is defined in Administrative Supplement II-E of the Regulations. This document specifically indicates that, “A return to pay status from an indefinite layoff or a medical separation within the period of right to recall, rehire or appointment as specified below is not a break in service.” It goes on to define “break in service” based on the current policy or bargaining agreement in place. Therefore, in some cases, a break in service may not have occurred, despite the expiration of 120 days. See example #4. However, if a salary decrease is involved, see section above.

**MCB following an intercampus transfer.** The value of the MCB transfers with the employee; it is not recalculated at the time of the transfer. See example #5. However, if a salary decrease is involved, see section above.

### Examples

**Example #1**

Employee A has two appointments – one is 50% at $38,292 and the second is 50% at $57,588. The MCB will be calculated and apportioned based on appointment percentage and salary at each rate. The total MCB for an employee electing Single Coverage for 2017 will be:

\[(0.5 \times 38,292) + (0.5 \times 57,588) = \text{MCB} \ 47,940\]

**Salary Band 1 (less than $53,000)**

**Example #2**

All Lecturers in a department have an annual pay $39,000 and are appointed over 9 months. However, Lecturer A is paid over 9 months and Lecturer B is paid over 12 months. Regardless if paid 9/9 or 9/12, the MCB for all Lecturers should be the same ($39,000 – first salary band).

**Example #3**

Employee A was laid off in February. After a 5-week break in service, Employee A really wants to remain employed by UC and is hired back into the UC system, but at a 20% reduction in salary. Employee A’s salary was reduced from $60,000 to $48,000. Since the salary was reduced upon rehire, both the current year and future year MCB fields may be manually adjusted to $48,000. Life Insurance must also be manually adjusted to reflect the decreased salary.

**Example #4**

Employee A was terminated May 2016 and rehired March 2017. Per policy, no preferential rehire was involved and there was a break in service of more than 120 days. Upon rehire in March 2017, Employee A should be treated as a newly eligible employee and her current year (2017) MCB should be based on the salary rate she began earning in March 2017.

Employee B was terminated July 2016 and also rehired March 2017. Per the
collective bargaining agreement, Employee B was rehired under preferential rehire; therefore, there was NO break in service. Upon rehire in March 2017, the salary rate on record as of January 2016 will be used for the current year and future year MCB. However, if the salary rate starting March 2017 is less, then that rate may be used.

The payroll system not able to determine the correct MCB for Employee B and the MCB may need to be set manually.

Example #5  Employee A transfers between from UCLA to UCSD during the calendar year without a break in service, receiving a 15% increase. The MCB which was set at UCLA on 1/1 does not change – it would move with the employee as the employee moves.