THE PENNSYLVANIA STATE UNIVERSITY

The University Faculty Senate

AGENDA

Tuesday, October 20, 2020

Via ZOOM at 1:00 p.m
ZOOM link: https://psu.zoom.us/j/93585910342

Or Telephone:
Dial(for higher quality, dial a number based on your current location):
US: +1 646 876 9923 or +1 301 715 8592 or +1 312 626 6799 or +1 669 900 6833
or +1 253 215 8782 or +1 346 248 7799
Webinar ID: 935 8591 0342
International numbers available: https://psu.zoom.us/u/adK6W5zrV1
Or iPhone one-tap:
US: +16468769923,,93585910342# or +13017158592,,93585910342#

In the event of severe weather conditions or other emergencies that would necessitate the cancellation of a Senate meeting, a communication will be posted on Penn State News at http://news.psu.edu/.

You are encouraged to use the Senate Report Feedback Form for questions or comments prior to the plenary session. Note that feedback is required two working days prior to the plenary session.

A. MINUTES OF THE PRECEDING MEETING

Minutes of the September 15, 2020 Meeting

B. COMMUNICATIONS TO THE SENATE

Senate Curriculum Report of October 6, 2020 Appendix A

C. REPORT OF SENATE COUNCIL – Meeting of October 6, 2020

D. ANNOUNCEMENTS BY THE CHAIR

Discussion with Guests: Stephen Dunham., Vice President and General Counsel and Suzanne Adair, Associate Vice President for Affirmative Action – President’s Executive Order
E. COMMENTS BY THE PRESIDENT OF THE UNIVERSITY

F. COMMENTS BY THE EXECUTIVE VICE PRESIDENT AND PROVOST OF THE UNIVERSITY

G. FORENSIC BUSINESS

None

H. UNFINISHED BUSINESS

None

I. LEGISLATIVE REPORTS

Senate Committee on Committees and Rules

Revisions to Senate Standing Rules, Article II – Senate Committee Structure, Section (6k) Committee on Libraries, Information Systems And Technology

Appendix B

J. ADVISORY/CONSULTATIVE REPORTS

None

K. INFORMATIONAL REPORTS

Senate Committee on Faculty Benefits

Review of the Principles for the Design of Penn State Health Care Plans

Appendix C

[20 minutes allocated for presentation and discussion]

Senate Committee on Educational Equity and Campus Environment

2020 Penn State Community Survey

Appendix D

[10 minutes allocated for presentation and discussion]

Senate Committee on Intercollegiate Athletics

Annual Report of the Senate Committee on Intercollegiate Athletics, Academic Year 2019-2020 (Division 1 Athletics and University Park)

Appendix E

[10 minutes allocated for presentation and discussion]

L. NEW LEGISLATIVE BUSINESS

None

M. COMMENTS AND RECOMMENDATIONS FOR THE GOOD OF THE UNIVERSITY
The next meeting of the University Faculty Senate will be held on Tuesday, December 1, 2020, 1:00 p.m., ZOOM link TBA.

Senators are reminded to wait to be unmuted and identify themselves and their voting unit before speaking on the floor. Members of the University community, who are not Senators, may not speak at a Senate meeting unless they request and are granted the privilege of the floor from the Senate Chair at least five days in advance of the meeting.
COMMUNICATION TO THE SENATE

DATE: October 14, 2020

TO: Elizabeth Seymour, Chair, University Faculty Senate

FROM: Mary Beth Williams, Chair, Senate Committee on Curricular Affairs

The Senate Curriculum Report dated October 6, 2020 has been circulated throughout the University. Objections to any of the items in the report must be submitted to Kadi Corter, Curriculum Coordinator, 101 Kern Graduate Building, 814-863-0996, kkw2@psu.edu, on or before November 3, 2020.

The Senate Curriculum Report is available on the web and may be found at:
http://senate.psu.edu/curriculum/senate-curriculum-reports/
Introduction and Rationale

As charged by Nicholas Rowland, Senate Chair 2019-2020, the Senate Committee on Libraries, Information Systems and Technology reviewed its membership and standing charges and requested that the Senate Committee on Committees and Rules add a representative of the Pennsylvania State University Press to the membership of the committee as well as an annual report on a sustainability related topic pertaining to either the University Libraries or the Department of Information Technology to its mandated reports.

Furthermore, as a result of the review of the Standing Rules, it was realized that there were two mandated reports that should be removed from the Committees duties. The first is a biennially mandated report on the use of the student IT Fee. That fee is in the process of being removed. The second is a report on the results of surveys of faculty, staff and students on their academic computing needs. These surveys have not been done for many years, and in fact, the Faculty Advisory Committee that had at one time carried them out no longer exists.

Recommendation

Recommendation 1: The Senate Committee on Committees and Rules recommends that the Senate’s Standing Rules; Article II, Section 6(k) be modified as follows:

Please note that the following contains strikethroughs for deletions and bold text for additions. Additionally, deleted text is delimited with [Delete] [End Delete], while added text is delimited with [Add] [End Add].

(k) Committee on Libraries, Information Systems, and Technology

1. Membership:
   (i) At least eight elected faculty senators
   (ii) One undergraduate student senator
   (iii) One graduate student
   (iv) Dean of University Libraries and Scholarly Communications*
   (v) Vice President for Information Technology*

   [Add](vi) **Representative of the Pennsylvania State University Press***[End Add]

2. Selection: By the Committee on Committees and Rules

Duties
3. Duties: The Committee on Libraries, Information Systems, and Technology shall advise the Senate and University administration on strategic issues involving the University Libraries and information technology. These include such areas as: the use of information technology and University Libraries to support research, instruction and education; information security, access, retrieval and content stewardship; telecommunication and knowledge dissemination; library access and information technology training; collections and administrative issues; and open access and scholarly communication issues.

It shall ensure an active faculty role in considering policies affecting the University Libraries and information systems, and supporting infrastructure. It shall carry on studies, surveys, and advisory activities either on request or under its own initiative. [Add]It shall prepare one informational or advisory/consultative report per year on a topic relating to sustainability broadly defined within the Libraries or Department of Information Technology.[End Add]

It shall be the Senate advisory body to the Dean of University Libraries and Scholarly Communications and to the Vice President for Information Technology. One member of the committee shall serve on the Penn State Press Editorial Committee. It shall also maintain liaisons with other Senate committees, where appropriate, as well as with students and faculty University-wide through the Senate.

[Delete]4. Mandated reports: The Committee shall report biennially on the use of the Technology Fee that is charged to all students for the fiscal year ending June 30. It shall also report biennially on the results of the Faculty Advisory Committee on Academic Computing Surveys of faculty, staff, and students. The Committee on Libraries, Information Systems, and Technology shall have the authority to approve its mandated Informational Reports for publication to the Senate Agenda. The committee shall send its Informational Reports to the Senate Council.[End Delete]

*nonvoting unless Article IV, Section 2 of the Bylaws applies

Revised Policy/Policies (Clean Copy)

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SENATE COMMITTEE ON COMMITTEES AND RULES

- Renee Borromeo
- Victor Brunsden, Chair
- Jeffrey Laman
- Lisa Mangel
- Eric Novotny
- Nicholas Rowland
- Elizabeth Seymour
- Rob Shannon
- Keith Shapiro
- Amit Sharma
- Martin Skladany
- Bonj Szczygiel
- Anne Taylor, Vice Chair
- Kent Vrana
SENATE COMMITTEE ON FACULTY BENEFITS

Review of the Principles for the Design of Penn State Health Care Plans

(Informational)

Purpose
The purpose of this report is to review the underlying principles for the design of Penn State health care plans, and, thus, based on existing evidence, data and trends, to inform faculty and aid in the collective determination of whether or not those principles have been effectively implemented and whether or not modifications may be necessary. Also, while this is an informational report, throughout the report there will implications for future potential recommendations to university leadership as well as potential questions for future discussion at the Senate-level during a plenary session. For sake of clarity, this document does not contain explicit recommendations, appropriate for an advisory/consultative report, and does not contain explicit questions, appropriate for a forensic report. In the report, each of the six principles outlined in a March 2016 report will examined, and, please note, the first principle – because of its vast scope and complex underlying justification – constitutes nearly half of the space of the entire report.

Background
In March 2016, the University Faculty Senate was presented an Advisory/Consultative report entitled “Principles for the Design of Penn State Health Care Plans,” which laid out the guiding principles by which Penn State’s health insurance plans would be designed. The Senate endorsed those principles, and they were and have continued to be implemented. A paraphrased summary of the six principles laid out in that report include:

1) A principle of choice for employees in health care plans.
2) A principle of overall cost sharing of 75% of total medical claims paid by university and 25% paid by the employee.
3) A principle of affordability and equity.
4) A principle of informed utilization.
5) The principle of quality, transparency, accessibility, and cost effectiveness should guide the negotiation and management of contracts for healthcare services.
6) A principle of fostering and promoting a culture of health should guide the design of plan features and programs that promote healthy choices and activities, shared efforts to establish tobacco-free campuses, and support the consistent and effective management of health risks.

Many of the actions taken since the implementation of these principles were addressed in reports presented to the University Faculty Senate prior to the March 2016 report that outlined these principles. Those prior reports include the “Report of the Healthcare Task Force” (April 18, 2014), “Report on Employee Contributions to Penn State’s Self-Insured Healthcare Costs” (March 17, 2015), “Report on Health Insurance Plans: An Overview of Issues” (October 27, 2015), the

Unless otherwise stated, data presented in this report are from 2018, the most recent data available at the time of this review. This report will review the important theoretical issues, data, and feedback from faculty for each of the guiding principles above.

Glossary
There are several terms used throughout this report that are vital to understand their definition. Below is a list of the key terms and their meaning (as used in this report):

- **Out-of-Pocket (OOP) expenses**: This refers to the portion of the allowed claims that are paid by the employee. This includes the deductible, copay (fixed $ amount), and coinsurance (% of total claim).

- **Premiums (contributions)**: The premium is the amount deducted from the employee’s paycheck each pay period to pay for their health insurance. At Penn State, under the present system, this is a fixed percentage of the employee’s salary and this amount is paid regardless of the amount of health claims filed. In some tables presented in this report, the term “contributions” is used, but its definition is the same as premiums.

- **High-Deductible Health Plan (HDHP)**: At Penn State, the HDHP is the PPO Savings plan. An HDHP is a plan that features higher deductibles but lower premiums than the traditional PPO plan (see below). For calendar year 2020, the tax law requires that a HDHP must have a minimum deductible of $1,400 for an individual or $2,800 minimum for a family plan. The tax law also sets maximum out-of-pocket limits to $6,900 for an individual and $13,800 for a family plan. The PPO Savings plan has what is called a non-embedded deductible; therefore, the maximum out-of-pocket limits permitted under the terms of the Affordable Care Act (ACA) in 2020 under that type of HDHP sponsored by any employer are $6,900 for an individual and $8,150 for families.

- **Health Savings Account (HSA)**: HDHP’s usually have the option of having an employee set up a tax-free account that can be used to pay for health care expenses. Those accounts are known as Health Savings Accounts. One advantage of an HSA is that any money in the account not spent can be rolled over to the next year and remain tax-free. Not all employers contribute money to their employees’ HSAs but Penn State does based on the employee’s income.

- **Preferred Provider Organization (PPO) plan**: This is a more traditional type of health insurance plan which tend to have lower deductibles but higher premiums. Further, if the health plan member uses “in-network” providers, the member will be responsible for paying only a small copay or low coinsurance after meeting their deductible.

- **Flexible Spending Account (FSA)**: An employee enrolled in a PPO Plan can also deposit money into an account tax-free to use for purchases of health care. However, unlike an
HSA, an employee cannot roll over any unused money in their FSA at the end of the calendar year. If the money is not spent, it is lost. Penn State has designed its FSA to permit up to a $500 carry over, which is permitted by the IRS.

- **Member**: A member is either the employee or family member enrolled in one of the Penn State health plans.

**Additional Information**

It should be understood that Penn State is self-insured, i.e. that it is the university that pays the allowed portion of all health care claims that are not paid by the employee. Aetna (for medical claims) and CVS/Caremark (for prescriptions) act as third-party administrators. In other words, Aetna and CVS/Caremark process claims and provide member services such as care management programs, member communications, etc. Further, Aetna and CVS/Caremark have negotiated prices with health care providers and established which providers are the “in-network.”

The principle of charging premiums proportional to the employee’s salary was instituted in 2012. The offering of a choice of plans began in 2014 and the university’s third-party administrators for insurance switched from Highmark/Express Scripts to Aetna/CVS Caremark in 2018.

**Principle 1: The Principle of Choice**

The University now offers Penn State employees the choice of enrolling in a traditional Preferred Provider Organization (PPO) plan or choosing a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA) that the university does contribute to.

Among peer institutions¹, 17 of the 25 offer their employees more than one health plan. Several institutions offer more than two plan choices. In most cases, the choices consist of a traditional PPO and some type of HDHP plan. Other choices may include HMOs, plans especially tailored for employees working in certain areas, or plans with fewer services covered. In any case, plan choice is quite common. One distinct feature of Penn State health care plan choices is that the Penn State contributes money to the employee’s Health Saving Account. While all of the institutions offering an HDHP have a Health Savings Account feature, most do not contribute to the employee’s HSA.

**Theory Behind HDHP Plans and Their Benefits**: The concept of HDHP’s was introduced in 1993 by John C. Goodman and Gerald Musgrave. The main issue that HDHP’s were designed to confront was the Third-Party Payer problem. As Goodman explains “if health care is free at the point of delivery, people have an incentive to consume it until it is almost worthless to them. This implies a great deal of unnecessary care.”²

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¹ The Peer Institutions referred to in this report are those institutions listed as Peers in the Annual Faculty Salary Survey and listed at the end of this report

With a co-payment of $5, consumers demand 18 units. Sellers require $45 per unit for that quantity. Total expenditures for 18 units of health care are greater than when... The consumer pays the entire cost.

In the figure\(^3\) above, if consumers paid for health care out-of-pocket entirely (and health care was a perfectly competitive industry), the prevailing amount of health care consumed would be where the demand curve for health care intersects the supply curve of health care, 10 units and the prevailing price would be $25. However, if the consumer is not the one paying the entire cost of health care, there will be more health care consumed. In this example, if the consumer’s OOP was only $5, they would “demand” 18 units of health care. In order for suppliers to be willing to provide that much health care, they must receive a price = $45. Thus, with the third-party payer total spending on health care is 18 units times $45 per unit = $810. Without insurance, consumers would pay only $25 per unit for 10 units or $250. This example may be a bit extreme, but it illustrates the concept of third-party payer. With insurance, consumers (may) overconsume health care which drives up the cost of health care and causes excessive spending on health care. The theory is that with HDHP’s consumers pay the full price for their health care services (up to their deductible) so they only spend on health care which they believe to be important enough to justify spending the full cost.

In addition, advocates of HDHP/HSA plans argue that these types of plans not only result in less overall spending on health care, but also incentivize consumers to be more prudent in their health care choices. Additionally, having to pay the full price of health care out of their own pocket, consumers will shop around for the best price (of equal quality) and consider which health care services are important and which ones may not be. With a low deductible plan, the consumer may simply have a $20 copay (after paying some small deductible) for a doctor’s office visit and thus,

\(^3\) [https://slideplayer.com/slide/4829051/15/images/47/Third-Party-Payer+Markets.jpg](https://slideplayer.com/slide/4829051/15/images/47/Third-Party-Payer+Markets.jpg)
choose to visit the doctor’s office even for minor maladies that might require no doctor’s visit.

Even the staunchest advocates recognize one problem with this theory is that lower income consumers may only be able to afford very limited health care and choose to not partake of necessary health care services. Thus, some suggest combining the HDHP with a Health Savings Account that the employer can contribute to so that the lower income consumer can still afford to see a doctor when needed. Also, by limiting the deductibles to some reasonable level, patients who require expensive medical care will receive highly discounted medical care after reaching their deductible. Until the patient exceeds their out-of-pocket maximum, the patient still has a disincentive to seek health care, which should reduce total spending on health care.

The advantage of HDHP’s to employers is clear. Theory suggests that HDHP’s lead to less health care spending by their employees, directly lowering costs to employers who are self-insured, or indirectly by having to pay lower premiums for those employers who are not self-insured.

**Advantage of HDHP’s to Employees:** The two main advantages of HDHP’s to employers are the expectation that there will be less spending on health care by its employees and their employees will be better “shoppers” for health care, but what’s in it for employees?

The advantage of HDHP’s to employees is that some employees may be able to decrease their total spending on health care when they consider OOP and premiums. They may be trading lower premiums for more OOP, but for those who anticipate low total expenditures, the decrease in the premiums they pay may outweigh the increased OOP. This is even more true if the employer also contributes money to the employee’s HSA.

Another advantage to the employee is that money deposited into an HSA is tax free. For example, if an employee deposits $1,000 into their HSA, their taxable income is reduced by $1,000. While people enrolled in the PPO plan can also deposit money into a Flexible Spending Account (FSA), the money in an FSA cannot be rolled over to the next year. Thus, a person in a traditional health plan should only deposit enough money into their FSA to cover their health care expenses and no more. An employee enrolled in the HDHP can deposit more than their expected health care expenses into an HSA and receive the tax-free advantage and be able to roll over the money remaining in their HSA year to year, tax free. There are annual IRS limits for contributions under HSAs, but currently there are no limits to the growth of, and maximum account balance that can be retained.

Another obvious advantage of Penn State’s HDHP is that Penn State will contribute money to the employee’s HSA account (amount varies by income) and since that money does not have to be spent on health care in the year it is deposited, the employee is essentially earning additional income tax-free.

**Arguments in Opposition to HDHP Plans:** First, errors have been identified in the theory of HDHP. Thus, one of the problems with applying the Third-Party Payer problem to health care is that it
assumes that the consumers’ demand for health care accurately reflects the benefits to the user of consuming health care. In other words, most people are not trained in medicine, it is unlikely that they truly know what health care services are important to them. If a doctor sends a patient for an MRI and that MRI will cost the patient $100 in coinsurance, the patient is generally not in a position to determine how much that MRI should be worth to them. If consumers undervalue health services, the assumption that they will overconsume health care when they do not pay the full price for their services is invalid. Mack (2016) notes that HDHP’s are rooted in the classic economic idea of the “rational consumer.” He points out, though, that the assumption of “rational consumers” requires that consumers “have all the relevant facts about the products or services they are planning to purchase.” This is not necessarily true when it comes to health care, as most people do not know enough about medicine to determine the importance of certain health care services.

Another problem is that there are external benefits from consuming health care services. “An external benefit occurs when producing or consuming a good, in turn, causes a benefit to a third party. The existence of external benefits (also known as positive externalities) means that the social benefit (the benefit to the consumer and society in general) will be greater than private benefit.” In the case where consuming a good creates an external benefit, the quantity that would be consumed where supply and demand intersect, as in figure 1, is not the best outcome since the external benefits have not been accounted for. The fewer the people who are sick, the less likely that someone who has not been to the doctor will become sick. Thus, one person’s decision to see their doctor may prevent others from needing to see their doctor. Also, having patients who get sick recover faster by consuming health care services saves businesses money because of less absenteeism. Having more people consuming necessary health care services reduces the likelihood that someone will face a serious condition requiring an emergency room visit and lengthy hospital stay. If that person who ends up needing expensive emergency services cannot pay for those services, others who have insurance or pay taxes will end up paying for those services directly or indirectly. Thus, there are considerable external benefits with regards to health care.

Another flaw in applying the Third-Party Payer problem to health care is that it is often the third party, the health insurance company paying or administering claims, is more knowledgeable about the true cost and benefit of those services than the buyer. The idea behind HMO’s is that instead of the patient, who may know very little about the value of recommended health services, choosing to consume health services, the Primary Care Physician (PCP), who is more knowledgeable will make those decisions and give a referral to the patient if the PCP thinks the services are necessary.

Second, another serious flaw in the theory in support of HDHP/HSA plans is that less may not be better. If the consumer has to face the entire cost of a doctor’s visits, that consumer may forgo seeing a doctor when their symptoms are mild or bearable. Many times, if their condition was not serious, the symptoms will disappear on their own. However, if their symptoms are the result of a

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5 (from https://www.economicshelp.org/blog/glossary/external-benefits/).
more serious nature, skipping the doctor may lead to a medical emergency resulting in a hospital stay, which is quite a bit more expensive than a doctor’s visit, prescriptions, and follow-up testing. By trying to save a couple of hundred dollars, the patient who skipped seeing a physician right away can accrue sizable, but avoidable, future health care costs in the tens or hundreds of thousands of dollars, most of which will be covered by the insurer or self-insured party. Thus, encouraging people to be more thoughtful about using health care services, the main premise of HDHP plans, may actually lead to significantly higher costs in the future.

One of the conclusions drawn by a study conducted by the USC Schaeffer Center, consumers with HDHP’s are reducing their spending on health care, but not in smart ways: “Our research has shown that consumers on these plans do not increase their use of preventive care, which would reduce overall costs. We don’t see an increase in price shopping for care. We also don’t see a reduction in use of unnecessary medical services.”

Knowledge@Wharton (2019) reported that some major companies have backed away from HDHP plans. JPMorgan eliminated high deductible plans for workers making less than $60,000 a year. CVS is re-evaluating their offerings of HDHP’s because they have found that some of their workers had stopped filling critical prescriptions. Also, in the same article, Wharton Health Care Management Professor Atul Gupta describes medicine as “an expert-based service where you basically do what the doctor asks you to do... The average consumer doesn’t very often know what’s wasteful and what’s not wasteful.” He also notes “so because they cut back on care indiscriminately, there’s a view that perhaps in the long run these plans (HDHPs) merely delay the costs... until the problem becomes more severe.”

If Gupta is correct that people enrolled in HDHPs put off medical services, which may happen with high deductibles, HDHPs are actually making their enrollees sicker in the long-run. This also means that in the long-run, self-insured employers, like Penn State, who offer HDHPs may actually experience higher medical expenses. On that note, also in the Knowledge@Wharton article, Robert Field, Lecturer in Health Care Management, explains that even if businesses recognize that high-deductible plans cause employees to avoid routine care and potentially increase long-run expenditures on health care, the individual employer still figures to save money by offering these plans. By the time the employee experiences the more serious illness, that could have been avoided with routine care, that person is working for another employer or retired and on Medicare. It is not the current employer’s problem. How accurate this statement is for an institution like Penn State is not clear. Many faculty are tenured and spend their entire career (starting at the point they are hired by Penn State) at Penn State. It is quite possible that turnover is lower at Penn State then the typical employer. If so, Penn State’s decision to offer an HDHP may cause Penn State’s expenditures on health care to rise more rapidly in the long-run.

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7 Http://knowledge.wharton.upenn.edu/article/high-deductible-health-plans-pros-and-cons/
Along the same line, a Kaiser Family Foundation study found that 43 percent of insured patients said they delayed or skipped physician-recommended tests or treatments because of the high associated costs. \(^8\) Further, about 80 percent of emergency physicians said they are treating insured patients who have sacrificed or delayed medical care due to unaffordable out-of-pocket costs, coinsurance, or high deductibles.\(^9\)

Michael Chernew, Professor of Health Policy at Harvard University, was once a big advocate of high-deductible health plans until he studied them. In his study, he found that employers who switched from offering a traditional health plan to a HDHP did experience a “remarkable” 12% decline in their employees’ health care spending.\(^10\) However, he was quite disturbed by what he discovered. “He found no evidence that workers were comparing prices or making wise choices on where to cut, even after two years in the new plan. They visited the same doctors and hospitals they always had. They reduced low-value medical services and medically important ones at about the same rate, raising questions about their long-term health.”\(^11\)

Under the Affordable Care Act (ACA), certain services are deemed as preventive and are delivered at no cost to the member. This is the case for both the PPO and PPO Savings plan. For example, those employees and their dependents enrolled in one of Penn State’s health plans, an annual routine physical exam is covered at 100%. Starting in 2020, there is a list of many prescription drugs that are now part of a preventive drug list with lower coinsurance under the PPO plan and that bypass the deductible under the PPO Savings plan. Coinsurance still applies under the PPO Savings plan.

Willis Towers Watson, at the request of Penn State, found that in 2018, 38% of the adult members (aged 18 or higher) enrolled in the PPO plan had a preventive visit while 41% of the adult members enrolled in the PPO Savings plan had a preventive visit. It is encouraging that there is no sign that those in the HDHP plan were any less likely to forgo primary care in this instance. However, as previously mentioned, the annual physical is at no cost to the member in either plan.

To determine if those enrolled in the PPO Savings plan are forgoing care, the analysis needs to go deeper. In many cases, disease prevention requires prescriptions, lab work, and follow up doctors’ visits. It is quite possible that some in the HDHP/HSA plan had a preventative doctor visit, such as an annual physical, were diagnosed with some chronic condition, prescribed medicine and lab tests, and follow-up doctor visits, but did not act on the doctor’s recommendation because of the cost.

The main benefit of an HDHP is that it will incentivize consumers to be better shoppers. Data provided by Penn State’s Center for Health Care and Policy Research found that those in the PPO

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\(^9\) According to a poll by the American College of Emergency Physicians. Cited in ibid.

\(^10\) “remarkable” was Dr. Chandra’s choice of word.

Savings plan were more likely to use the IBM Watson Health Care Benefits Mentor tool. In 2019, the year it was introduced, only 16.3% of the people enrolled in the PPO Plan used the tool, while 28.7% of those in the PPO Savings plan used it. It is not clear if this is a good indication that those in the PPO Savings plan are being better shoppers or if they are second guessing their decision to enroll in the PPO Savings plan. There are pricing tools provided by Aetna and CVS/Caremark but respondents to the Survey on Satisfaction with Aetna and CVS/Caremark indicated utilization of those tools to be around 20% of the members. Unfortunately, no cross-tabulation was performed on the survey results so we do not know if those on the PPO Savings plan were more likely to use those pricing tools or not.

Based on the discussion thus far, there are implications for at least two future recommendations, which include, but are not limited to:

1. Penn State consider conducting further research to determine if those enrolled in the PPO Savings plan are less likely to follow up on certain diagnoses. For example, if someone enrolled in the PPO Savings Plan is diagnosed with high cholesterol, are they less likely to take their prescriptions and have follow-up doctor appointments and lab work?

2. Penn State consider investigating if those enrolled in the HDHP are more likely to be utilizing the pricing tools available from Aetna and CVS/Caremark. In relation, perhaps regardless of the outcome, the university may wish to promote the use of these pricing tools for all members of Penn State health insurance.

Plan design issues at Penn State: Another issue is that the disincentives to consume health care services under an HDHP plan are limited. Once a patient has met the deductible, the remainder of that year’s health care claims are reimbursed to the same degree as those in the PPO plan. If the plan has lower out-of-pocket maximums, like Penn State’s HDHP/HSA plan, the incentive to forgo care is even less. If the HDHP plan does not result in reducing its members’ health care spending, the only thing that offering the HDHP has accomplished is collecting fewer premiums, increasing the premiums for those in the PPO plan and/or deductibles, coinsurance, and/or copays of those enrolled in both plans.

Further, Penn State’s HDHP/HSA plan actually has the lower out of pocket maximums in totality, although the medical portion of the out of pocket maximums in the PPO plan are lower. The PPO plan has what is called an embedded deductible and once one member meets the individual deductible, their medical claims move to coinsurance. There is a separate out of pocket maximum for the prescription drug portion of the PPO plan. Under the PPO Savings plan, which has a non-embedded deductible, the entirety of the deductible needs to be met before claims move to coinsurance, regardless of the number of members covered by the plan. The consumer is supposed to face greater risk by enrolling in the HSA which serves as motivation to be more selective in which health care services they choose to consume. However, once they have exhausted their deductible, the incentive to forgo health care consumption may be mitigated by having lower out-of-pocket maximums. Of the 25 peer institution health plans used for benchmarking, only two other schools had designed their health plans such that the PPO plan had the higher out-of-pocket
maximums, although it is unknown if the deductibles are embedded or non-embedded.

The table below shows the maximum expense an employee enrolled in one of the Penn State health plans must pay out of their pocket for the two plans at different levels of salary based on the 2020 design of the plan. The total costs in this table includes the premium, deductibles, medical claims maximum out-of-pocket, prescription maximum out-of-pocket, and accounting for the HSA contribution in the PPO Savings plan. In all cases, the person enrolled in the PPO Savings plan has the lower risk; i.e., faces the lower maximum out-of-pocket expenses in case of high medical expenses. This outcome suggests that not only do employees with few medical claims benefit from enrolling in the HDHP/HSA plan but so would the very high medical claims employee. The separate out-of-pocket maximum for prescription drugs under the PPO plan significantly impacts these totals.

<table>
<thead>
<tr>
<th>COMPARISON OF MAXIMUM OOP PLUS PREMIUMS PAID FOR VARIOUS SALARIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDIVIDUAL PLAN</td>
</tr>
<tr>
<td>SALARY</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>$40,000</td>
</tr>
<tr>
<td>$60,000</td>
</tr>
<tr>
<td>$80,000</td>
</tr>
<tr>
<td>$100,000</td>
</tr>
<tr>
<td>$140,000 AND UP</td>
</tr>
</tbody>
</table>

NOTE: FIGURES ARE OUT-OF-POCKET EXPENSES PLUS PREMIUMS
NOTE: RX OUT-OF-POCKET MAXIMUMS BASED ON 2020 PLAN DESIGNS

One possible mitigating factor to the conclusion that those with very high medical claims are better off enrolling in the PPO Savings plan is the Value Based Benefits available only in the PPO plan. Value Based Benefits offer employees enrolled in the PPO plan zero copays and zero coinsurance on doctor visits, lab tests, and medical devices related to high blood pressure, high cholesterol, and diabetes (both Type 1 and Type 2). If an employee enrolled in Penn State’s health insurance experiences potentially high claims related to those three conditions, they may be better off in the PPO plan since many of the costs of treating those conditions are covered at 100%.

Based on the discussion thus far, there are implications for at least one future recommendation, namely, that Penn State consider analyzing whether the structure of the PPO Savings Plan (with lower OOP maximums) continues to align with other priorities for health, equity, and cost savings, based on which employees are choosing to enroll.

The Matter of Adverse Selection: Adverse selection is the concept that when a choice of insurance plans is offered, those who need it the least will choose the lower cost plan while those who most need it most will be forced to purchase the more expensive plan. Depending on the plan design,
the introduction of an HDHP can lead to a situation where those with higher medical and pharmaceutical expenses end up paying more of their total cost than they were before the HDHP was introduced.

Early on in the history of HDHP plans, it is clear that adverse selection was rampant based on numerous studies that came out in the early 2000’s and before. Over time, the design of HDHP’s have been tweaked so as to result in less adverse selection. However, recent studies do show that if an employer switches from a traditional PPO or choice of PPO and an HDHP to offering only an HDHP, the high medical claims members do end up paying more out-of-pocket.

The big concern over Adverse Selection also stems from the fact that, originally, HDHP’s were developed, according to available evidence, explicitly for the purpose of creating Adverse Selection. John C. Goodman, one of the co-founders of HDHPs, discussed that the idea of creating these high-deductible plans was to force high claims individuals to remain in the traditional PPO plan by creating a HDHP designed for lower-cost individuals. He points out that in previous times, insurance companies were allowed to price (charge premiums) policies based on the likely usage of health care services. Under that system, those who had higher health care claims, even if through no fault of their own, paid more in premiums than lower claims individuals. When it became illegal to do that, insurance companies found themselves forced to sell insurance policies, even to those they knew they would lose money on. Creating HDHPs solved that problem.12

Based on the discussion thus far, there are implications for at least two future recommendations, which include, but are not limited to:

1. Penn State should consider continuing to offer a choice in medical plans with at least one traditional PPO and one HDHP type plan and not phase out the traditional PPO plan and offer only the HDHP plan.
2. Penn State should consider conducting empirical research based on the data available in its Data Warehouse to ensure that adverse selection is not occurring at Penn State. People with chronic illnesses and/or higher medical claims should not have to pay proportionally higher premiums plus out-of-pocket expenses as a result of adverse selection.

Who is Choosing the PPO Savings Plan vs. the PPO plan? Based on the design of HDHP plans, if employees are offered a choice, we would expect those employees with higher health claims to choose the plan with higher premiums but lower out-of-pocket expenses while those with fewer health claims are more willing to take the chance on a health plan with lower premiums but potentially higher out-of-pocket expenses. Given the correlation of age with the quantity of health claims, we should expect to find the PPO Savings plan to attract a greater percentage of younger employees.

12 Goodman (2018), op cit.
The above table shows the number of members enrolled in the PPO and PPO Savings Plan in 2018. As expected, the percentage of members enrolled in the PPO Savings plan declines with age. This data was provided by Willis Towers Watson.

There is also some positive correlation between age and income, so we might expect a higher percentage of higher salaried employees to choose the PPO Savings plan. Also, higher income people, in general, are less risk averse. With the possibility of having higher out-of-pocket costs, people may consider the PPO Savings plan to be of greater risk. Thus, again this suggests that we should find the percentage of employees enrolled in the PPO Savings plan to increase with income.

The table above provides evidence that higher-salaried employees are more likely to choose the PPO Savings plan. The table also shows that those in the PPO Savings plan tend to have fewer medical claims. Another interesting observation from the data presented above, the average allowed claims seems to increase with income among those enrolled in the PPO Savings plan. The pattern is not quite the same among those enrolled in the PPO plan. Some of the reason spending may correlate with income is due to the correlation between age and deteriorating health, but some of it may also be evidence that higher-salaried individuals are less likely to forgo medical expenses
because of their cost.

Based on the discussion thus far, there are implications for at least one future recommendation, namely, Penn State should consider conducting an empirical analysis to determine if the increase in spending on health care’s correlation with salary in the PPO Savings is the result of lower-salaried employees having a greater tendency to forgo health care because of its cost.

Again, respondents to the Survey on the Satisfaction with Aetna and CVS Caremark indicated that they perceived the PPO Savings plan to be of greater risk. As expected, lower salaried employees are more risk averse than higher salaried employee. The comments on the open-ended question as to why you chose which health plan to enroll in asked in the Survey of Employee Satisfaction with Aetna and CVS Caremark conducted during 2019 found that, indeed, employees were sorting themselves into the various plans based on age and overall health. The results revealed that those migrating to the lower cost HDHP/HSA plan were more likely to be young and less likely to have a chronic medical condition. Conversely, those choosing the traditional PPO plan tended to be older or have a chronic medical condition.

**Principle 2: The 75/25 Cost Sharing Principle**

In other words, the premiums, copays, coinsurance, and deductibles paid by the employee would represent 25% of the total cost of the health plan. Both the PPO and the HDHP/HSA plans are designed this way. It should be understood that there is a fair amount of variation as to what percentage of total claims each member of the Penn State Health Plan actually pays based on their usage and design of the health plan. With insurance, there is always a large variation in the percentage of claims paid out-of-pocket among the members of the insurance plan.

Part of the discussion on the 75/25 cost sharing principle is contained in the next section because the implications of the 75/25 cost sharing principle are far ranging when combined with the principle that the plan have a lower cost for lower salaried employees. It is important for employees to understand that the design of the plan is intended to produce, ON AVERAGE, a 75% university share of health care expenditures and 25% employee share, but that there is considerable variation in the actual cost sharing percentage among employees enrolled in Penn State health insurance plans.

As it is the case with hazard insurance policies, policies that protect people from losses to their car or homes, those who avoid or have minimal losses will pay the highest share of the costs out of their own pocket. For example, if you have auto insurance and you have minor damage, the cost of repair may be less than your deductible, so you pay 100% of the repair cost. Similarly, with health insurance, those who have few expenses will pay most of the cost out of their own pocket because of the plan’s deductible.

Similar to hazard insurance, health insurance is designed with the same concept. Those with large medical expenses will generally pay the lowest percentage of their total cost. The dollar amount paid by those high-claims employees may be considerable, but as a percentage of the total cost, the share is lower than the average 25%. The out-of-pocket plus premium expenses are limited by
annual out-of-pocket maximums, coinsurance of 90% for in-network providers, and copays that are a fixed dollar amount.

How Penn State’s cost share target of 75/25 compares to peer institutions is difficult to gauge. The cost sharing principle is not typically made public. Greg Stoner, Senior Director of Compensation and Benefits, using a listserv, asked HR administrators at the other Big Ten universities what their cost sharing targets are. Six universities responded. Only one of the respondents had a more favorable (for the employee) cost sharing percentage than Penn State’s 75/25. That institution reported they had a 76/24 cost sharing target. One university also reported a 75/25 cost sharing target, while the other four had lower cost sharing targets, i.e. the university paying a smaller percentage of the total costs of allowable claims. Given the small number of responses we cannot conclude, either way, whether Penn State’s 75/25 target is competitive or not against its Big Ten peers. An important variable as well is the overall cost of the plans at each institution. Even though a cost sharing principle may be close to Penn State’s, the total dollar cost incurred by the employee could be significantly different.

It should also be noted that 75/25 means that the plan is to be designed such that forecasted health care claims results in the university paying 75% of the expenses and the employee 25%. The actual cost sharing may differ from the intended target for cost sharing. Below is the actual cost sharing percentage of the university since 2013, which as noted, is retrospective and based on paid claims and premium contributions collected, which differ from those assumed.

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>73.5%</td>
</tr>
<tr>
<td>2014</td>
<td>72.9%</td>
</tr>
<tr>
<td>2015</td>
<td>73.2%</td>
</tr>
<tr>
<td>2016</td>
<td>75.4%</td>
</tr>
<tr>
<td>2017</td>
<td>73.4%</td>
</tr>
<tr>
<td>2018</td>
<td>72.0%</td>
</tr>
</tbody>
</table>

Based on the discussion thus far, there are implications for at least one future recommendation, namely, given that the university achieved its target once in the last six years, Penn State should consider adjusting its design of the health plans such that in the worst-case scenario the cost sharing percentage is only 75%. In other words, design the plan such that the university is more likely to err (miss its target) on the side of exceeding that cost sharing target.

**Principle 3: Principle of Affordability and Equity**

Penn State has designed its health care plans to be affordable and equitable by charging premiums based on employee salary and different levels of deductibles in the PPO plan and HSA contributions in the PPO Savings plan also based on salary. The result of this design has been:

- Lower-salaried employees would be charged lower premiums and have lower deductibles in some plans. They are also entitled to higher amounts of seed money in their HSA.
- Higher-salaried employees would face higher premiums and deductibles in some plans

**Appendix C**

10/20/20
and lower HSA seed money. Their overall contribution should not exceed levels comparable to peer and industry trends. Penn State has limited the premiums of the highest salary employees by imposing a ‘salary cap’, i.e. establishing a premium that will not exceed a fixed percentage of a maximum salary. The current ‘salary cap’ is $140,000.

There are several issues to address in this section. These issues relate to one of two main themes, mainly, the concept of premiums, deductibles, and HSA seed money based on employee salary as well as the interaction of this principle with the 75/25 cost sharing target.

**Premiums, deductibles, and HSA seed money based on Employee salary:** The University implemented the design, where premiums are based on employee salary, back in 2012. The reasoning was that with rising health care costs, the traditional premium structure would result in premiums and overall out-of-pocket costs that would likely require some low-salaried employees to spend a significant portion of their income on health insurance and claims. The university saw the need to keep premiums and deductibles lower for these workers. However, the university felt that it could not keep premiums low for all employees. The solution Penn State chose was to base premiums and deductibles on salary. Starting in 2017, Penn State also varied its contribution to the HSA based on income where lower-salaried employees get a larger university contribution to their HSA.

One drawback to this plan design is that some low-salaried employees may be in a household with a high-income earner to the point where the household could be considered a high-income household. In this case, the household could obtain its health insurance from Penn State at a subsidized rate, creating a situation where a high-income household was being subsidized by other Penn State employees. Further, the standard of living of the household depends on factors other than income. One of those factors is the size of the household. Two households with the same income may have very different standards of living. A household earning a median income with only 2 members will, all else equal, have a better standard of living then the same household with 7 members. Thus, the current system used by Penn State does not account for the difference in household size.

The Ohio State University has taken a different approach from Penn State in trying to make health care more affordable to its lower income workers. They offer a Prime Care Connect plan which has lower deductibles, lower out-of-pocket maximums, higher coinsurance, and lower copays. The premiums are the same, however. For 2020, the deductibles in their Prime Care Connect plan are only $150 individual/$300 family and out of pocket maximums are $1,500/$3,000. Only those employees below an income threshold qualify for this plan but the income threshold is based on size of household. To qualify for the lower cost plan, individuals have to submit a copy of their Income Tax forms. For 2020, the income threshold is:

<table>
<thead>
<tr>
<th>Household size</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$21,858</td>
</tr>
<tr>
<td>2</td>
<td>$29,593</td>
</tr>
</tbody>
</table>
Benchmarking peer institutions, we found only 5 of the 24 institutions offered some type of tiered premiums based on income. All others had the same premiums for all members in the same plan regardless of income. No school among the list of our peers had differing deductibles or HSA seed money from what we could ascertain. Penn State was unique, also, in the sense that the premium was a percentage of salary. For the five institutions which did base premiums on income, the premiums were fixed dollar amounts depending on salary range.

The current Penn State premium structure is that the premium is a specified percentage of income, where the percentage depends on which plan is chosen. The income is capped at $140,000, i.e. those with salaries above $140,000 pay a premium equal to the percentage of income up to $140,000 and zero on income above $140,000.

Indiana University had 7 salary ranges. The highest income bracket was for $250,000 and above. Thus, their income cap is $250,000 almost double Penn State’s income cap. Purdue University had two sets of premiums, one for salary over $44,000, and one for under. Rutgers University premiums are also based on salary. The maximum premium paid is 35% of the full monthly premium on the state’s health insurance plan. For those on an Individual plan, only those with a salary of $95,000 and above pay the full 35%. Those with an income below $20,000 pay only 4.5% of the total premium. A person with a salary of $66,000 would pay 29% of the premium compared to the maximum 35%. For a 2-person plan, the maximum premium is paid by those with a salary of $100,000 or higher, and for the Family plan, the maximum kicks in at a salary of $110,000 or higher. It should be noted that each institution may have different total compensation packages and philosophies which may also impact health insurance plan design.

All of the University of California schools have a plan with four salary bands where premiums are higher for the higher income salary bands. The maximum premium occurs at a salary of $171,001 for 2020. The University of Michigan has three salary bands where the maximum premium occurs at a salary of $64,900.

Subsidizing Lower-Salary Employees: One issue that has arisen in conversations with faculty is how much and who is subsidizing the lower salaried employees. To examine this issue, Willis Tower Watson (theoretically) redesigned the health care plans such that everyone in the plan faced the same premiums, deductibles, and HSA seed money while generating the same 75/25 cost share. The table below compares the premiums in the current structure with flat dollar premiums if everyone in each plan were charged the same premiums.

<table>
<thead>
<tr>
<th>Salary Band</th>
<th>Current Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>$37,328</td>
</tr>
<tr>
<td>4</td>
<td>$45,063</td>
</tr>
<tr>
<td>5</td>
<td>$52,798</td>
</tr>
<tr>
<td>6</td>
<td>$60,533</td>
</tr>
<tr>
<td>7</td>
<td>$68,268</td>
</tr>
<tr>
<td>8</td>
<td>$76,003</td>
</tr>
<tr>
<td>9 and up</td>
<td>$7,735 per additional person</td>
</tr>
</tbody>
</table>

Appendix C
10/20/20
Using the Flat Dollar Alternative compared with the current structure would result in the changes shown in the tables below.

<table>
<thead>
<tr>
<th>Plan and Coverage Tier</th>
<th>2020 Current State</th>
<th>2020 Flat Dollar Alternative (Monthly)</th>
<th>2020 Flat Dollar Alternative (Annual)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PPO Plan</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual</td>
<td>1.51% of salary</td>
<td>$90.30</td>
<td>$1,083.61</td>
</tr>
<tr>
<td>2 Person</td>
<td>3.68% of salary</td>
<td>$220.07</td>
<td>$2,640.84</td>
</tr>
<tr>
<td>Parent/Child(ren)</td>
<td>3.41% of salary</td>
<td>$203.92</td>
<td>$2,447.09</td>
</tr>
<tr>
<td>Family</td>
<td>4.69% of salary</td>
<td>$280.47</td>
<td>$3,365.64</td>
</tr>
<tr>
<td><strong>PPO Savings Plan</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual</td>
<td>0.78% of salary</td>
<td>$59.01</td>
<td>$708.14</td>
</tr>
<tr>
<td>2 Person</td>
<td>1.89% of salary</td>
<td>$143.82</td>
<td>$1,725.79</td>
</tr>
<tr>
<td>Parent/Child(ren)</td>
<td>1.75% of salary</td>
<td>$133.26</td>
<td>$1,599.17</td>
</tr>
<tr>
<td>Family</td>
<td>2.41% of salary</td>
<td>$183.29</td>
<td>$2,199.45</td>
</tr>
</tbody>
</table>
The tables above show that under the current structure those earning $75,000 a year or more pay premiums greater than their premiums would be if we eliminated the subsidization of lower salaried employees. Those earning below $75,000 would see an increase in their premiums. Those earning $30,000 and enrolled in the PPO plan single coverage, for example, would have their premiums increase by $631 a year, an increase of 2.1% of their salary. That same employee enrolled in the PPO family coverage would have a premium increase of $1,959 annually, an increase equal to 6.5% of their salary.

Under the current structure, an employee earning $140,000 enrolled in the PPO single coverage, for example, is paying $1,030 a year in extra premiums to subsidize the lower salaried employees. This amounts to an increased premium that is less than 1% of their salary. If this employee is enrolled the PPO for family coverage, they are paying an extra $3,200 a year or extra 2.3% of their salary.

The table below repeats this exercise but using the premiums for the PPO Savings plan. Since the premiums are less, the degree to which a high salaried employee will pay in excess of the flat premium plan is smaller. For example, the person earning $140,000 enrolled in the PPO Savings plan for family coverage would pay an extra $1,175 a year compared with the $3,200 difference if...
they chose the PPO plan with family coverage.

As a result of the distribution of employees enrolled in the PPO Savings plan vs. PPO plan, a person needs to earn more than $90,000 to see an increase in their premium vs. flat premium structure. The median income of those enrolled in the PPO Savings plan is higher. This enrollment pattern is consistent with the national trend. Part of the reason for this difference is that the tax savings feature of the HSA may be of more value to someone in a higher tax bracket.

A matter of considerable discussion in the review of this guiding principle has been focused on the ‘salary cap’, i.e. the income above which the premium no longer increases. In the Penn State plan, that is at $140,000. The salary cap was changed to $140,000 when the PPO Savings plan was introduced in 2014.
<table>
<thead>
<tr>
<th>SALARY</th>
<th>CURRENT PREMIUM</th>
<th>NO CAP PREMIUM</th>
<th>CAP PREMIUM</th>
<th>SAVINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100,000</td>
<td>$4,690</td>
<td>$4,690</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>$120,000</td>
<td>$5,628</td>
<td>$5,628</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>$140,000</td>
<td>$6,566</td>
<td>$6,566</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>$160,000</td>
<td>$7,504</td>
<td>$6,566</td>
<td>$938</td>
<td></td>
</tr>
<tr>
<td>$180,000</td>
<td>$8,442</td>
<td>$6,566</td>
<td>$1,876</td>
<td></td>
</tr>
<tr>
<td>$200,000</td>
<td>$9,380</td>
<td>$6,566</td>
<td>$2,814</td>
<td></td>
</tr>
<tr>
<td>$220,000</td>
<td>$10,318</td>
<td>$6,566</td>
<td>$3,752</td>
<td></td>
</tr>
<tr>
<td>$240,000</td>
<td>$11,256</td>
<td>$6,566</td>
<td>$4,690</td>
<td></td>
</tr>
<tr>
<td>$260,000</td>
<td>$12,194</td>
<td>$6,566</td>
<td>$5,628</td>
<td></td>
</tr>
<tr>
<td>$280,000</td>
<td>$13,132</td>
<td>$6,566</td>
<td>$6,566</td>
<td></td>
</tr>
<tr>
<td>$300,000</td>
<td>$14,070</td>
<td>$6,566</td>
<td>$7,504</td>
<td></td>
</tr>
<tr>
<td>$320,000</td>
<td>$15,008</td>
<td>$6,566</td>
<td>$8,442</td>
<td></td>
</tr>
<tr>
<td>$340,000</td>
<td>$15,946</td>
<td>$6,566</td>
<td>$9,380</td>
<td></td>
</tr>
<tr>
<td>$360,000</td>
<td>$16,884</td>
<td>$6,566</td>
<td>$10,318</td>
<td></td>
</tr>
<tr>
<td>$380,000</td>
<td>$17,822</td>
<td>$6,566</td>
<td>$11,256</td>
<td></td>
</tr>
<tr>
<td>$400,000</td>
<td>$18,760</td>
<td>$6,566</td>
<td>$12,194</td>
<td></td>
</tr>
</tbody>
</table>

As the table above illustrates, setting the salary cap at $140,000 results in a major reduction in premiums for employees earning above $140,000. For example, an employee earning $400,000 and enrolled in the most expensive plan, the PPO Plan Family Coverage will pay an annual premium of only $6,566. If there were no salary cap, that same employee would need to pay a premium of $18,760, assuming no change in the premium structure. This employee has saved $12,194 as a result of the salary cap. From one perspective, the people earning above $75,000 but less than $140,000 are subsidizing employees with salaries under $75,000, but also subsidizing employees with salaries above $140,000. The employee earning $400,000 but paying $6,556 annually for their insurance is paying only 1.6% of their income on premiums while the person earning $20,000 to $140,000 is paying 4.69% of their salary for the same coverage.

Before this report goes into further depth about this dual subsidization issue, it should be noted that there are valid arguments for a salary cap, which will be presented in this report. It is suggested that discussion of this topic focus primarily on a) whether the university continues the current policy of having higher salaried employees subsidize lower salaried employees and b) if the subsidy does continue, what is the appropriate salary cap?

The next table shows the premium subsidy, using the PPO Plan Family Coverage, at various salary levels as a percentage of income.
PREMIUM SUBSIDY AS A PERCENTAGE OF INCOME

PPO PLAN - FAMILY COVERAGE

<table>
<thead>
<tr>
<th>SALARY</th>
<th>CURRENT PREMIUM</th>
<th>FLAT PREMIUM</th>
<th>SUBSIDY PREMIUM</th>
<th>SUBSIDY % OF INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20,000</td>
<td>$938</td>
<td>$3,366</td>
<td>$2,428</td>
<td>12.1%</td>
</tr>
<tr>
<td>$40,000</td>
<td>$1,876</td>
<td>$3,366</td>
<td>$1,490</td>
<td>3.7%</td>
</tr>
<tr>
<td>$60,000</td>
<td>$2,814</td>
<td>$3,366</td>
<td>$552</td>
<td>0.9%</td>
</tr>
<tr>
<td>$80,000</td>
<td>$3,752</td>
<td>$3,366</td>
<td>$(386)</td>
<td>-0.5%</td>
</tr>
<tr>
<td>$100,000</td>
<td>$4,690</td>
<td>$3,366</td>
<td>$(1,324)</td>
<td>-1.3%</td>
</tr>
<tr>
<td>$120,000</td>
<td>$5,628</td>
<td>$3,366</td>
<td>$(2,262)</td>
<td>-1.9%</td>
</tr>
<tr>
<td>$140,000</td>
<td>$6,566</td>
<td>$3,366</td>
<td>$(3,200)</td>
<td>-2.3%</td>
</tr>
<tr>
<td>$200,000</td>
<td>$6,566</td>
<td>$3,366</td>
<td>$(3,200)</td>
<td>-1.6%</td>
</tr>
<tr>
<td>$250,000</td>
<td>$6,566</td>
<td>$3,366</td>
<td>$(3,200)</td>
<td>-1.3%</td>
</tr>
<tr>
<td>$300,000</td>
<td>$6,566</td>
<td>$3,366</td>
<td>$(3,200)</td>
<td>-1.1%</td>
</tr>
<tr>
<td>$350,000</td>
<td>$6,566</td>
<td>$3,366</td>
<td>$(3,200)</td>
<td>-0.9%</td>
</tr>
<tr>
<td>$400,000</td>
<td>$6,566</td>
<td>$3,366</td>
<td>$(3,200)</td>
<td>-0.8%</td>
</tr>
</tbody>
</table>

Since the increased premium caps off at $6,556 for this plan, the subsidy paid by higher salaried workers as a percentage of income decreases with income for incomes above the salary cap. The peak subsidizers are those earning between $120,000 to $140,000. Those earning above $140,000 pay a subsidy which represents a smaller share of their income. From the faculty perspective, it is easy to understand why many might note that the ‘burden’ of the subsidy for both lower salaried employees, and many of their superiors, rests mostly on their shoulders, and find this situation unfair.

At the request of the Faculty Benefits Committee and Human Resources, Willis Towers Watson postulated what the Penn State health plans could look like if the ‘salary cap’ was raised to $285,000 (the IRS pay limit for 2020) and remain cost neutral, i.e. the same amount of total premiums collected.
The table above shows the changes to the formula for determining premiums as a result of increasing the salary cap but remaining cost neutral. This change would lower the current premiums for everyone at or below $140,000 salary.

The table shows the difference in premiums paid for the PPO Plan if the salary cap was increased to $285,000 compared to the current status. Employees earning $140,000 or less would see a decrease in their premium, while those earning above $140,000 would see their premium increase. For example, an employee earning $285,000 or more enrolled in the PPO Family Plan would see their premium increase from $6,566 to $12,611. The premium increase of $6,045 represents 2.1% of their income. This same employee on the PPO Individual Plan would see their premium increase from $2,114 to $4,090 which represents an increase of just a 0.7% of their income. Further, the lower salaried employees would see their premiums decrease even further, e.g., a person with a $40,000 salary in the PPO Family Plan would experience a decrease in their premium from $1,876 to $1,770. In this scenario, the heavy lifting, i.e. biggest burden of the subsidy, is shifted to those earning roughly $175,000 - $400,000. This shifts much of the onus of subsidizing lower salaried employees onto those in upper leadership positions.
<table>
<thead>
<tr>
<th>SALARY</th>
<th>FLAT PREMIUM</th>
<th>FLAT SUBSIDY</th>
<th>FLAT % OF INCOME</th>
<th>FLAT SUBSIDY % OF INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20,000</td>
<td>$884</td>
<td>$3,366</td>
<td>$2,482</td>
<td>12.4%</td>
</tr>
<tr>
<td>$40,000</td>
<td>$1,768</td>
<td>$3,366</td>
<td>$1,598</td>
<td>4.0%</td>
</tr>
<tr>
<td>$60,000</td>
<td>$2,652</td>
<td>$3,366</td>
<td>$714</td>
<td>1.2%</td>
</tr>
<tr>
<td>$80,000</td>
<td>$3,536</td>
<td>$3,366</td>
<td>(170)</td>
<td>-0.2%</td>
</tr>
<tr>
<td>$100,000</td>
<td>$4,420</td>
<td>$3,366</td>
<td>(1,054)</td>
<td>-1.1%</td>
</tr>
<tr>
<td>$120,000</td>
<td>$5,304</td>
<td>$3,366</td>
<td>(1,938)</td>
<td>-1.6%</td>
</tr>
<tr>
<td>$140,000</td>
<td>$6,188</td>
<td>$3,366</td>
<td>(2,822)</td>
<td>-2.0%</td>
</tr>
<tr>
<td>$200,000</td>
<td>$8,840</td>
<td>$3,366</td>
<td>(5,474)</td>
<td>-2.7%</td>
</tr>
<tr>
<td>$250,000</td>
<td>$11,050</td>
<td>$3,366</td>
<td>(7,684)</td>
<td>-3.1%</td>
</tr>
<tr>
<td>$285,000</td>
<td>$12,597</td>
<td>$3,366</td>
<td>(9,231)</td>
<td>-3.2%</td>
</tr>
<tr>
<td>$300,000</td>
<td>$12,597</td>
<td>$3,366</td>
<td>(9,231)</td>
<td>-3.1%</td>
</tr>
<tr>
<td>$350,000</td>
<td>$12,597</td>
<td>$3,366</td>
<td>(9,231)</td>
<td>-2.6%</td>
</tr>
<tr>
<td>$400,000</td>
<td>$12,597</td>
<td>$3,366</td>
<td>(9,231)</td>
<td>-2.3%</td>
</tr>
</tbody>
</table>

Similarly, the new premium structure for the PPO Savings Plan would be below. The below analysis certainly makes raising the salary cap seem more equitable, if one supports the principle of having higher salaried employees helping to subsidize the cost for lower salaried employees. However, it is important to recognize some of the negative consequences of charging significantly higher premiums for top salaried employees.

Downside of Having Too High of a Salary Cap: There are three main concerns about having a salary cap too high. One is that it could impact the university’s ability to attract and retain faculty and administrators. If they must pay premiums that are significantly higher than premiums that would have to pay at other similar institutions, the university may have to offer a higher salary or risk losing out on hiring this person. Two, at some point, the expected out of pocket costs + premiums could represent such a large portion of their expected health care claims that it is hard to justify calling it insurance. Three, if the Penn State plan is too expensive for high-salaried employees and they have alternative health insurance from another member of their household, they will choose the other health insurance. The more higher salary employees that ‘flee’ the Penn State health plan, the fewer the number of employees that must provide the subsidy for the lower salaried employees, potentially raising the cost for the above median salary workers who remain insured by Penn State.
Contribution Differences by Salary – PPO Savings Plan

- The chart below compares the current annual contribution by salary with the new salary cap.
- The employees with salaries below the current cap would see a slight decrease.
- All employees with a salary over $160,000 would have an increase from their current contributions.

The next set of tables shows the potential cost share of employees at various salaries who have exactly average out-of-pocket health expenses.

<table>
<thead>
<tr>
<th>PPO PLANS</th>
<th>ANNUAL PREMIUM BY SALARY - INDIVIDUAL PLAN</th>
<th>ANNUAL PREMIUM BY SALARY - FAMILY PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PREMIUM</td>
<td>PREMIUM</td>
</tr>
<tr>
<td>SALARY</td>
<td>+ OOP</td>
<td>PERCENT</td>
</tr>
<tr>
<td>$140,000</td>
<td>$ 2,114 $ 3,004 $ 44.8%</td>
<td>$140,000 $ 6,566 $ 9,147 45.5%</td>
</tr>
<tr>
<td>$160,000</td>
<td>$ 2,416 $ 3,306 $ 49.3%</td>
<td>$160,000 $ 7,504 $ 10,085 50.2%</td>
</tr>
<tr>
<td>$180,000</td>
<td>$ 2,718 $ 3,609 $ 53.9%</td>
<td>$180,000 $ 8,442 $ 11,023 54.8%</td>
</tr>
<tr>
<td>$200,000</td>
<td>$ 3,020 $ 3,910 $ 58.4%</td>
<td>$200,000 $ 9,380 $ 11,961 59.5%</td>
</tr>
<tr>
<td>$220,000</td>
<td>$ 3,322 $ 4,212 $ 62.9%</td>
<td>$220,000 $ 10,318 $ 12,899 64.2%</td>
</tr>
<tr>
<td>$240,000</td>
<td>$ 3,624 $ 4,514 $ 67.4%</td>
<td>$240,000 $ 11,256 $ 13,837 68.8%</td>
</tr>
<tr>
<td>$260,000</td>
<td>$ 3,926 $ 4,816 $ 71.9%</td>
<td>$260,000 $ 12,194 $ 14,775 73.5%</td>
</tr>
<tr>
<td>$280,000</td>
<td>$ 4,228 $ 5,118 $ 76.4%</td>
<td>$280,000 $ 13,132 $ 15,713 78.2%</td>
</tr>
<tr>
<td>$300,000</td>
<td>$ 4,530 $ 5,420 $ 80.9%</td>
<td>$300,000 $ 14,070 $ 16,651 82.8%</td>
</tr>
<tr>
<td>$320,000</td>
<td>$ 4,832 $ 5,722 $ 85.4%</td>
<td>$320,000 $ 15,008 $ 17,589 87.5%</td>
</tr>
<tr>
<td>$340,000</td>
<td>$ 5,134 $ 6,024 $ 89.9%</td>
<td>$340,000 $ 15,946 $ 18,527 92.2%</td>
</tr>
<tr>
<td>$360,000</td>
<td>$ 5,436 $ 6,326 $ 94.4%</td>
<td>$360,000 $ 16,884 $ 19,465 96.8%</td>
</tr>
<tr>
<td>$380,000</td>
<td>$ 5,738 $ 6,628 $ 98.9%</td>
<td>$380,000 $ 17,822 $ 20,403 101.5%</td>
</tr>
<tr>
<td>$400,000</td>
<td>$ 6,040 $ 6,930 $103.4%</td>
<td>$400,000 $ 18,760 $ 21,341 106.2%</td>
</tr>
<tr>
<td>CAP 45%</td>
<td>$ 140,750</td>
<td>CAP 45%</td>
</tr>
<tr>
<td>CAP 50%</td>
<td>$ 163,000</td>
<td>CAP 50%</td>
</tr>
<tr>
<td>CAP 55%</td>
<td>$ 185,000</td>
<td>CAP 55%</td>
</tr>
<tr>
<td>CAP 60%</td>
<td>$ 207,500</td>
<td>CAP 60%</td>
</tr>
</tbody>
</table>
The column marked PERCENT in the tables above is the premium + average out-of-pocket expenses as a percentage of the average total allowed claims for a person in that plan. For example, if a person in the PPO Individual plan had a salary of $200,000 and there was no salary cap, they would pay a premium of $3,020. The average out-of-pocket expenses per member for people in the PPO Plan and salary above $90,000 is $890 ($850 for those in PPO Savings plan and salary of $90,000 or greater). The average medical claims per member in the PPO Plan with salary over $90,000 is $6,700 (or $4,260 for those in the PPO Savings Plan with salary over $90,000). Thus, the premium plus average out-of-pocket expenses for those in the highest salary band in the PPO Plan is $3,910. The average claims for that same group is $6,700, so their premiums + out-of-pocket represent ($3,910) represents 58.4% of the average total claims ($6,700). In the bottom rows of the table is the salary cap figure that would yield premiums + average out-of-pocket expenses are equal to the percentage of average claims specified. For example, under the PPO Savings Individual plan if we decided that the salary cap should be where premiums plus average out-of-pocket expenses are 50% of average claims, the salary cap should be at $164,000. If we think 60% is fair, the salary cap would be $218,500.

The calculations for the PPO Family Plan and the PPO Savings Family Plan assumes that the average family had claims equal to 2.90 times the average claims per member. This figure also comes from data provided by Willis Towers Watson. The “salary cap” figure used to determine premiums should be based on transparent criteria and based on either some systematic formula or on IRS guidelines. If the number chosen to cap salaries for the sake of calculating premiums seems arbitrary, there will likely continue to be suspicion over the existence of a salary cap. It would also seem logical that the ‘salary cap’ figure be reviewed annually to account for medical costs inflation, salary increases, changes to median salary, etc.
Revisiting the 75/25 principle in light of salary-based premiums: As mentioned in a previous section of this report, the 75/25 cost sharing principle refers to the design of the health plan such that, ON AVERAGE, the employee pays 25% of their total health care claims costs and the university 75%. The actual percentage a particular employee pays of their health care claims varies considerably. In this section of the report, we examine how the cost sharing ratio varies by age, salary band, plan, etc. using data from 2018.

<table>
<thead>
<tr>
<th>MEMBERS SHARE OF TOTAL CLAIMS BY AGE*</th>
<th>PPO PLAN</th>
<th>PPO SAVINGS**</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-29</td>
<td>30%</td>
<td>40%</td>
</tr>
<tr>
<td>30-39</td>
<td>29%</td>
<td>32%</td>
</tr>
<tr>
<td>40-49</td>
<td>26%</td>
<td>30%</td>
</tr>
<tr>
<td>50-59</td>
<td>22%</td>
<td>27%</td>
</tr>
<tr>
<td>60 AND OLDER</td>
<td>18%</td>
<td>29%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>26%</td>
<td>30%</td>
</tr>
</tbody>
</table>

* Percentage of total claims paid by employee. ** PPO Savings figures include HSA seed money

As expected, younger people tend to have fewer claims and therefore, pay a higher percentage of their claims out-of-pocket because the deductible represents a significant portion of their total claims. Member is defined as each person insured. If an employee has insured his or her spouse and 3 children, that would constitute 5 members. On average, older employees are paying a smaller share of their total claims out of pocket.

As designed, higher salaried workers typically paid a higher percentage of their total claims out-of-pocket, especially those with salaries above $90,000. The following table breaks down the out-of-pocket, premium, and total claims by salary range and plan.
There are several interesting figures in the above table (data from 2018) to discuss. First, for the PPO plan, the average member paid 25.8% of their total medical claims cost and the target is 25%. However, for the PPO Savings Plan, the average member paid 30.3% instead of the targeted 25%. It should be noted, however, that the average member in the PPO Savings plan spent $390 less on health care out-of-pocket than the average member on the PPO Plan.

For the PPO Plan, the average cost share was 25.8% but for the lowest salaried employees that average was only 19.2% and for the highest salaried, it was 36.9%. For the PPO Savings plan, the average cost share was 30.3% but for the lowest salaried employees it was only 17.8% and for the highest salaried, it was 38.5%.

Based on the discussion thus far, there are implications for at least one potential forensic question and one future recommendation, which include, but are not limited to: the potential forensic question “Should Penn State university continue its practice of basing premiums, deductibles, and HSA seed money on employee salary?” and potential future recommendation, namely, Penn State should consider, if the system of basing premiums on salaries is continued, the “salary cap” should be raised and periodically reviewed.

**Principle 4: Principle of Informed Utilization**

This principle has two distinct features:

a. Analytic capabilities for conducting secure and anonymous studies of university employee health care utilization and provider costs. The University has established a subcommittee of the Health Care Advisory Committee, which includes faculty researchers, data analysts, clinicians, and Human Resources. The University has establishing a data warehouse so that analytical studies can be performed to improve health care utilization and improve the design of future health care plans.
b. Cost transparency and analysis tools to aid employees in better understanding the costs and quality of the care received. Under the current plans, both Aetna and CVS/Caremark have pricing tools that employees can use to compare prices of services or prescriptions from different providers, to a limited extent. Further, during Open Enrollment for 2020, the university introduced the IBM Watson Health Benefits Mentor, which illustrates the employee’s total out of pocket costs plus premiums using their actual claims history for the 18 months prior to July 31, 2019. The tool compares what the out-of-pocket costs would have been for both the PPO Plan and for the PPO Savings plan, so that employees can see which plan would have offered the lowest cost to them during that period. Part of the goal of this principle is to create or provide access to tools to aid members in better understanding the costs and quality of care received. One of the keys to reducing health care costs is to help make the members of Penn State health insurance plans better shoppers for health care services.

Establishing Data Warehouse and Conducting Research: Penn State has contracted with IBM Watson Health to maintain a data warehouse of medical and prescription drug claims. Access to this data is restricted and the records are de-identified and confidential. The university also has a vendor relationship with Willis Towers Watson, a health-care benefits consultant, and much of the analyses provided in this report are a result of this relationship, which was established in 2013. Further, the Health Care Advisory Committee has created a subcommittee referenced above. The work of this subcommittee is intended to provide the university with data-driven, informed decision-making capabilities around utilization, pricing, optimizing sites of care, etc.

Some examples of the work done by the subcommittee includes gathering pricing information for specific procedures as provided by various health care providers across the Commonwealth of Pennsylvania. They have discovered considerable variation in prices of certain services. With this information, they may be able to steer employees needing to have these medical procedures to certain providers that charge a lower price but are of high quality. In another study, they subcommittee has found that utilization of Quest Laboratories by members of Penn State health insurance is low despite the significantly lower prices. They estimate that if all employees used Quest Laboratories for their blood work, it would save the university and employees approximately $6 million.

**Principle 5: Principle of Cost Transparency**

The intent of this principle is that Penn State employees should have tools available to them that will make it easier to decide which providers and which health plan would be better for them financially. There are various tools available to Penn State employees that have been recently added towards fulfilling this principle.

Just introduced during Open Enrollment for 2020, the new IBM Watson Health Benefits Mentor tool allows employees to compare their out-of-pocket expenses for the plan in which they were
enrolled vs. what their out-of-pocket expenses would have been if they had enrolled in the other plan. Users also have the ability to construct “what if” scenarios and change their health care usage expectations to estimate which plan may financially more cost-effective for them in the upcoming year. The out-of-pocket expenses are based on the member’s actual health care claims within the previous 18 months (through July 31 of the current year).

While Benefits Mentor has been well received by those who used it, there have been suggestions for improvements. Suggestions include giving the member a more detailed printout of claims that indicates how they were paid, and how they would have been paid in the other plan. This would help members figure out how one plan differs from the other, so they can see if their expected changes in their consumption of health care services might tip the scales towards the other plan. For example, it may be the case that Member X had lower out-of-pocket costs because their child underwent a tonsillectomy during the past 18 months. Since that child will not have that surgery again, Member X can see which plan would have been better if the expenses of the tonsillectomy are removed. Another suggestion includes being able to adjust how far back in claims history to go. The IBM Watson Mentor tool was used by only 22% of employees in 2019.

The Penn State Employee Assistance Program (EAP) includes a “Healthcare Help” service. This helps employees find providers, negotiate fees, and do cost comparisons. Access to this is available on the Benefits website.

Other tools that enable Penn State employees to have more control over their spending include pricing tools available on the CVS/Caremark and Aetna websites. To access Aetna’s pricing tool, a member in Penn State’s health insurance plan must log into their Aetna account. After they log in they will see a link for “Find Care and Pricing” near the top of the page. Only 17% of the employees who responded to the Survey on Satisfaction with Aetna and CVS/Caremark indicated that they have used this tool. In fact, 40% of the respondents indicated that they did not even know Aetna had a pricing tool. Another 43% said they did not use the tool and it is not entirely clear if some of those who said they did not use the tool may have not even known about the pricing tool either.

CVS Caremark also has a pricing tool. Only 19% of the survey respondents had indicated that they have used the pricing tool. To access this pricing tool, the member needs to log into their Caremark account at caremark.com. Near the top of the page on the right side after they have logged in there is a link for “Check Drug Cost and Coverage.” Click on that link. You then enter the drug and hit search. You can specify mail order or pharmacy pick-up. It will give you the price of the drug only for the pharmacy you indicated as your pharmacy when you set up your account. You can edit the pharmacy and then see the price at that pharmacy. Some may consider this clunky and it would be easier if it simply listed the price at all pharmacies within a specified distance of the user’s home address (or other address as specified).
In summary, there are some existing tools to make it easier for employees to manage their health care costs to some extent such as the IBM Watson Health Benefits Mentor, Aetna’s pricing tool, and Caremark’s pricing tool. Aetna and CVS Caremark also have phone apps to give members easier access to their website and important information. However, these tools are being underutilized. It is clear that there needs to be some improvements as to how information about these pricing resources are disseminated and improvements made to these tools to make them easier to use and more useful.

Another part of this principle is transparency. Each year, the Joint Committee on Insurance and Benefits (JCIB) produces the Annual Report on the Status of Benefit Changes that is presented to the University Faculty Senate. That report outlines the changes to health insurance plans’ design and compiles data on out-of-pocket expenses, premiums, cost sharing, and total claims.

While the JCIB Annual Report contains a lot of useful information, a more detailed analysis like that presented in this report will further improve transparency. How often a detailed report such as this is created is an issue up for discussion.

Based on the discussion thus far, there are implications for at least two potential forensic questions, which include, but are not limited to: “How can Penn State better disseminate information about the existing pricing tools and the Benefits Mentor to increase member utilization of these tools?” and “What other tools would make it easier for Penn State employees to become better health care shoppers?”

**Principle 6: Principle of Fostering and Promoting a Culture of Health**
The university is focusing its attention to employee health and well-being and is committed to exploring means to engage employees in healthy lifestyle behaviors. Consideration of incentivizing these behaviors through plan design and cost-sharing will be tied to data-driven decisions to maximize the return on investment for employees and the university. Past programs such as Take Care of Your Health and the tobacco surcharge did not have the intended impact to curtail health care costs.

There are a few features of the Penn State health insurance plan design that do promote wellness. Free flu shots for members on the Penn State health plan at Penn State campuses decrease the likelihood of Penn State employees contracting influenza. Also, Value Based Benefits, available only in the PPO plan, can sharply reduce long-run costs of health care for many employees. As described earlier in this report, Value Based Benefits provide those with high cholesterol, high blood pressure, and diabetes to receive physician services, get certain lab tests, and acquire certain diabetes supplies at no cost to the member of the health insurance plan.
Based on the discussion thus far, there are implications for at least one potential forensic question, namely, “To what extent are Penn State employees aware of programs or plan design at other institutions that help to promote better health and wellness that have proven to provide a good return on investment?”

SENATE COMMITTEE ON FACULTY BENEFITS

- Ingrid Blood
- Denise Costanzo, Vice Chair
- Rita Foley
- Lorraine Goffe
- Raymond Najjar
- Xuwen Peng
- Linda Rhen
- Mohammad Rasouli
- Ira Saltz, Chair
- Geoff Scott
- Greg Stoner
BACKGROUND INFORMATION

- PURPOSE OF THIS REPORT:
  - TO REVIEW "PRINCIPLES FOR THE DESIGN OF PENN STATE HEALTH CARE PLANS" REPORT PRESENTED TO UFS IN MARCH 2016
    - BASED ON THE PRINCIPLES ESTABLISHED BY THE UNIVERSITY HEALTHCARE TASK FORCE
    - PENN STATE HEALTHCARE TASK FORCE CREATED IN 2011
  - PREMIUMS PROPORTIONAL TO SALARY BEGAN IN 2012
  - CHOICE OF PLANS INTRODUCED IN 2014
  - SWITCH FROM HIGHMARK/EXPRESS SCRIPTS TO AETNA/CAREMARK IN 2018
#1 PRINCIPLE OF CHOICE OF PLANS

- 17 OF 25 BENCHMARK SCHOOLS ALSO OFFER THEIR EMPLOYEES CHOICE
- PENN STATE ADDED A CHOICE OF A HIGH-DEDUCTIBLE/HEALTH SAVINGS ACCOUNT PLAN
  - WHAT ARE HDHP’S?
  - WHAT ARE HSA’S?
- EMPLOYER CONTRIBUTING TO HEALTH SAVINGS ACCOUNT PUTS PENN STATE IN THE MINORITY AMONG ITS PEERS
- MIGRATION INTO HDHP/HSA PLAN HAS BEEN SLOW
  - 15% ENROLLED IN 2014
  - 30% ENROLLED IN 2020
THEORY OF HDHP’S

PRO HDHP’S
• REDUCES ‘OVERSPENDING’ ON HEALTH CARE
• DISCOURAGES USE OF UNNECESSARY HEALTH SERVICES, THUS REDUCING CLAIMS
• ENCOURAGES MEMBERS TO SHOP AROUND FOR BEST PRICES
• GENERALLY LESS OOP + PREMIUM EXPENSES FOR PEOPLE WITH LOWER CLAIMS

CON HDHP’S
• MAY ENCOURAGE PEOPLE TO FORGO PRIMARY CARE THAT MIGHT SAVE MONEY IN THE LONG RUN
• ADVERSE SELECTION MAY RESULT IN PEOPLE WHO ARE OLDER OR WITH CHRONIC CONDITIONS TO PAY MORE OUT OF POCKET
• ASSUMES WE ARE INFORMED CONSUMERS
• GREATER FINANCIAL RISK TO THE EMPLOYEE THAN TRADITIONAL PPO

MORE ON HDHP’S
• CO-FOUNDER OF HDHP’S ADMITS HE CREATED HDHP’S TO CIRCUMVENT LAWS PROHIBITING HEALTH INSURANCE COMPANIES FROM CHARGING HIGHER PREMIUMS TO THOSE WHO HAVE A HISTORY OF HIGHER CLAIMS*
• SUCCESS OF HDH’S IN REDUCING CLAIMS DEPENDS UPON MEMBERS SHOPPING AROUND FOR SERVICES. MOST STUDIES FIND THIS IS NOT HAPPENING
• STUDIES ALSO SHOW THAT PEOPLE ARE FORGOING HEALTH SERVICES THAT THEY SHOULD BE UTILIZING.**
(SEE NEXT SLIDE FOR CITATIONS)
• MANY EMPLOYERS ARE NOW ABANDONING HDHP’S

**CITATIONS FROM PREVIOUS SLIDES**

- "With High-deductible Employer Health Plans, Who Wins, Knowledge @Wharton, https://knowledge.wharton.upenn.edu/article/high-deductible-health-plans-pros-and-cons/
- "Brooke Murphy, "21 statistics on high-deductible health plans, https://www.beckershospitalreview.com/finance/21-statistics-on-high-deductible-health-plans.html

**FURTHER DATA ANALYSIS NEEDED**

- IS ADVERSE SELECTION OCCURRING AT PENN STATE?
- ARE MEMBERS IN THE PPO SAVINGS PLAN UTILIZING THE AETNA/CVS PRICING TOOLS, QUEST LABS, AND OTHER METHODS OF ‘SHOPPING AROUND’?
- ARE MEMBERS IN THE PPO SAVINGS PLAN UNDERUTILIZING PRIMARY HEALTH CARE?
WHO IS CHOOSING PPO SAVINGS?

<table>
<thead>
<tr>
<th>AGE</th>
<th>ENROLLED IN PPO PLAN</th>
<th>ENROLLED IN PPO SAVINGS</th>
<th>% IN PPO SAVINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 29</td>
<td>648</td>
<td>422</td>
<td>39.4%</td>
</tr>
<tr>
<td>30 - 34</td>
<td>1,224</td>
<td>670</td>
<td>55.4%</td>
</tr>
<tr>
<td>35 - 39</td>
<td>1,396</td>
<td>704</td>
<td>33.5%</td>
</tr>
<tr>
<td>40 - 44</td>
<td>1,392</td>
<td>713</td>
<td>33.9%</td>
</tr>
<tr>
<td>45 - 49</td>
<td>1,583</td>
<td>695</td>
<td>30.5%</td>
</tr>
<tr>
<td>50 - 54</td>
<td>1,717</td>
<td>716</td>
<td>29.4%</td>
</tr>
<tr>
<td>55 - 59</td>
<td>1,888</td>
<td>667</td>
<td>26.1%</td>
</tr>
<tr>
<td>60 - 64</td>
<td>1,432</td>
<td>464</td>
<td>24.5%</td>
</tr>
<tr>
<td>65+</td>
<td>874</td>
<td>187</td>
<td>20.6%</td>
</tr>
</tbody>
</table>

*The data above suggests that there is adverse selection occurring as younger people are more likely to be low claims individuals and are choosing the HDHP plan.*

WHO IS CHOOSING PPO SAVINGS PLAN?

- Other data suggests that higher salaried employees are choosing the PPO savings at a higher rate than lower salaried employees.
- This is consistent with the notion that higher income people are less risk averse.
- Also the result of premiums increasing with income and higher premiums for those in the PPO plan.
#2 THE 75/25 COST SHARE PRINCIPLE

• THE UNIVERSITY IS COMMITTED TO A PLAN DESIGN THAT RESULT, **ON AVERAGE**, THE EMPLOYEE PAYING 25% OF ALL HEALTH CARE EXPENSES AND THE UNIVERSITY 75%
• IN GENERAL, CONSISTENT WITH THE THEORY OF INSURANCE LOWER CLAIMS INDIVIDUALS PAY A HIGHER SHARE OF THEIR COSTS OUT-OF-POCKET
• THIS IS A TARGET COST SHARING. ACTUAL COST-SHARE AVERAGE HAS VARIED RANGING FROM 72.0% IN 2018 TO 75.4% IN 2016
• TARGET OF 75/25 APPLIES TO EACH PLAN

THE 75/25 PRINCIPLE

• BASED ON A SMALL SAMPLE OF BIG TEN UNIVERSITIES, 75/25 APPEARS TO BE QUITE COMPETITIVE AS MOST PEER INSTITUTIONS HAVE THAT SAME TARGET OR LESS COST PICKED UP BY EMPLOYER
• **MORE TO COME, SEE PRINCIPLE #3**
#3 AFFORDABILITY AND EQUITY

- Only 5 of the 25 peer institutions used for benchmarking based the cost of the plan on income or salary. The rest had a flat cost structure [cost = premium + out of pocket expenses]
- Ohio State had a lower cost plan for those below a certain income threshold based on household size. Employee must submit federal tax return to verify income
- Penn State plan: premiums proportional to salary, deductibles and HSA contributions based on salary band

SALARY CAP

- Current plan premiums are percentage of salary up to a maximum salary of $140,000. No premium increase for salaries over $140,000
- Why?
  - To remain competitive for high salaried talent
  - To keep high salaried employees in the plan, otherwise the burden of subsidizing lower salary workers falls more heavily on those earning nearer the median salary
- All data presented is based on 2018 claims unless otherwise stated
ALTERNATIVE #1

• RETURNING TO FLAT PREMIUM STRUCTURE

Contribution Differences by Salary – PPO Plan

The chart below compares the current annual contribution by salary with the flat dollar amount.

- The employees with the lowest salaries would see the largest negative impact.
- All employees with a salary over $75,000 would see savings from their current contributions.

<table>
<thead>
<tr>
<th>Salary</th>
<th>PPO - Single Coverage</th>
<th>Contribution Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>$35,000</td>
<td>85</td>
<td>$528</td>
</tr>
<tr>
<td>$40,000</td>
<td>90</td>
<td>$494</td>
</tr>
<tr>
<td>$45,000</td>
<td>95</td>
<td>$463</td>
</tr>
<tr>
<td>$50,000</td>
<td>100</td>
<td>$435</td>
</tr>
<tr>
<td>$55,000</td>
<td>105</td>
<td>$409</td>
</tr>
<tr>
<td>$60,000</td>
<td>110</td>
<td>$384</td>
</tr>
<tr>
<td>$65,000</td>
<td>115</td>
<td>$360</td>
</tr>
<tr>
<td>$70,000</td>
<td>120</td>
<td>$338</td>
</tr>
<tr>
<td>$75,000</td>
<td>125</td>
<td>$317</td>
</tr>
<tr>
<td>$80,000</td>
<td>130</td>
<td>$298</td>
</tr>
<tr>
<td>$85,000</td>
<td>135</td>
<td>$281</td>
</tr>
<tr>
<td>$90,000</td>
<td>140</td>
<td>$265</td>
</tr>
<tr>
<td>$95,000</td>
<td>145</td>
<td>$251</td>
</tr>
<tr>
<td>$100,000</td>
<td>150</td>
<td>$237</td>
</tr>
<tr>
<td>$105,000</td>
<td>155</td>
<td>$224</td>
</tr>
<tr>
<td>$110,000</td>
<td>160</td>
<td>$212</td>
</tr>
<tr>
<td>$115,000</td>
<td>165</td>
<td>$201</td>
</tr>
<tr>
<td>$120,000</td>
<td>170</td>
<td>$191</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Salary</th>
<th>PPO - Family Coverage</th>
<th>Contribution Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>$35,000</td>
<td>85</td>
<td>$528</td>
</tr>
<tr>
<td>$40,000</td>
<td>90</td>
<td>$494</td>
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<tr>
<td>$45,000</td>
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<td>$463</td>
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<td>$384</td>
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<tr>
<td>$65,000</td>
<td>115</td>
<td>$360</td>
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<tr>
<td>$70,000</td>
<td>120</td>
<td>$338</td>
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<tr>
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<td>125</td>
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<tr>
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<td>$298</td>
</tr>
<tr>
<td>$85,000</td>
<td>135</td>
<td>$281</td>
</tr>
<tr>
<td>$90,000</td>
<td>140</td>
<td>$265</td>
</tr>
<tr>
<td>$95,000</td>
<td>145</td>
<td>$251</td>
</tr>
<tr>
<td>$100,000</td>
<td>150</td>
<td>$237</td>
</tr>
<tr>
<td>$105,000</td>
<td>155</td>
<td>$224</td>
</tr>
<tr>
<td>$110,000</td>
<td>160</td>
<td>$212</td>
</tr>
<tr>
<td>$115,000</td>
<td>165</td>
<td>$201</td>
</tr>
<tr>
<td>$120,000</td>
<td>170</td>
<td>$191</td>
</tr>
</tbody>
</table>
### Contribution Differences by Salary – PPO Savings Plan

- The chart below compares the current annual contribution by salary with the flat dollar amount.
- The employees with the lowest salaries would see the largest negative impact.
- All employees with a salary over $95,000 would see savings from their current contributions.

#### PPO Savings – Single Coverage

<table>
<thead>
<tr>
<th>Salary</th>
<th>Enrollment</th>
<th>Annual Contribution</th>
<th>Current</th>
<th>Flat</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>$50,000</td>
<td>10</td>
<td>$250</td>
<td>$250</td>
<td>$250</td>
<td>$0</td>
</tr>
<tr>
<td>$75,000</td>
<td>10</td>
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<td>$375</td>
<td>$375</td>
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</tr>
<tr>
<td>$100,000</td>
<td>10</td>
<td>$500</td>
<td>$500</td>
<td>$500</td>
<td>$0</td>
</tr>
<tr>
<td>$125,000</td>
<td>10</td>
<td>$625</td>
<td>$625</td>
<td>$625</td>
<td>$0</td>
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<tr>
<td>$150,000</td>
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<td>$750</td>
<td>$750</td>
<td>$0</td>
</tr>
<tr>
<td>$175,000</td>
<td>10</td>
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<td>$875</td>
<td>$875</td>
<td>$0</td>
</tr>
<tr>
<td>$200,000</td>
<td>10</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$0</td>
</tr>
<tr>
<td>$225,000</td>
<td>10</td>
<td>$1,125</td>
<td>$1,125</td>
<td>$1,125</td>
<td>$0</td>
</tr>
<tr>
<td>$250,000</td>
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<td>$1,500</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$0</td>
</tr>
</tbody>
</table>

#### PPO Savings – Family Coverage

<table>
<thead>
<tr>
<th>Salary</th>
<th>Enrollment</th>
<th>Annual Contribution</th>
<th>Current</th>
<th>Flat</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>$50,000</td>
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<td>$0</td>
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<tr>
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<tr>
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<td>$600</td>
<td>$600</td>
<td>$0</td>
</tr>
<tr>
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<td>$750</td>
<td>$750</td>
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<tr>
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<td>$900</td>
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<tr>
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<td>$1,050</td>
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<tr>
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<tr>
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</tbody>
</table>

---

### SAVINGS FOR THOSE ABOVE $140,000 BECAUSE OF SALARY CAP

#### SAVINGS RESULTING FROM SALARY CAP

<table>
<thead>
<tr>
<th>SALARY</th>
<th>CURRENT PREMIUM</th>
<th>NO CAP PREMIUM</th>
<th>CAP PREMIUM</th>
<th>SAVINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100,000</td>
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<td>$4,690</td>
<td>$4,690</td>
<td>$4,690</td>
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<tr>
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<td>$6,566</td>
<td>$6,566</td>
<td>$6,566</td>
<td>$6,566</td>
</tr>
<tr>
<td>$140,000</td>
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<td>$7,504</td>
<td>$7,504</td>
<td>$7,504</td>
</tr>
<tr>
<td>$160,000</td>
<td>$8,442</td>
<td>$8,442</td>
<td>$8,442</td>
<td>$8,442</td>
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<tr>
<td>$180,000</td>
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<td>$9,380</td>
<td>$9,380</td>
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<td>$10,318</td>
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</tr>
<tr>
<td>$220,000</td>
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<td>$11,256</td>
<td>$11,256</td>
<td>$11,256</td>
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<tr>
<td>$240,000</td>
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<td>$12,194</td>
<td>$12,194</td>
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<tr>
<td>$260,000</td>
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<td>$13,132</td>
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<tr>
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<tr>
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<tr>
<td>$320,000</td>
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<td>$15,850</td>
<td>$15,850</td>
<td>$15,850</td>
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<td>$340,000</td>
<td>$16,760</td>
<td>$16,760</td>
<td>$16,760</td>
<td>$16,760</td>
</tr>
<tr>
<td>$360,000</td>
<td>$17,676</td>
<td>$17,676</td>
<td>$17,676</td>
<td>$17,676</td>
</tr>
<tr>
<td>$380,000</td>
<td>$18,580</td>
<td>$18,580</td>
<td>$18,580</td>
<td>$18,580</td>
</tr>
<tr>
<td>$400,000</td>
<td>$19,490</td>
<td>$19,490</td>
<td>$19,490</td>
<td>$19,490</td>
</tr>
</tbody>
</table>
## Subsidy as % of Income

<table>
<thead>
<tr>
<th>Salary</th>
<th>Premium</th>
<th>Flat Subsidy</th>
<th>Subsidy % of Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20,000</td>
<td>$938</td>
<td>$3,366</td>
<td>12.1%</td>
</tr>
<tr>
<td>$40,000</td>
<td>$1,876</td>
<td>$3,366</td>
<td>3.7%</td>
</tr>
<tr>
<td>$60,000</td>
<td>$2,814</td>
<td>$3,366</td>
<td>0.9%</td>
</tr>
<tr>
<td>$80,000</td>
<td>$3,752</td>
<td>$3,366</td>
<td>-0.5%</td>
</tr>
<tr>
<td>$100,000</td>
<td>$4,690</td>
<td>$3,366</td>
<td>-1.3%</td>
</tr>
<tr>
<td>$120,000</td>
<td>$5,628</td>
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<td>-1.9%</td>
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<tr>
<td>$140,000</td>
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<td>$3,366</td>
<td>-2.3%</td>
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<td>-1.6%</td>
</tr>
<tr>
<td>$250,000</td>
<td>$6,566</td>
<td>$3,366</td>
<td>-1.3%</td>
</tr>
<tr>
<td>$300,000</td>
<td>$6,566</td>
<td>$3,366</td>
<td>-1.1%</td>
</tr>
<tr>
<td>$350,000</td>
<td>$6,566</td>
<td>$3,366</td>
<td>-0.9%</td>
</tr>
<tr>
<td>$400,000</td>
<td>$6,566</td>
<td>$3,366</td>
<td>-0.8%</td>
</tr>
</tbody>
</table>

### Alternative #2

- Keep tiered structure but raise cap to $285,000
## Contribution Differences by Salary – PPO Plan

- The chart below compares the current annual contribution by salary with the new salary cap.
- The employees with salaries below the current cap would see a slight decrease.
- All employees with a salary over $150,000 would have an increase from their current contributions.

### Current vs. Proposed Annual Contributions

<table>
<thead>
<tr>
<th>Salary</th>
<th>Current Annual Contributions</th>
<th>Proposed Annual Contributions</th>
<th>Contribution Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Current vs. Proposed Annual Contributions

<table>
<thead>
<tr>
<th>Salary</th>
<th>Current Annual Contributions</th>
<th>Proposed Annual Contributions</th>
<th>Contribution Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Subsidy as % of Income

**PPo Plan - Family Coverage**

<table>
<thead>
<tr>
<th>Salary</th>
<th>Premium</th>
<th>Premium Subsidy</th>
<th>% of Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20,000</td>
<td>$884</td>
<td>$3,366</td>
<td>$2,482</td>
</tr>
<tr>
<td>$40,000</td>
<td>$1,768</td>
<td>$3,366</td>
<td>$1,598</td>
</tr>
<tr>
<td>$60,000</td>
<td>$2,652</td>
<td>$3,366</td>
<td>$714</td>
</tr>
<tr>
<td>$80,000</td>
<td>$3,536</td>
<td>$3,366</td>
<td>$(1,70)</td>
</tr>
<tr>
<td>$100,000</td>
<td>$4,420</td>
<td>$3,366</td>
<td>$(1,054)</td>
</tr>
<tr>
<td>$120,000</td>
<td>$5,304</td>
<td>$3,366</td>
<td>$(1,938)</td>
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<td>$140,000</td>
<td>$6,188</td>
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<tr>
<td>$200,000</td>
<td>$8,840</td>
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<td>$(5,474)</td>
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<tr>
<td>$250,000</td>
<td>$11,050</td>
<td>$3,366</td>
<td>$(7,684)</td>
</tr>
<tr>
<td>$285,000</td>
<td>$12,597</td>
<td>$3,366</td>
<td>$(9,231)</td>
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<tr>
<td>$300,000</td>
<td>$12,597</td>
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<td>$(9,231)</td>
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<td>$350,000</td>
<td>$12,597</td>
<td>$3,366</td>
<td>$(9,231)</td>
</tr>
<tr>
<td>$400,000</td>
<td>$12,597</td>
<td>$3,366</td>
<td>$(9,231)</td>
</tr>
</tbody>
</table>

### Average Share of Total Claims Paid by Employee by Salary if Salary Cap Is Eliminated

**Ppo Plans**

<table>
<thead>
<tr>
<th>Annual Premium by Salary - Individual Plan</th>
<th>Annual Premium by Salary - Family Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>Premium</td>
</tr>
<tr>
<td>$140,000</td>
<td>$2,114</td>
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<tr>
<td>$160,000</td>
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<td>$180,000</td>
<td>$2,718</td>
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<td>$3,020</td>
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<tr>
<td>$220,000</td>
<td>$3,322</td>
</tr>
<tr>
<td>$240,000</td>
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</tr>
<tr>
<td>$260,000</td>
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</tr>
<tr>
<td>$280,000</td>
<td>$4,228</td>
</tr>
<tr>
<td>$300,000</td>
<td>$4,530</td>
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<tr>
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<td>$5,134</td>
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<td>$5,436</td>
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<tr>
<td>$380,000</td>
<td>$5,738</td>
</tr>
<tr>
<td>$400,000</td>
<td>$6,040</td>
</tr>
</tbody>
</table>

**Cap 45%** | $140,750 | **Cap 45%** | $138,000 |
**Cap 50%** | $163,000 | **Cap 50%** | $159,400 |
**Cap 55%** | $185,000 | **Cap 55%** | $180,500 |
**Cap 60%** | $207,500 | **Cap 60%** | $202,000 |
### Average Share of Total Claims Paid by Employee by Salary If Salary Cap is Eliminated

<table>
<thead>
<tr>
<th>Salary</th>
<th>Premium</th>
<th>+ OOP</th>
<th>Percent</th>
<th>Salary</th>
<th>Premium</th>
<th>+ OOP</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>$140,000</td>
<td>$1,092</td>
<td>$1,942</td>
<td>45.6%</td>
<td>$140,000</td>
<td>$3,374</td>
<td>$5,839</td>
<td>45.7%</td>
</tr>
<tr>
<td>$160,000</td>
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<td>$2,098</td>
<td>49.2%</td>
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<td>$3,856</td>
<td>$6,321</td>
<td>49.5%</td>
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<td>$180,000</td>
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<td>$2,254</td>
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<td>$4,338</td>
<td>$6,803</td>
<td>53.2%</td>
</tr>
<tr>
<td>$200,000</td>
<td>$1,560</td>
<td>$2,410</td>
<td>56.6%</td>
<td>$200,000</td>
<td>$4,820</td>
<td>$7,285</td>
<td>57.0%</td>
</tr>
<tr>
<td>$220,000</td>
<td>$1,716</td>
<td>$2,566</td>
<td>60.2%</td>
<td>$220,000</td>
<td>$5,302</td>
<td>$7,767</td>
<td>60.8%</td>
</tr>
<tr>
<td>$240,000</td>
<td>$1,872</td>
<td>$2,722</td>
<td>63.9%</td>
<td>$240,000</td>
<td>$5,784</td>
<td>$8,249</td>
<td>64.5%</td>
</tr>
<tr>
<td>$260,000</td>
<td>$2,028</td>
<td>$2,878</td>
<td>67.6%</td>
<td>$260,000</td>
<td>$6,266</td>
<td>$8,731</td>
<td>68.3%</td>
</tr>
<tr>
<td>$280,000</td>
<td>$2,184</td>
<td>$3,034</td>
<td>71.2%</td>
<td>$280,000</td>
<td>$6,748</td>
<td>$9,213</td>
<td>72.1%</td>
</tr>
<tr>
<td>$300,000</td>
<td>$2,340</td>
<td>$3,190</td>
<td>74.9%</td>
<td>$300,000</td>
<td>$7,230</td>
<td>$9,695</td>
<td>75.9%</td>
</tr>
<tr>
<td>$320,000</td>
<td>$2,496</td>
<td>$3,346</td>
<td>78.5%</td>
<td>$320,000</td>
<td>$7,712</td>
<td>$10,177</td>
<td>79.6%</td>
</tr>
<tr>
<td>$340,000</td>
<td>$2,652</td>
<td>$3,502</td>
<td>82.2%</td>
<td>$340,000</td>
<td>$8,194</td>
<td>$10,659</td>
<td>83.4%</td>
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<tr>
<td>$360,000</td>
<td>$2,808</td>
<td>$3,658</td>
<td>85.9%</td>
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<td>$380,000</td>
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<td>$380,000</td>
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<td>$11,623</td>
<td>90.9%</td>
</tr>
<tr>
<td>$400,000</td>
<td>$3,120</td>
<td>$3,970</td>
<td>93.2%</td>
<td>$400,000</td>
<td>$9,640</td>
<td>$12,105</td>
<td>94.7%</td>
</tr>
</tbody>
</table>

CAP 45%: $137,000  
CAP 50%: $164,000  
CAP 55%: $191,500  
CAP 60%: $218,500  

### Average Cost Share by Age

<table>
<thead>
<tr>
<th>Age</th>
<th>PPO Plan</th>
<th>PPO Savings**</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-29</td>
<td>30%</td>
<td>40%</td>
</tr>
<tr>
<td>30-39</td>
<td>29%</td>
<td>32%</td>
</tr>
<tr>
<td>40-49</td>
<td>26%</td>
<td>30%</td>
</tr>
<tr>
<td>50-59</td>
<td>22%</td>
<td>27%</td>
</tr>
<tr>
<td>60 AND OLDER</td>
<td>18%</td>
<td>29%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>26%</td>
<td>30%</td>
</tr>
</tbody>
</table>

*Percentage of total claims paid by employee  
**PPO Savings figures include HSA seed money
# AVERAGE COST SHARE BY SALARY

OUT-OF-Pocket COST AND COST SHARING BY SALARY AND PLAN (INCLUDES HSA SEED)

<table>
<thead>
<tr>
<th>SALARY</th>
<th>MEDIAN SALARY</th>
<th>MEDIAN CLAIMS</th>
<th>MEDIAN OOP</th>
<th>MEDIAN PREMIUM</th>
<th>MEDIAN OOP + PREMIUM</th>
<th>MEDIAN SHARE</th>
<th>PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>$&lt; 45,000</td>
<td>$37,440</td>
<td>$6,350</td>
<td>$610</td>
<td>$610</td>
<td>$1,220</td>
<td>19.2%</td>
<td>PPO</td>
</tr>
<tr>
<td>$45,000 - $60,000</td>
<td>$50,850</td>
<td>$6,310</td>
<td>$640</td>
<td>$800</td>
<td>$1,440</td>
<td>22.8%</td>
<td>PPO</td>
</tr>
<tr>
<td>$60,000 - $90,000</td>
<td>$70,008</td>
<td>$6,100</td>
<td>$720</td>
<td>$1,000</td>
<td>$1,720</td>
<td>28.2%</td>
<td>PPO</td>
</tr>
<tr>
<td>$&gt; 90,000</td>
<td>$114,572</td>
<td>$6,700</td>
<td>$890</td>
<td>$1,580</td>
<td>$2,470</td>
<td>36.9%</td>
<td>PPO</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>$6,320</td>
<td>$700</td>
<td>$930</td>
<td>$1,630</td>
<td>25.8%</td>
<td>PPO</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SALARY</th>
<th>MEDIAN SALARY</th>
<th>MEDIAN CLAIMS</th>
<th>MEDIAN OOP</th>
<th>MEDIAN PREMIUM</th>
<th>MEDIAN OOP + PREMIUM</th>
<th>MEDIAN SHARE</th>
<th>PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>$&lt; 45,000</td>
<td>$37,164</td>
<td>$3,480</td>
<td>$360</td>
<td>$260</td>
<td>$620</td>
<td>17.8%</td>
<td>PPO SAVINGS</td>
</tr>
<tr>
<td>$45,000 - $60,000</td>
<td>$51,000</td>
<td>$3,850</td>
<td>$470</td>
<td>$370</td>
<td>$840</td>
<td>21.8%</td>
<td>PPO SAVINGS</td>
</tr>
<tr>
<td>$60,000 - $90,000</td>
<td>$73,700</td>
<td>$4,200</td>
<td>$640</td>
<td>$500</td>
<td>$1,140</td>
<td>27.1%</td>
<td>PPO SAVINGS</td>
</tr>
<tr>
<td>$&gt; 90,000</td>
<td>$121,500</td>
<td>$4,260</td>
<td>$850</td>
<td>$790</td>
<td>$1,640</td>
<td>38.5%</td>
<td>PPO SAVINGS</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>$4,090</td>
<td>$670</td>
<td>$570</td>
<td>$1,240</td>
<td>30.3%</td>
<td>PPO SAVINGS</td>
</tr>
</tbody>
</table>

**NOTE:** FIGURES ARE PER MEMBER AND INCLUDE HSA SEED MONEY

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# PRINCIPLES #4 AND #5

- **PRINCIPLE #4: INFORMED UTILIZATION**
- **PRINCIPLE #5: COST TRANSPARENCY**
TOOLS TO AID TRANSPARENCY AND INFORMED UTILIZATION

- PRICING TOOLS BY CVS/CAREMARK COMPARING PRESCRIPTION PRICES AND VARIOUS PHARMACIES
- PRICING TOOLS BY AETNA FOR CERTAIN COMMON MEDICAL SERVICES BY PROVIDER
- IBM BENEFITS MENTOR
- RESEARCH COMMITTEE OF HEALTH CARE ADVISORY COMMITTEE
- JCIB ANNUAL REPORT

PRINCIPLE #6: PROMOTING WELLNESS

- HAD SOME MISSTEPS WHICH MADE FOR BAD PRESS
- AFTER THE MISSTEPS, THIS WAS TEMPORARILY TABLED
- NEW CHARGE FOR DEVELOPING PLANS
- A SEPARATE REPORT WILL BE PRESENTED ON PROGRESS OF THESE PLANS
SENATE COMMITTEE ON EDUCATIONAL EQUITY AND CAMPUS ENVIRONMENT

2020 Penn State Community Survey

(Informational)

Background

In 2018, Executive Vice President and Provost, Nicholas P. Jones, charged a working group to implement a University-wide “community survey” for students and employees. The working group gathered input from stakeholders to identify six priority topic areas for the survey:

- Belonging and inclusion;
- Institutional commitment to diversity, equity, and inclusion;
- Engaging across difference;
- Cultural competence and knowledge;
- Experiences with stereotyping, microaggressions, and harassment; and
- Off-campus contexts.

Based on these priority areas, the working group chose the Higher Education Data Sharing Consortium’s (HEDS) Diversity and Equity Campus Climate Survey. This survey was further adapted and customized to better address the specific context and needs of Penn State. The online survey was administered independently by HEDS and sent to all Penn State students and employees in Spring 2020. Over 20,000 responses were collected, yielding an overall University response rate of 17%.

Executive Summary

In February 2020, The Pennsylvania State University launched the Community Survey. The first of its kind, the University-wide survey was implemented as part of ongoing efforts to promote community, inclusion, and diversity on campus, and to support Penn State’s strategic priorities in these areas. The data collected by the survey are extensive and rich, and interpreting results requires intention and care. While topline descriptive statistics may present a positive narrative, they also frequently obscure the perspectives of subgroups of respondents—including those that have been historically under-represented or marginalized. This summary includes results revealed in this report as well as in the accompanying dashboards. We do not present these as an exhaustive account, but rather as an invitation to explore beyond surface statistics and to promote a deeper understanding of the communities that make Penn State a vibrant university.

The Community Survey report in its entirety, unit level dashboards, and supplemental information are available online at https://opair.psu.edu/community-survey/. To help units put Community Survey data to productive use, the Office of Educational Equity offers consultants to
all University units to provide comprehensive support to build human capacity in the diversity, equity, and inclusion (DEI) space; create action plans for DEI-focused practice; and measure the success of those efforts (excerpted from https://opair.psu.edu/community-survey).

SENATE COMMITTEE ON EDUCATIONAL EQUITY AND CAMPUS ENVIRONMENT

- Douglas Bird
- Kimberly Blockett, Chair
- Artemio Cardenas
- Felecia Davis
- Sibusiwe Dube, Vice Chair
- Kaitlin Farnan
- Ranier Foley-DeFiore
- Karly Ford
- Derek Fox
- C. Libby
- Dajiang Liu
- Brian Patchcoski
- Andrew Sandoval-Strauz
- Corinne Smith
- Marcus Whitehurst
- Arpan Yagnik
SENATE COMMITTEE ON INTERCOLLEGIATE ATHLETICS

Annual Report of the Senate Committee on Intercollegiate Athletics, Academic Year, 2019-2020 (Division 1 Athletics at University Park)

(Informational)

Introduction

The NCAA Faculty Athletics Representative (FAR) at University Park, in conjunction with the Senate Committee on Intercollegiate Athletics (IAC) provides an annual report about Penn State intercollegiate athletics to the University Faculty Senate. This report is drafted by the FAR at the University Park campus and is reviewed by the IAC, with the committee taking formal action, at the September 2020 meeting, to formally approve and submit the report to the Faculty Senate. The report is subsequently placed on a Senate meeting agenda as an informational report, and the FAR/IAC Chair are available to present and stand for questions at the invitation of the Senate. The focus of this report is on Division I Athletics at University Park. A separate report, submitted by the Committee on Campus Athletics (CCA) focuses on intercollegiate athletics at the non-University Park campuses, including competition at the Division 2 and Division 3 levels and competition in the Penn State University Athletic Conference (PSUAC). The report is organized into the following sections:

A. Descriptive information about the Division I student athlete population at the University Park Campus for academic year 2019-2020
B. Items carried over from prior (2018-2019) year’s committee
C. Routine committee business, academic year 2019-2020
D. New Business for the 2019-2020 academic year
E. Updates on the broader landscape of intercollegiate athletics
F. Description of Faculty Athletics Representative’s Activities
G. Student athlete academic awards - highlights
H. Data and metrics used to monitor the academic performance of Penn State’s Division I student athletes.
I. Committee Tasks for Academic Year 2020-2021
J. Roster of IAC Committee Members for Academic Year 2019-2020
K. Appendix A: Gambling Report
L. Appendix B: Detailed Academic Performance Data
A. Descriptive Information About Division 1 Student Athletes at the University Park Campus (31 Varsity Teams) for Academic Year 2019-2020

1. The Equity in Athletics Disclosure Act (EADA) and the NCAA require that Penn State's Department of Intercollegiate Athletics report annually on student athlete participation as well as financial data. These reports are made available to the public and can be found at https://gopsusports.com/sports/2018/8/8/ot-financial-reports-html.aspx.

2. Penn State sponsors 16 men's and 15 women's varsity sports. Data from the 2018 EADA report, the most recent available, indicates that in calendar year 2018 Penn State had 489 male student athletes and 356 female student athletes for a total of 845 unique student athlete participants.

3. Financial aid in the form of scholarships for tuition, room, and board are provided by each team at the maximum full-time equivalent level allowed by the NCAA, which varies by sport.

4. For calendar year 2019, male sports were allowed 208 FTE scholarships per NCAA rule with 353 male student athletes receiving some athletic scholarship aid. For calendar year 2019, female sports were allowed 159 FTE scholarships per NCAA rule with 248 female athletics receiving some athletic scholarship aid.

5. Entering the Fall 2019 semester, the total number of student athletes who were ineligible due to academic reasons was eight (less than one percent of all student athletes). For the Spring 2020 semester five student athletes were ineligible due to academic reasons (less than one percent of all student athletes).

6. 159 student athletes graduated during the 2019-2020 academic year which includes the December 2019, May 2020 and August 2020 commencement ceremonies. Of these graduates, 75% finished with a GPA of 3.00 or higher.

B. Items Carried Over from Prior (2018-2019 Academic Year) Committee Work

1. In 2018-2019, Senate Chair Michael Berube charged IAC Chair Mark Stephens with providing an informational brief regarding resources available for student-athletes that may be subject to a toxic/abusive coaching environment. This report was accepted by the IAC at its March 12, 2019 meeting and placed on the Faculty Senate agenda for the September 17, 2019 meeting. A copy of the report is included in the Senate record.

2. The 2018-2019 FAR/IAC report was approved by the IAC at its September 19, 2019 committee meeting and subsequently submitted to the Senate where it was accepted as an informational report for its December 3, 2019 meeting. A copy of the report is included in the Senate record.

3. Internal Assessment of Risks Related to ‘Varsity Blues’ National FBI Investigation. On March 12, 2019, 51 individuals across the country were indicted on
charges of criminal conspiracy to influence undergraduate admissions, with allegations suggesting that wealthy individuals engaged in transactional relationships with a third party offering services to broker payments and favors to coaches of certain intercollegiate athletics teams at a number of highly competitive academic institutions in order to gain admission for family members. Additional allegations included arranging for cheating on standardized tests to facilitate meeting admissions standards at highly competitive academic institutions. News coverage of these indictments were widespread and included identification of several high profile celebrities, among others, who contracted for these services. Under the direction of Athletic Integrity Officer Robert Boland, JD, Penn State initiated an investigation of whether similar activities had happened at Penn State and if our athletics admissions process was potentially vulnerable to something similar. This review, which spanned multiple months, was comprehensive and involved an examination of student athletes admitted during the 2018-2019 and 2019-2020 admissions cycles, as well as the use of ‘changes of campus assignment’, which is a process where a certain number of slots are allocated to intercollegiate athletics for the recruitment of student athletes that meet admissions standards at one of the Penn State campuses other than University Park but wish to compete in Division 1 athletics at University Park. A comprehensive review of team roster assignments was conducted with the objective of looking for students that were earmarked as student athletes during the admissions process but were later (after enrollment) dropped from the team roster. In sum, Boland concluded in his analysis, as outlined in a November 7, 2019 memo to Penn State leadership (Dr. Barron, Sandy Barbour, Kenya Faulkner, and others) that Penn State’s admissions procedures were functioning well and included the necessary safeguards to mitigate the likelihood that something similar could happen at Penn State. Mr. Boland briefed the IAC of his investigation and findings at the December 3, 2019 meeting.

4. Determine if Penn State’s Faculty Senate should continue formal participation in the Coalition on Intercollegiate Athletics (COIA). The 2017-2018 IAC committee suggested that Penn State’s participation in COIA was no longer necessary. The issue was revisited again during academic year 2018-2019 following a conversation with Senate Chair Berube. At the conclusion of the 2018-2019 academic year, the IAC recommended continuing to monitor COIA to determine if formal participation in COIA is worthwhile. Committee members Terry Blakney and Keyna Faulkner led a sub-committee on COIA in 2019-2020, which ultimately culminated with the recommendation, followed by a unanimous vote by the IAC at its March 17, 2020 committee meeting, that Penn State no longer participate in COIA. The rationale for this decision, as discussed by the committee, was that COIA was not a widely acknowledged organization nationally, and that through its various internal governance mechanisms (e.g., the Faculty Senate and its IAC committee, the Athletics Integrity Officer, and the NCAA Faculty Athletics Representative) as well as membership and
participation in the Big Ten’s and NCAA’s governance mechanisms, Penn State University gained minimal value from COIA membership and participation.

5. Sub-Committee on Reporting of Academic Performance of Student Athletes and Teams. During the course of the 2018-2019 and 2019-2020 academic year, there were multiple discussions at IAC meetings about the utility of various metrics used to report on the academic performance and progress of our student athletes. These conversations occurred as publicly reported data from the NCAA was shared with members of the IAC committee and as Penn State shared more detailed data about the academic performance of its teams and student athletes. Since a number of suggestions were made about how performance metrics might be presented and shared more widely, a sub-committee was convened to understand NCAA requirements and to make recommendations about how we might improve what is reported at Penn State. This committee met a number of times over the 2018-2019 and 2019-2020 academic year with Jim Strauss serving as Chair of this sub-committee for the 2019-2020 academic year. The committee completed its work and provided a verbal report at the March 17, 2020 IAC meeting as reflected in the minutes. Several suggestions were made including a recommendation that the format adopted for the 2018-2019 FAR/IAC report be maintained, including full transparency on outcomes for each team, as well as the presentation of both longitudinal and peer benchmark data to facilitate interpretation of the academic progress of our student athletes.

C. Routine Committee Business – Academic Year 2019-2020

1. IAC Review and Approval of Competition Schedules for Compliance with Faculty Senate 67-00 Missed Class Time Policies. In accordance with Faculty Senate 67-00 policy, each semester an IAC committee member from Penn State’s Department of Intercollegiate Athletics presents the next semester’s planned competition schedule for each of our 31 Varsity teams, including proposed missed class time due to athletic competition and away travel required for competition. Faculty Senate guidelines require that no team miss more than eight class days per semester and that any request for deviation from this policy be specifically requested of the entire IAC with approval requiring the vote of the full committee. At the September 17, 2019 IAC meeting, ICA’s Lynn Holleran presented the proposed spring 2020 competition schedules for men’s and women’s winter and spring sports. These schedules were approved as presented with requests for softball and baseball to each have 8.5 missed class days due to travel logistics related to the Big Ten’s away schedule. In addition, a waiver was requested and approved for men’s and women’s track and field to compete in the Penn Relays during spring semester exam study days. This is a perennial request due to the scheduling of the historic Penn Relays. The committee approved this request with the condition that the coaching staff would provide student athletes with time for exam study, and that the Morgan Academic Center staff would work with these student
Appendix E
10/20/2020

athletes to prepare for exams knowing that competition would occur during these study
days. At the April 28, 2020 IAC meeting, Lynn Holleran presented the proposed
competition and missed class time schedules for fall and winter sports. It should be
noted that due to the COVID-19 pandemic these schedules were presented as
preliminary and subject to changes pending how the pandemic unfolded. Nonetheless,
the committee approved all schedules, also approving a waiver requesting that Men’s
and Women’s Basketball be allowed to compete on Saturday December 12, 2020 or
Sunday December 13, 2020, which are final exam study days. The request was made to
allow both teams the opportunity to compete in high profile non-conference televised
matchups. The committee approved these requests with the condition that the coaching
staff would work with the Morgan Academic Center to arrange adequate time to prepare
for final exams given these competitions. It should be noted that the Big Ten
Conference subsequently postponed the Fall sports season for all Big Ten sponsored
sports. At the time of this report, details about when Fall sports might resume or when
Winter sports might begin have not been announced.

2. **Report on Athletics Reserved Spaces Program.** At the April 2020 IAC committee
meeting, Vice President and Dean for Undergraduate Education, Robert Pangborn,
distributed his annual report on the ‘Reserved Spaces Program’ sponsored by the Senate
Committee on Admissions, Records, Scheduling, and Student Aid. The reserved spaces
program allows for students meeting the admissions requirements for any Penn State
campus other than University Park to be assigned to the University Park campus if the
student qualifies for one of certain Senate-designated programs or possesses a
specified talent, in this case athletic talent, for which University Park is the only campus
that meets the student’s needs. The athletic portion of the reserved spaces program has
been capped at a maximum of 140 students, though since 2016 many fewer than this
number have been utilized for athletic purposes. For example, in the Fall of 2019 only
109 of the allotted 140 spaces were used. Dr. Pangborn also presented data that
monitors the academic performance of those student athletes reassigned to University
Park through the reserved spaces program. Specifically, Dr. Pangborn reviews annually
the predicted GPA for students admitted under the reserved spaces program. The
admissions office uses a mathematical regression model to predict a science and non-
science GPA based on academic indicators and standardized testing from the
admissions process. Dr. Pangborn examines whether reserved spaces are being used to
admit high-risk student athletes. Based on his review, no significant concerns regarding
the Department of Intercollegiate Athletics’ use of reserved spaces were reported,
suggesting that the reserve spaces program is not being used to admit student athletes
who are not academically qualified to meet the academic rigors of the curriculum
offered at University Park, based on the predicted GPA regression model.

3. **Review of Academic Performance Metrics Tracked and Reported by the NCAA,
the Big Ten Conference and the Federal Government.** At the December 2019 IAC
meeting, Russ Mushinsky, Director of the Morgan Academic Center, provided the IAC with information on academic data for the Penn State student athlete population. The NCAA’s published ‘Graduation Success Rate (GSR)’ was presented along with the Federal Graduation Rate (FGR). The GSR and FGR are metrics tracked and reported by the NCAA to benchmark, compare, and track institutional results on the academic progress of student athletes. These statistics are included in section H of this report and in Appendix B. Overall, Penn State’s progress on these metrics is very good, including the ten year history, with the most recent GSR standing at 91%, which is an increase from the prior year. During his presentation, Mr. Mushinsky provided detailed breakdowns of the academic metrics (e.g., by sport) and with comparison data relative to other Big Ten and NCAA institutions. A brief synopsis of the methodology used to compete these measures is also provided in Section I of this report.

4. Report on Academic Results from the Fall 2019 Semester. At the January 2020 IAC meeting, Russ Mushinsky, Director of the Morgan Academic Center, shared information regarding the academic performance of Penn State’s student athletes during the Fall 2019 semester. Since this was the first full academic year where Penn State’s new academic warning system was put in place, Mr. Mushinsky also explained that new system and reported its impact to date on student athlete eligibility.

5. Faculty Senate Approval of Football Bowl Game – Current Penn State Faculty Senate Policy requires the IAC to approve Penn State’s participation in a Bowl Game. Because Bowl Announcements have become ‘automatic’ through the Bowl Championship Series (BCS) process, the University has little to no choice regarding bowl game date/location/opponent. The IAC unanimously approved PSU participation in the Cotton Bowl.

D. New Business for the 2019-2020 Academic Year

1. Review of Faculty Senate 67-00 Missed Class Time Policy. During the 2018-2019 academic year the IAC addressed two specific areas of 67-00 policy, the first related to the circumstances under which a student athlete could petition athletic ineligibility due to a GPA falling below the required standard. The committee sought to clarify that the GPA cutoffs used to establish eligibility were ‘hard’ thresholds and that petitions should only be considered in situations where a GPA below the threshold was due to an ‘extenuating circumstance’. Second, the committee updated the 67-00 policy to allow for any form of Penn State approved online instruction, including residential online instruction or World Campus instruction, to be eligible for meeting the minimum enrolled credit standard needed to be considered eligible for athletic competition. In academic year 2019-2020 the committee focused on two additional areas of Senate 67-00 policy, specifically class time periods when regularly scheduled athletic practices are prohibited to allow for ample time for student athletes to take their classes. Second, the
policy that permits a maximum of eight missed class days per semester for team competition, and the associated guidelines related to how one full or one half missed class day is computed. The committee prioritized focusing on these two issues since it had been some time since these policies were written and there was a belief that the ‘traditional class periods’ at Penn State may have expanded over the years outside of the range in the past, and thus the existing policy may not accurately reflect when student athletes are actually scheduled for and expected to attend class. The committee’s work spanned multiple months and initially sought data from the university registrar to examine when classes at the University Park campus were offered and which class periods were most common for student athletes. An examination of this aggregate data was useful and generally indicated that the restrictions on class periods where athletic practices should not be scheduled were still applicable. After looking at the aggregate data the committee, with cooperation from the University Registrar and the Morgan Academic Center staff took a thorough approach to missed class time by merging 67-00 policy, with actual Spring 2019 and Fall 2019 semester enrollment data, against the actual competition schedules for three teams that typically utilize the entire allowed amount of eight missed class days. These sports included women’s soccer, baseball, and men’s golf over both semesters. The 67-00 policy assigns missed class days to a team based on time of departure from campus according to the following guidelines:

**Athletic teams or individual team members may be absent from the University for no more than eight (8) class days in one semester. The number of class days missed by each Intercollegiate Athletics team shall be kept on record by the Intercollegiate Athletics Committee and Intercollegiate Athletics It shall be the joint responsibility of those bodies to enforce these limitations.**

1. **One full class day absence is counted if student athletes are absent from classes beginning prior to 12:00 pm.**
2. **One half class day absence is counted if student athletes are absent from Monday, Wednesday or Friday classes beginning between 12:00 pm and 2:15 p.m.**
3. **One half class day absence is counted if student athletes are absent from Tuesday or Thursday classes beginning between 12:00 pm and 2:50 p.m.**
4. **No absence is counted when student-athlete absences begin Monday, Wednesday or Friday after 2:15 p.m.**
5. **No absence is counted when student-athlete absences begin Tuesday or Thursday after 2:50 p.m.**
6. **No absence is counted for absences due to championship competitions.**

Source: [https://senate.psu.edu/policies-and-rules-for-undergraduate-students/67-00-athletic-competition/](https://senate.psu.edu/policies-and-rules-for-undergraduate-students/67-00-athletic-competition/#:~:text=Penn%20State%20University%20Athletic%20Conference&text=If%20a%20student%20athlete%20drops%20ineligible%20to%20practice%20or%20compete]
Since missed class days for each team member do not vary and is based on team departure times from campus rather than computed for each individual, the question the sub-committee sought to answer was whether the majority of student athletes on teams with upward of eight missed class days actually had eight or fewer missed class days when considering their individual class schedules. For each student athlete on these three teams, the MAC counselors produced an actual missed class time count for each student athlete based on class schedule and actual time of departure from campus for competitions during the Spring 2019 and Fall 2019 semesters. After looking at this analysis, only one student athlete (from these three teams) actually ended up missing more than eight class periods for one of this student’s scheduled classes in the Fall 2019 semester. Thus, the conclusion of the sub-committee from this analysis is that the limits on missed class time for competition, as well as the rules for counting missed class time are generally accomplishing the intended goals of the policy. Thus, the sub-committee does not recommend any changes at this point, and in fact this self-study should allow this policy to remain in effect for several years before a similar exercise might be conducted again. It should be noted that the more detailed analysis was not done for all teams. This was the case because a number of teams, e.g., football, typically fall well short of the allowed eight missed class days (football typically misses one day for each of the five away games scheduled each year, resulting in a total of five missed class periods). In addition, the time consuming analysis done for three teams gave the sub-committee confidence that the existing policy was meeting its intended objective. Factors helping to keep missed class time at a minimum include priority registration for student athletes and careful planning regarding travel itineraries, Dwight Davis presented the results of this analysis to the IAC committee at its June 15, 2020 meeting and there was a motion, a second, and unanimous approval to accept the report and its conclusion that the current 67-00 missed class time and practice time scheduling requirements are meeting the intended purpose of the policy.

2. Report on the Current Landscape of Legalized Sports Wagering. Senate Chair Nicholas Rowland charged the IAC with reviewing the landscape and environment pertaining to state laws on legalized gambling. A sub-committee was formed to study the current environment. The work of this committee culminated in a detailed memorandum presented to the IAC at its August 2020 meeting. A copy of this memo can be found in Appendix A.

3. Modification to Senate Policy 67-30 Regarding Scheduling Commonwealth Campus Non-Conference Competition on Saturdays During the Final Exam Study Day Period. The Commonwealth Campus Faculty Athletics Representatives requested modification to Faculty Senate Policy 67-30, “Division III and PSUAC – Athletic Competition (non-University Park)”, allowing for the scheduling of non-conference athletic competitions during the Saturday exam study period immediately following the last day of Fall/Spring semester classes and before the exam period starts the following
Monday. The rationale for this request, as supported by the FARs at the Division III and PSUAC campuses, is that the ability to schedule non-conference competitions on the Saturday prior to final exam week would cut down on competitions scheduled during the final week of classes before the exam period. The specific request was to remove the waiver requirement for scheduling of non-conference competitions on Saturday, while also explicitly removing the opportunity for submission of waivers for non-conference competition on Sunday of the exam study period. This motion was unanimously supported by a vote of the IAC and was sent to the University Faculty Senate for its consideration, and was ultimately approved by the Senate on April 28, 2020.

E. Updates on the Broader Landscape of Intercollegiate Athletics

During Academic Year 2019-2020, the committee was briefed by Vice President for Athletics Sandy Barbour and others on a number of issues receiving attention in the broader landscape of intercollegiate athletics. These briefings included:

1. **Impact of COVID-19 on Intercollegiate Athletics.** Starting with the March 17, 2020 IAC meeting and continuing at the April 28, 2020 meeting, the June 16, 2020 meeting, and the July and August of 2020 meetings, Vice President for Athletics Sandy Barbour briefed the IAC on the impact of COVID at Penn State, and at the Conference and NCAA levels. Topics ranged from the decision to cancel the men’s and women’s Big Ten Conference basketball tournaments in March as well as the cancellation of all spring sports, and ultimately the decision to postpone Fall 2020 sports. Other issues pertained to lost eligibility and the potential for some student athletes to regain a season of competition, as well as discussions regarding the budgetary impact of canceling or postponing seasons. Barbour briefed the committee on planned health and safety protocols for the return of student athletes to campus as well as concerns regarding potential mental health issues due to loss of the ability to compete. Barbour also discussed the response of ICA and the Big Ten Conference to social justice issues including the protests associated with the Black Lives Matter movement in response to the killings of George Floyd, Amaud Arbrey, and Breonna Taylor. Barbour also addressed the committee regarding the ICA’s response to publicly reported allegations of racially insensitive comments made by men’s head basketball coach Patrick Chambers. As COVID-19 remains a fluid topic, the committee will continue to be briefed by Barbour during at its meetings in the 2020-2021 Academic Year.

2. **Name, Image and Likeness.** At the February 2020 IAC meeting Vice President Barbour discussed the status of ongoing discussion pertaining to Name, Image and Likeness (NIL), which was the dominant topic at the NCAA national convention in January. The situation is very dynamic and complicated. In addition to the NCAA’s discussions regarding how to allow for student athletes to benefit from their NIL within the NCAA’s principles of amateurism, State and Federal governments are also discussing changes with legislation in California passed in the summer of 2019 having led received
significant attention. The emphasis on NIL has subsided to some degree due to the COVID-19 crisis, but the situation is fluid and NIL will continue to be a major issue that Penn State and the Big Ten will want to monitor.

3. **Transfer Environment and Big Ten Transfer Data.** Potential legislation regarding transferring from one institution to another, and the associated rules regarding student athlete eligibility to compete, remain an ongoing topic of discussion at the national and Big Ten Conference level. Vice President Barbour updated the committee on the status of discussions and at the January 2020 IAC meeting. Faculty Athletics Representative Dennis Scanlon presented data assembled by the Conference’s compliance officers that included historical trends of transfers in and out, by institution and by sport. The plan is to continue to track this data and to use it as a way to monitor the impact of the recently enacted ‘transfer portal’ process.

F. **Description of Faculty Athletics Representative’s Activities**

The National Collegiate Athletics Association (NCAA) requires each member institution to appoint a FAR “to provide oversight of the academic integrity of the athletics program, and to serve as an advocate for student athlete well-being” ([https://www.ncaa.org/sites/default/files/FAR_STUDY_Report_final.pdf](https://www.ncaa.org/sites/default/files/FAR_STUDY_Report_final.pdf)). At Penn State the FAR is appointed by and reports to the University President following the solicitation of nominations for the position by the Senate’s Committee on Committees and Rules (CCSA). The FAR is an ex-officio member of the Intercollegiate Athletics Committee (IAC) and “represents the faculty in all matters related to varsity athletics at University Park” ([https://www.ncaa.org/sites/default/files/FAR_STUDY_Report_final.pdf](https://www.ncaa.org/sites/default/files/FAR_STUDY_Report_final.pdf)). In this role, the FAR routinely interacts with the Department of Intercollegiate Athletics, the Office of Athletics Compliance, the Morgan Academic Center, the Vice President for Undergraduate Education, the Athletics Integrity Officer, the Vice President for Administration, and other offices and individuals with direct responsibility for, or oversight of Penn State’s Athletics program. In this capacity the FAR is a member of many standing committees, such as the Athletics Integrity Council. The FAR also oversees and participates in many important processes such as the administration of the NCAA Coaches Exam, the certification of student athlete eligibility for practice and competition, the appeals committee for violations of the Intercollegiate Athletics substance abuse and alcohol policy, and numerous other processes including annual review meetings with head coaches from each of Penn State’s thirty-one varsity programs. The FAR is the signatory for self-reports of any NCAA or Big Ten Conference rules violations, as well as requests for waivers and appeals pertaining to issues such as athletic eligibility or medical hardship.

The FAR also participates in Big Ten Conference governance, serving as a member of the Big Ten’s ‘Joint Group’, which consists of the Athletic Directors, Senior Woman Administrators, and FARs at all fourteen Conference Institutions. The Joint Group meets four times annually and periodically with the Conference’s Council of Presidents and
Chancellors (COPC). The Conference’s FARs also meet separately five times annually in conjunction with the JG and COPC meetings. Collectively these various groups monitor and set Conference rules and policies, discuss emergent and strategic issues pertaining to intercollegiate athletics, and discuss NCAA and Autonomy Five policies and proposed legislation.

For the 2019-2020 academic year, Dr. Scanlon, Penn State’s FAR, served as Chair of the Big 10 Conference’s Joint Group Executive Committee (JGEC), and as Chair of the Big Ten Conference’s Joint Group (JG). Dr. Scanlon was also a member of the Conference’s Program Budget and Review (PBRC) committee. In these capacities Dr. Scanlon had responsibility for setting the meeting agendas and presiding over the meetings for the JGEC and JG. In addition, as chair of the Joint Group, Dr. Scanlon was a liaison to the Council of Presidents and Chancellors (COPC) and attended their bi-annual meetings. With the emergence of COVID-19, and as Chair of the JGEC and JG, Dr. Scanlon initiated a more frequent meeting structure in order to be responsive to the decisions and needs emerging as a result of the pandemic. At the national level, Dr. Scanlon attended the annual NCAA convention in January of 2020.

In his capacity as FAR, Dr. Scanlon, represents Penn State’s perspective in various Conference and national issues, and also brings back to campus relevant information on issues discussed so as to inform the Penn State process. Dr. Scanlon has provided briefings to President Eric Barron on relevant topics such as the impact of COVID-19 on intercollegiate athletics, trends regarding NIL and transfer environment, etc.

G. Student Athlete Academic Award - Highlights

1. **Individual and Team GPA Performance.** During the Fall 2019 academic semester, 535 of 831 (64%) student athletes earned a GPA of 3.00 or higher and 28 of 31 teams had an average team GPA of 3.00 or higher. Similar numbers for the Spring 2020 semester were 694 of 779 (89%) student athletes and 31 of 31 teams.

2. **Big Ten Post-Graduate Scholarship Winners.** Two Penn State student athletes were awarded one-time $7,500 awards to support the pursuit of graduate education. The female winner was Jade Rowland from Women’s Fencing who will be pursuing a master’s degree from the London School of Economics. The male winner was Mason Nadeau from Baseball who plans to pursue an MBA after gaining some full time employment experience. Jade Rowland from Women's Fencing also won an NCAA Postgraduate Scholarship. This award, which is managed by the NCAA, is a highly competitive and coveted award. The Faculty Athletics Representative annually nominates several other student athletes for prestigious national postgraduate scholarship awards offered by the NCAA and Big Ten Conference.
3. **Big Ten Conference Distinguished Scholar Award.** This Conference award acknowledges student athletes who have earned an academic year GPA of 3.70 or higher. This award was established by the Big Ten’s Faculty Athletics Representatives in 2008 to acknowledge the significant academic accomplishments of this elite group of student athletes. In 2019-2020, Penn State had 144 Big-Ten Distinguished Scholars. The graph in Appendix B illustrates Penn State’s longitudinal trend for this award from academic year 2008-2009 to academic year 2019-2020.

4. **Academic All-Big Ten Selections.** The Big Ten Conference annually announces All Big Ten Academic selections. Eligibility for this award requires a cumulative GPA of 3.00 or higher. Student athletes are eligible for this award beginning in their second academic year of enrollment, and can earn the award for each subsequent year if they maintain a cumulative 3.00 GPA. Historically, Penn State has earned 6,953 Academic All-Big Ten selections since 1991-92 (our first year of competition in some Big Ten sports). For the 2019-2020 academic year, Penn State had 350 student athletes receive this distinction. The graph in Appendix B illustrates the 2009-2010 to 2019-2020 trend in Academic All-Big Ten selections for the fall, winter, and spring sports teams.

H. **Data and Metrics Used to Monitor the Academic Performance of Penn State’s Division 1 Student Athletes**

The NCAA requires all member institutions to track and report three standardized metrics. Two of these metrics (GSR and FGR – see below) measure the degree to which student athletes graduate and complete their academic degrees. The third metric (APR – see below) measures progress towards degree, which is an important predictor of the likelihood of graduation. The NCAA publicly reports these measures, including national benchmarks for these measures, as a way of facilitating comparisons and holding member institutions accountable for academic success. The NCAA also sets minimum requirements for some of these metrics in order for teams to be eligible for post-season competition. Finally, beginning in the Spring of 2020, the NCAA has instituted an ‘Academic Based Revenue Distribution Model’, which ties a portion of NCAA revenue distribution to member institutions based on achieving certain thresholds for each of these three measures.

The graph in Appendix B presents Penn State’s longitudinal information for the Graduation Success Rate (GSR), the Academic Progress Rates (APR) and the Federal Graduation Rate (FGR). The reader should note that the standardized computation of these rates follows NCAA guidelines, which can be somewhat complicated to understand. For readers interested in understanding the details of these computations, information is provided below the table regarding their calculation. In addition, full details of the GSR and APR measures are reported by specific team and with comparative data in Appendix B.

**Notes to facilitate interpreting the GSR, APR, and FGR metrics:**
The **Graduation Success Rate (GSR)** is a percentage of scholarship student athletes graduating during a six-year window. Each cohort includes freshmen (fall and mid-year) plus incoming transfer students less any athletes who left the institution in good academic standing. So, for example, Penn State’s most recently reported GSR rate of 90% is based on the cohort of scholarship student athletes who enrolled in the academic year commencing in the fall of 2011, and includes the percentage that graduated within the six-year window ending in summer 2017.

The **Academic Progress Rate (APR)** is based on four years of data, with the most current year’s data added and the oldest year removed to create a four-year (multi-year) rolling average. The APR scores are a measure of eligibility and retention/graduation for each student athlete receiving an athletic scholarship during the identified academic semester/year. Retention is evaluated for each student athlete with the following question in mind: Did that student athlete return to the institution the next semester. The APR is used to monitor the extent to which enrolled student athletes are making sufficient academic progress towards their chosen majors so as to be on track to graduate in a timely fashion. Since 2015-16, teams must earn a four-year APR average of 930 to be eligible to compete in NCAA sponsored championships.

The **Federal Graduation Rate (FGR)** measures the percentage of fall, first-time, full-time freshman receiving an athletics scholarship who graduate within six years of entering their original four-year institution. The cohort does not include January enrollees, or transfer student athletes that receive athletics aid. The cohort does exclude those that leave an institution in good standing (i.e., leaving academically and athletically eligible).

I. **Committee Tasks for Academic Year 2020-2021**

At the August 2020 IAC meeting, Chair Mark Stephens identified the following topics as priority areas of focus after his discussion with incoming Senate Chair Beth Seymour:

a. Behavioral Health Optimization with an emphasis on institutional bias and racism
b. Name, Image and Likeness
c. Impact of COVID-19
d. Sports Gambling
e. Impact of graduate student policies for student athletes.

J. **Roster of Committee Members, Academic Year 2019-2020, SENATE COMMITTEE ON INTERCOLLEGIATE ATHLETICS**

- Mark Stephens, Chair
- Terry Blakney, Vice Chair
- Sandy Barbour
- Robert Boland
- Philip Bosha
- Alexis Burke
- Dwight Davis
- Kenya Faulkner
- Charmelle Green
- Frank Guadagnino
• Meredith Handley
• Andrew Hardyk
• Lynn Holleran
• Lauren Kramer
• Daniel Larson
• Russell Mushinsky
• Timothy Palmer
• Robert Pangborn
• Daniel Perkins
• Dennis Scanlon
• Steinn Sigurdsson
• Matthew Stolberg
• James Strauss
• Jennifer Weld
Appendix A
Response to Faculty Senate Charge
Penn State Intercollegiate Athletics
Gambling Report

Memorandum

Date: August 17, 2020
To: Mark Stephens, Senator & Chair
From: Robert Boland, Athletics Integrity Officer- Author
Alexis Burke, Senator;
Lynn Holleran, Deputy Athletics Director;
Professor Steinn Sigurdsson, Senator;
Matt Stolberg, Athletics Compliance Officer

Re: Submission to the Faculty Senate Committee on Intercollegiate Athletics in Response to
President Rowland’s Charge to Develop a Better Understanding of Challenges Presented
by Widespread Legalized Sports Betting

Background

In the fall of the 2019-20 Academic Year, Faculty Senate President Nicholas Rowland
charged this Committee with developing a better understanding of the possible range of impacts
related to the legalization of wide-spread, legalized sports betting in both Pennsylvania and
nationally on Penn State as an institution.

The U.S. Supreme Court on May 14, 2018, in the case of Murphy v. NCAA, struck down a
1992 law, the Professional and Amateur Sports Protection Act, (PASPA), 28 U.S.C. Secs. 3701-
3704, which prohibited state-sanctioned sports gambling. Included in PASPA were exceptions for
state-sponsored sports wagering in Nevada which had been in place for many years, sports lotteries
in Oregon and Delaware that were also in existence, and it offered a window of opportunity for
New Jersey to enact legalized sports betting by 1993. New Jersey did not enact such an
authorization. In 2012, New Jersey finally passed an authorization to allow legalized sports betting
under state authority and then Governor Chris Christie sued seeking to overturn PASPA. This was
opposed by the major professional sports leagues and the National Collegiate Athletic Association
(NCAA).
In the 20 years after PASPA’s original passage, views on the morality of sports betting had dramatically changed, in part aided by the prevalence of fantasy sports and the proliferation of casinos around the country. Many states, including Pennsylvania, passed authorizing legislation that permitted legalized sports betting in the state automatically upon PASPA ever being amended or stuck down.

Penn State prior to PASPA’s being struck down by the *Murphy v. NCAA* decision, a 6-3 decision of the Supreme Court, had formed a working group. This working group included representatives from Senior Administration, Government Relations, Office of General Counsel, Ethics & Compliance, Strategic Communications, and Intercollegiate Athletics. These meetings focused on helping shape what the operating regulations would look like in Pennsylvania.

Penn State joined Temple University and the University of Pittsburgh, the three in-state institutions that play college football at the Football Bowl Series (FBS) level- the highest level of collegiate sports- to jointly urge state authorities to consider several options that would have been protective of Penn State. The first of these was a suggestion that mirrored the Nevada and New Jersey rules that prohibited in-state betting on in-state institutions of higher learning. Nevada where sports books have been legal for decades betting on the University of Nevada and University of Nevada Las Vegas (UNLV) contests had been long prohibited as an integrity mechanism. New Jersey opted to follow this with their in-state institutions as well, although that has been since changed.

The second of these suggestions to regulators proposed a one-year moratorium on college sports betting to allow the institutions and the state authorities to examine trends in newly legalized professional sports betting. The rationale was that professional leagues had already developed expertise in integrity and monitoring of betting lines and professional athletes who were prohibited from betting under both league and collectively bargained rules, would not risk their livelihoods to bet. Therefore, universities could have the benefit of a year of study to prepare for what would ultimately be legalized betting on collegiate contests.
Both proposals were rejected by Pennsylvania regulators, who made it clear that if neighboring states would take bets on Nittany Lion contests Pennsylvania would also do so.

The Pennsylvania regulators did agree with the universities on one final issue, which was to preclude proposition bets (also called prop betting) which involved bets made or taken on issues that were largely in control of participants. These bets, while usually smaller are often considered the most subject to manipulation or fixing, because these could be the source of quick and less traceable small wins by amateur college athletes and their friends. Prop bets are often the most concerning to betting integrity monitors.

Pennsylvania regulators did however take some time in allowing sports books and casinos to be licensed and open. New Jersey casino sports books took bets in the later months of 2018, Pennsylvania permitted its first legal bets in August of 2019 in time for the collegiate and NFL seasons. New Jersey’s experience in terms of the state’s “handle,” the amount of total revenue bet in state and the amount retained exceeded all prior projections. New Jersey generated in excess of $300 million dollars total revenue bet each in the months of November and December and a total of $1.28 billion dollars in just the fall of 2018 alone. Pennsylvania would have similar success in 2019 emerging as the number three state in sports betting activity behind only New Jersey and Nevada. New Jersey and Pennsylvania both allowed in-state online betting which typically accounted for about 75% of all bets made, meaning that sports betting was not limited to casino sports books or race tracks but anywhere physically in the state.

First Preventative Steps

In the fall of 2018, the Big Ten Conference proposed updating the Conference Operating Standards to include several new provisions related to sports betting and its impacts. These suggestions included:

a. Provide preventative vetting at the point of hire for coaches, medical personnel, and any other staff who (i) will be privy to competition-related information known only by those in and around a sport program, which could be valuable in a sports-wagering context, and/or (ii) could be in a position by virtue of function to affect the integrity of a competition.
b. Provide comprehensive education to students and staff regarding not only NCAA rules regarding sports wagering, but also with respect to managing risks associated with possessing competition-related information known only by those in and around a sport program, which could be valuable in a sports-wagering context.

c. Establish a process for monitoring sports wagering information (e.g., movement of betting lines) as well as other sources of information that either relates to or could affect sports wagering (e.g., social media activity).

d. Provide clarity regarding engaging appropriate authorities (e.g., law enforcement) as needed in the event an individual becomes aware or has reasonable suspicion that the integrity of a competition may be or may have been compromised.

The Big Ten’s proposals were ultimately tabled in the Conference’s Joint Group but these proposals provided the starting point for members of this committee- Lynn Holleran, Matt Stolberg and the author- in establishing initial focal points for Penn State’s oversight response regarding: maintaining the integrity of its games from match fixing; protecting confidential information from being distributed to bettors; providing enhanced training and education not only to student-athletes and staff but also support staff members whose work brings them in close proximity to coaches and athletes, as well as the families of athletes, who all might have access to confidential information that would be valuable to bettors.

The provision for establishing a process for monitoring the movement of betting lines and the passing of information through social media activity seemed problematic for most conference institutions. However, during the 2019-20 Penn State was able to work with an outside firm, U.S. Integrity, to assist in both these dimensions as well.

The Present Landscape

The success of New Jersey’s experience created a significant range of states beginning to authorize sports wagering, by the beginning of the 2019-20 Academic Year, anyone in Pennsylvania, or in neighboring New Jersey and West Virginia with a smart phone could legally place a bet on any Penn State athletic contest. Delaware which had a sports lottery before PASPA was struck down allowed collegiate sports betting both as part of its lottery and in several casinos in the state. New York permitted only in-person sports betting in four upstate casinos and
prohibited online betting. Neighboring Ohio and Maryland are the only states contiguous to Pennsylvania not to offer legalized in-state sports betting, but both have authorizing legislation pending.

As of the date of this memoranda, 17 states have gone live with legalized sports betting—that number was 10 at the beginning of the 2019-20 Academic Year. Most have allowed online sports betting—making anyone’s smart phone a portal to place a bet. The District of Columbia and three other states have passed bills authorizing sports wagering—meaning 20 states now offer legalized sports betting. There are only seven states now without legislation proposed to allow legalized sports betting.

**Challenges to Specific Collegiate Sports**

While the fast growth of sports betting nationally have been a financial success story for states seeking a quick influx of revenue, it has also blurred both the moral and ethical lines between what is a legal bet which can be monitored and what is an illegal bet, which is unmonitored and puts the bettor at risk. It has also put pressure on sports books and illegal bookmakers alike to offer an expanding variety of exotic and proposition bets to attract interest of bettors. This means that bets that can be taken on in-game events in the sole control of the athletes, often while the game is going on, that don’t necessarily affect the outcome of the game, all of which expands the possibility of point shaving, fixing or integrity violations to occur.

Professional sports leagues as compared to collegiate sport, have several advantages in surveilling their own betting integrity in this betting expansive environment. The first is players, coaches, and staffs are highly compensated and would risk losing their jobs meaning that small, less detectable bets are usually not worth the risk. None of the professional leagues play more than 16 games on any given day and each league is armed with multiple attorneys and investigators to examine sudden changes in betting lines or surprising betting outcomes that were unexplained and they can do this on a global level through surveillance firms agreements with sports books and casinos.
Despite the NCAA already having rules that prevent players, coaches, and athletic department employees from betting on any sport the NCAA offers a championship in, the environment around a college athletics program, like Penn State, is much larger and more open than any professional franchise. Student-athletes who are not paid, beyond a scholarship and certain permissible stipends, are integrated into the larger student body and the collegiate environment is governed by a number of privacy policies that keeps certain insider information which is vital to bettors and match fixers largely private. These include injury, discipline, and availability information which are publicly shared in professional sports are not in collegiate sports. The collegiate environment poses unique integrity and monitoring problems not seen in professional sports.

**Challenges to the Collegiate Environment**

In working through the 2019-20 Academic Year, one of the crucial issues isn’t just the integrity of games but also the range of challenges widespread legalize sports betting poses to the University as a whole. This was a part of President Rowland’s charge. It is also part of President Barron’s charge on an institutional level as well.

Given the adjustments that took place during the Academic Year because of Covid-19, this is an area where many planned steps remain incomplete or having been just been begun.

In February 2020, Lynn Holleran, and the author, met with Vice President for Student Affairs Damon Sims to explore collaboration between ICA, Ethics & Compliance and Student Affairs in promoting greater awareness of the challenges of presented by widespread legalized sports betting.

It is clear that legalized sports betting poses a significant risk to the Penn State student body as a whole. This risk particularly connects with men in the 18-24 age range, where addiction and risk-taking behaviors are a conjoined concern. Sports betting both legal and illegal become a gathering point for students in social groups, especially fraternities, and the blurred line between what had been exclusively illegal and underground betting and now legalized, and heavily-
promoted, sports betting supports a range of possible poor to dangerous choices including addiction, financial concerns and legality.

Several other universities, including Purdue, Villanova and St. Joseph’s have looked at the notion of sports betting bans for faculty and staff. Penn State has not advocated taking this step for all betting, in part based on concerns regarding practical enforcement. But whether sports betting, particularly directly on Penn State contests, which do pose a range of conflicts of interest with the role of educator makes this is a topic for discussion for the next Faculty Senate to consider, either as an advisory step based on ethical concerns or as a mandated one. A similar prohibition has been discussed as a goal for the Board of Trustees, to limit betting

**Penn State’s Response to Date**

- Penn State’s Athletics Compliance Office and Athletic Integrity Office have undertaken 31 specific educational and training steps taken both in 2018-19 and now in 2019-20- it is quite comprehensive- attached
- The Athletics Integrity Council has amended the Intercollegiate Code of Conduct that requires signing parties, which includes all student-athletes, coaches, managers, athletic trainers, trustees, and the President, to specifically disclose contact from gamblers or requests for or regarding betting information- attached
- Our monitoring trial U.S. Integrity surveillance relationship and the Big Ten's surveillance relationship with Don Best reviewing betting lines and gaming integrity have been helpful in a variety of ways in helping understand the ranging of bets being place- which included not only Football, Men’s Basketball but also included bets being place on Men’s and Women’s Ice Hockey, Softball, Men’s and Women’s Lacrosse and Men’s Soccer and Women’s Volleyball.
- Our efforts to list student-athletes and coaches on a non-betting list kept by the state.
- Continued examination of proposals like the Purdue University proposal- that bans students and faculty from betting on Purdue University- and ask as to whether it is something our Faculty Senate would want to consider- Villanova and St. Joseph's in state have also considered such a ban- we discussed this at the Big Ten Institution Control

- The Big Ten Benchmarking regarding each institution and steps taken regarding sports betting
- Discuss next steps in educating our student body and the President's charge regarding sharing information on University property and network resources being used in sports betting.
Date: October 14, 2020

To: All Senators and Committee Members

From: Dawn Blasko, Executive Director

Following is the call in and meeting number of all Senate meetings October 19 and 20, 2020. Please notify the University Faculty Senate office and committee chair if you are unable to participate.

MONDAY, OCTOBER 19, 2020

3:00 p.m.
Joint Committee on Insurance and Benefits – https://psu.zoom.us/j/96438100551
OR Number to call: 301-715-8592 or 312-626-6799
Meeting number: 9643810055#

6:30 p.m.
Officers and Chairs Meeting – https://psu.zoom.us/j/96784558180
OR Number to call: 646-876-9923 or 301-715-8592
Meeting number: 96784558180#

8:15 p.m.
Commonwealth Caucus Meeting – This meeting is cancelled for the evening

TUESDAY, OCTOBER 20, 2020

8:00 a.m.
Intercollegiate Athletics – https://psu.zoom.us/j/97320281120
OR Number to call: 312-626-6799 or 646-876-9923
Meeting Number: 97320281120#
8:30 a.m.

Committees and Rules – https://psu.zoom.us/j/96854353870
OR Number to call: 646-876-9923 or 301-715-8592
Meeting number: 96854353870#

Curricular Affairs – https://psu.zoom.us/j/92700686386
OR Number to call: 646-876-9923 or 301-715-8592
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Educational Equity and Campus Environment - https://psu.zoom.us/j/97030643990
OR Number to call: 312-626-6799 or 646-876-9923
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Faculty Affairs – https://psu.zoom.us/j/92293660248
OR Number to call: 301-715-8592 or 312-626-6799
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Faculty Benefits – https://psu.zoom.us/j/99766910396
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Intra-University Relations – https://psu.zoom.us/j/97243955700
OR Number to call: 301-715-8592 or 312-626-6799
Meeting number: 97243955700#

OR Number to call: 312-626-6799 or 646-876-9923
Meeting number: 91089505508#

Outreach – https://psu.zoom.us/j/96030155192
OR Number to call: 646-876-9923 or 312-626-6799
Meeting number: 96030155192#

Research, Scholarship, and Creative Activity – https://psu.zoom.us/j/95621437765
OR Number to call:646-876-9923 or 301-7158592
Meeting number: 95621437765#

University Planning – https://psu.zoom.us/j/93271034261
OR Number to call: 312-626-6799 or 646-876-9923
Meeting number: 9321034261#
9:00 a.m.

**Admissions, Records, Scheduling, and Student Aid** – [https://psu.zoom.us/j/97165166171](https://psu.zoom.us/j/97165166171)
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**Education** – [https://psu.zoom.us/j/96404060701](https://psu.zoom.us/j/96404060701)
OR Number to call: 646-876-9923 or 301-715-8592
Meeting number: 96404060701#

**Global Programs** – [https://psu.zoom.us/j/96402183128](https://psu.zoom.us/j/96402183128)
OR Number to call: 312-626-6799 or 646-876-9923
Meeting number: 96402183128#

**Student Life** – [https://psu.zoom.us/j/98063789580](https://psu.zoom.us/j/98063789580)
OR Number to call: 301-715-8592 or 312-626-6799
Meeting number: 98063789580#

11:00 a.m.

**Student Senator Caucus** – [https://psu.zoom.us/j/97995137268](https://psu.zoom.us/j/97995137268)
OR Number to call: 301-715-8592 or 312-626-6799
Meeting number: 97995137268#

**Commonwealth Caucus Meeting** – [https://psu.zoom.us/j/92989520449](https://psu.zoom.us/j/92989520449)
OR Number to call: 646-876-9923 or 301-715-8592
Meeting number: 92989520449#

1:00 p.m.

**University Faculty Senate Plenary Meeting** – [https://psu.zoom.us/j/93585910342](https://psu.zoom.us/j/93585910342)
MINUTES OF SENATE COUNCIL  
Tuesday, October 6, 2020 1:30 p.m.  
Remote via Zoom


**Absent:** Kent Vrana

**Visitors:** M. Bérubé, J. Strauss, S. Townsend, M., Strickland

Chair Seymour called the meeting to order at 1:30 p.m. on Tuesday, October 6, 2020.

**Petition to Call a Special Session of Faculty Senate**

A petition was received on October 1, 2020 to convene as soon as possible to discuss the resolution introduced at the September 29th special meeting during new business. The Bylaws requires that five faculty members review the issues substantively with the Senate Council before the special meeting if the Senate. Michael Bérubé, Frank Marco, Jim Strauss, and Martha Strickland and Sarah Townsend stood available for discussion.

**APPROVAL OF THE MINUTES**

The minutes from Senate Council’s September 1, 2020 meeting were approved on a Eckhardt/Ozment motion.

**ANNOUNCEMENTS AND REMARKS**

The Faculty Advisory Committee met with the President and Provost on June 23, 2020 and discussed the following topics: Library Cutbacks Admissions, Searches, COVID-10, Contract Tracing, COVID-10 Testing, Dashboard Accessibility and Broadening, Shared Modeling Decisions, Spring Schedule

The next FAC meeting is scheduled for November 10, 2020. Please submit any topics for FAC consideration to any of the Senate Officers or the elected FAC members, Renee Bishop-Pierce, Carey Eckhardt, and Judy Ozment.
COMMENTS FROM THE CHAIR:

I announce the formation of the External Matters subcommittee, chaired by Immediate Past Chair Nicholas Rowland. He is joined on this committee by Steve Snyder, Alok Sinha, Karyn McKinney and Nathan Tallman.

I want to thank everyone for all of the hard work that you are doing. You are all, administrators, staff, and faculty, some of the hardest working people at this University, during a time when everyone is working hard. I want to acknowledge and appreciate your efforts.

I called together the faculty councilors, officers, and parliamentarian several times over the last few weeks to ask for guidance and advice. Ultimately, I had to make decisions, and I take responsibility for each and every one of them. While some of those decisions have not pleased everyone, I am sure that the best parts of all of those decisions came from you. I am deeply honored that I work with such a broad range of talented people, and that you give your time when I request it. I cannot thank each of you enough for the advice that you give me.

Vice Presidents’ and Vice Provosts’ Comments

Provost Jones discussed plans for Penn State’s Spring 2021 semester, that included starting one week later in January; continuation of the current flexible instructional modes, including in-person; the elimination of spring break; and completion of instruction by April 30 for its 20 undergraduate campuses. Final exams will take place in person or remotely, depending on the mode of the course, May 3-7. The University will maintain its observance of Martin Luther King Jr. day on Jan. 18 for students and faculty, when no classes will be held and Dr. King’s legacy will be celebrated through a number of virtual events.

A large committee from across the University that included academic administrators, Faculty Senate, Human Resources, and representatives from the offices of the Registrar, Global Programs, Student Affairs, Housing, Commonwealth Campuses, Human Resources, Student Aid, the Graduate School considered multiple scenarios under consideration for the spring semester’s 15-week instruction window.

The COVID-19 dashboard has been updated. The number of cases shows a downward trend in amalgamated data. However, it is important to remain vigilant. There were some flare ups at the Commonwealth Campuses. There are currently no students in the Mount Nittany Hospital. Surveillance testing and walk up testing is moving inside for the winter to the Pegula Ice Arena. Faculty can contact Occupational Health or go to their primary care physician.

Vice Provost for Faculty Affairs, Kathy Bieschke

We are working on more robust communication with faculty members. My office has been putting out a weekly “digest” for the past several months that compiled all the stories written about COVID-19. We will be adding to this communication by providing answers to some specific questions (i.e., PPE for classrooms, classroom management strategies in light of masking requirement, testing/contact tracing). That communication will be sent out to administrators and faculty members. We will also have a mechanism for faculty to pose questions they would like answered.
PE for instructional purposes was charged to provide guidance on what type(s) of masks would be best for instruction in a range of instructional settings within the next two weeks. The co-chairs for this group are Keefe Manning, Professor of Biomedical Engineering and Jim Crandall, director of EHS. Many thanks to the two faculty senators serve on this committee, Lisa Kitko (Nursing, Senator) and Art Moore (Business, Senator).

I continue to be advised by the Faculty Issues sub-committee chaired by Anthony Atchley, Senior Associate Dean of Engineering and Rick Brazier, Associate Dean for the Commonwealth campuses. They advise me on a range of issues, including, for example, how to charge promotion and/or tenure committees in light of COVID-19. Many thanks to Beth Seymour and Nicholas Rowland for their service on this committee.

Assessing Teaching Effectiveness in Spring 2020—because we did not share the SRTE results with administrators in spring and suspended mandatory peer teaching reviews, we are left with the task of providing guidance to committee, administrators, and candidates about how to establish effectiveness of teaching for those wish to include some evidence in their dossiers. I charged a committee to provide me with some recommendations; this committee was led by Angela Linse, and members include faculty and administrators. Two faculty senators serve on this committee—Julie Gallagher (Brandywine) and Melina Czymoniewicz-Klippel (HHD). This group is doing outstanding work and I expect to receive their final report by the end of the week.

Two dean searches are underway. Dean, Eberly College of Science—the chair is Lee Kump. Virtual campus visits for finalists are scheduled and will be concluded in early July. We will invite to campus a smaller subset of the finalists for an in-person on-campus visit in August.

Library—the chair of the search is Peggy Johnson. We are in the process of scheduling virtual campus visits for finalists and like with the Eberly search, we will invite to a smaller subset of the finalists for an in-person on-campus visit in August.

**Vice President and Executive Chancellor for Commonwealth Campuses, Madlyn Hanes**

The chancellor searches for both Berks and Abington colleges have been completed successfully. I am pleased to report that Dr. George Grant, Dean of the College of Community and Public Service at Grand Valley State University, Allendale, Michigan, will begin his post as Chancellor of Penn State Berks, January 2, 2021. Dr. Margo Dellicarpini, Vice Provost for Educational Partnerships and Dean of the College of Education and Human Development at the University of Texas, San Antonio, will begin her post as Chancellor of Penn State Abington, January 2, 2021.

The Taskforce on Faculty Promotions, chaired by Dr. Ping Werner, Professor of Electrical Engineering, Penn State Dubois, has completed its work. Based on the good work of both the Inter-University Relations (IRC) and Faculty Affairs standing senate committees, and benefitting from several Commonwealth caucus conversations on issues related to faculty advancement at the Commonwealth Campuses, Provost Jones and Senior VP for Commonwealth Campuses Hanes co-sponsored the Taskforce, charging the group late September, 2019. The Taskforce was to build on the work of the Faculty Affairs and IRC committees with the objectives of identifying faculty
development strategies that would assist faculty at the Commonwealth Campuses to progress toward full rank, identifying factors contributing to delays in advancing to full rank for tenured associate professors on Commonwealth Campuses and recommending strategies and best practices to facilitate advancement.

The Taskforce constituted a representative group of full- and associate-rank faculty from Commonwealth Campuses, University Senators, campus academic officers, and University Promotion and Tenure (P&T) Committee leadership. Resources were available throughout the process to assist members of the Taskforce with their work, including the offices of the Vice Provost for Faculty Affairs, Senior Associate Dean for University College, Educational Equity, and Planning, Assessment and Institutional Research (OPAIR).

The report is now ready to be socialized with various groups across the Commonwealth. In the near term, in consultation with Chair Seymour, discussions with the leadership of the IRC, Faculty Affairs and Educational Equity and Campus Environment standing committees, and Senate officers will be scheduled with the Taskforce chair and resource representatives to receive feedback and exchange ideas for partnering in the implementation of recommendations. Of particular importance, will be subsequent opportunities to engage Commonwealth caucus senators in the Taskforce findings and recommendations to facilitate and inform implementation.

Vice President and Dean of Undergraduate Education, Robert Pangborn

Admissions and Enrollment Update. First-year, baccalaureate, paid acceptances for summer/fall 2020 totaled 15,763, down by 411 or 2.5% compared to last year. There were 1,216 deferrals by admitted students to start in the spring or fall 2021, 727 more than the 489 students who chose to take a gap semester or year last year. This increase more than accounts for the shortfall in the entering class, and Admissions has begun reaching out to all these students to assess their evolving plans and encourage their enrollment in spring or next fall.

By residency, PA accepts are 9,726 (-6.0%) compared to last year, out-of-state accepts are 4,775 (+7.3%), and international accepts are 1,262 (-8.8%).

The total enrollments at University at all levels are down 1.8% with slight decreases in Undergraduate and Law enrollments and modest increases in the Graduate and Medical enrollments. Similar to the impact of deferrals on the new students, the continuing student enrollments are impacted by the higher number of leaves-of-absence, running about 1,150 this year compared to about 700 last year.

A full accounting of the University enrollments will be presented in the official Fall Census by the Office of Planning, Assessment, and Institutional Research, to be published shortly.

Early Aid Awarding. The Office of Student Aid, in concert with colleges and campuses, will continue a planned move to earlier aid awarding for new students in response to the early action program introduced for admissions decisions. The first round of awarding is scheduled to take place beginning January 7 and extending through February 1.

Vice Provost for Educational Equity, Marcus Whitehurst

New support for faculty members from underrepresented racial and ethnic minority backgrounds and other identities has been launched to provide multiple career advancement resources for faculty, as well as academic leaders interested in supplementing efforts to build a more inclusive and supportive intellectual workplace environment for all.
A summary report, findings and public results dashboards for the Penn State Community Survey are now available for students, faculty and staff members to review. In February 2020, Penn State launched the University-wide survey as part of ongoing efforts to promote community, inclusion and diversity across campuses, and to support strategic planning priorities in these areas. The Educational Equity and Campus environment committee plan to sponsor a report on the results at the October 20, 2020 Senate meeting.

**Vice Provost of Online Education, Renata Engel**

Recent changes to the federal regulations add clarity to the definitions associated with distance learning and will have some impact on updating our processes to demonstrate that we meet those requirements. Additionally, our ability to provide education in other states and US territories is tied to our participation in the compact the commonwealth of Pennsylvania has for reciprocity with other states distance education providers. Recent changes to their expectations and requirements have required that we adopt some new processes. World Campus works closely with the Office of Planning, Assessment, and Institutional Research (OPAIR) on both of these aspects. We are approaching these changes to the extent possible using existing data sources and reporting to demonstrate compliance.

The US News and World Report survey is underway. This survey relies on data and responses to questions about how we support and deliver online programs. Penn State’s commitment to its students comes through in the responses we are able to give. Of particular note is the high value placed on the instructors teaching in the online degree programs. Their appointments in academic units and the credentials they have are always viewed positively. Additionally, the responses that support the student engagement are also favorable. Considerable effort and commitment on the part of the faculty responsible for delivering the programs is noteworthy and very much appreciated.

The Continuity of Instruction and Enrollment Team (chaired by Gaudelius and Engel) was created to respond to COVID-19 for the academic processes. The host of teams that have responded have benefited from a number of faculty members. This work and the need to engage and benefit from faculty will continue in the months ahead as spring planning continues.

**Senate Officers: None**

**Executive Director: None**

**ACTION ITEM**

Council reviewed a request from Vice President and Executive Chancellor Hanes to discontinue the B.A. and B.S. in Administration of Justice. The degree is being replaced at the campuses by a criminal Justice program. The committees on faculty affairs and Curricular affairs had no objections. On a Rowland/Ozment motion Senate Council voted that the proposed action be implemented as described in the documents that were received.
DISCUSSION ITEMS

The item for discussion is a Resolution titled “Full-time Teaching andFixed Term Faculty Contracts and Equity” which was passed by the New Kensington Faculty Senate on September 10, 2020 and revised on October 2, 2020. At the June 23rd council meeting, a resolution from the Abington Council for Senate Council to discuss. These resolutions passed by faculty organizations, raise some of the same concerns and are being brought to the attention of Senate Council for discussion. Discussion topics included: Compensation parity- is it realistic? Clarity of requests, Summer workload, Contract language, State funding deficits, Definition of severe financial difficulty, Making faculty feel more valued.

GRADUATE COUNCIL

Kent Vrana was unable to attend. Chair Seymour read his notes:

1. The Graduate Council (GC) met on September 16 and Chair Ken Davis announced that he planned to have a vote on the motion to charge the Committee on Committees and Procedures (CCP; our version of CCR) with developing potential mechanisms to open Graduate Council meetings to the public.
   a. presented the Senate CC&R memo drafted in support of this motion
   b. Graduate student association provided support
   c. Associate deans of the graduate school provided support
   d. Dean Vasilatos-Younken provided reasons for not doing it
2. Senate Council will meet on October 6 and should briefly review Dean Younken’s comments (so as to provide me with talking points [see #4 below])
3. Faculty Senate will meet in plenary session on October 20
4. Grad Council will meet (and vote on charging CCP with making plans) on October 21. I will represent the Senate Council at that meeting and can convey our thoughts on Dean Younken’s memo and support for the motion at that meeting.
5. Chair Ken Davis provided me with this list of his priorities for the coming year. I do not believe these need to be shared verbatim with the Senate Council – simply summarize that GC has a full agenda and are seizing on their mandate and shared governance.
   a. Continuing need to energize Council members, enable them to act as effective representatives, encourage them to be proactive in influencing Council decisions.
   b. Broad challenges facing graduate education from COVID and diversity issues…trying to spin off Ad Hoc committees to begin to explore and become proactive on both issues.
   c. Need to react to my “listening tour” from last year and track down persistent sources of discord between graduate programs and Grad Council/Grad School. Primary effort (limited time) will be concerns about how graduate faculty status is being handled.
   d. Progress toward better definition of professional graduate degree program policies. Should help to resolve some long-term problems. Ad Hoc committee recommendations for doctoral degrees are in Council, committee to consider professional masters degrees formed.

SENATE AGENDA ITEMS FOR October 20, 2020

FORENSIC BUSINESS: NONE
UNFINISHED BUSINESS: NONE

LEGISLATIVE REPORTS

Committee on Committees and Rules, Revisions to Senate Standing Rules; Article II - Senate Committee Structure, Section 6(k) on Libraries, Informational Systems and Technology. Approved on a Tallman/Rowland motion.

ADVISORY/CONSULTATIVE REPORTS: NONE

INFORMATIONAL REPORTS

Senate Committee on Educational Equity and Campus Environment, “2020 Penn State Community Survey” was approved for the agenda on a Eckhardt/Tallman motion. Ten minutes were allotted for presentation and discussion.

Senate Committee on Intercollegiate Athletics, “Annual Report of the Senate Committee on Intercollegiate Athletics, Academic Year 2019-2020 (Division 1 Athletics at University Park) was approved for the agenda by a Rowland/Ozment motion. Ten minutes were allotted for presentation and discussion.

The Faculty Benefits report was approved at the last Senate Council meeting and moved to the October 20th meeting. The report was reordered to the beginning of the information reports on a Rowland/Ozment motion. Twenty minutes was allotted for presentation and discussion.

APPROVAL

Senate Council approved the October 20, 2020 Senate Agenda.

COMMENTS FOR THE GOOD OF THE ORDER.

Councilor Tallman asked about ways to spotlight all of the work the Senate is doing. Contact Chair Seymour if you are interested in becoming part of a small group to discuss.

NEW BUSINESS: NONE

ADJOURNMENT: The meeting was adjourned at 3:15 pm.

Dawn G. Blasko, Executive Director
Date: October 14, 2020

To: All Senators and Committee Members

From: Dawn Blasko, Executive Director

Following is the call in and meeting number of all Senate meetings October 19 and 20, 2020. Please notify the University Faculty Senate office and committee chair if you are unable to participate.

MONDAY, OCTOBER 19, 2020

3:00 p.m.
Joint Committee on Insurance and Benefits – https://psu.zoom.us/j/96438100551
OR Number to call: 301-715-8592 or 312-626-6799
Meeting number: 9643810055#

6:30 p.m.
Officers and Chairs Meeting – https://psu.zoom.us/j/96784558180
OR Number to call: 646-876-9923 or 301-715-8592
Meeting number: 96784558180#

8:15 p.m.
Commonwealth Caucus Meeting – This meeting is cancelled for the evening

TUESDAY, OCTOBER 20, 2020

8:00 a.m.
Intercollegiate Athletics – https://psu.zoom.us/j/97320281120
OR Number to call: 312-626-6799 or 646-876-9923
Meeting Number: 97320281120#
8:30 a.m.

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OR Number to call:646-876-9923 or 301-7158592
Meeting number: 95621437765#

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OR Number to call: 646-876-9923 or 301-715-8592
Meeting number: 92989520449#

1:00 p.m.

**University Faculty Senate Plenary Meeting** – [https://psu.zoom.us/j/93585910342](https://psu.zoom.us/j/93585910342)
Date: October 20, 2020
To: Commonwealth Caucus Senators (includes all elected Campus Senators)
From: Frantisek Marko and Michael Bartolacci, Caucus Co-Chairs

TUESDAY, OCTOBER 20, 2020 – 11:15 AM
Zoom Link Below
Agenda

I. Call to Order
II. Announcements
III. Committee Reports
IV. Other Items of Concern/New Business
V. Adjournment

Zoom Connectivity Information:

Topic: Commonwealth Caucus Meeting Zoom

Join from PC, Mac, Linux, iOS or Android: https://psu.zoom.us/j/92989520449

Or iPhone one-tap (US Toll): +16468769923,92989520449# or +13017158592,92989520449#
Meeting ID: 929 8952 0449

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OCTOBER 19, 2020 EVENING COMMONWEALTH CAUCUS MEETING HAS BEEN CANCELLED.