

## University of Michigan Medical Plan Salary for Banding

The university uses three salary bands to determine the university contribution toward medical insurance premiums. Employees earning less than or equal to the 25th percentile of university wages (Band 1) receive the greatest university contribution. Those earning at the 25th to 50th percentile of university wages (Band 2) receive a higher university contribution than those above the median university wage salary (Band 3). The breakpoints from one band to the next will automatically adjust each year as salaries change.

The ranges for 2017 are based on University of Michigan salaries as of January 1, 2017, or the date a person becomes eligible for salary-banded rates, whichever is later.

### 2017 Salary Band Ranges

Band 1: \$42,200 and below

Band 2: \$42,201 to \$60,000

Band 3: \$60,001 and above

**Band 1** has the lowest employee contribution and the greatest university contribution toward monthly medical plan premiums. Retirees and benefit-eligible students automatically have Band 1 rates. Part-time employees with regular appointments of less than 30 hours per week receive contributions equal to 80% of Band 1 university contributions.

**Band 2** employee contributions increase in gradual increments over the spectrum of the Band 2 salaries to help avoid a jump in monthly medical premium payments when an employee with a salary in the Band 2 range receives a pay raise.

**Band 3** has the highest employee contribution and the lowest university contribution toward medical plan premiums.

**Medical Plan and Coverage Tiers** As in past years, the total premium for each medical plan differs, and the monthly employee contribution within each salary band is determined by which medical plan and coverage tier are selected (You Only; You + Adult; You + Adult + Children; You + Child; You + Children).

**Medical Plan Salary** The salary banding pay, or “medical plan salary,” that determines whether the employee’s pay falls into Band 1, Band 2, or Band 3 is based on the employee’s Full-Time Equivalent (FTE) salary plus Additional Incentive Pay (Incentive Pay I & Incentive Pay II) when applicable. Summer salary and overtime pay are not included.

### Full-Time Equivalent Salary (FTE)

FTE salary is calculated in the system for almost all employees using the following formula:

$(\text{Sum of Annual Rate salary}) / (\text{sum of FTE}) = \text{FTE salary}$

The full-time equivalent calculation was added so that people who work a 100% appointment or 40 hours a week and making \$50,000 a year would not pay more than a person working an 80% appointment and making \$40,000 a year. For both employees FTE salary is \$50,000 and they will pay the same for their health benefits.

**Medical Plan Salary Calculation** The rate calculator uses the following formula to calculate each individual's medical plan salary, which determines the salary band and premium rate: (Sum of Annual Rate salary) / (sum of FTE) = FTE salary + Incentive Pay Component = Medical Plan Salary

**Examples:**

**Case #1: Part-Time Employee working 30 hours/week, making \$40,000 a year. No Incentive Payments.**

The Full-time equivalent salary and medical plan salary for this person would be \$53,333.

Calculation:  $\$40,000/75\%$  Appointment = \$53,333 medical plan salary (Band 2)

**Case #2: Part-Time Employee working 28 hours/week, making \$35,000 a year. No Incentive Payments.**

The medical plan salary would be \$50,000 ( $\$35,000/70\%$  Appointment), but since the employee works less than 30 hours, they will receive part-time contributions equal to 80% of Band 1 University Contributions. The part-time employee would pay the Band 1 Employee Contribution plus the additional 20% of the University Contribution provided to employee with salaries in Band 1.

**Case #3: Part-Time Employee working 32 hours/week, making \$50,000 a year. No Incentive Payments.**

The medical plan salary would be \$62,500 ( $\$50,000/80\%$  Appointment). This person would pay the maximum employee contribution (Band 3) for their plan and coverage tier.

**Case #4: Full-Time Employee working 40 hours/week, making \$42,000 a year with \$20,000 of annual incentive payments.**

The medical plan salary would be \$62,000 and because of their incentive payments, their medical plan salary falls in Band 3 and they would pay the maximum employee contribution for their plan and coverage tier.

**Case #5: Part-Time Employee working 32 hours/week, making \$36,000 a year with \$20,000 of annual incentive payments.**

The medical plan salary would be \$65,000 ( $(\$36,000/80\%$  Appointment) + \$20,000 Incentive Payments). Even though this person has a part-time appointment, their Full-Time Equivalent salary of \$45,000 per year plus \$20,000 of Incentive payments puts their salary in the Band 3 range. This employee would pay the maximum employee contribution for their plan and coverage tier.