

Nov. 8, 2013

Dear Colleagues:

The University of Nebraska is proud to offer a competitive, cost-effective health insurance plan to our employees and their families. We take seriously our responsibility to manage our health plan in a way that serves employees' needs while also protecting us against an uncertain future for the health care industry.

Our plan has had another successful year, with lower-than-projected health claims that will result in positive operations for 2013. **I am pleased to inform you that we will take advantage of this positive outcome by offering all active employee members of our health plan a one-month "premium holiday" for December 2013.** In short, employees will not pay medical or dental insurance premiums in December 2013.

The premium holiday applies to all University employees enrolled in either the University's medical and/or dental plans. Action is not required on your part; the medical and/or dental premiums that normally would be deducted will automatically be retained in your December paychecks.

Your total savings will depend on which plan(s) you are enrolled in. For example, an employee enrolled in our Basic Option Employee Only medical and dental plans will realize gross savings of about \$146 (before taxes), while an employee with Basic Option Family medical and dental coverage will realize gross savings of about \$307 (before taxes).

A Q&A with more detailed information on the premium holiday follows. Please contact your Campus Benefits Office if you have further questions.

We're very pleased to be able to provide this one-time benefit to our employees – our greatest asset. Thank you for all that you do for the University of Nebraska.

Sincerely,

David Lechner
Senior Vice President for Business & Finance

Campus Benefits Offices:

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UNMC – (402) 559-4340

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Q&A

Who is eligible for the premium holiday?

All active employees who are enrolled in the University's medical and/or dental insurance plans.

When is the premium holiday?

Employees will not pay medical or dental insurance premiums during the month of December 2013. For monthly paid employees, this will be reflected on your December 31st paycheck. For bi-weekly paid employees, this will be reflected on your December 12th and December 26th paychecks.

Do I need to do anything to participate in the premium holiday?

No. The medical and/or dental premiums that you pay monthly will automatically be retained in your December paycheck(s).

What is the impact on my taxable income?

The health insurance premiums you pay are a reduction to your taxable gross income. Given that you will not pay premiums in the month of December, your taxable gross income will go up in December by an amount that is equal to the premium holiday savings. Per IRS regulations, this is taxable income. The University payroll system will automatically calculate and withhold tax withholdings, so no action will be required on your part.

What if I am paid over nine months?

Employees who are paid over nine months also pay their annual health insurance premiums over nine months. Given that the premium holiday is for one month (1/12) only, nine month employees will still have a health insurance premium contribution reflected on their December paycheck(s). However, the contribution will be reduced by an amount equal to one month of premiums. In short, you will receive the same benefit as those paid over twelve months.

Does the premium holiday apply to vision insurance premiums?

No. The holiday only applies to medical and dental premiums. Employees enrolled in vision care insurance will continue to pay that premium in December.

Instead of offering a premium holiday, could the university put savings achieved by the health plan toward another use, like faculty salaries or a new building?

No. Funds in the health plan trust are utilized for health care purposes only and the Board of Regents has never used these funds except for providing health care. The university has decided that a premium holiday would be a strategic one-time use since it benefits the employees and families whom the health plan serves.

Will the university offer another premium holiday in the future?

We will continue to explore opportunities to strategically invest any potential savings realized by the health plan, but at this time we can't commit to another premium holiday. Whether we will be in a position to do that depends on the performance of our plan in 2014 and the still-unknown impact of the Affordable Care Act. This is a time of significant uncertainty for health care and our priority will be maintaining a strong health plan that serves our employees and positions us to react to future challenges.