

The background features a collage of a historical map with various place names like 'Desert', 'Harahotun', 'Pekin', and 'Nankin', overlaid with modern banknotes, including a 1000 Euro note and a 10 US Dollar note.

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SOCIETY FOR HUMAN
RESOURCE MANAGEMENT

Hudson College

Scenario E: Employee Benefits

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PROJECT TEAM

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Please note: All company and individual names in this case are fictional.

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Hudson College: Overview

Founded in 1881, Hudson College is a private liberal arts institution located in Beacon, New York. Hudson is a four-year undergraduate institution accredited through the Middle States Association of Colleges and Schools. Nestled in the Hudson River Valley in Dutchess County between New York City and Albany, Hudson College prides itself in its core values of creativity, collaboration and civility. One of its strengths is its strong partnership with the vibrant Beacon community. Many of Hudson's employees serve on boards of local nonprofit organizations. Three years ago, the college helped improve the local transit system to provide better access to transportation for students and college employees. The college's presence in the downtown region is evident with the recent construction of the college bookstore, a coffee house and three student housing complexes along the Hudson River waterfront. Students choose Hudson for a variety of reasons, but most often they point to the low faculty-to-student ratio (12:1), the variety of academic programming and the proximity to New York City (approximately a one-hour drive).

Dr. Sara Richards became the 13th president of the college last year. She replaced the popular Dr. Robert McNulty, who retired after a 12-year tenure, which included a 20 percent increase in student applications, the addition of 15 academic programs, a strong emphasis on global education (the college now offers eight study abroad programs), and an increase in the enrollment of international students from 3 to 7 percent of the total enrollment.

Richards came to Hudson after serving as the provost at a similar liberal arts institution in the Midwestern region of the country. The transition from McNulty to Richards has been viewed as positive, but for many, it is too soon to tell. There is a small number of students and employees who feel the college lacks the necessary leadership to take Hudson to the next level. Richards reports directly to the board of trustees.

Edward Coburn has served as the board chair for the past three years. He retired in 2011 after a long, successful career at Appalachian Trust Bank in Poughkeepsie, New York, where he was the chief executive officer during the last 11 years of his career. The board of trustees, who traditionally have not meddled in human resource (HR) operations, are deeply concerned about the rise in health care costs and have focused their attention on this and other financial challenges facing the college.

Like so many colleges and universities, Hudson has been challenged by the difficult economic climate, increased competition among schools within and outside its peer group, and external pressure from its key stakeholders. The college's current strategic plan, now in its fourth year, outlined an ambitious agenda focused on diversity and inclusion, a reenergized commitment to increasing the school's affinity among its

alumni, and a multiyear capital project initiative that includes new construction and renovations to support the academic and residential experiences for students.

Hudson's endowment, despite losing 16 percent between 2008 and 2010 due to market conditions, has now reached \$350 million for the first time in the college's history. Despite serving as a positive performance measurement, most of this growth can be attributed to a rebound in the market. Large donations from alumni have been difficult to secure, making it a challenge to keep up with competitors.

David Bridges, vice president of human resources and risk management, has been in his current role for six years. He came to Hudson College from a university in New York City, where he was the director of human resources. Bridges has been described by his colleagues as a visionary who has led several key initiatives since coming to Hudson, including increasing efficiencies through technology enhancements and offering a more competitive compensation model compared to the local market and its peer institutions. Bridges reports directly to Richards.

Janet Mullins, director of human resources, has worked in the human resources and risk management division for 19 years. She started her career as a benefits analyst and moved into her current role shortly after Bridges' arrival. She reports directly to Bridges.

Elizabeth Guthry, director of organizational development, recently transitioned to higher education after six years as a corporate trainer for a *Fortune* 500 company. She has struggled with the cultural differences and has found it difficult to produce positive change in her short time at Hudson. She also reports directly to Bridges.

Hudson College has been named one of the "Top 100 Best Organizations to Work For in the State of New York" for four years in a row. Many attribute this ranking to the college's strong sense of teamwork and employee loyalty to the institution. The human resources and risk management division has also been recognized by local surveys for its care for employees and family-friendly benefits. Despite these recognitions, some faculty and administrative staff believe recent retirements and resignations of individuals in key positions have affected employee morale and the college's reputation of providing outstanding service to its students. Most of the open positions created by these departures were filled by external candidates, causing employees to question the college's commitment to its own people.

IN DAVID'S OFFICE

Bridges has been putting together a summary document he planned on giving Richards to prepare for their annual meeting about the division's goals for the upcoming year. As Bridges reflects on the past year, he notes a number of significant accomplishments that were made in the division. Despite these successes, he admits that it has been the most challenging year since he joined Hudson College.

REFERENCES

Balzer, W. (2010). *Lean Higher Education: Increasing the Value and Performance of University Processes*. Boca Raton, FL: CRC Press.

INSTITUTIONAL DATA	
Category	Figures
Enrollment	2,641 undergraduate students
Percentage of international students	7%
Percentage of students of color	13%
Acceptance rate*	46.1%
Discount rate**	44.8%
Retention rate	92%
Endowment (current)	\$354,106,198
Fundraising (fiscal year)	\$9,828,637

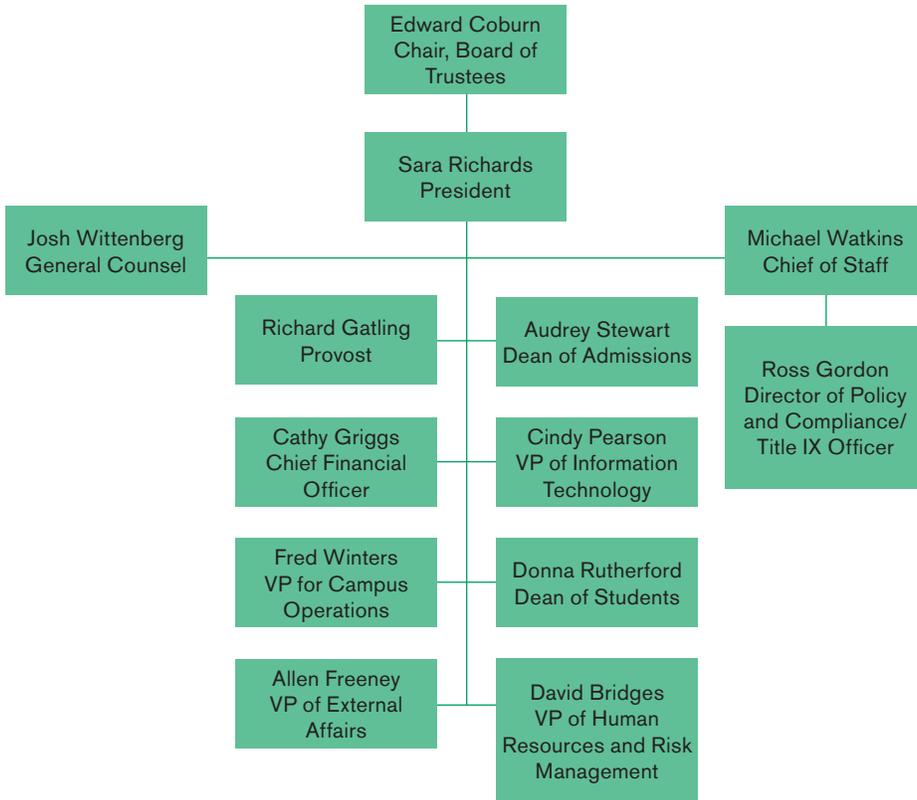
* Acceptance rate: The percentage of student applicants the college accepts.

** Discount rate: Institutional grant aid awarded to undergraduates as a percentage of the institution's gross tuition revenue.

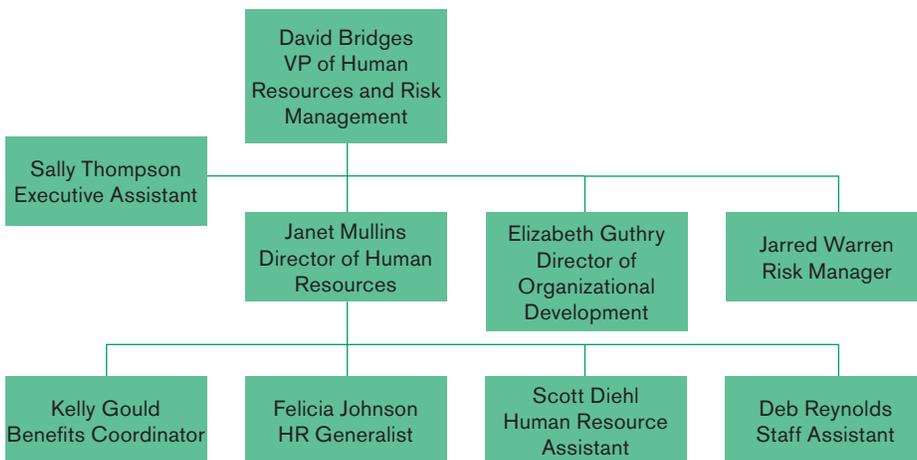
NUMBER OF FULL-TIME EMPLOYEES BY GENDER			
Number of Full-Time Employees	Male	Female	Total
Faculty	113	93	206
Administrative	109	141	250
Hourly	106	167	273
Total	328	401	729

EEO STATUS (FULL-TIME)		
Classification	Number of Employees	% of Total Employees
African American, Black	133	18.2%
Asian American	34	4.7%
Hispanic, Latino	103	14.1%
Multiethnic	6	0.8%
Native American, Alaskan Native	5	0.6%
White or Caucasian	448	61.4%

ORGANIZATIONAL CHART: EXECUTIVE TEAM



ORGANIZATIONAL CHART: DIVISION OF HUMAN RESOURCES AND RISK MANAGEMENT



Scenario E: Employee Benefits

PLAYERS

- David Bridges, vice president of human resources and risk management
- Cathy Griggs, chief financial officer
- Janet Mullins, director of human resources
- Kelly Gould, assistant director of benefits

Walking across campus to meet with Chief Financial Officer Cathy Griggs at her office in Old Main, Bridges knew it wasn't going to be an easy conversation. A few days ago, Bridges received a copy of the health care utilization report from the college's third-party administrator (TPA) reflecting a significant increase in medical claims over the past year. A utilization report provides a detailed view of how medical costs are incurred by plan members. Hudson College was a self-insured entity, meaning that the institution set aside a portion of the operating budget to fund medical expenses incurred by participants (employees and their dependents). An organization's decision to use a self-insured model is typically based on the number of employees. The majority of larger organizations are self-insured so they don't assume the risk of the medical costs from other organizations. In addition to the report, Bridges received an estimated renewal rate of 23 percent more than the previous year from the TPA based on the overall expenses incurred. This means that Hudson College will have paid 23 percent more in medical expenses this year compared with the previous year.

During their discussion, Griggs and Bridges realized that the proposed renewal rate was going to have a large, unforeseen impact on next year's budget, which could result in other college priorities not receiving appropriate funding. Bridges knew that yet another increase in health care premiums to employees was inevitable to help offset the costs. Hudson's medical insurance is a PPO (preferred provider organization) plan, which is a managed care organization that agrees with the TPAs to provide services at a reduced rate. More than 90 percent of the employees are insured under the college's medical plan, for a total of 1,512 participants, including employees and dependents. Hudson currently contributes 80 percent to the medical plan (down from an 85 percent contribution just three years ago).

"We can't continue to see these trends without being proactive," said Griggs. "I know the board is going to have a field day when we meet with them in a few weeks. We need to send a message to employees that we cannot be responsible for their poor health. I suggest we increase premiums significantly to address the substantial increase in costs."

“We can’t overreact,” replied Bridges. “Besides, we have to be mindful that some employees will have an easier time paying higher premiums than others.”

“I understand that,” said Griggs. “But what are our other options?”

At the end of their meeting, Griggs and Bridges agreed that a special committee needed to be established to address the issue, which was sure to get a great deal of attention once the costs were made public. Bridges knew his next conversation needed to be with Janet Mullins, director of human resources, and Kelly Gould, assistant director of benefits, to establish a committee and articulate its mission. He also asked his executive assistant, Sally Thompson, to schedule a meeting with President Richards as soon as possible to inform her of the cost increase in preparation for the upcoming board meeting.

IN KELLY GOULD’S OFFICE

“Hi, Janet and Kelly,” Bridges began. “Thanks for rearranging your schedules to talk with me for a few minutes. I just had a conversation with Cathy Griggs about the increase in the health care budget. Cathy’s response was to just raise premiums again. We need to identify all the options that are fiscally responsible for the college without significantly affecting the livelihood of our employees and their family members.”

“I agree,” replied Mullins. “Are there some options that you are leaning toward?”

“Yes, premium increases are likely, but we also need to consider changes to our medical plan design. Whatever is decided, it has to be a college-wide decision,” said Bridges. Shifting his attention to Gould, he continued, “Kelly, you have been considering an employee wellness model. I can’t think of a better time to begin than now. Can you develop a proposal for us to review by early next week?”

“I certainly can,” replied Gould.

SCENARIO E: QUESTIONS FOR UNDERGRADUATE STUDENTS

1. Health care costs across all organizations (not just in the higher education field) continue to cause a major financial strain on operating budgets, with no sign this trend will end. In your opinion, what is human resources' role in helping mitigate these costs?
2. Describe the benefits of implementing a wellness program. How can an organization measure whether the initiative is a success?

SCENARIO E: QUESTIONS FOR GRADUATE STUDENTS

1. Assume the role of Kelly Gould, the assistant director of benefits. Based on information provided in the case and the scenario, design a wellness proposal that can result in short-term and long-term benefits to the college.
2. Bridges is going to want to formulate potential scenarios to address the health care challenge before meeting with President Richards. Outline two scenarios for President Richards and Hudson College to consider, factoring in the economic needs of the institution without placing a significant financial burden on employees.

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