



## Critique of Caltech Administrators' Response to Our Petition



Brought to you by **Caltech for Affordable Healthcare (CAH)**,  
an autonomous campaign of the GSC Healthcare Committee

---

On August 11th we sent an [email to Caltech administrators](#) asking them to respond to the [CAH petition](#) by August 24th. On today, September 4, 2020, they finally replied to our email.

Before delving into the specifics of the email, we wish to note that **administrators did *not* go through each petition item, enumerating a rationale for rejecting it and naming the specific decision-makers involved, as we had requested in our original message.** Rather, they responded with many of the same talking-points we have been hearing since May. For the sake of transparency, we have included the full text of their email including our responses to each talking point below.

“Dear Ashay Patel, Jane Panangaden, and Dawna Bagherian,

Health care is of unquestioned importance at the local, national, and global levels—especially now, as we continue to respond to the COVID-19 pandemic. Like you, we are very concerned about the implications of rising health insurance costs and need to find ways to mitigate these costs in a sustainable and enduring manner. We are committed to providing access to appropriate coverage at a reasonable cost to all Caltech students and employees, as well as the health services provided through Student Wellness Services (SWS) on campus.

We must, however, directly address the claim that health care is not affordable for Caltech graduate students. The Institute is committed to continuing to substantially subsidize the premium. The subsidy currently covers 80% of the total premium costs which enables us to offer a full-featured insurance plan to all graduate students at a cost of \$630 per year, which is 1.7% of the minimum stipend for the coming year.

Caltech's 80% coverage of the premium is below the national average for the share of insurance premiums paid by industry employers, which is 82% (Kaiser Family Foundation, 2018). Furthermore, there are many other comparable graduate programs that subsidize 100% of the premium, including many departments at MIT, Harvard, UC Davis, Duke, and USC. Therefore the 80% number is not particularly exceptional. Providing a health plan that works for employees is a basic cost of doing business for employers in the US.

The premium is not even our primary concern--it is the out-of-pocket maximum and deductible increase that will most significantly burden students who need medical care. For those students who actually use the health plan, the stipend increase is not sufficient to cover medical expenses and other cost-of-living increases (e.g. rent). Moreover, the 1.7% number is misleading since it is pre-tax and doesn't mention other increasing cost-of-living expenses.

For the minority of students who reach the maximum deductible and in-network out-of-pocket costs, these costs will represent 7.2% of the minimum stipend. Between the changes in the cost of the premium and maximum impact of deductible and out-of-pocket limit changes, the maximum in-network incremental financial impact from last year is 1.6% of the minimum stipend for the coming year.

Spending 7.2% of the student stipend **is a significant burden**, especially if it is accumulated suddenly rather than spread out over the entire year. In addition, the disparate burden of 7.2% of the stipend for chronically ill students vs. 1.7% for students who do not need to use the health insurance is a clear case of **economic discrimination against chronically ill students.**

We note that **this disparity intensifies when considering out-of-network costs**, which have also increased but are not acknowledged in the email. Many students are forced to go out-of-network for the services they need, particularly if they require specialized care. The out-of-network out-of-pocket maximum represents 17.4% of the after-tax minimum stipend!

In addition, because of this expected financial burden, GSC survey results show that **35% of students avoided necessary medical care due to cost**, even before the latest healthcare cuts. While a “minority” of students are shown to reach the maximum deductible and out-of-pocket costs, many more are foregoing medical care completely because they cannot afford it.

While these health insurance cost increases may be worrisome to some, they will be offset by the previously approved \$1,500 increase in the graduate student stipend to \$36,500. This increase, which is the only annual salary increase being implemented this year for members of the Caltech community (all other salaries have been frozen), reflects a 4.3% increase at a time when the consumer price index in Los Angeles has increased 1.9% over the past year ([https://data.bls.gov/timeseries/CWURS49ASA0&output\\_view=pct\\_12mths](https://data.bls.gov/timeseries/CWURS49ASA0&output_view=pct_12mths)) [...]

This year's stipend increase was allocated for **rising costs of housing over the last several years and last year's health benefits cuts** before this year's health plan was selected. Moreover, it **does not even meet the cost-of-living adjustment as recommended by the GSC.**

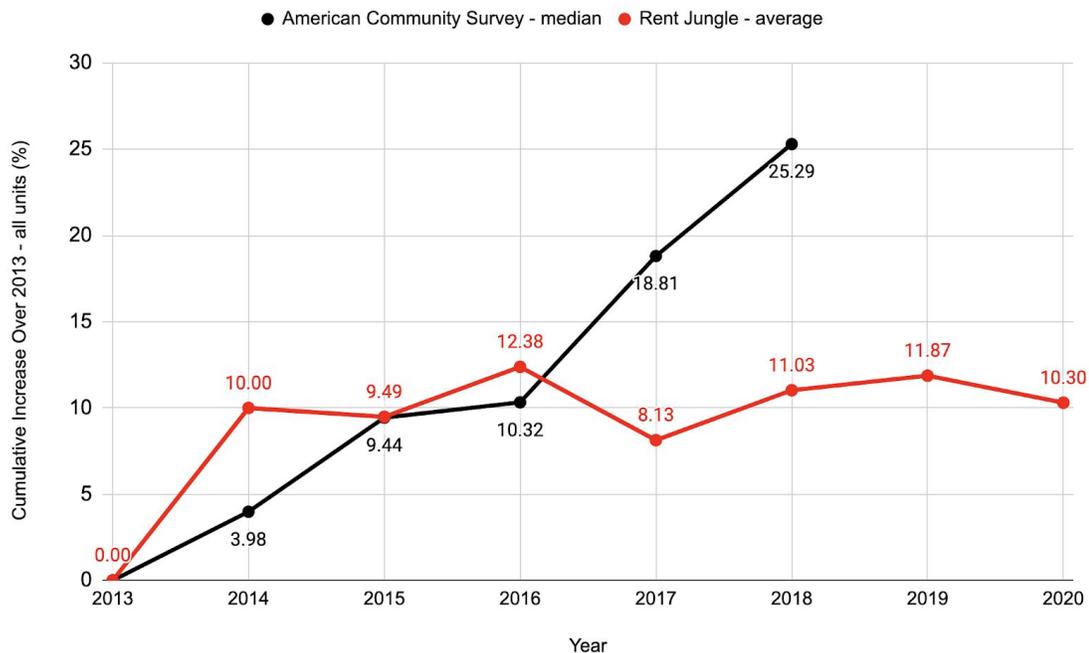
As grad students, we don't make a salary – we make stipends, which are meant to cover the cost of living expenses, so it is not reasonable to make comparisons to salary freezes. Yet, according to the 2019 GSC Survey Report, 15% of students in on-campus housing are rent-burdened, and 48% of students in off-campus housing are rent-burdened. Approximately half of all Caltech grad students live in off-campus housing.

The stipend increase *after tax withheld* for a student with no outside income is \$1247.17. Factoring in the aforementioned increase in CPI, this amounts to a stipend increase of \$1070 in 2020 dollars. Comparatively, for a student meeting the in-network out-of-pocket maximum, the cost of healthcare has gone up by \$584, resulting in an effective stipend increase of only \$486 as compared to the \$3000 recommended last year by GSC Advocacy to keep pace with housing costs.

[...] and rents on and off campus have either remained constant or decreased (<https://www.rentjungle.com/average-rent-in-pasadena-ca-rent-trends/>). The intent of this stipend increase was and continues to be to support graduate students in managing rising costs of living, including health care costs.

The rent statistics cited at this “Rent Jungle” link are extremely misleading. Rent Jungle is a private company that runs an apartment rental listing website, and their data is based only on new listings - and only those that are posted on their website. Many rent increases are given year over year to tenants who are already living in units, and many available units are not listed on this particular website.

Historically, year-over-year rent increases from Rent Jungle’s website do not track with the actual year-over-year rent increases Pasadena tenants are paying as measured by the Census Bureau’s annual [American Community Survey](#) (ACS).

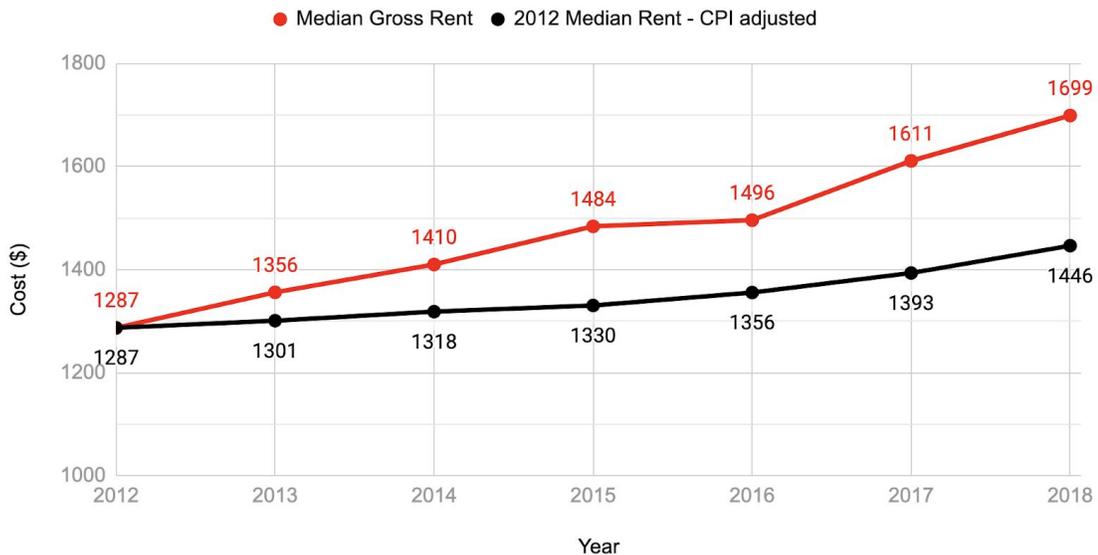


While we don’t have ACS data for the current year yet, it is not unreasonable to guess that the decreased average listing that Rent Jungle is reporting this July as compared to last July is due to the [temporary eviction moratorium](#) in place during the COVID-19 pandemic, and is not reflective of a longer-term trend.

Indeed, according to the Census Bureau, Pasadena rents for all types of residential rental units have been steadily increasing over the past eight years, and at a rate faster than inflation as measured by the Consumer Price Index.

### Increase in Median Rent Compared to Inflation Since 2012

Pasadena City, All Rental Units, ACS 1-year Estimates



We understand that each graduate student has individual situations that may result in higher health care costs, but on the whole, the usage data and student access to resources indicates that the plan is affordable and has appropriate benefits.

**A student health plan should have the capacity to protect all students, including those with chronic illnesses or disabilities.** According to the 2019 GSC Quality of Life survey, 29.9% of survey respondents reported dealing with a chronic illness during their time at Caltech. Securing health insurance is an institutional responsibility, and the basic cost of doing business in the US. The burden should not be placed on individual students.

Furthermore, the usage data only reflects people who are able to use the health insurance, and leaves out all the students who forgo medical care due to the cost. According to the same GSC survey, even before these latest cuts, **35% of respondents avoided necessary medical care due to the anticipated cost.**

The Graduate Studies Office stands ready, as always, to assist students who face unanticipated financial challenges, together with representatives in Human Resources who can facilitate interactions with the insurers and providers.

### The Emergency Fund is not a substitute for health insurance.

- Emergency Fund **reimbursements are informally capped** at around \$2000 per student, and cannot therefore cover the out-of-network out-of-pocket maximum of \$5500.
- Emergency Fund reimbursement **does not allow for financial planning**, as students do not know whether they will receive funding, or how much.
- The Emergency Fund functions on a reimbursement basis, requiring students to first pay out-of-pocket costs, possibly **incurring debt** as they wait for the emergency fund process to go through.
- Emergency Fund reimbursements are classified as income and are **taxable**.
- The process requires students to **disclose medical procedures to Caltech administrators**.
- The Emergency Fund, which totals at around \$30,000-\$50,000 annually, is supported entirely by donations, is not endowed, and **does not have the capacity to meet everyone's ongoing healthcare needs** in addition to all other emergencies when the out-of-pocket maximums under our health plan are \$2000 and \$5500 for in-network and out-of-network providers respectively, and deductibles are \$500 and \$1000 for in-network and out-of-network respectively.

The increasing cost of health care will continue to be a significant issue for the coming years based on the current utilization of the graduate student health insurance plan. This use is driven by non-COVID medical and prescription reimbursements, reflecting a wide range of health care utilization and claims across the student population.

CAH has asked Caltech administrators to share insurance usage data with us, but so far we have not yet received it. However, we strongly condemn rhetoric that places the blame for rising healthcare costs at the feet of chronically ill and disabled students for using "too much healthcare" rather than on institutional policies that are not keeping up with the actual needs of the student population, and Caltech's unwillingness to absorb nationally increasing healthcare costs.

It is a fact that negotiations with the insurer occurred based on data from before the COVID-19 pandemic. Nevertheless, the pandemic combined with health insurance cuts has **impacted students** in several serious ways.

- Students have been paying insurance premiums for the past six months for an insurance plan that we are often unable to use due to being stranded outside the country following border closures and visa restrictions, or being unable to safely enter medical offices during the pandemic.
- Many of us had already hit deductibles or out of pocket maximums in the period from September 2019 - March 2020, and were planning to access procedures or follow-up care in the second half of the insurance year. This became impossible due to COVID-19. The pandemic has continued unabated, and starting this week, all deductibles and out of pocket maximums have been reset.
- Due to the pandemic, some of us are now living in areas within the country where there may not be many in-network providers forcing students to accumulate more out-of-pocket costs or forego medical care altogether.
- Many of us have extra expenses due to COVID-19 including flights and needing to pay rent at multiple locations.

Regardless of how the usage is currently being inferred, **COVID-19 will likely increase needed healthcare in the next year** for several reasons. It has the potential to cause long-term health problems and chronic illness, it will negatively impact mental health due to the social isolation and human tragedy we are collectively experiencing, and because the pandemic has likely forced many students to forgo regular preventative care and regular care for a multitude of reasons, these students will be required to reschedule their care in the upcoming year.

We are engaging with our insurance provider, United Health Care, to gain a clearer understanding of usage patterns and trends that will impact costs for the 2021-22 academic year, with the goal of managing escalating costs. We want to emphasize that we are committed to working with the graduate student community through our established process and the representatives on the Faculty Board health committee to assess needs and to provide recommendations to the administration. This is not a unilateral process but a consultative one.

**The graduate representative on the Faculty's Standing Health Committee ultimately objected to the recommended health plan and was ignored.** The committee serves a purely advisory role, and approved the final recommendation without a vote. Furthermore, meeting minutes are unavailable.

There is no mechanism for getting student input into the process until after representatives from HR and Mercer have already essentially decided on the plan parameters. In fact, the only reason there was broad student input at all this year was because one of the grad student reps on the committee took it upon himself to share the committee's plans with the grad student body, prompting the founding of CAH.

Caltech has not announced any changes to the transparency of the healthcare decision-making process, nor any other changes that would prevent these kinds of healthcare cuts in the future.

Caltech is committed to ensuring that you continue to have access to a quality plan that supports your health and wellbeing.

On behalf of the Caltech leadership,

Douglas C. Rees  
Dean of Graduate Studies

Joseph E. Shepherd  
Vice President of Student Affairs”