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SR81679 Requirements

Change to Medical Premium Contribution Base Calculation

Objective:

Health and Welfare Administration has requested a change in the rounding logic used for the calculation of the Medical Contribution Base in order to be consistent with current policy.

Project Type:

This is a modification to existing PPS logic.

Requested by:

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Analyst:

Patricia Mashhoon

Due Date(s):

It is requested that this modification be made in time to affect the calculation of the Medical Contribution Base that occurs in January 2007.

Background:

Service Request 80191 dated 08/08/02 asked for the establishment of two new data fields, the 'Medical Contribution Base – Current Year' and the 'Medical Contribution Base – Next Year' to be used in the calculation of the UC contribution toward the medical premiums according to salary level. At that time, it was decided to model the calculation of this Medical Contribution Base (MCB) after the existing methodology used for the calculation of the Supplemental Life Insurance Salary Base. These changes to PPS were included in the omnibus 2003 Benefits Changes that were originally released to campuses on 11/08/02 as Release 1440.

It has since been determined that the current calculation logic results in MCBs which are inconsistent with current policy regarding the employee medical plan costs by salary tiers which are defined for 2007 as "\$43,000 or less", "\$43,001 to \$86,000", "\$86,001 to \$129,000" and "\$129,001 or more". Specifically, a problem results when cents are rounded such that the calculated MCB is actually one thousand dollars higher than it should be, and when this occurs for an amount at the boundary of a salary tier, the employee is impacted by being subject to a higher cost for the medical premium.

Current Process:

Currently, for eligible employee records, the Annual Salary Total is developed as the sum of regular, additional and differential salary distributions. The original service request asked that the MCB be calculated by dividing the Annual Salary Total by 1000 and then rounding up to the next whole thousand if there is a remainder. For example, for calculated annualized salary bases that fall within \$80,000.01-\$80,000.99, the resulting Medical Contribution Base is ‘081’.

Proposed Process:

It is proposed that the logic for calculating the MCB be modified as follows: after the Annual Salary Total is developed, truncate any cents remaining; divide the result by 1000 and if there is a remainder, round that amount up to the nearest whole thousand.

For example, with the proposed method, for calculated annualized salary bases that fall within \$80,000.01-\$80,000.99, the resulting Medical Contribution Base will be ‘080’. The chart below illustrates how the change in logic will impact MCBs which are calculated from annualized salaries that fall below and above the salary tier that begins with ‘\$80,001’:

Calculated Annualized salary	MCB – Current method	MCB – Proposed method
\$79,000.92	080	079
\$79,001.00	080	080
\$79,099.92	080	080
\$79,999.08	080	080
\$80,000.00	080	080
\$80,000.04	081	080
\$80,000.99	081	080
\$80,001.00	081	081
\$80,001.99	081	081
\$80,999.99	081	081

EDB Explicit Maintenance, EDB Monthly Periodic Maintenance, Special Daily Web/IVR and Benefits Premium Audit processes should be modified to use the new calculation logic.