



Steven W. Cheung
Chair, Assembly of the
Academic Senate
Faculty Representative,
UC Board of Regents
Academic Senate

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June 30, 2025

Cheryl Lloyd
Vice President, Systemwide Human Resources

Re: Setting 2026 Rates for University Employee Health and Welfare Benefits

Dear Vice President Lloyd,

On behalf of the Academic Council, I am forwarding the attached letter from the University Committee on Faculty Welfare (UCFW), which the Council endorsed at its June 25, 2025 meeting. The letter reflects the recommendations of both UCFW and its Health Care Task Force (HCTF) regarding potential health plan premium changes for 2026.

While the Council supports the recommendations, members expressed concern that the long-term sustainability of UC Care is in question. Council believes that a detailed analysis is urgently needed. Council is interested in a better understanding of the extent to which UC Care increases costs for employees enrolled in other plans, via internal subsidies. What would be most helpful is an analysis that evaluates not only the fiscal trajectory of UC Care but also models the impact on HMO plans if UC Care were no longer offered, including any redistribution of risk and resulting premium changes.

In addition, Council requests a clearer picture of retiree enrollment and cost patterns across available plans. This includes:

- The number of retirees enrolled in each plan,
- The cost of providing benefits to retirees as a proportion of total health expenditures, and
- The ability of the University to support retiree health benefits at historic levels in the current environment of escalating cost pressures.

We share the Senate committees' concerns about potential changes that may disproportionately impact lower-paid employees or undermine the equity and affordability of future health and benefits offerings. At the same time, we are mindful of the University's budget challenges and the need to preserve access and sustainability across all plan options.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Steven W. Cheung', written in a cursive style.

Steven W. Cheung
Chair, Academic Council

Encl.

cc: Academic Council
Executive Vice President and Chief Financial Officer Brostrom
Executive Vice President and Chief Operating Officer Nava
Executive Vice President Rubin
Vice President and Chief of Staff Kao
Executive Director Jenkins
HCTF Chair Mays
Professor Richard Kronick, Senate Representative to the Executive
Steering Committee on Health Benefits Programs
Senate Division Executive Directors
Senate Executive Director Lin



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UNIVERSITY COMMITTEE ON FACULTY WELFARE

Juan Pablo Pardo-Guerra, Chair

June 23, 2025

Steve Cheung
Chair, Academic Council

Dear Chair Cheung,

The University Committee on Faculty Welfare, upon advice from its Health Care Task Force (“HCTF”), asks Academic Council to endorse and convey the attached recommendations concerning changes to the health plans offered by the University of California (“UC”). Proposed approaches to determine employer and employee contributions to the health plans offered by UC generated concern among experts of HCTF and UCFW at large. UCFW agrees with HCTF in the urgency of conveying these concerns to leadership in Human Resources and the Executive Advisory Steering Committee.

UCFW agrees with HCTF’s recommendation that the University increase its health insurance contributions by at least the same percentage as the average premium hike. For example, if premiums go up by 10.5%, a matching increase from the University would still leave employees paying more. Anything less than that, such as an 8.5% increase, would result in employees facing a disproportionate rise in their share—potentially over 20%.

While we agree that UC Care should be kept financially stable, we oppose changes that would significantly reduce the differential in employee premium contributions for UC Care compared to Blue and Gold. We understand that HR is considering making the difference between UC Care and Blue and Gold in employee premiums much smaller in 2026 than it was in 2025. Narrowing that gap could encourage employees to choose a more expensive care option, which may not be in the University's best interest.

Reducing the differential undermines current incentives and could lead to increased overall health care costs.

UCFW is also especially concerned with changes that reduce the premium gap between Kaiser and Blue & Gold, since 42% of employees are enrolled in Kaiser. Plans to lower the University's contribution to Kaiser would shift more costs to employees, particularly those in lower pay bands, and unfairly penalize a large portion of the workforce. We urge holding off on any major changes for 2026 until a broader review of pay band contribution policy is completed for 2027.

UCFW and HCTF have a long and established record of working with the administration in shaping the health benefits for UC employees. Some key features of UC's approach to benefits are the direct result of HCTF's efforts. Given this record, we hope that HCTF's recommendations will continue to shape the design of health benefits going forward.

Sincerely,

Juan Pablo Pardo-Guerra, Chair
UCFW

Cc: Ahmet Palazoglu, Academic Council Vice Chair
Monica Lin, Systemwide Academic Senate Executive Director
Juan Pablo Pardo Guerra, UCFW Chair



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UNIVERSITY COMMITTEE ON FACULTY WELFARE
HEALTH CARE TASK FORCE
Vickie Mays, Chair

June 23, 2025

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Juan Pablo Pardo-Guerra
Chair, University Committee on Faculty Welfare

RE: Setting Rates for Health and Welfare Benefits, FY 2026

Dear Chair Pardo-Guerra,

The UCFW Health Care Task Force (HCTF) continues working closely with systemwide Human Resources (HR) and its consultant Mercer on the methods and approaches to be used in setting the 2026 employer and employee contributions to the UC health and welfare plan offerings. HR will make decisions at the end of July following advice from the Executive Advisory Steering Committee (EASC), which is scheduled to meet on July 28. Much work has taken place between HCTF and HR/Mercer, and while some changes were made to the original plans, we strongly feel that now is the time for the Academic Senate to strongly convey our concerns about the final proposal that HR appears to be moving towards. As a decision will be made in the very near future, HCTF is requesting that the Academic Council, through Chair Cheung, convey our concerns to Cheryl Lloyd, Vice President, Systemwide Human Resources and Chief Human Resources Officer and to Maynard Jenkins, Senior Executive Director, Benefits Programs & Strategy, Systemwide Human Resources. Most importantly our concerns, which are summarized in the 5 bullet points below, should be copied to the members of the EASC who will play a significant advisory role in the decision-making. The Academic Senate is represented on the EASC by Rick Kronick (UCSD) Distinguished Professor, who is also a member of HCTF. Other members of the EASC are Rachel Nava, Executive Vice President and Chief Operating Officer; Nathan Brostrom, Executive Vice President and Chief Financial Officer; David Rubin, Executive Vice

President for UC Health; and Jenny Kao, Vice President & Chief of Staff to the UC President.

HCTF recommends:

1. We strongly urge that the University contribution to health insurance increase by at least the amount of the average premium increase. If the average premium increase is 10.5%, even a 10.5% increase in the University contribution will leave employees with a 10.5% increase in the employee share of the premium. An 8.5% increase in the University contribution would cause the employee paid premium contributions to increase by more than 20%.
2. We support the motivation to keep UC Care from entering a ‘death spiral’, but we oppose changes that would significantly reduce the differential in employee premium contributions for UC Care compared to Blue and Gold. We understand that HR is considering making the difference between UC Care and Blue and Gold in employee premiums much smaller in 2026 than it was in 2025. We think this is a mistake because we do not think that UC should be providing stronger financial incentives than in the status quo for employees to choose a more expensive method of delivering medical care.
3. Even more strongly, we oppose any changes that would significantly reduce the differential between what employees pay for Kaiser and what they pay for Blue and Gold, both of which are HMOs. Approximately 42% of employees choose Kaiser. In one scenario, the University contribution to Kaiser would be approximately 25% less than the University contribution for Blue and Gold in 2026, causing the difference in employee premium contributions between Kaiser and Blue and Gold to narrow by about \$40 (for individual coverage) to about \$120/month (for full family coverage) in pay band 1 relative to 2025. We think it would be a bad approach to increase the employee premium contribution for Kaiser by more than the corresponding increase for Blue and Gold. Such a change would unfairly disadvantage the 42% of employees who choose Kaiser, and, over time, cause more employees to choose Blue and Gold, which will increase health benefit costs for the University.
4. We understand that HR is planning a comprehensive review of how the University sets contribution levels across pay bands for 2027, and we support the desirability of this review. We understand also that HR is considering changes for 2026 that could result in larger increases in employee contributions in pay bands 1 (under \$70,001) and 2 (\$71,001-\$140,000), and smaller increases in pay bands 3 and 4. We think it is premature to implement any substantial changes in 2026, and encourage waiting until the results of the more comprehensive

review is conducted for 2027. We are particularly concerned about potential changes that would result in substantial increases in the premium contributions that employees in pay bands 1 and 2 would be required to pay for Kaiser, which is the largest enrollment plan in those pay bands.

5. We strongly urge UC Health to provide a larger 'friends and family' discount for UC employees and their families. 2026 will be an extremely challenging year for everyone at UC, and we know that the challenges extend to the UC Medical Centers. However, we think that the Medical Centers can and should contribute to the solution to the problem created by health care premiums that are increasing much faster than the rest of the University budget and much faster than employee wages. We also strongly encourage UC Health to provide credible data on the size of the 'friends and family' discount.

Thank you for helping to advance our shared goals in this important area.

Sincerely,

Vickie Mays, Chair
HCTF

Cc: Steve Cheung, Academic Council Chair
Ahmet Palazoglu, Academic Council Vice Chair
Monica Lin, Systemwide Academic Senate Executive Director