Chairman Horsford, Honorable Senators and Assembly members,

Good morning. My name is Nasser Daneshvary. I have been proudly teaching and researching economics for the last 19 years at UNLV. I am also the current chair of the Faculty Senate at UNLV, representing more than 2200 faculty and staff. I am here to express their concerns and to request your consideration of some alternatives to the proposed cuts to the Public Employees Benefit Programs (PEBP).

1. The current executive proposal would essentially mandate equivalent to a 4 to 6 percent out-of-pocket increase for employees. This is a significant salary reduction that would especially hurt faculty and staff and their families at the lower end of the salary scale.
2. The proposal calls for reduction and elimination of premium subsidies for retirees

More importantly for the future of education in Nevada, and as was expressed in a recent letter from President Ashley to you, the proposed changes:

   a. Would cause the loss of highly qualified faculty and staff.
   b. Would create a significant obstacle to our ability to recruit and retain the best qualified faculty and staff.

c. Would eliminate the ability to recruit more senior faculty with distinguished record of accomplishment.

Even with all of these potential negative outcomes, according to leading economic research on health care costs, the recommended changes most likely would not produce the desired savings,.

1. First, the work of Professor Greg Olson from the University of Illinois and my own work published in the *Journal of Labor Economics and Economic Inquiry*, show that, nation-wide on average, there is a 16 to 20% tradeoff between salaries and provision of employer-provided health insurance. The size of the trade off depends upon the employee's out-of-pocket contribution to the health insurance premium. <u>This means, that with lower health benefits, UNLV has to pay higher salaries to attract highly qualified employees or hire lower quality personnel.</u>
2. Second, it is well documented by numerous research studies from the Rand Corporation, The National Bureau of Economic Research, the Department of Labor, and the work of economists, such as Jonathan Gruber from MIT and Brigitte Madrian from the University of Chicago, <u>that the lack of subsidized health insurance coverage by employers, significantly reduces the</u>

probability of retirement of individuals in their lower to mid-60s and delays their retirement decisions by about 2 years.

3. This means that many higher paid senior faculty will continue with regular employment rather than retire. The state will end up paying higher salaries than might be paid to a potential replacement. The one- year pay difference between a senior and a junior faculty, currently about $60,000, will cost the state more than the cost of 25 years of subsidized health benefit for a retiree.

In summary, the proposed short- term cost saving solutions most likely will not produce any savings, but cause hardship and reduced quality of higher education in Nevada.

Thank you for your time and consideration. I will be more than happy to provide you with references and additional information on the research findings that I mentioned.

Partial list of Reference:

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"Health Insurance, Labor Supply, and Job Mobility: A Critical Review of the Literature," Jonathan Gruber and Brigitte Madrian, Working Paper 8817, *National Bureau of Economic Research*, March 2002

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"The Effect of Access to Post-Retirement Health Insurance on the Decision to Retire Early, Lynn Karoly, and Jeanette Rogowski, *Industrial and Labor Relations Review* 48(1): 103-123, 1994.