Benefit Update for CY2012 and Benefit Plans for CY2013 & Beyond

Presentation to the University Senate

April 3, 2013

October 2012 Senate Presentation can be found here
http://www.admin.mtu.edu/usenate/minute/13/523m.htm
Agenda

- CY12 Healthcare Update
- Legislation Update
- 3 year Health and Wellness Roadmap
Cost Share Analysis
Actives Only
January 1, 2012 - December 31, 2012

Cost per Contract

HuskyCare PPO
- Employee Cost Share: $3,977
- Employer Paid per contract: $15,301

HuskyCare HDHP
- Employee Cost Share: $2,012
- Employer Paid per contract: $8,909
2012 Enrollment Choices

- HuskyCare PPO: 596
- HuskyCare HDHP: 96
- Dual Spouse: 94
- Health Opt-Out: 564

2013 Enrollment Choices

- HuskyCare PPO: 86
- HuskyCare HDHP: 661
- Dual Spouse: 118
- Health Opt-Out: 448

Represents all benefit-eligible employees.
Cost drivers affecting Michigan Tech

Following items were found to contribute (on average) to Michigan Tech’s higher healthcare costs compared to the national average as well as benchmark institutions in CY12:

- Higher number of dependents covered on our plans
- Remote location/geographic reality
- Lower employee premium
Factors helping to control costs

Following items were found to help (on average) control Michigan Tech’s rising healthcare costs compared to the national average as well as benchmark institutions in CY12:

- Purchasing Decisions (when to seek medical care)
- Employee Health Status
- Employee Health Behaviors
Michigan Tech’s Key Cost Drivers—Overall

- **Total Cost per Enrollee**
  - Lower Cost: MI Tech: $1,104, HHVI Average: $1,412 (20% lower)
  - Higher Cost: MI Tech: $2,107, HHVI Average: $2,412 (20% higher)

- **Enrollment Composition**
  - Area Costs: MI Tech: $820, HHVI Average: $669 (20% lower)
  - Age and Gender: MI Tech: $1,100, HHVI Average: $850 (20% lower)
  - Dependent Coverage: MI Tech: $2,086, HHVI Average: $2,276 (20% lower)

- **Employee Cost-Sharing**
  - Plan Design: MI Tech: ($742), HHVI Average: $209 (20% lower)
  - Employee Premiums: MI Tech: $1,003, HHVI Average: $1,000 (20% lower)

- **Other Factors**
  - Purchasing (Employer and Employee Decisions): MI Tech: ($2,160), HHVI Average: ($2,592) (20% lower)
  - Employee Health Status and Health Behaviors: MI Tech: $2,107, HHVI Average: $2,412 (40% higher)

Legend:
- ◆ MI Tech
- ● Higher Ed
- ● Labor Market
- ○ Fortune 500
- ○<3,000
- ● Prior Year

- = Lower Cost Relative to Prior Year
- ● = Cost is Neutral Relative to Prior Year
- ➔ = Higher Cost Relative to Prior Year

Updated looking at 12 Higher Ed Benchmark Institutions
Legislation Changes
Must be considered when making any changes

Legislation Already in Place

• State Legislature – Publicly Funded Health Insurance Contribution Act – Employer Restricted to 80% of the Total Annual Costs

• National Healthcare Reform – 2012 Tax Year required Michigan Tech’s Value of Your Healthcare to be Reported on your W-2

• National Healthcare Reform – Effective in 2013, employees can contribute a maximum of $2,500 into a healthcare flexible spending account (previously set at $5,000)
Legislation Coming under the Affordable Care Act

Employer Shared Responsibility

• Effective 1/1/2014, Michigan Tech must offer healthcare to employees that work an average of 30 hours per week or pay a penalty (includes temporary, adjunct faculty and student employees)

  ✓ Employer must provide minimum essential coverage (no annual or lifetime limits on certain categories of benefits) to 95% of FTEs

    ➔ $2000 penalty per employee paid by Michigan Tech

  ✓ Coverage must provide minimum value (60%) and be affordable (employee cost for single coverage does not exceed 9.5% of employee W-2 wages)

    ➔ $3000 penalty per employee that receives a Federal subsidy when purchasing coverage on the exchange
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<tr>
<td><strong>Medical</strong></td>
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<tr>
<td>Transitioned to 3 new vendors</td>
<td>Benchmark costs and plan design annually to understand competitive position</td>
<td>Review and adjust plan design/premiums annually</td>
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<td>Medical – BCBSM</td>
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<td>Dental – Delta Dental</td>
<td>Monitor utilization and trends annually to assess programs to help manage costs</td>
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<td>Vision - EyeMed</td>
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<td>PPO deductible to $2000/$4000 Per person premium 35% Coinsurance on all services</td>
<td>Eliminating PPO plan</td>
<td>Review and adjust plan design annually, adjust premiums as needed</td>
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<td>High Deductible Health Plan (HDHP)</td>
<td>Continue with HDHP Consider introducing premium on the HDHP</td>
<td>Consider incentive-based HSA funding based on group/individual performance in prior year</td>
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<td>No Employer HSA funding</td>
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<tr>
<td>Deductible $1750/$3500 No employee premium</td>
<td>Review Medical Opt-out credit Review Stop Loss Insurance Level of Coverage Review Retiree Healthcare Strategy</td>
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<td>Preventive Care</td>
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<td>Annual physical covered at 100%</td>
<td>Annual physical covered at 100%</td>
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<td>Pricing/Cost Sharing</td>
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<td>University Budget Target: $14,500,000</td>
<td>University Budget Target: $15.5 million</td>
<td>University Budget Target: TBD</td>
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### Michigan Technological University

#### 2013-2016 Health and Wellness Roadmap (DRAFT)

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<tr>
<td><strong>Prescription Drugs</strong></td>
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<tr>
<td>PPO 10% Generic/25% Brand</td>
<td>Implement Step Therapy</td>
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<td>Evaluate utilization and compliance annually</td>
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<td>HDHP 10% after deductible</td>
<td>Consider Other Rx Vendors</td>
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<td>Revise design/interventions as needed</td>
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<td><strong>Legislative (immediate changes)</strong></td>
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<td>Review and determine full-time status requirements under Affordable Care Act (Employer Shared Responsibility Regulations)</td>
<td>Employer mandate re: full-time employee status effective</td>
<td>No changes to employer</td>
<td>No changes to employer</td>
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<td><strong>Wellness</strong></td>
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<td>TechFit Employee Assistance Program</td>
<td>Implement Personal Health Record</td>
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<td>Measure program effectiveness annually</td>
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<td>SWEAT (physical improvement) program</td>
<td>Quarterly Newsletter/How To Handout</td>
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<td>Evaluate incentive strategy annually</td>
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<td>Health Risk Assessment/Annual Physical Incentive</td>
<td>Monthly wellness topics</td>
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<td>Continue ongoing communication</td>
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<td>Cooking classes</td>
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<td>HuskyPAW incentive program</td>
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<td>Healthy Lifestyle Coaching</td>
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<tr>
<td><strong>Other</strong></td>
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<tr>
<td>Dental</td>
<td>Monitor enrollment, utilization and trends to assess programs and manage costs</td>
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<td>Vision</td>
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<td><strong>Other insurance alternatives to consider</strong></td>
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<tr>
<td>Aetna - all alternatives</td>
<td><a href="http://healthinsurance.aetna.com/state/michigan/individual-health-insurance/health-plans">http://healthinsurance.aetna.com/state/michigan/individual-health-insurance/health-plans</a></td>
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Review of Some Other Benefits

- Health/Dental/Vision Plans
- Wellness programs
  - TechFit
  - HuskyPAW
  - SWEAT program
  - Cooking Classes
  - $75 HRA incentive
- Healthcare and Dependent Care FSA
- Life Insurance
- Accidental Death and Dismemberment
- Short-Term Disability
- Long-Term Disability
- Matching Retirement Program
- Employee Education Program and TRIP Program (spouse and dependents)
- Employee Assistance Program
Other Questions

• Smoking Cessation Resources
  – Quit the Nic through BCBSM
  – Classes through partnership with Portage Health and Western UP Health Department

• How was the W-2 healthcare value reported and calculated?
  – Illustrative rates of the healthcare plans (not taxable)
  – Developed and placed in payroll system Fall 2011 (for 2012 calendar year)
  – Follows guidelines under Healthcare Reform

• Employees with other coverage and implications under the HDHP
  – Can be covered under the HDHP, however, cannot contribute to a Health Savings Account (HSA)
QUESTIONS

FAQ’s coming soon
See glossary of healthcare related terms at www.mtu.edu/hr/benefits/overview