



# Benefit Plans for CY2013 and beyond

**Presentation to the University Senate**

October 10, 2012



## Agenda

- Role of the Benefit Liaison Group
- 3 year Health and Wellness Roadmap
- Current State of Healthcare
- Healthcare Changes for CY2013
- FAQ's with glossary of terms



## Benefits Liaison Group (BLG)

- Proposed and approved by the University Senate in May 2000 (Senate Proposal 22-00)
- Set up as an advisory group
- Approved by the Administration in November 2001
- Mission is to advise the University leadership on providing the best possible fringe benefit program within the available resources
- Membership consisted of key professional staff and University Senate representatives.

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## BLG Members

Donald Beck, Professor, Physics

Nancy Barr, Admin Associate, Mechanical Engineering (Senate Fringe Benefits Chair)

Jane Berner, Retiree

William Bulleit, Professor CEE (Senate President)

David Chard, Manager, Instructional Resources

James Friendewey, Dean, School of Technology

Mike Hendricks, Institutional System & Analysis Director

Joe Herbig, Controller

Renee Hiller, Director of Benefit Services

Ellen Horsch, VP for Administration

Amy Hughes, Internal Auditor

Deb Lassila, Budget Director

Rudy Luck, Associate Professor, Chemistry

Michael Mullins, Professor, Chemical Engineering (Senate Finance Committee Chair)

Tony Rogers, Associate Professor, Chemical Engineering

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Philosophy of the BLG has been and continues to be “a shared responsibility on the cost containment/ reduction between the University, employees and our community.”



## Important to . . .

- Emphasize prevention and effective health management
- Prevent wasteful health care spending
- Assure the flexibility to meet the needs of a diverse workforce and access to important providers
- Provide comprehensive protection to the seriously ill
- Provide employees with the tools necessary to make good decisions
- Improve reporting to the BLG and the University

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## CY2013-2015 Health and Wellness Roadmap

Current State	Effective January 2013	Effective January 2014	Effective January 2015
<b>Medical</b>	Benchmark costs and plan design annually to understand competitive position  Monitor utilization and trends annually to assess programs to help manage costs Adapt strategy to account for Health Care Reform (as warranted)		
PPO Deductible \$1000/\$2000 Premium Adult \$91/mth, child \$45.50/mth Lab/radiology coinsurance 10% (all other services 35%, except ER \$75)	Increase PPO deductible to \$2000/\$4000 Eliminate adult/child premium distinction (i.e. same per member premium for adults and children) Coinsurance increase to 35% for lab/radiology and hospital/surgery	Eliminate PPO plan Continue with HDHP Review and adjust plan design annually, adjust premiums as needed	Review and adjust plan design annually, adjust premiums as needed
HSA Funding \$400/\$800 No premiums	No HSA plan design changes Eliminate HSA funding Implement dependent premium (employee and dual spouse/benefit eligible premium \$0)	Consider incentive-based HSA funding based on group/individual performance in prior year	Consider incentive-based HSA funding based on group/individual performance in prior year
Submit Request For Proposal to various insurance vendors			
<b>Preventive Care</b>	Annual physical covered at 100%		
Annual physical covered at 100%	Annual physical covered at 100%		
<b>Prescription Drugs</b>			
PPO 10% Generic/25% Brand HSA 10% after deductible	Implement step therapy program No PPO or HSA design changes	Evaluate utilization and compliance annually Revise design/interventions as needed	



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<b>Health Care Reform (immediate changes)</b>			
W-2 Health Care Reporting (distributed in 2013 for CY2012) Health FSA limit \$5,000	Health FSA limit \$2,500	No changes for employer	No changes for employer
<b>Pricing/Cost Sharing</b>			
	University Budget Target: \$14,500,000	University Budget Target: To Be Determined	University Budget Target: To Be Determined
	Review pricing/cost sharing in light of budget constraints		
<b>Wellness</b>			
TechFit SWEAT (physical improvement) program	Implement Personal Health Record Quarterly Newsletter/How To Handout	Measure program effectiveness annually Evaluate incentive strategy annually	
Health Risk Assessment/Annual Physical Incentive Cooking classes HuskyPAW incentive program Healthy Lifestyle Coaching	Monthly wellness topics	Continue ongoing communication	
<b>Other</b>			
Dental Vision	Vendor/design/pricing evaluations in progress	Monitor enrollment, utilization and trends annually to assess programs and manage costs	
<b>Other insurance alternatives to consider</b>			
BCBSM - Young Adult Blue	<a href="http://www.bcbsm.com/myblue/light-plan/light-blue-max-product-pg.shtml">http://www.bcbsm.com/myblue/light-plan/light-blue-max-product-pg.shtml</a>		
BCBSM - all alternatives	<a href="http://www.bcbsm.com/myblue/">http://www.bcbsm.com/myblue/</a>		
Aetna - all alternatives	<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>		





What does it mean to be self-insured vs. fully-insured?

### Fully-Insured Plans

- Premiums are paid to an insurance company (the insurer);
- Claims paid by the insurer are paid out of the insurer's accounts, with the insurer's money;
- The insurer bears the risk of adverse experience and potential profit of favorable experience

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What does it mean to be self-insured vs. fully-insured?

## Self Insured Plans

- University takes on the role of primary risk taker;
- Claim payments and all plan-related expenses become the responsibility of the University, but the insurance processes the claims
- University has more flexibility on plan design
- Exempt from state regulation

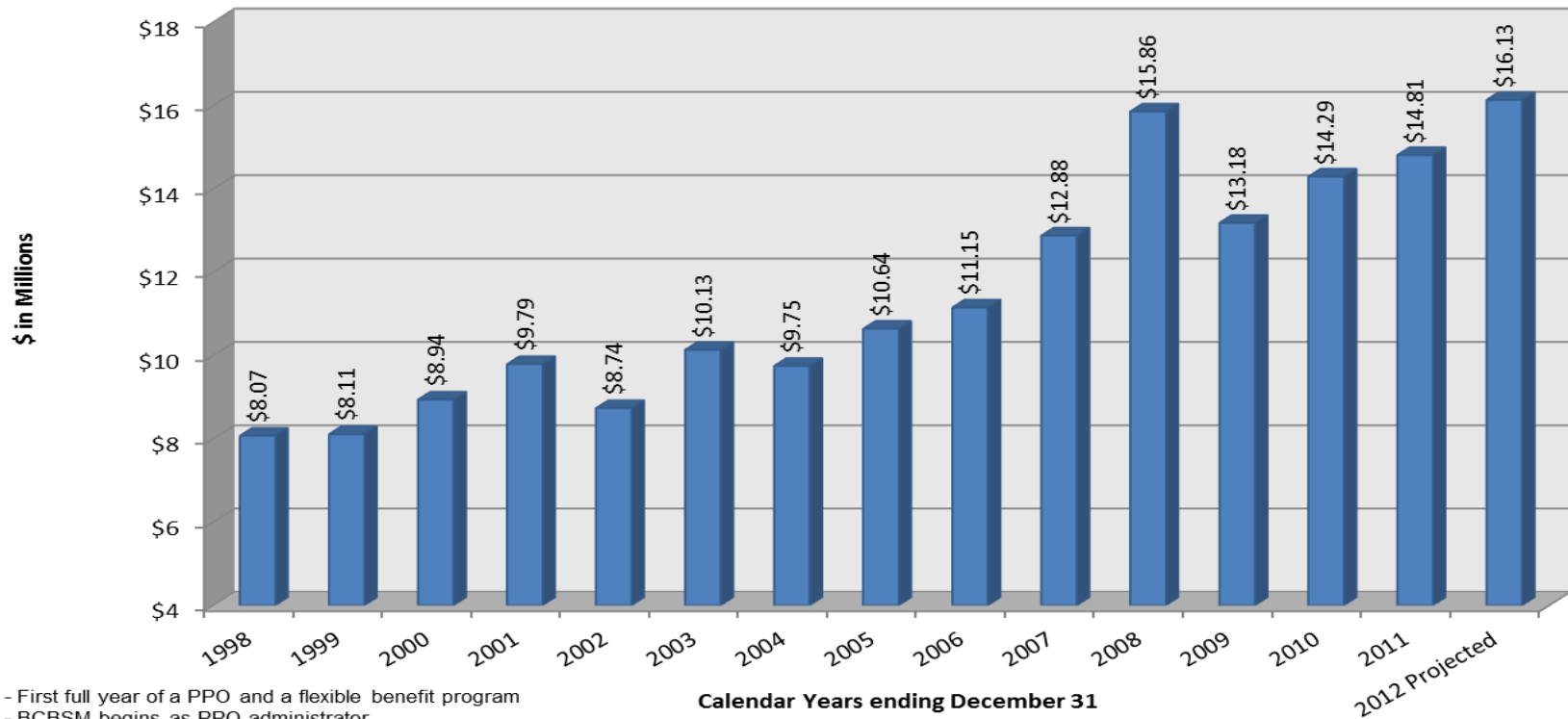
**Cost comparison of both options (estimated)**

**Fully-insured = \$19,572,122**

**Self-insured = \$17,025,532**

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## Net Aggregate Health Care Expense History Calendar Year Presentation



1996 - First full year of a PPO and a flexible benefit program  
1999 - BCBSM begins as PPO administrator  
2000 - Introduced percentage copays  
2001 - Introduced specific stop loss coverage  
2002 - A Premium plan introduced plus percentage copays for all services  
2004 - Major plan changes  
2009- Major plan changes (BCBS to Aetna)  
2012 - Ongoing Actual Projection

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Submitted in December 2011



## MICHIGAN TECHNOLOGICAL UNIVERSITY Fringe Benefit Costs and Payroll

### Fringe Benefit Costs

	8/31/12 Projection FY13	ONR Projection FY13	Actual FY12
FICA	7,218,957	7,233,513	6,874,573
TIAA-CREF/FIDELITY	6,454,343	6,461,938	6,146,435
MPERS	3,150,000	2,989,852	2,932,755
HEALTH CARE COSTS	16,100,000	14,500,000	15,735,872
Life, Disability, Unemp, W/C, Other	1,628,318	1,473,431	1,550,638
Total fringe benefits costs	34,551,617	32,658,734	33,240,273

### Estimated VHS and Short Term Disability 12er ear:

Based on Grant Funded Emp payroll	1,601,342	1,670,683	1,485,127
Total fringes with vacation & sick leave	36,152,959	34,329,417	34,725,400
Voluntary Reduction of Fringe Cost			
Rounding Reduction	-	(150,000)	-
Total fringe costs	36,152,959	34,179,417	34,725,400

### ESTIMATED PAYROLL BY GROUP

TEMPORARY COMPENSATION	5,572,441	5,572,441	5,137,735
OVERLOAD/SUPPLEMENTAL SUMMER	4,178,449	4,178,449	4,252,789
GRANT FUNDED EMPLOYEES	9,614,667	9,614,667	8,916,896
REGULAR EMPLOYEES	77,081,280	77,081,280	73,538,372
TOTAL	96,446,836	96,446,836	91,845,792

### Rates Calculated:

Temporary Compensation Rate	10.00%	10.00%	10.00%
Overload/Summer Compensation Rate	16.20%	16.20%	16.20%
Regular and Grant Funded Employees	40.28%	38.00%	40.66%



## Healthcare Considerations

**BLG, President, VPR and VPA reviewed and considered the following over 5 meetings in 2012:**

- Projected 2012 Healthcare Costs \$1.5 million higher than originally anticipated
  - 4 areas of significant costs in 2012 have contributed – home healthcare, radiology, medical services and medical pharmacy
- Projected 2013 Healthcare Costs to increase an additional \$1.4 million if no changes
- Developed a 3 year strategy to provide a 3 year Health and Wellness Roadmap



## CY2013 Cost Summary

	2012 Baseline	2012 Ongoing Projected	2013 Projected No Changes  Status Quo
<b>Claims</b>			
Medical/Rx Actives Only	\$12,781,335	\$14,140,000	\$15,650,000
Dental/Vision Actives Only	\$1,415,694	\$1,400,000	\$1,550,000
Retirees Medical/Rx	\$884,937	\$760,000	\$840,000
Retirees Dental/Vision	\$118,000	\$130,000	\$140,000
<b>Administration</b>			
Administration Costs	\$1,227,165	\$1,350,000	\$1,490,000
HSA Tech Contributions	\$429,200	\$380,000	\$420,000
Opt Out Costs	\$169,200	\$150,000	\$170,000
<b>Total Gross Cost</b>	\$17,025,532	\$18,300,000	\$20,260,000
Total Increase \$			\$1,960,000
Total Increase %			10.7%
<b>Employee/Retiree Premiums</b>			
Medical/Rx Actives Only	\$1,351,182	\$1,320,000	\$1,720,000
Dental/Vision Actives Only	\$299,868	\$240,000	\$310,000
Cobra	\$63,099	\$60,000	\$80,000
		\$1,620,000	
Retirees Medical/Rx	\$546,625	\$470,000	\$510,000
Retirees Dental/Vision	\$67,044	\$60,000	\$60,000
		\$525,900	
Total Premiums	\$2,327,818	\$2,140,000	\$2,680,000
<b>Total Net Costs</b>	\$14,697,714	\$16,160,000	\$17,580,000
Total Increase \$ from 2012 Ongoing			\$1,420,000
Total Increase % from 2012 Ongoing			8.8%

### Notes:

Administration costs include 2013 ASO and Stoploss fees.

Claims were taken from Aetna provided reports

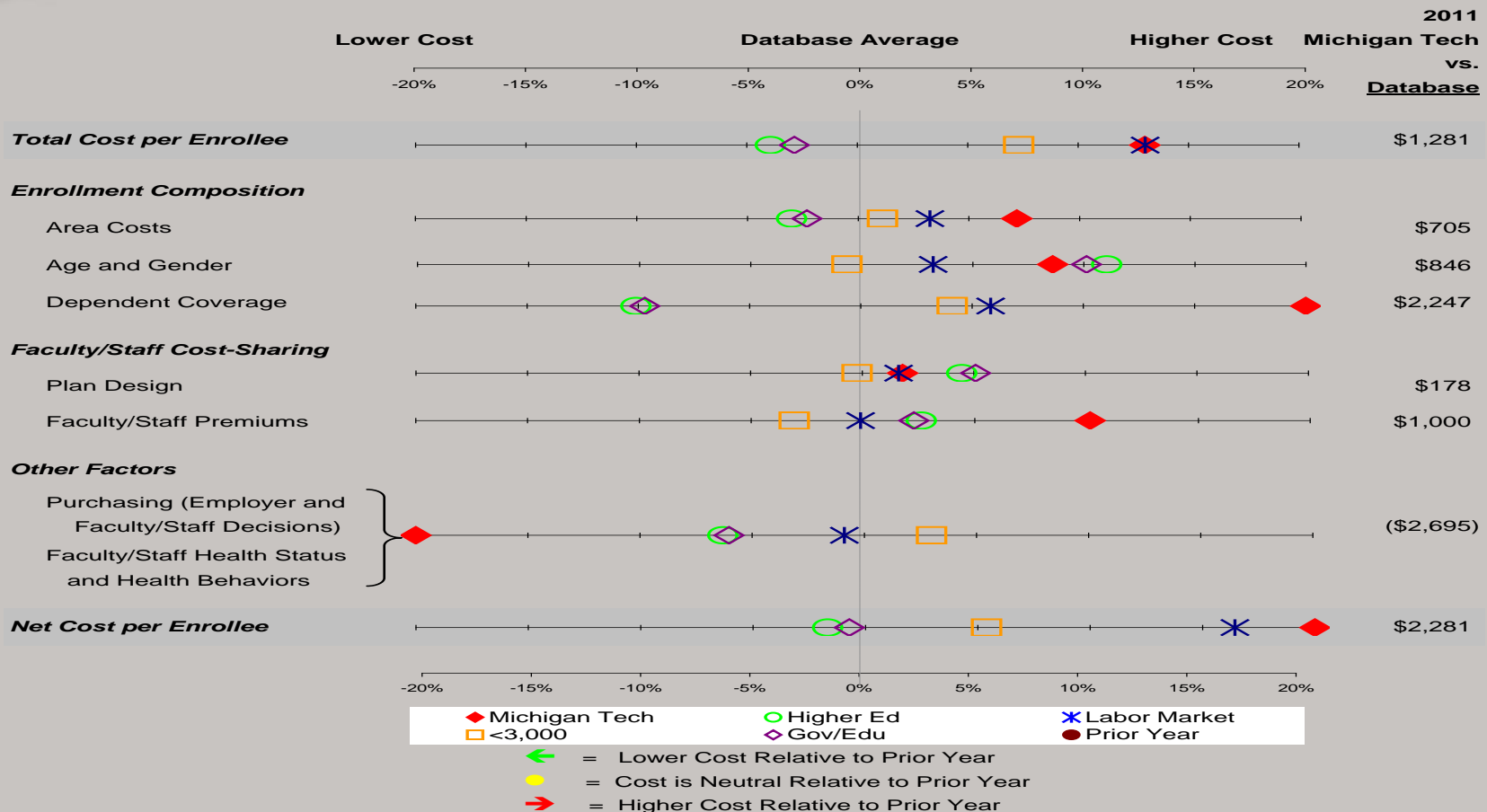
Assumes no changes to current plan offerings

Assumes no changes to current per adult/child premium strategy.

# Michigan Tech

## CY2011 Cost Drivers

### Key Cost Drivers—Overall



Source: 2011 HHVI™

Consulting | U.S. Health & Benefits  
 Proprietary & Confidential | Michigan Tech  
 Strategy Deck.PPT/12-J8-41184 12/2011



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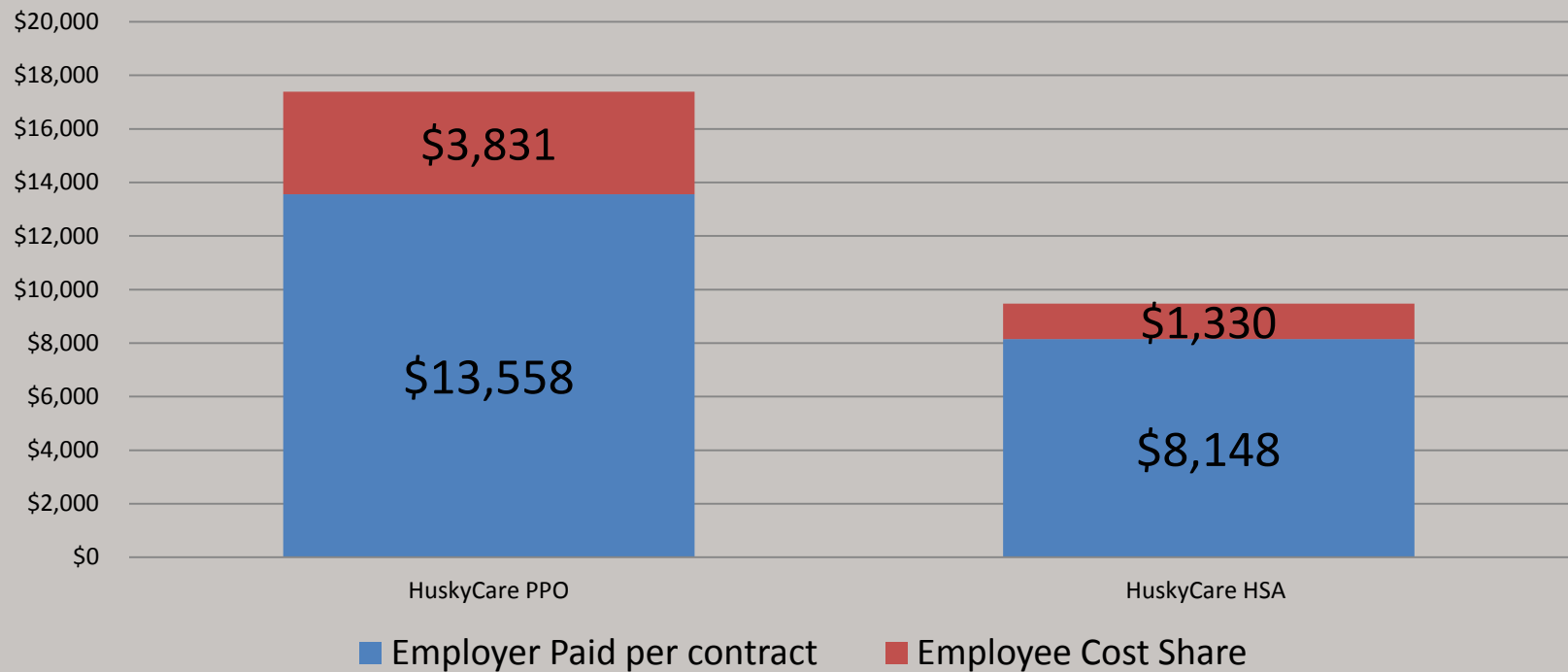
## **Cost drivers affecting Michigan Tech**

Following items were found to contribute (on average) to Michigan Tech's higher healthcare costs compared to the national average in CY2011:

- Higher number of dependents covered on our plans
- Remote location/geographic reality
- Lower employee cost share

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## Cost Share Analysis Actives Only January 1, 2011 - December 31, 2011



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Michigan Technological University  
Medical Cost Sharing Analysis  
For Claims Paid 1/1/11 - 12/31/11 (Actives Only)

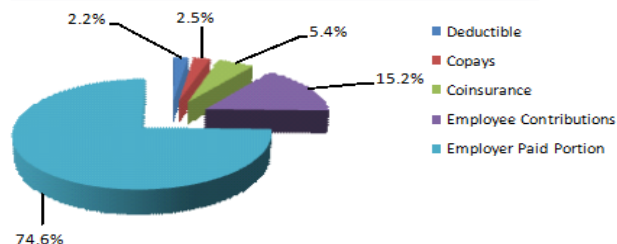
**Michigan Tech**  
Create the Future

	HuskyCare PPO	HuskyCare HSA
Number of enrolled contracts	582	595
Allowed amount- Medical	\$7,414,282	\$5,254,849
Allowed amount- Pharmacy	\$1,395,094	\$402,885
Coordination of Benefits	\$21,850	\$19,936
Deductible	\$196,422	\$1,016,887
Copays-Med	\$29,933	\$0
Copays-Rx	\$186,900	\$278,476
Coinsurance	\$478,050	\$299,688
Non-employer paid portion	\$891,305	\$1,595,051
<b>Non-employer paid portion per contract (at claim level)</b>	<b>\$1,530</b>	<b>\$2,682</b>
Employer plan paid portion (at claim level)	\$7,896,221	\$4,042,748
Employer HSA contribution	\$0	\$803,850
<b>Employer plan paid portion per employee</b>	<b>\$13,558</b>	<b>\$8,148</b>
<b>Employer % share medical (at claim level)</b>	<b>89.9%</b>	<b>71.7%</b>
<b>Employer % share medical (with HSA contribution)</b>		<b>75.2%</b>
<b>Non-employer % share medical (at claim level)</b>	<b>10.1%</b>	<b>28.3%</b>
<b>Actual non-employer payroll contribution %</b>	<b>15.2%</b>	<b>0.0%</b>
<b>Total non-employer cost share</b>	<b>25.4%</b>	<b>28.3%</b>
<b>Total non-employer cost share inc. Tech HSA seed money</b>	<b>25.4%</b>	<b>24.8%</b>
<b>Total \$ non-employer cost share Per EE</b>	<b>\$3,831</b>	<b>\$2,682</b>
<b>Total \$ non-employer cost share inc. Tech HSA seed money Per EE</b>	<b>\$3,831</b>	<b>\$1,330</b>

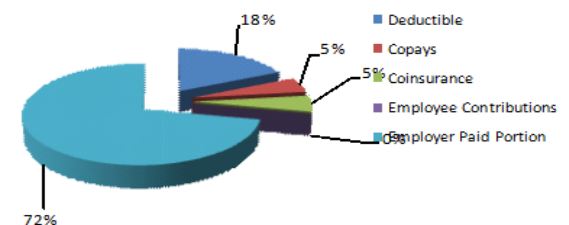
Note:

1) Data is from 1/1/2011-12/31/2011.

Michigan Tech PPO Cost Sharing % of



Michigan Tech HSA Cost Sharing % of Allowed Amount

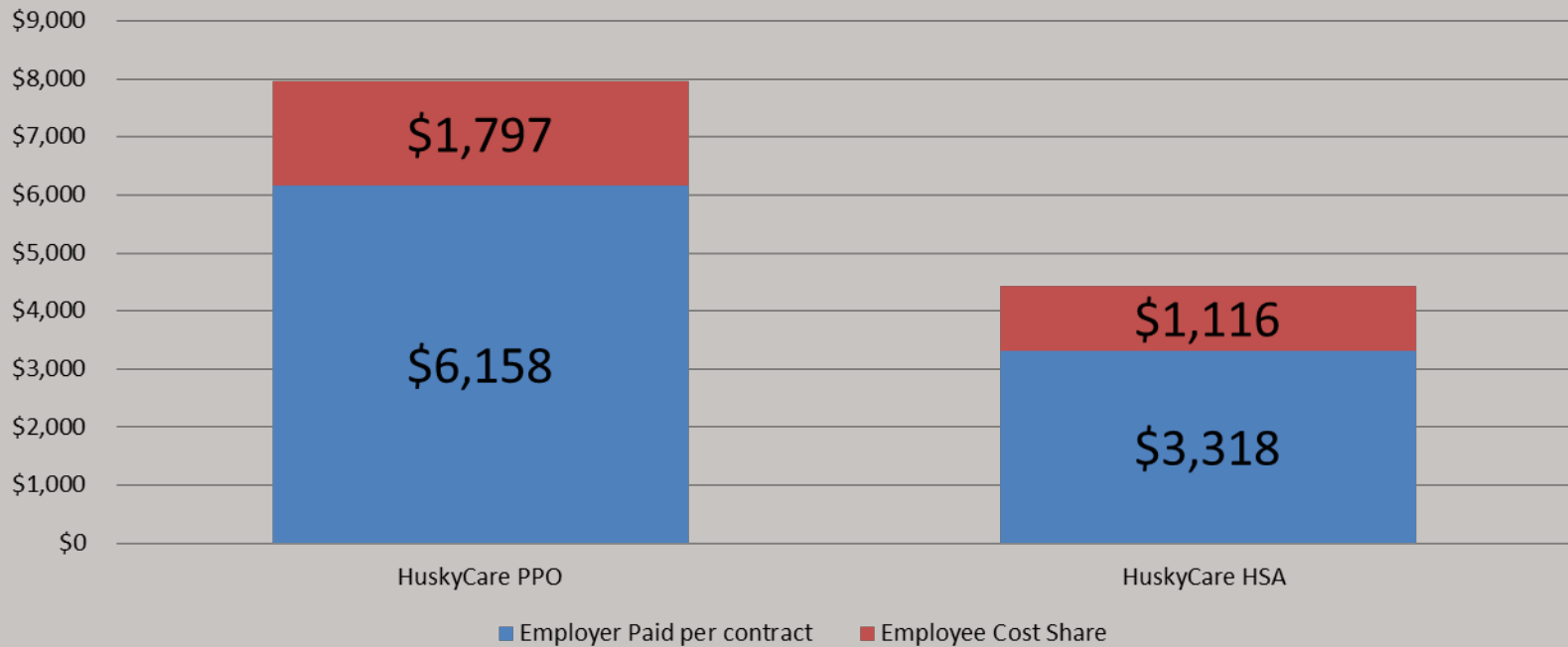


# Michigan Tech

## Cost Share Analysis

Actives Only

January 1, 2012 - May 31, 2012



# ***MichiganTech***

## 2012 Cost Share Analysis



## State Legislation Changes

**Must be considered when making any changes**

- Health Insurance Claims Assessment Act – 1% tax by State of Michigan on certain Healthcare Claims
- State Legislature – Publicly Funded Health Insurance Contribution Act – Employer Restricted to 80% of the Total Annual Costs
- National Healthcare Reform – 2012 Tax Year Will require 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 (currently at \$5,000)



# Healthcare Changes for CY2013





## Major Factors That Could Influence Healthcare Projections

- Plan Design (deductibles, coinsurance, copays, premiums, etc)
- Discounts with in-network providers through insurance vendors
- Claims history (specific to Michigan Tech)



## CY2013 Healthcare Plans

Continue Two Employee Health Plans (currently conducting vendor evaluations)

HuskyCare PPO

HuskyCare HSA

### **PPO Changes:**

Deductible - \$2000 Single/\$4000 Family (increased from \$1000 Single/\$2000 Family)

Out-Of-Pocket - \$3000 Single/\$6000 Family (increased from \$2200 Single/\$4400 Family)

Employee Premium Cost Share on the PPO will be assessed one amount per member on plan



## CY2013 Healthcare Plans

### **HSA Changes:**

Deductible and Out-of-Pocket Max Will Remain the Same

Introduce a premium per dependent (employee will continue to be \$0)

Eliminate employer HSA contribution

### **HuskyCare Dental/Vision Plans**

Currently evaluating other vendors

Plan Design of both Dental/Vision plans will remain the same



## **2013 Benefit Changes Timeline (2012 Open Enrollment)**

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September  
25th

- AON preliminary plan design analysis (premiums)

Week of  
Sept 24

- Tech Today Announcement/email (2013 and 3 year strategy) – email sent September 26

Week of Oct  
8th

- Received final vendor information from Aon Hewitt

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Wednesday  
October 10<sup>th</sup>  
5:30pm

- Presentation to the University Senate

Mid-  
October

- Vendor Finalist Presentations
- Signed approval from Glenn on 2013 plan design and 3 year roadmap

Late Oct/Nov

- Campus Forums/Education



## What will be covered during Open Enrollment Forums?

- CY2013 PPO vs. HSA Plan Design
- CY2013 Dental/Vision Plan Design
- Wellness Programs
- Mechanics of a Health Savings Account (HSA)
- 3 year Health and Wellness Roadmap
- Online Enrollment Process
- Miscellaneous Benefits (Life, Short and Long-term Disability, etc)





# Open Enrollment Forum Schedule

<u>Wednesday, October 24</u> 2:00 pm – 4:00 pm Lakeshore Center – Rm 123 Community Room (1 <sup>st</sup> Floor)	<u>Monday, October 29</u> 2:00 pm – 4:00 pm MUB Ballroom A2	<u>Wednesday, October 31</u> 10:00 am – Noon MUB – Ballroom B
<u>Monday, November 5</u> 2:00 pm – 4:00 pm MUB – Ballroom A2	<u>Monday, November 12</u> Citizens Bank 2:00 pm – 4:00 pm (7 <sup>th</sup> floor conf. room)	<u>Tuesday, November 13</u> 10:00 am – noon MUB – Ballroom B
<u>Tuesday, November 20</u> 2:00 pm – 4:00 pm MUB - Ballroom A2	<u>Tuesday, November 27</u> 5:00 pm - 7:00 pm Lakeshore Center – Rm. 123 Community Room (1st Floor)	



# Open Enrollment Lab Schedule

Employees who would like computer assistance are welcome to attend a staffed lab at the Library, room 244 at the following times:

Tuesday, November 13

1:00pm – 3:00pm

Friday, November 30

10:00am - Noon

## QUESTIONS

Please see the benefits website at  
<http://www.admin.mtu.edu/hro/openenrollment/index.shtml>  
for a listing of FAQ's