FACULTY FINANCE COMMITTEE RECOMMENDATON ON THE HIGH DEDUCTIBLE HEALTH PLAN

December 1, 2009

By a vote of 6 to 1 the Faculty Finance Committee recommends faculty support the proposal to implement a High Deductable Health Care Plan.

John Carroll University is offering a high deductible health plan (HDHP) for staff and would like to offer the plan to faculty. Upon approval from faculty, the plan, which is outlined below, would allow faculty to manage some of the impact of their health care costs. In our report we lay out the administration's rationale for health care changes, present our analysis of the proposed changes, and offer a recommendation to support the HDHP option.

Administration's Rationale for offering a HDHP.

The primary reason is the belief that this plan will lower the cost of health care for John Carroll University. In particular, looking through year 2014, Mercer projects a savings to John Carroll of up to $360,000 depending upon how many people move over to the High Deductible plan. Currently, the insurance cost to John Carroll is 12% higher for Plan C than for the proposed HDHP.

How the Plan works.

Each person who chooses HDHP receives a Health Savings Account (HSA) in U.S. Bank that behaves somewhat like the flex spending plan where faculty can put pre-tax dollars into this account to be used for all medical expenses except premiums. Before age 65 the money can be withdrawn for any other reason with an associated penalty. After age 65, an employee can spend HSA funds on non-medical expenses penalty-free, but subject to tax.

Unlike the flex plan however, unused money in the savings account is not lost but rolls over for the following year and the account bears interest. Moreover, a HSA is portable, meaning the HSA follows an employee should he or she leave John Carroll for any reason.

The structure of John Carroll's contribution to HSA:

1. $500 annually for single person coverage
2. $1000 annually for employee and spouse.
3. $1500 annually for a family.

For the initial year of the plan, John Carroll will deposit the entire amount at the beginning of the year. In future years it will paid monthly.

Maximum annual employee contributions to an HSA are $3000 if single and $6000 for a family. (These maximum contributions include John Carroll's contribution to the HSA.)

The cost to faculty (assuming in network services):

1. $1500 deductible for single coverage. Once the deductible is met, the employee is responsible for 20% of medical costs up to another $1500. Any medical costs above this amount are covered by the plan.
2. For coverage other than single there is a $3000 deductible. Once the deductible is met, the employee is responsible for 20% of medical costs up to another $3000. Any medical costs above this amount are covered by the plan.
3. Under this plan there is no cost for preventative care, such as an annual physical exam.

When calculating renewal premiums for Plan C and HDHP, Mercer would calculate an overall cost projection and then use the split of enrollment in each plan to arrive at a rate that would generate the cost needed. This cost determination does not make use of how many people are in each plan. If, for example, it turns out that the projected costs to John Carroll will to be much higher for 2011, this additional cost would be applied to both plan rates. The relative value between the two plans based on current plan design would be approximately 15%, which would mean that Plan C's cost would be increasing at a rate that is around 3% higher than the HDHP plan.

Turning Age 65.

There are concerns that once an employee turns 65 and is eligible for Medicare they may not be eligible for a HDHP with a Health Savings Account (HSA). As long as you are not receiving Social Security benefits which automatically entitles you to Part A Medicare you may continue with your HSA account. If however, you are receiving Social Security benefits which as noted automatically entitles you to Part A Medicare, you may not continue to use your HSA, nor may JCU continue to contribute to your HSA.

To help clarify this situation, immediately below is information taken from an AARP question and response on this issue. The AARP information has been provided by JCU Human Resources.

From AARP

Q> I have health insurance from my employer in the form of a Health Savings Account. But I'm told I can't use it if I'm eligible for Medicare. Is this correct? If so, what can I do to keep this insurance if I continue working after age 65?

A> A Health Savings Account (HSA) is a type of health insurance offered by an increasing number of employers. It combines a high-deductible health plan with a tax-free medical savings account to which the employee and the employer can contribute. (It is not the same as a Medicare Medical Savings Account, a health plan available only to Medicare beneficiaries, which is not discussed in this article.)

Current law says that you can't use an HSA if you're entitled to Medicare Part A (hospital insurance). But it's important to know the difference in meaning between "eligible" and "entitled" as defined by government officials:

Eligible for Medicare means that you've met the requirements to qualify for Medicare Part A - in other words, you or your spouse has enough Social Security work credits - but you haven't yet applied for it.

Entitled to Medicare means that you're eligible, you've filed an application to receive Medicare Part A, and your name is already in the system—or that the application has been processed and you've been sent a Medicare card showing the date your coverage starts.

(*Enrolled* in Medicare means that you've chosen to sign up for Part B—coverage of doctors' and outpatient services—or that you're one of the relatively few people who pay premiums to purchase Part A. Most people don't need to actively enroll in Part A because if they have sufficient work credits, they're automatically eligible and pay no premiums for it.)

These definitions are not just bureaucratic wordplay. They really matter if you have an HSA from your employer and you want to continue to use it and contribute to it after age 65 while you're still working. Here's how they apply to different circumstances:

- If you're eligible for Medicare *but have not filed an application for either Social Security retirement benefits or Medicare*, you need do nothing. You can continue to use your HSA after age 65 and postpone applying for Social Security and Medicare until you stop working. There is no penalty for this delay.

- If you're entitled to Medicare because you signed up for Part A at age 65 or later (perhaps not realizing that it can affect the use of your HSA) *but have not yet applied for Social Security retirement benefits*, you can withdraw your application for Part A. (To do so, contact the Social Security Administration at 1-800-772-1213.) There are no penalties or repercussions and you are free to reapply for Part A at a future date.

- But *if you have applied for, or are receiving, Social Security benefits*—which automatically entitles you to Part A—you cannot continue to use your HSA. And in these circumstances, the only way you could opt out of Part A is to pay back to the government all the money you've received in Social Security payments, plus everything Medicare has spent on your medical claims. You must repay these amounts before your application to drop out of Part A can be processed. If you take this action, you're no longer entitled to Social Security or Medicare—but you can reapply for both at any time in the future (for example, if you end or lose your HSA coverage).

What if you received Medicare Part A under age 65 through disability? In this situation, you're entitled to Medicare as soon as you've received your 25th disability check from Social Security. In other words, you automatically go into the Medicare system. If you're able to return to work, eventually your disability payments will stop—but your Medicare entitlement continues for up to 93 months from the time you first applied for disability. For most people, this is an advantage. But if your employer offers health insurance in the form of a health savings account, you're ineligible to take it because you have Medicare. Again, the only way you can opt out of Part A is to repay Social Security for all the disability payments you've received, even if you've never used Medicare for medical services, and to repay Medicare for any services that you have used. This situation is currently the focus of a lawsuit that alleges that denying Social Security benefits to people who wish to opt out of Part A is unlawful and unconstitutional. A bill introduced in Congress in February 2009 would allow people with HSAs to opt out or suspend their Part A entitlement without affecting their Social Security payments

Finance Committee Recommendation:

In the following we only considered in-Network services.

Summarized issues we discussed:

1. Can every faculty member participate in HDHP? To participate one needs enough disposable income to contribute to HSA. If some are unable to join HDHP is it truly a benefit?

   The committee believes there is precedence that suggests that HDHP will be a benefit. The Flex spending plan requires participants to put money up front and has been accepted as a benefit.

2. If healthy/young people migrate from Plan C to HDHP, will the costs for the remaining participants in Plan C become prohibitive?

   We asked Grant Reed from Mercer whether the following statement was true (a bit paraphrased):

   When determining increases for the next year, each plan would have an expected rate increase determined by total costs in each plan (using data nationwide not only JCU). As explained at the open hearing, it is expected that the HDP increase will be around 3% less than that of Plan C. If it turns out that JCU costs were say much higher than expected, then the extra amount needed to cover those costs would be evenly split among all employees at JCU (Plan C and HDP). This way, Plan C people do not essentially lose benefits if many people choose the HDP option. Their increase would be roughly 3% more than people on the HDP.

   His response was (paraphrased):

The comments are pretty much right on what would happen. We would calculate an overall cost projection and then use the split of enrollment in each plan to arrive at a rate that would generate the cost needed. If it turns out that we project John Carroll's cost to be much higher for 2011, this additional cost would be applied to both plan rates. The relative value between the two plans based on current plan design though would be approximately 15%, which would mean that Plan C's cost would be increasing at about 3% more than the HDHP plan.

Note: Increases for Plan C participants is expected to be roughly 3% more than for people belonging to HDHP. Hence if projections hold, by 2014 the premiums for Plan C will be approximately 28% more than the premiums for HDHP. This statistic is based on the current 12% difference plus the continued 3% differential compounded yearly.

3. The highest out of pocket expense include the cost of premiums plus $2500 for single coverage and $5500 for family coverage. There is some anecdotal evidence that this is not much different from possible out of pocket expenses under Plan C.

Based upon the information provided by Mercer, the finance committee believes HDHP would be a faculty benefit and recommend that the faculty VOTE FOR the HDHP option.

We believe that the faculty of JCU ought to have a choice of health care plans and based on the experience at other universities and other companies, a HDHP will be a preferred option for some faculty members. An HDHP alternative will reduce the cost to the University, and HDHPs have been shown to reduce the rate of growth of health care expenditures overall as individuals make more informed choices about their health care.

For more information see the following links:

http://www.jcu.edu/fas/2010_Employee_Benefits_Summary.pdf
http://www.jcu.edu/fas/hr/hdhp.htm
https://healthsavings.usbank.com/usbankhsa/forms/QandA.pdf

Short Description of High Deducible Health Plan (HDHP).

The HDHP option could provide considerable savings for John Carroll University. Each person who chooses HDHP receives a Health Savings Account (HSA) in U.S. Bank that behaves like a flex spending plan (put in pre-tax dollars) but, unused money in the savings account is not lost but rolls over for the following year and the account bears interest.

The structure of John Carroll's contribution to HSA:

4. $500 annually for single person coverage
5. $1000 annually for employee and spouse.
6. $1500 annually for a family.

Maximum annual employee contributions to an HSA are $3000 if single and $6000 for a family. (These maximum contributions include John Carroll's contribution to the HSA.)

The cost to faculty (assuming in network services):

4. $1500 deductible for single coverage. Once the deductible is met, the employee is responsible for 20% of medical costs up to another $1500. Any medical costs above this amount are covered by the plan.
5. For coverage other than single there is a $3000 deductible. Once the deductible is met, the employee is responsible for 20% of medical costs up to another $3000. Any medical costs above this amount are covered by the plan.
6. Under this plan there is no cost for preventative care, such as an annual physical exam.

Whether John Carroll offers HDHP or not, Plan C's premiums are expected to increase by 9% per year based upon actuarial tables for populations like ours. Faculty participation in HDHP will not adversely affect premium increases for those remaining on Plan C and may in fact lower further increases since the total medical costs to John Carroll are expected to be lower.

John Carroll University
HDHP Plan - SuperMed Plus

Benefits	Network	Non-Network
Benefit Period		January 1st through December 31st
Dependent Age Limit		23 Dependent / 23 Student Removal upon End of Month
Pre-Existing Condition Waiting Period		N/A
Blood Pint Deductible		0 pints
Lifetime Maximum		$2,500,000
Benefit Period Deductible – Single/Family[1]	$1,500 / $3,000	$3,000 / $6,000
Coinsurance	80%	60%
Coinsurance Out-of-Pocket Maximum (Excluding Deductible) – Single/Family[2]	$1,500 / $3,000	$3,000 / $6,000
Physician/Office Services		
Office Visit (Illness/Injury)	80% after deductible	60% after deductible
Urgent Care Office Visit	80% after deductible	60% after deductible
Immunizations (The following immunizations are covered: tetanus toxoid, rabies, meningococcal polysaccharide, HPV, influenza, varicella, MMR, hepatitis B, pneumococcal polysaccharide and zoster(shingles)	100%	60% after deductible
Routine Services		
Routine Physical Exam	100%	60% after deductible
Well Child Care Services including Exam and Immunizations (To age nine)	100%	60% after deductible
Well Child Care Laboratory Tests (To age nine)	100%	60% after deductible
Routine Mammogram (One per benefit period)	100%	60% after deductible
Routine Pap Test (One per benefit period)	100%	60% after deductible
Routine PSA, Cholesterol, Colon Cancer Screening Tests, Bone Density Tests, Chlamydia Screening and Endoscopic Services	100%	60% after deductible
Routine EKG, Chest X-ray, Complete Blood Count, Comprehensive Metabolic Panel, Urinalysis (Ages nine and over, one each per benefit period)	100%	60% after deductible
Outpatient Services		
Surgical Services	80% after deductible	60% after deductible
Diagnostic Services	80% after deductible	60% after deductible
Diagnostic Endoscopic Services	100%	60% after deductible

Physical and Occupational Therapy - Facility and Professional (40 visits per benefit period)	80% after deductible	60% after deductible
Chiropractic Therapy – Professional Only (12 visits per benefit period)	80% after deductible	60% after deductible
Speech Therapy – Facility and Professional (20 visits per benefit period)	80% after deductible	60% after deductible
Cardiac Rehabilitation	80% after deductible	60% after deductible
Emergency use of an Emergency Room	80% after deductible	
Non-Emergency use of an Emergency Room	80% after deductible	60% after deductible

Benefits	**Network**	**Non-Network**
Inpatient Facility		
Semi-Private Room and Board	80% after deductible	60% after deductible
Maternity	80% after deductible	60% after deductible
Skilled Nursing Facility	80% after deductible	60% after deductible
Organ Transplants	80% after deductible	60% after deductible
Additional Services		
Allergy Testing & Treatments	80% after deductible	60% after deductible
Ambulance	80% after deductible	60% after deductible
Durable Medical Equipment	80% after deductible	60% after deductible
Home Healthcare	80% after deductible	60% after deductible
Hospice	80% after deductible	60% after deductible
Private Duty Nursing ($25,000 maximum per benefit period)	80% after deductible	60% after deductible
Mental Health and Substance Abuse		
Inpatient Mental Health and Substance Abuse Services	80% after deductible	60% after deductible
Outpatient Mental Health and Substance Abuse Services	80% after deductible	60% after deductible
Prescription Drug – without Oral Contraceptives[3]		
Retail – 90 Day Supply	80% after deductible	
Home Delivery – 90 Day supply	80% after deductible	

Note: Deductible and coinsurance expenses incurred for services by a non-network provider will also apply to the network deductible and coinsurance out-of-pocket limits. Deductible and coinsurance expenses incurred for services by a network provider will also apply to the non-network deductible and coinsurance out-of pocket limits.

Non-Contracting and Facility Other Providers will pay the same as Non-Network. However, you may be subject to balance billing by the non-contracting provider. Benefits will be determined based on Medical Mutual's medical and administrative policies and procedures. This document is only a partial listing of benefits. This is not a contract of insurance. No person other than an officer of Medical Mutual may agree, orally or in writing, to change the benefits listed here. The contract or certificate will contain the complete listing of covered services. In certain instances, Medical Mutual's payment may not equal the percentage listed above. However, the covered person's coinsurance will always be based on the lesser of the provider's billed charges or Medical Mutual's negotiated rate with the provider.

1Maximum family deductible. Family deductible must be met before benefits are provided on a family contract. The single deductible applies to single contracts.

2Maximum family coinsurance out-of-pocket. Family coinsurance out-of-pocket must be met before all benefits are paid at 100% on a family contract. The single coinsurance out-of-pocket applies to single contracts.

3Failure to present an ID card may result in decreased benefits.

	Employee Share of Premium	**University Share**	**Total Monthly Premium**	**University Annual HSA Contribution**
Single Plan	$36.78	$330.96	$367.75	$500
*Employee and Spouse	$81.64	$734.72	$816.36	$1,000
Employee and Child(ren)	$66.79	$601.14	$667.93	$1,000
*Employee, Spouse and Child(ren)	$111.32	$1,001.90	$1,113.22	$1,500