To: John Carroll University Faculty Council
From: Faculty Finance Committee
Re: Changes to 2009 Health Care Benefits
Date: April 23, 2009

For a link to the 2009 summary of faculty health care benefits, please see:
http://www.jcu.edu/fas/docs/hrbenefits/2009_Faculty_Benefits_Summary2.pdf

Faculty Finance Committee:
Dr. Richard Clark, Sociology (Chair)
Dr. Lindsay Calkins, Economics
Dr. Dwight Hahn, Political Science
Dr. Pam Mason, Political Science
Dr. Shelia McGinn, Religious Studies
Dr. Leo Schneider, Mathematics & Computer Science (On Leave - Non Voting Member)

Due to a projected $3.8 million deficit for fiscal year 2009-2010, the administration of John Carroll University is requesting savings of $250,000 in health care costs by changing the current health care benefits for University faculty. Upon approval from faculty, the plan which is outlined below would shift a significant amount of the health care cost from the University to its faculty. Almost all of the added cost to the faculty would come from higher out of pocket cost associated with utilization of health care.

In our report we lay out the administration's rationale for health care changes, respond with our analysis of the proposed changes and offer a recommendation to support Plan C. In separate appendixes, we present an analysis of the cost changes from the current plans (A & B) to proposed Plan C and the High Deductible Plan. (See Appendix A.) Appendix B totals the entire out of pocket expenses and presents data on what these expenses will cost a hypothetical employee with a $60,000 salary. Appendix C will present a list of all of the questions presented to the Finance Committee with the responses provided by the administration.

Administration's Rationale for Changes to Health Care

The current health care cost for Plans A and B is approximately $11,000 per employee per year. With 169 employees utilizing Plan A (n=92) and Plan B (n=77) the total cost to the University is approximately $1,860,000 for faculty and $4,500,000 for faculty, staff and administrators. In addition, 2009 health care costs are expected to increase $500,000 over 2008 numbers with cost for prescription drugs increasing twice as fast as overall health care. The cost

drivers for health care cost are the low deductibles, the low out of pocket expenses, the high co-insurance rates, the high prescription co-pay and the low monthly contributions. Also driving the cost is the fact that the average age of our faculty is 52-53 which is approximately the age when health care issues start to develop.

An additional cost driver for the JCU program is the fact that it provides high coverage with low cost for spouses and other family members included under JCU insurance. Thus the University often subsidizes other employers' health care programs to the detriment of all JCU employees. Increasing the out of pocket maximums as well as encouraging employed spouses to move to their employers' health insurance will reduce the cost to the University.

It is the position of the administration that perhaps the most important change we can make in our current financial situation is the reduction in health care costs. Since health care costs accrue on an annual basis and are expected to increase, this reduction will "best posture us for going forward". Without a reduction in health care costs, the administration does not believe that it will be able to move forward on other issues related to compensation. For example, the administration has stated to us their desire to use the savings from health care expenses to enhance the JCU retirement plan. In separate discussions with both the Finance Committee and the Budget Committee, the administration has advanced the idea of reducing the employee contribution to the retirement plan by 1.5% with a commensurate increase in the University's contribution of 1.5%. Thus each employee would in fact receive a 1.5 % increase in compensation without any increase in their overall salary. Depending upon University resources, the administration has also advanced the concept of increasing the University's overall contribution to the retirement system beyond the additional 1.5 % to enhance the retirement package. There is evidence that the current retirement plan design does not provide a sufficient post-retirement income stream upon reaching a normal retirement age.

There are four additional components of the administration health care proposal that need to be noted.

First, JCU faculty who choose to have their employed spouses covered by JCU health care will be penalized if their spouses have access to health care coverage from their employer. Starting January 1, 2010, the administration proposes to charge each faculty member whose employed spouse could be covered by their employer an additional $100 per month for JCU coverage.

Second, the administration proposes a change in the benefits regarding retail maintenance drugs. As proposed, faculty participants who used prescription drugs on an ongoing basis would be entitled to use a local pharmacy for up to three fills, the initial and two refills. Commencing with the fourth fill the participant must use a mail order pharmacy to refill his/her prescriptions. After a three

month phase in period, failure to utilize a mail order pharmacy will require that the participant pay the full costs of the drug. However, unlike Plan A or Plan B, the proposed changes would also require a prescription co-pay for each refill. Thus an individual may be required to pay up to $400 per year for each non-formulary drug prescription they used. The University hopes to save $50,000 from faculty, staff and administrators with this change which will be implemented regardless of faculty approval of Plan C.

Third, on January 1, 2010 the administration has proposed to add a second health care plan, a High Deductible Plan which is outlined in Appendix A. Faculty will have to evaluate which plan (Plan C or the High Deductible Plan) best fits their situation.

Fourth, the administration will propose that JCU move to an employee monthly health care contribution schedule based on single, single + spouse, single + child(ren) and family coverage beginning on January 1, 2010 for faculty. For staff and administrators this change will occur on June 1, 2009.

Finally, please note that in response to previous comments and questions from the faculty, the administration has removed the deductibles from "well child" care and other preventative tests. Specifically, the administration has:

- Eliminated the $500 cap on "well child" routine preventive care; now it is unlimited;
- Added "lipid" panel as a covered service in routine services – previously was not included as a covered service;
- Added Cardiac Rehab as a covered service for outpatient services – previously was not included as a covered service;
- Upgraded mental health/substance abuse outpatient services from 25 visits/$1000 max respectively, to 30 visits;
- Eliminated the deductible requirement for the routine preventative services so that the costs for these in Plan C will be 20% co-insurance without having to meet the deductible first.

Finance Committee Response

As noted above, the administration believes that it is the design of the current health care plans that is driving the high cost to the University. The changes are designed to switch some of these cost drivers from the University to the faculty. With monthly contributions decreasing for Plan A and increasing approximately $530 per year for family coverage in Plan B, any cost savings must come from the other cost drivers which are essentially the out of pocket expenses. We realize that this may result in financial difficulty for faculty who are the primary breadwinners and who may now face financial difficulty due to increased medical expenses.

The increase in out of pocket expenses also suggests that maintaining a healthy lifestyle will become increasingly important from a financial viewpoint. Human Resources has committed to creating a more integrated wellness program that is designed to encourage individuals to take preventive measures to avert the onset and/or escalation of an illness or disease by encouraging faculty to adopt a healthier lifestyle. While it may be beyond the "charge" of this committee to suggest that individual faculty members adopt a healthier lifestyle, reducing the faculty utilization of health care is the only way to reduce the overall health care cost to either the individual or the University.

Several faculty have inquired if the proposed savings in health care cost could be achieved by increasing the monthly contributions to a higher level while leaving the out of pocket cost the same. (See Appendix B, question 12). The University hopes to achieve $250,000 in savings from the proposed changes in health care. With 169 participants these savings would amount to $1,479 per participant. As calculated by the finance committee the 169 participants in Plan A and B would have to pay an additional $123 per month to reach these savings. This would increase the monthly premiums for Plan A to $195 for an individual and $314 for a family. For Plan B the new costs would be $145 for an individual and $182 for a family. On top of these costs would be the current out of pocket expenses that each participant pays. The Finance Committee believes that this is not a viable solution to our health care problem. First, it continues to shift the cost of health care from the high end users to all of the users, and secondly it does not address the current cost drivers within our health care plans.

Finally, the finance committee is disturbed by the administration's unwillingness to consider rewards rather than punishments. For example, we have asked the administration to reconsider their proposal to penalize faculty who have working spouses covered by JCU insurance and to substitute a system which would reward faculty who move their working spouses to another insurance provider. In light of the low salaries and poor morale the finance committee feels that such a move could be considered a good faith effort on the part of the administration. Moreover, we believe that such a good faith effort would help to pass the proposed health care changes.

Finance Committee Recommendation

By a four to one vote the Faculty Finance Committee recommends that the faculty approve the switch to Plan C.

Finance Committee Rationale

The Faculty Finance Committee realizes that of the three components of faculty compensation (salary, retirement, and health care) health care is the only component of our compensation that is above average and that a change to Plan C will have a negative financial impact on many faculty. Unfortunately, however,

in the current economic climate in order for John Carroll to prosper it is imperative that the University both increase its revenues and decrease its expenditures. As noted above the University expenditure for health care exceeds $1.8 million per year for faculty and $4.5 million for faculty, staff, and administrators, and that number is expected to grow over time. This large expenditure has negative consequences for the University's ability to sustain its current academic programs, to generate new programs to attract additional quality students, and as we know all too well to adequately compensate faculty. Without an ability to increase its financial commitment to quality academic programs and quality academic faculty, John Carroll University will not be in a position to move forward in the future.

As representatives of a faculty that cares about this institution, its mission, and its students, we feel that it is in the best interest of John Carroll faculty to support the transition to Plan C. In spite of the short term pain that will occur as a result of the implementation of Plan C, the restructuring of our health care package would allow John Carroll the flexibility to enhance the academic quality of this institution. In addition it will also allow the institution to enhance the retirement package and/or salary structure of its employees. For example, a 1% increase in salary for all employees will cost the University approximately $430,000 in additional spending. The $4,500,000 the administration is currently spending on health care cost is ten times the amount needed for a 1% across the board salary increase.

Unfortunately, as we know Universities are not exempt from the current economic downturn and we must compete with other academic institutions for students and their tuition dollars. Academic institutions that do not adapt to the new economic climate will be left behind. Conversely, an academic institution that does not protect its major resource and revenue stream will also fall behind. For institutions such as John Carroll that means quality faculty attracting quality students and their tuition dollars. With a vote for Plan C we are offering the administration enhanced flexibility to meet the changing economic climate. In so doing we also call upon the administration to pay more attention to the most integral part of a quality academic experience; the need to attract, maintain and reward quality faculty.

Minority Report

The Faculty Finance Committee recommends in favor of adopting the administration-proposed "Plan C" for faculty health care coverage. A minority of the committee, however, is not in favor of an affirmative vote on the matter, for reasons both procedural and substantive.

1. Process
    a. The manner in which this proposal was developed circumvented the normal committee structures and processes by which faculty are

supposed to be represented. Bypassing these standard procedures and committees allowed the administration to create an action plan without any faculty consultation, and then present it essentially as a *fait accompli.*

b. The administration waited until the middle of the spring semester to unveil this plan, thereby creating a "crisis" scenario with a very limited time-frame in which to analyze their proposal.
c. The Finance Committee spent all of last year analyzing a potential health plan change, holding open hearings, etc., as are essential to faculty input into such proposals. After this widespread faculty consultation in 2007–2008, the administration then decided that the proposed change would not be beneficial after all, and by September 2008 the matter was dropped. If the administration were not satisfied with retaining the existing coverage, September 2008 would have been the time to begin working with the faculty on an alternate proposal.
d. Instead, they waited until late February 2009 to raise the question, at which point faculty were given five weeks by which time they were expected to respond to the administration's proposal. In fact, even the five weeks is longer that they wanted to allow. Essentially, faculty have been given an ultimatum about this health care change and are being asked to rubber stamp the administration's decision.

2. Substance
    a. According to calculations by the Faculty Finance Committee, the proposed health care coverage change could cost the average faculty member up to 6.7% of her/his annual salary (presuming $60,000 as the average salary, which is the figure the FCC was given by the business office). The average staff salary, on the other hand, is close to half that of faculty, which means the potential negative impact of the plan change is a 13% decline in salary. The plan change creates a serious hardship to those who fall lower on the pay scale. An alternative premium structure could alleviate this hardship, but the administration refuses to consider such a premium structure.
    b. Similarly, a combination of raising premiums and raising deductibles could accomplish the same ends in terms of financial savings. Some view this alternative as "penalizing the healthy" on the principle that only those who are sick actually meet about the plan deductibles. However, others might prefer to have predictable premium payments rather than unpredictable potential out-of-pocket expenses due to accident or illness. The time- pressure to make a decision on this proposed plan makes it impossible to consider such alternatives.
    c. In terms of health coverage, the University is self-insured except for catastrophic circumstances. Bud Stuppy indicated that this decision was made long before he took over his current position, but he could not say exactly how long ago that was. Given the pace of changes in

the medical field, it seems that it would be prudent to re-evaluate this decision at this point—and probably on a regular basis after this.

d. The revised premium structure calls for a distinct category of "employee + spouse" coverage. One question that remains is how the term "spouse" will be construed. Will same-sex partners be treated as "spouses" under this new premium structure?

In sum, while the majority of members of the Faculty Finance Committee recommend in favor of adopting the administration's proposed health care plan changes, this view is not universal. From the viewpoint of the minority voice, a vote simply to adopt this proposal *with no contingencies whatever* is not in the best interests of the faculty (nor, for that matter, of the staff or university as a whole).

The academic sector in general, and the faculty in particular, has taken more of the brunt of balancing the university budget over the last several years. In spite of this demonstrated willingness to cooperate in meeting university needs, faculty continue to have no substantive voice in policy-making decisions nor ones involving substantial financial commitments (*e.g.*, whether or not to erect new classroom buildings). Moreover, the president's creation of five new vice-presidencies and constitution of an advisory "cabinet" comprising those VPs has diluted the influence of the Academic VP with respect to other sectors of the university. Until such time as the faculty have elected, voting representatives on every standing committee of the Board of Directors and other university financial and policy-making bodies, the faculty should refuse to cooperate with the administration on any further budget-balancing measures.

Respectfully submitted,

Sheila E. McGinn, Ph.D.

APPENDIX A
JOHN CARROLL FACULTY HEALTH CARE BENEFITS
PROPOSED CHANGES
Prepared by Faculty Council Finance Committee

Plan A and B are current JCU health care benefit plans. If the changes recommended by the JCU administration are approved by the faculty, they will be replaced by Plan C on June 1, 2009. In addition a second plan, the High Deductible Plan, will be made available on January 1, 2010.

The Kaiser plan will remain available without changes.

The recommended changes are estimated to save $750,000 with approximately $250,000 in savings coming from changes in faculty health care benefits.

MONTHLY CONTRIBUTIONS

	Plan A	Plan B	Plan C	High Deductible Plan
Single	$71.69	$22.24	$38.42	$22.24
Single + Spouse	NA	NA	$86.00	TBD
Single + Child(ren)	NA	NA	$70.36	TBD
Family	$191.41	$59.41	$117.27	$59.41

DEDUCTIBLE

	Plan A	Plan B	Plan C	High Deductible Plan
Single				
In Network	$0	$150	$300	$1,200
Out Network	$100	$300	$500	$1,200
Family				
In Network	$0	$300	$900	$2,400
Out Network	$200	$600	$1,000	$2,400

OUT OF POCKET MAXIMUM EXCLUDES DEDUCTIBLE-Single

	Plan A	Plan B	Plan C	High Deductible Plan
In Network	$0	$300	$1,750	$1,200
Out Network	$400	$1,000	$2,500	$1,200

OUT OF POCKET MAXIMUM EXCLUDES DEDUCTIBLE-Family

	Plan A	Plan B	Plan C	High Deductible Plan
In Network	$0	$600	$3,500	$2,400
Out Network	$800	$2,000	$5,000	$2,400

COINSURANCE

	Plan A	Plan B	Plan C	High Deductible Plan
In Network	100%	90%	80%	80%
Out Network	80%	70%	60%	80%

OFFICE VISIT COPAY-In Network

	Plan A	Plan B	Plan C	High Deductible Plan
Preventive	NA	NA	$15	100% coverage
Primary	$15	$15	$15	*
Specialist	$20	$20	$30	*

*Deductible and coinsurance apply

OFFICE VISIT COPAY-Out of Network

	Plan A	Plan B	Plan C	High Deductible Plan
Plan A				
Preventive	NA	NA	*	100% coverage
Primary	*	*	*	*
Specialist	*	*	*	*

*Deductible and coinsurance apply

EMERGENCY ROOM COPAY-In Network

Plan A	
Emergency	100%
Non Emergency	$50 copay then 100%
Plan B	
Emergency	90% after deductible
Non Emergency	$50 copay then 90%
Plan C	
Emergency	$75 then 100%
Non Emergency	deductible and coinsurance apply
High Deductible Plan	
Emergency	deductible and coinsurance apply
Non Emergency	deductible and coinsurance apply

EMERGENCY ROOM COPAY-Out of Network

Plan A	
Emergency	100%
Non Emergency	$50 copay then 80%
Plan B	
Emergency	90% after deductible
Non Emergency	$50 copay then 70%
Plan C	
Emergency	$75 then 100%
Non Emergency	deductible and coinsurance apply
High Deductible Plan	
Emergency	deductible and coinsurance apply
Non Emergency	deductible and coinsurance apply

PRESCRIPTION DRUG COPAY

	In Network (Retail)	(Mail Order)*
Plan A		
Generic	80%	80%
Formulary	80%	80%
Non-Formulary	80%	80%
Plan B		
Generic	80%	80%
Formulary	80%	80%
Non-Formulary	80%	80%
Plan C		
Generic	$10	$20
Formulary	$25	$50
Non-Formulary	$50	$100
High Deductible Plan		
Generic	**	**
Formulary	**	**
Non-Formulary	**	**

* Require use of mail order for all retail maintenance drugs. The standard retail limit is typically three fills at retail (initial and two retails), then member must use mail order. After a three month phase in period, penalties for use of retail pharmacy will be applied. Estimated savings to JCU of $50,000.

**Deductible and coinsurance apply

A formulary is a list of preferred medications that a committee of pharmacists and doctors deems to be the safest, most effective and most economical. This committee meets regularly to discuss new drugs and trends in drug therapy, and the formulary list changes annually to reflect its findings. Formulary drugs, including preferred brand-name and generic medications, provide a safe, effective and affordable alternative to non-formulary drugs, which have the highest copayment.

PRESCRIPTION DRUG OUT OF POCKET MAXIMUM-In Network

	Plan A	Plan B	Plan C	High Deductible Plan
Single	$400	$200	NA	Included Above
Family	$800	$400	NA	Included Above

PRESCRIPTION DRUG OUT OF POCKET MAXIMUM-Out of Network

	Plan A	Plan B	Plan C	High Deductible Plan
Single	NA	NA	NA	Included Above
Family	NA	NA	NA	Included Above

OTHER CHANGES:

Effective January 1, 2010, implement a surcharge for spouses that have coverage elsewhere but enroll in JCU's plan. The recommended surcharge is currently scheduled to be $100 per month. Estimated savings, which are unknown, will be based upon the number of spouses who withdraw from JCU's health insurance.

Appendix B
TOTAL POSSIBLE OUT OF POCKET EXPENSES

(MONTHLY CONTRIBUTIONS + DEDUCTIBLES + OUT OF POCKET EXPENSES)

Plan A

	In Network	Out of Network
Single	$860.28	$1,360.28
Family	$2,296.92	$3,296.92

Plan B

	In Network	Out of Network
Single	$716.88	$1,566.88
Family	$1,612.92	$3,312.92

Plan C

	In Network	Out of Network
Single	$2,514.64	$3,464.64
Single + Spouse	$5,432.00	$7,032.00
Single + Child(ren)	$5,244.32	$6,844.32
Family	$5,807.24	$7,407.24

Based on a $60,000 salary, the percentage of salary required to cover maximum out of pocket expenses.

Plan A

	In Network	Out of Network
Single	1.4%	2.3%
Family	3.8%	5.5%

Plan B

	In Network	Out of Network
Single	1.2%	2.6%
Family	2.7%	5.5%

Plan C

	In Network	Out of Network
Single	4.2%	5.8%
Single + Spouse	9.1%	11.7%
Single + Child(ren)	8.7%	11.4%
Family	9.4%	12.3%

Appendix C
Faculty Questions
Administrative Responses Generated by JCU Human Resources

Clarification received from Human Resources

We have received several inquiries from Faculty regarding the Flexible Spending Account – along with some incorrect assumptions. As you know, the FSA allows you to be reimbursed for medical expenses that you paid for with pre-tax dollars, that you elected to have deducted from your pay.

Some believed that their balance would be forfeited because of the Plan C change. That is incorrect.

To be clear, there is no impact to the FSA – or to what people have accumulated to date or used to date because of the introduction and movement to Plan C.

1. We've already met our deductible for 2009 under the current plan. Is that considered at all when the new plan kicks in? Do we have to meet the entire new deductible or is the 2009 deductible amount we already paid deducted from that?
   The deductible and co-insurance you have paid under the B plan, will carry forward and be applied against the Plan C deductibles and co-insurance.

2. Since the new plan has a much higher deductible and higher co-pays would we be able to change our medical savings account to a larger amount to account for the increased out of pocket medical expenses we were not aware of when we determined our medical savings account amount for 2009? This would seem to meet the threshold of a significant life change that could be considered.
   If we were to open up enrollment for the FSA plan, Federal ERISA law would require that all balances YTD be forfeited and that you would start with a $0 balance as of 6/1. We do not believe that it is in the best interest of employees to do that.

3. My wife is not able to pick up health insurance under her employer until January 2010. (They have an Open Season every fall, and the insurance plan chosen begins in January). Would they waive the additional fee until that time?
   The proposed spousal surcharge would not be implemented until 1/1/2010.

4. Under Plan C what is the anticipated JCU share of total medical cost? How will this percentage change from our current medical plans?
   The split is around 90%/10% - today A plan is 85%/15% and B plan is 95%/5%

5. Has there been a discussion of having a "single", "spousal" and "family" health care plan with family being defined as either "three or more members ", or "three members" and "four or more members? Under the latter plan, faculty with less family members would pay lower premiums.
   Yes – we expect to move to that as of 1/1/2010 or as of June 1 if possible.

6. Is there a possibility of using more carrots and less sticks to lower health care cost? For example rather than penalizing me for having my wife covered by JCU insurance, could you reward me for having my wife move to coverage by her employer? This same concept could apply to coverage for all family members.
   We are looking at ways to incentivize wellness initiatives to encourage starting or maintaining better health behaviors.

7. Are there any plans for wellness programming? Under the new plans, the cost to faculty would come from increased out of pocket expenses related to usage of health care. Are there any plans to assist or encourage faculty/staff to decrease the need for health care? If a wellness program was implemented and used, it could also result in savings to the University.
   We agree that wellness initiatives can help impact the cost of health care both to the individual and to the University. There are a number of wellness capabilities that exist today – using the www.medmutual.com website. These include interactive content, Health Risk Appraisals as with suggestions on improving your health, 6 active disease/condition management health programs (diabetes, pain management, asthma, depression, cardio health, pregnancy, etc), weight loss, etc. The University wants to encourage wellness and will be create a focused effort to that end during calendar year 2009.

8. How do our plans compare to other OH institutions of higher learning?
   We have some data from Sibson – who did a survey on our plan compared to a group of Jesuit colleges and some other Ohio schools – their conclusion was that our A/B plan are the most generous and recommended that they be redesigned and increase employee cost sharing (deductibles, out of pocket limits, and co-pays). Mercer made similar observations and recommendations with Colleges and Universities in their annual survey.

9. By assessing the $100 penalty, is the intention to encourage the JCU faculty member off the JCU plan? Are they legally able to encourage the JCU faculty member to be on the spouse's plan?
   We are encouraging employees with other plans available to use those plans so that the University doesn't end up subsidizing other employer's health care costs. It is legal to do so.

10. Are there any additional costs to the university to administer different plans for Staff and Administrators versus Faculty?
    There no significant additional costs to administer a different plan. We are with MMO – and the compliance and reporting would be combined.

11. Would these changes to the healthcare plan be irreversible?
    These changes are anticipated to be "indefinite" and I would not anticipate going backwards. It would only incur more cost to the University.

12. What percent increase in Faculty contributions to heath care would be necessary to realize the savings asked for and keep the current plans A and B? We now contribute 15%. What if we contribute 20% ? 25%?
    We anticipate appx $250,000 savings from the faculty on moving to plan C. With appx 170 participants, this would amount to appx $1500 additional. However, that would require all participants to share the burden equally – not just the high users of the plan, and could amount to contributions for single (A) to go to over $200 per month and family to close to $325 per month. Utimately it is the utilization, plan design and our demographics that are the cost drivers of the plan

13. It cost the University approximately $11,000 to cover the average employees health care cost for one year. If this is correct then JCU could pay their employees to move themselves, their spouse and/or family off JCU health care and the University would save money. Since faculty salaries are low this could be a win/win for all. Is it possible to pay faculty/staff perhaps $200 plus per month if they and/or their family are not covered by JCU health insurance? This would encourage employees to move to other insurance and could significantly lower the overall health care cost to JCU.
    It is not part of the strategy or planning at this time to pay employees not to take benefit coverage.

14. With the increase in out-of-pocket expenses that are associated with Plan C, preventive care will be even more important. Unfortunately, while Plan A and Plan B offered out of pocket coverage for preventive health care (yearly physicals, colonoscopys etc.), Plan C does not appear to offer the same out of pocket coverage for such care. Thus there is a dis-incentives for faculty/staff to participate in these important health care activities. Is it possible for Plan C to be revised so that certain health care activities such

as yearly physicals etc can be covered at a higher rate? If this is not possible now, is it possible that this can be added when JCU finances improve?
We have looked at the routine preventative services and will change them so the deductible will not apply. We have also eliminated the well child yearly limit, added an additional lab panel (lipids), and added cardiac re-hab as an outpatient covered service. We have increased the mental health and substance abuse outpatient benefit to 30 visits per year.

15. Why can't we have a health care plan that includes single, couple, and family (3+) levels?
Yes – we expect to move to that as of 1/1/2010.

16. What are the savings if we double our premiums but leave the benefits alone?
We anticipate appx $250,000 savings from the faculty on moving to plan C. With appx 170 participants, this would amount to appx $1500 additional. However, that would require all participants to share the burden equally – not just the high users of the plan, and could amount to contributions for single (A) to go to over $200 per month and family to close to $325 per month. Utimately it is the utilization, plan design and our demographics that are the cost drivers of the plan

17. There is some confusion regarding the new prescription drug co-pay plan for maintenance drugs via mail order. Will faculty be required to participate in this plan even if Plan C does not pass? If so, is the $50,000 in anticipated savings in addition to the $250,000 in savings from Plan C or is this $50,000 in savings included in the $250,000 Plan C savings?
We are planning on introducing this, regardless of Plan C. There is no change in plan benefit level, it just requires use of mail order if you are on maintenance drugs. If I recall the $50,000 in savings was if we went to mandatory mail order for all faculty, staff and admin, with Plan A and B. I don't believe it was in reference to Plan C or the tiered formulary. So we would have to figure out how much in Rx claims for faculty only and then apply a % savings. The movement to Plan C included mandatory mail order, but it also changed the benefit to a fixed $ based on generic, formulary or non-formulary. All of that, plus the other plan changes were included to get to the $250,000 in savings.

18. It has been reported that dependent coverage age would change to 19 if the dependent was not a full-time student and 25 if he/she was. Is this idea still valid? If so we need to let faculty know. What are the current age limits for dependent coverage?

We have not recommended any change to the eligibility for children. It may have been misquoted (I may have done that, my apologies) but there

is no intent to change. The eligibility for Medical Mutual has been and continues to be age 23, regardless if a student or not.

19. Is the 19/25 dependent coverage provision still on the table (vs. the current 23/23)?

    There is no plan change from the current eligibility for MMO (23/23). The Kaiser plan has coverage until age 19 but up to age 23 if a full time student.

20. How many people (total, not just faculty, not just employees) are on each of the current plans (A, B, Kaiser)? What is the EE and EE+Family breakdown for each?

    Medical Mutual/Plan A
    Single - 84
    Family - 130
    Total Plan A Members – 494

    Medical Mutual/Plan B
    Single - 96
    Family - 162
    Total Plan B Members - 628

    Kaiser
    Single - 16
    EE+1 - 3
    Family - 6
    Total Kaiser Members – 45

21. What are the total JCU costs (excluding participant payments) for each of the current plans (A, B, Kaiser)?

    The aggregate data from our MMO renewal prepared by Mercer (9/18/2008) was: annual fixed costs of $489,221(administrative fees, and individual and aggregate stop loss insurance – calculated on a per employee per month basis); and total expected medical and Rx costs for the 2009 plan year of $4,076,289. The total expected costs would be $4, 565,510. This was based on participation of 215 plan A and 252 in Plan B. This is the aggregate data and I am in the process of breaking that into plan a and plan b. I will try to have that for you tomorrow. These numbers do not include any of the retiree medical supplement plan. The Kaiser 2009 renewal – prepared for the same time period –was for a fully insured plan based on participation at that time. Although they quoted a premium of $243,864 which was a 9% increase over the prior year, it was negotiated to 0% increase and we kept the same rates from 2008. The

participation in Kaiser at that time was a total of single - 13 ; plus 2 – 4; family – 8 for a total of 25. Please keep in mind that participation numbers fluctuate in all plans as employees circumstances change and they join/leave the University.

22. Why the proposed 4-tier plan instead of a 3-tier one (single, double, family)?

A 4 tier plan is most common, it also provides some reduction in cost to the single parent, and finally, it provides information for decision making to persons for evaluating whether their spouse should stay on the JCU plan.

23. Regarding Stop/Loss coverage

The stop loss insurance is true insurance and protects the University for individual claims that exceed $150,000, and aggregate claims that exceed 125% of the expected claims. For 2009 the aggregate stop loss is set at $5,095,403. This is the most we would be liable for in 2009 should claims experience deteriorate.

24. What would it cost in incremental contributions if the faculty were to keep Plans A and B to still achieve the targeted savings of $250,000

Below is a file taken from data the Mercer prepared for us to show the incremental contributions needed by Faculty to achieve the targeted savings of $250,000. If there is a migration to Plan B because of the rates for A, then we would need to recalculate the rates for B – to achieve the targeted level of savings. As we discussed, the issue is the plan design – deductibles, out-of pocket maximums and the co-insurance, which ultimately impacts how the plans get used. We would expect a higher rate of increase in the costs of Plans A and Plan B because of the design of the plans and the fact that there nothing in the plans to encourage effective consumerism. Unless we fundamentally change the design of the plan, higher than average cost increases will be with all of us for the years ahead. Any increases in plan costs going forward would need to absorbed by increasing contributions – which at some point would make this plan unaffordable to participants

2 and 4 Tier Rates - Adjusted to achieve $250,000 in savings (note - this assumes no migration from plan to plan)

	Plan A	Current Employee	Current University	New Employee	New University
2 tier	**Single**	71.69	406.27	164.17	313.79
	Family	191.41	1084.7	435.25	840.86
4 tier	**Single**	n/a	n/a	164.17	313.79
	EE plus spouse	n/a	n/a	363.31	692.48
	EE plus child(ren)	n/a	n/a	296.42	566.55
	EE plus spouse and child(ren)	n/a	n/a	494.89	945.88

	Plan B	Current Employee	Current University	New Employee	New University
2 tier	**Single**	22.24	422.75	50.93	394.06
	Family	59.42	1128.73	137.14	1051
4 tier	**Single**	n/a	n/a	50.93	394.06
	EE plus spouse	n/a	n/a	111.79	864.47
	EE plus child(ren)	n/a	n/a	91.46	707.26
	EE plus spouse and child(ren)	n/a	n/a	153.26	1185.23