

## **University Senate Questions for Aon Hewitt March 25, 2015**

University Senate Proposal 32-14, which has been approved by the Administration, gives the Senate the right to submit to any external, healthcare-insurance consultant, such as Aon Hewitt, a list of questions that the Senate would like that consultant to research in order to better inform decisions about healthcare-insurance benefits. Proposal 32-14 also gives the Senate the right to review and comment on the methods that will be used to address these questions. Hence, the Senate submits the below list.

1. Does participation in the Preferred Provider Organization (PPO) option cost Michigan Tech more than participation in the High-Deductible Health Plan (HDHP)?

*The PPO and HDHP have similar actuarial values. The actuarial value represents the portion of costs covered by the plan design. It does not reflect utilization of the plan. For example, two health plans with the same actuarial value could yield dramatically different costs if the underlying health status, frequency of services and severity of services is greater in one plan compared to the other. If the average cost per PPO contract is greater than the average cost per HDHP contract, it is due to a combination of these underlying factors.*

2. How many academic institutions offer only a single healthcare insurance option?

*Aon does not have this information/expertise to provide an answer.*

3. Does the risk of *behavioral hazard* (health-care-consumption choices that are made to save money or avoid inconvenience in the short-term and wind up costing more money in the long term) balance or outweigh the risk of *moral hazard* (health-care-consumption choices that are made frivolously because the consumer bears no financial cost for these choices)?

*Aon does not provide this type of research for Michigan Tech.*

4. Is there any evidence of a pattern of *moral hazard* among Michigan Tech employees?

*Aon does not provide this type of research for Michigan Tech.*

5. Do faculty and staff believe that salary is of greater importance than fringe benefits in their compensation package?

*This is within Michigan Tech's leadership responsibility/purview.*

6. Will a reduction in health-care benefits have unforeseen and negative impacts on Michigan Tech's ability to recruit and retain top faculty and staff (goals articulated in Michigan Tech's Strategic Plan)?

*This is within Michigan Tech's leadership responsibility/purview.*

7. Does Michigan Tech offer a benefits package that is more generous than those offered by our benchmark institutions?

*Based on Aon Hewitt's 2014 Health Value Index report, the average portion of health care costs paid by the University (70.8%) is just slightly below the portion paid by peer institutions (72.1%).*

8. Given changes in both benefits and salaries, when adjusted for inflation, how has overall compensation changed at Michigan Tech over the past decade?

*This is within Michigan Tech's leadership responsibility/purview.*

9. What part of Michigan Tech's financial difficulties is reasonably attributable to increased healthcare costs?

*This is within Michigan Tech's leadership responsibility/purview.*

10. Are there measureable economic effects of low morale resulting, for example, from reductions in benefits?

*This is within Michigan Tech's leadership responsibility/purview.*

11. How have retirement benefits at Michigan Tech changed over the past 10 years?

*This is within Michigan Tech's leadership responsibility/purview.*

12. What is the average number of members per contract for Michigan Tech?

*Based on enrollment data from BCBSM, the average number of members per contract for Michigan Tech for January 2015:*

	<i>Subscribers</i>	<i>Members</i>	<i>Avg Contract Size</i>
<i>PPO</i>	<i>404</i>	<i>825</i>	<i>2.04</i>
<i>HDHP</i>	<i>786</i>	<i>2,300</i>	<i>2.93</i>
<i>Retiree</i>	<i>129</i>	<i>201</i>	<i>1.56</i>
<i>Total</i>	<i>1,319</i>	<i>3,326</i>	<i>2.52</i>

13. Among the Michigan Tech employees who selected the HDHP option last year, have any forgone needed medical care because they felt unable to afford this care?

*Aon does not have this information/expertise to provide an answer.*

14. What might be done to improve the structure of and rate of participation in Michigan Tech's wellness programs?

*See this recent follow up article published in 2014 on the same topic:*

<http://healthaffairs.org/blog/2014/11/25/workplace-wellness-produces-no-savings/>

*Considerations for improved participation in Michigan Tech's wellness program include:*

- *Identify and focus on 2-3 risk factors that lead to the chronic conditions that are driving the University's health care cost*
- *Customizing communications to better engage faculty/staff*
- *Re-evaluating the incentive structure to determine what motivates faculty/staff to better manage their health*

## **Additional Benefits Questions from Senate Constituents (all but the last are on healthcare)**

1. If one goal of managing healthcare cost is to, in effect, blur the distinction between the PPO and the HDHP?

*This is within Michigan Tech's leadership responsibility/purview.*

2. What are the relevant factors from year to year in the reductions in medical claims paid by Michigan Tech (see below)? For example, the switch from Aetna to BCBSM; increasing premiums and/or deductibles on the PPO; fewer healthcare claims being filed (why?); the resolution of highly expensive cases; etc.

FY2012 - \$15,735,872

FY2013 - \$14,337,991

Reduction = \$1,397,881 (8%)

- *The primary driver was the medical carrier change from Aetna to BCBSM*
- *Tech also experience a decrease in enrollment from fiscal year 2012 to fiscal year 2013*
- *The PPO deductible was increased (to \$2,000/\$4,000) as well as the out-of-pocket (to \$4,000/\$8,000)*

FY2013 - \$14,337,991

FY2014 - \$12,498,807

Reduction = \$1,839,184 (12.8%)

- *Elimination of third party stop loss coverage and move to self-funding*
- *A further decrease in enrollment from fiscal year 2013 to fiscal year 2014*

3. Is it correct that confidentiality applies to specific information about specific cases (e.g., “We paid \$200,000 in healthcare benefits for Joe Smith’s cancer treatments”), not to providing general information to explain changing expenses from year to year (e.g., “We had two cases, now resolved, for which we paid over \$200,000”)?

*Any information relating to the health status, provision of health care, or payment of health care that can be linked to a specific individual is called Protected Health Information (PHI) and is protected by the Health Insurance Portability and Accountability Act of 1996 (HIPAA)*

4. Please explain the tax advantages and disadvantages of the HSA versus the PPO.

*As an enrollee in an HDHP qualified plan, a participant may contribute to an HSA account.*

*An HSA account offers several tax advantages:*

- *Employees can make tax-deductible contributions on a regular, periodic, and/or one-time basis throughout the plan year within specified annual*

*contribution limits (2015 contribution limits: \$3,350 for single coverage and \$6,650 for family coverage)*

- *Distributions or withdrawals are tax-free\*, if used for qualified medical expenses*
- *Earnings (interest, dividends, investments) grow in the Health Savings Account on a tax-free basis\**

*Participation in the PPO plan would exclude a member from contributing to an HSA account.*

*\*No federal tax applies, some states impose a state tax, the state of Michigan does not impose a state tax on contributions or earnings.*

5. Can healthcare insurance cost be based on income, rather than on an across-the-board percentage?

*Yes.*

6. Will the average number of members per contract change as a result of the Affordable Care Act? For example, children up to the age of 26 can (must?) be kept on an insurance plan. What impact will that have?

*Many of the provisions of ACA, including the extension of coverage to adult children up to age 26, are already effective. This provision became effective January 2011 and requires the University to allow adult children to continue on the health plan until age 26, but it does not require faculty/staff to enroll their adult children. The cost impact of this ACA provision will vary across organizations and will depend on a multitude of factors, including current eligibility policies with respect to child dependents, number of adult children that enroll in the plan and the subsidy made available to such children. Although the costs will vary across organizations, we do not expect this ACA provision to be a major driver of health care trend, primarily due to the lower average costs of the adult child population.*

7. Can Michigan Tech get the prices charged for medical services posted on a web page? The federal government has started this practice, and it would be helpful for all of us to be more informed before going in for medical services.

*This is within Michigan Tech's leadership responsibility/purview.*

8. How do other universities handle the issue of married couples who both have positions at the same university? My significant other and I both work at Michigan Tech, and as far as I can see if we were to get married it would be a significant disadvantage in terms of health benefits. With an injury or serious health issue to either one of us, we'd be on the hook for a \$6,000 out-of-pocket maximum before the HDHP kicked in as opposed to \$3,000. Can you get married, but still keep individual high deductible health plans?

*Aon does not have this information/expertise to provide an answer.*

9. Should the out-of-pocket max or share for those on the PPO be as high as it is, or can it be brought into a more tolerable level?

*This is within Michigan Tech's leadership responsibility/purview.*

10. Employees getting air-ambulances out of here in emergencies are getting billed by the vendor for amounts of \$30,000 to \$40,000. Can anything be done about this?

*This is within Michigan Tech's leadership responsibility/purview.*

11. Since a person with a family has a high probability of using the HSA balance by the end of the year, if there are some medical necessities early in the year before there is a chance to get an HSA balance built up, it creates a real financial stress since these bills (up to \$3,500) need to be paid for out of pocket from some other source. When there was a portion given by the University, there was a little “cushion” at the beginning of the year for medical bills, which would allow an HSA balance to be built up.

Has there ever been any consideration to compensation increases being added to an HSA instead of wages, or a combination of each. If a person could take some of his or her yearly increase and put it into his HSA at the beginning of the calendar year, it would help the problem mentioned above.

*This is within Michigan Tech's leadership responsibility/purview.*

12. Unless a soft-money employee has an account number, they participate in optional and even mandatory university activities on their own time with overtime or vacation time. The lack of university policy on providing soft-funded employees with resources for professional development, service, and university activities also affects staff participation in organizations such as the Senate and Staff Council. What can be done to improve this situation?

*This is within Michigan Tech's leadership responsibility/purview.*

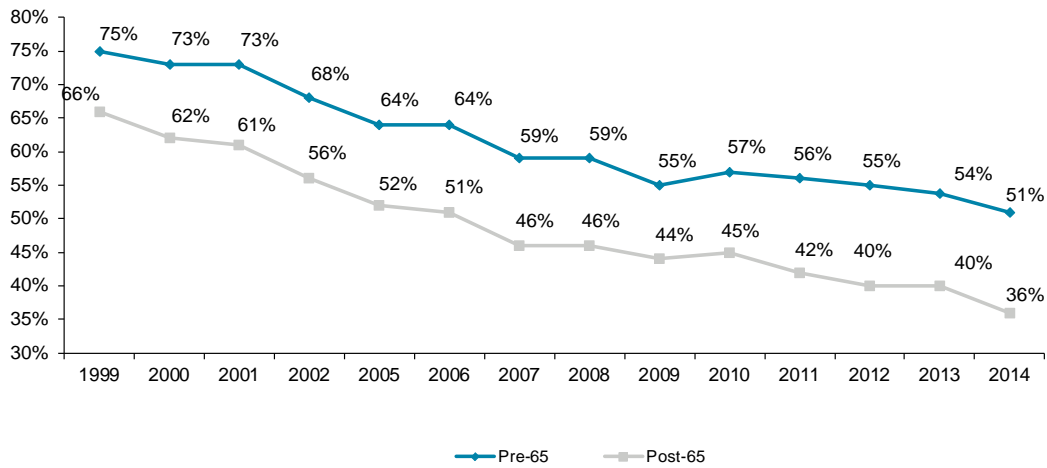
13. The Colorado School of Mines is one of Michigan Tech’s benchmark institutions and seems comparable to Michigan Tech in many ways, yet they appear to offer a much better benefits package than Michigan Tech does. Is anyone in the administration trying to better understand how they are able to do this? If not, why not? And can we/should we be doing so?

*This is within Michigan Tech's leadership responsibility/purview.*

14. How have healthcare-insurance benefits for retirees changed over the past 10-15 years? And are current benefits adequate? If not, how might they be improved?

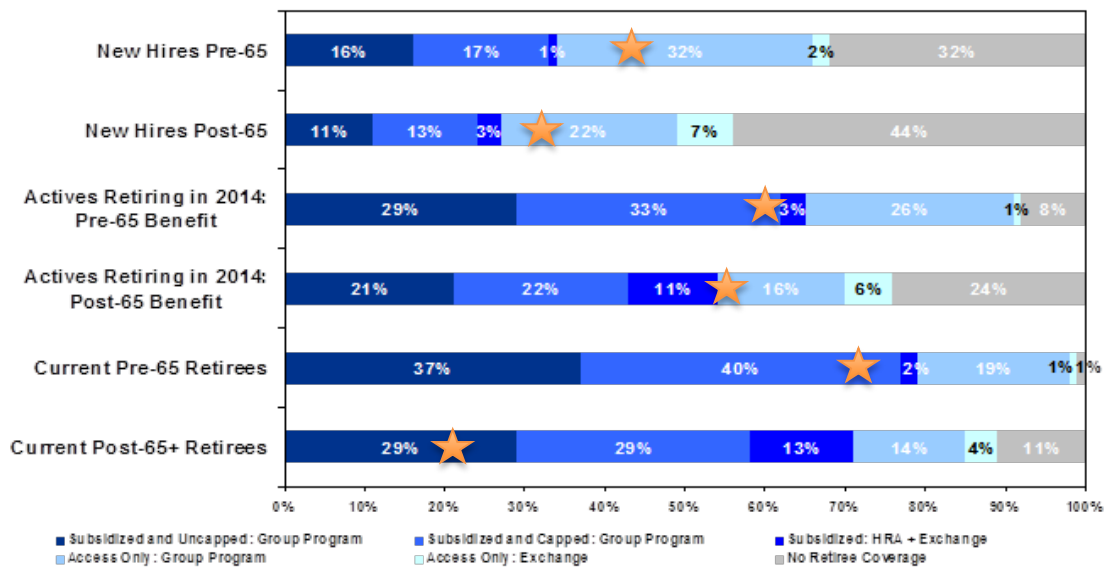
*The prevalence of employer-sponsored retiree health care has been steadily declining since the introduction of new accounting standards in the early 1990s.*

**Percentage of Large Private Sector Employers (1,000+ EEs) Offering At Least Access-Based Retiree Medical to New Hires**



Source: Aon Hewitt SpecBook™

**Type of Retiree Medical Coverage Currently Offered** Indicates Michigan Tech's plan ★



Source: 2014 Aon Hewitt Retiree Health Care Strategy Survey

*Like many other employers, the University is evaluating its retiree strategy in light of health care reform and the options available for retiree health care coverage.*