Benefits Forum

Presented by:
Renee Hiller, Director, Human Resources
Ellen Horsch, Vice President for Administration
Ginger Sleeman, Manager, Benefits

April 5, 2016
Agenda

• Recap of the Benefits Liaison Group
• Benefits: Past, Present & Future
• Update on the Benefits Liaison Group
The Benefits Liaison Group (BLG) is an advisory working group that was restructured in the Spring of 2015.
The changes to the structure were presented to the Senate on April 1, 2015 and sent to the President of the Staff Council on March 17, 2015.
BLG Members

Jane Berner, Retiree (Administration Representative)
Mari Buche, Associate Professor, School of Business (Provost Representative)
James Frendewey, Dean, School of Technology (Provost Representative)
Renee Hiller, Director of Human Resources (Human Resources Representative)
Suzanne Morin, Controller (Appointed by Financial Services)
Byron Quinn, Manager of Finance & Planning (Administration Representative)
Ginger Sleeman, Manager of Benefit Services (Human Resources Representative)
Martin Thompson, Associate Professor, Chemistry (Senate Elect)
Crystal Verran, Director of Operations, UMC (Staff Council Elect)
Lori Weir, Communications Specialist & University Policy Coordinator (Senate Elect)
Charge

To review and evaluate the current fringe benefits package and provide recommendations to the Vice President for Administration.
Purpose is Two-Fold

1. A sounding board for full discussion of issues related to fringe benefits offerings.
2. An avenue to learn the issues and evaluate possible options based on available resources.
Governance

Principle of consensus in making recommendations.
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)
2013 - Vendor Change (Aetna to BCBSM)

Calendar Years ending December 31
Michigan Technological University  
Fiscal Year 2017 Proposed Fringe Benefit Rates  
Expense Estimates as of December 2015

<table>
<thead>
<tr>
<th>Fringe Benefit Expenses</th>
<th>Total</th>
<th>Regular Non-Student Employees</th>
<th>Temporary Employees</th>
<th>Additional Compensation</th>
<th>Graduate Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>FICA</td>
<td>$7,980,829</td>
<td>$7,167,935</td>
<td>$407,857</td>
<td>$405,037</td>
<td>-</td>
</tr>
<tr>
<td>TIAA-CREF/Fidelity Retirement</td>
<td>6,398,521</td>
<td>6,079,786</td>
<td>-</td>
<td>318,735</td>
<td>-</td>
</tr>
<tr>
<td>MPSERS</td>
<td>5,241,099</td>
<td>5,095,497</td>
<td>-</td>
<td>145,602</td>
<td>-</td>
</tr>
<tr>
<td>Health Care</td>
<td>16,041,000</td>
<td>16,030,906</td>
<td>10,094</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Life, Disability, Unemp, W/C, Other</td>
<td>1,417,483</td>
<td>1,276,157</td>
<td>70,908</td>
<td>70,418</td>
<td>-</td>
</tr>
<tr>
<td>VHS and Short Term Disability</td>
<td>2,343,066</td>
<td>2,226,055</td>
<td>-</td>
<td>117,011</td>
<td>-</td>
</tr>
<tr>
<td>Graduate Student Health Insurance</td>
<td>602,719</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>602,719</td>
</tr>
<tr>
<td>Voluntary Reduction</td>
<td>(2,026,000)</td>
<td>(2,017,000)</td>
<td>(9,000)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Fringe Benefit Expenses</strong></td>
<td><strong>$37,998,717</strong></td>
<td><strong>$35,859,336</strong></td>
<td><strong>$479,859</strong></td>
<td><strong>$1,056,803</strong></td>
<td><strong>$602,719</strong></td>
</tr>
</tbody>
</table>

Salary and Wage base for FY17

<table>
<thead>
<tr>
<th></th>
<th>A/B</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary and Wage base for FY17</td>
<td>$114,322,427</td>
<td>$95,625,503</td>
<td>$5,331,463</td>
<td>$5,294,603</td>
<td>$8,070,858</td>
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</tbody>
</table>

Proposed Rates

<table>
<thead>
<tr>
<th></th>
<th>A/B</th>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed Rates</td>
<td>A/B</td>
<td>37.5%</td>
<td>9.0%</td>
<td>20.0%</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

12/22/2015
Cost Summary—Calendar Year 2015–2017 (Data as of 1/31/16)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrollment * (Actives and retirees)</td>
<td>1,297</td>
<td>1,280</td>
<td>1,280</td>
<td>1,280</td>
<td>1,280</td>
</tr>
<tr>
<td>Claims (Med/Rx)</td>
<td>$13,391,000</td>
<td>$14,456,000</td>
<td>$1,120,085</td>
<td>$14,170,000</td>
<td>$15,334,000</td>
</tr>
<tr>
<td>Admin</td>
<td>$1,015,000</td>
<td>$1,077,000</td>
<td>$79,669</td>
<td>$1,042,000</td>
<td>$1,144,000</td>
</tr>
<tr>
<td>Stop loss</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Fed Reinsurance</td>
<td>$101,000</td>
<td>$62,000</td>
<td>$0</td>
<td>$64,000</td>
<td>$0</td>
</tr>
<tr>
<td>Dental</td>
<td>$1,230,000</td>
<td>$1,266,000</td>
<td>$105,715</td>
<td>$1,269,000</td>
<td>$1,307,000</td>
</tr>
<tr>
<td>Vision</td>
<td>$364,000</td>
<td>$364,000</td>
<td>$30,789</td>
<td>$369,000</td>
<td>$369,000</td>
</tr>
<tr>
<td>Expense</td>
<td>$16,101,000</td>
<td>$17,225,000</td>
<td>$1,336,258</td>
<td>$16,914,000</td>
<td>$18,154,000</td>
</tr>
<tr>
<td>Contributions</td>
<td>$1,927,000</td>
<td>$1,938,000</td>
<td>$163,544</td>
<td>$1,913,000</td>
<td>$1,913,000</td>
</tr>
<tr>
<td>Net Cost</td>
<td>$14,174,000</td>
<td>$15,287,000</td>
<td>$1,172,714</td>
<td>$15,001,000</td>
<td>$16,241,000</td>
</tr>
</tbody>
</table>

April 5, 2016
Key Cost Drivers—Overall

<table>
<thead>
<tr>
<th>Total Cost per Enrollee</th>
<th>MI Tech</th>
<th>HVI Average</th>
<th>Higher Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,029</td>
<td>$1,251</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Enrollment Composition**
- **Area Costs**: $133 vs. $(9)
- **Age and Gender**: $1,184 vs. $891
- **Dependent Coverage**: $2,692 vs. $2,523

**Faculty/Staff Cost-Sharing**
- **Plan Design**: $(1,054) vs. $(643)
- **Faculty/Staff Contributions**: $1,772 vs. $1,613

**Other Factors**
- **Purchasing (Organization and Faculty/Staff Decisions)**: $(925) vs. $(1,511)

**Net Cost per Enrollee**
- $3,801 vs. $2,865

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
Cost Drivers Affecting Michigan Tech

The following items were found to contribute (on average) to Michigan Tech’s higher healthcare costs:

- Number of dependents covered
- Lower Faculty and Staff Contributions
- Age and Gender
Healthcare Changes for CY2015 & CY2016
Major Factors That Could Influence Healthcare Projections

• Plan Design (deductibles, coinsurance, copays, premiums, etc.)
• Discounts with in-network providers through insurance vendors
• Michigan Tech’s claims history
Healthcare Plans

CY2015:

• Continued two healthcare Plans (PPO & HDHP)
• No changes to PPO or HDHP plan design
• No changes to dental or vision
• Increased employee premiums from $112 to $114 per person/month on PPO plan
Healthcare Plans

CY2016:

• HuskyCare PPO and HDHP plans and premiums stayed the same.
Benefits Considerations
What has happened so far in 2016:

• Senate proposal 2-16 to amend the Employee Education Policy was approved and implemented January 1, 2016.
Future Considerations:

• CY2017 Healthcare Costs project to be $1.24 million higher than CY2016, assuming no changes to our current plans.
• January 2016: Dave Reed, Vice President for Research, met with the BLG and asked the group to:

1. Review current state of all benefits (health, dental, vision, RSVP, retirement, life, disability, etc.).
2. As a proactive measure, provide recommendations that could reduce the projected CY2017 increase by $500,000 and $1,000,000 while also considering possible effects for CY2018.
• **March 2016:** The BLG met to determine information needed to analyze current state.

• **May 2016:** The BLG and AON will work together to start the data analysis.
The BLG will include a review of three Senate Proposals:

- Proposal 3-16 (Automatic Enrollment in Defined Contribution Retirement Plan)
- Proposal 9-16 (Reducing Deductibles and Out of Pocket Maximums on Healthcare)
- Proposal 23-16 (Move to a University Parental Leave Policy)
## CY2015-2017 Health Roadmap

<table>
<thead>
<tr>
<th>Current State</th>
<th>Effective January 2015</th>
<th>Effective January 2016</th>
<th>Effective January 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Medical</strong></td>
<td>Benchmark costs and plan design annually to understand competitive position</td>
<td>Monitor utilization and trends annually to assess programs to help manage costs</td>
<td>Adapt strategy to account for Health Care Reform (as warranted)</td>
</tr>
<tr>
<td><strong>PPO</strong></td>
<td>No PPO plan design changes</td>
<td>No plan or employee premium changes</td>
<td>Review and adjust plan design annually, adjust premiums as needed</td>
</tr>
<tr>
<td>Premium Adult $114 per person/mth</td>
<td>Increase in PPO employee premium ($112 to $114)</td>
<td></td>
<td>Consider three Senate Proposals (3-16, 9-16 and 23-16)</td>
</tr>
<tr>
<td>Deductible $2000/$4000</td>
<td>No PPO plan design changes</td>
<td></td>
<td>BLG will review current state of all benefits</td>
</tr>
<tr>
<td>Coinsurance 35% (except ER $75 and RX 10%/25%)</td>
<td>No HDHP plan design changes</td>
<td>No plan or employee premium changes</td>
<td>Consider incentive-based HSA funding based on group/individual performance in prior year</td>
</tr>
<tr>
<td><strong>HDHP</strong></td>
<td>No HDHP plan design changes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$0 employee premiums</td>
<td></td>
<td>No plan or employee premium changes</td>
<td></td>
</tr>
<tr>
<td>Deductible $1750/$3500</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coinsurance 35% (all services except hospital/surgery/lab/x-ray/ER/RX – 10%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Preventive Care</strong></td>
<td>Annual physical covered at 100%</td>
<td>Annual physical covered at 100%</td>
<td></td>
</tr>
<tr>
<td><strong>Prescription Drugs</strong></td>
<td>No PPO or HDHP design changes</td>
<td>Evaluate utilization and compliance annually</td>
<td>Revise design/interventions as needed</td>
</tr>
<tr>
<td>PPO 10% Generic/25% Brand</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HDHP 10% after deductible</td>
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Investment Oversight Committee
Michigan Technological University's Retirement Plan Oversight Committee chooses and monitors plan investment options. It is the intent of the Committee to provide a range of investment options that will enable participants to invest according to varying risk tolerance and savings time horizons.
For more information go to
Investment Policy Statement at:
http://www.mtu.edu/hr/current/retirement/
Investment Oversight
Committee Membership

Tammie Fraki, Benefits Coordinator

Dean Johnson, School of Business and Economics
(Faculty Representative)

Suzanne Morin, Controller

Michael Mullins, Chemical Engineering
(University Senate Representative)

Julie Seppala, Executive Director, Sponsored Programs Office
and Finance Services Operations

Ginger Sleeman, Manager of Benefits
2016 Investment Changes
QUESTIONS