At the Audit and Insurance Committee meeting on September 25, 2014, we will review the proposed 2015 Purdue medical plans and rates.

**Background**

Beginning in 2014, Purdue contracted with Anthem to administer the three health plan options offered to faculty, staff, pre-65 retirees and disabled staff. Purdue redesigned its medical plans in 2014 to offer two consumer driven health plans with health savings accounts (PHPHSA 1 and PHPHSA 2) and one traditional preferred provider organization (PHP) plan. All plans are self-insured with funding provided by the University and employees.

Prior to November 2013, the focus of the Board had been on the split of premiums between employer and employees, with a target split of 80% Employer / 20% Employee. However, at the November 2013 Board Meeting, a presentation from the Human Resources staff recommended, and the Board concurred, that we change the focus to look at the split of total health care costs, including employee out-of-pocket costs, with a target of 70% Employer / 30% Employee. In 2012 and 2013, the splits between Employer and Employee relative to the total health care costs were 75%/25% and 70%/30%, respectively.

For 2014, we experienced a substantial migration of employees to the two consumer driven health plans, achieving a very positive 73% enrollment in the PHPHSA 1 and PHPHSA 2 plans, up significantly from a 24% enrollment in the consumer driven health plans offered in 2013. Based on the first six months of activity under our new health care program, we expect the total costs of healthcare to remain essentially flat with 2013, and are projecting that the 2014 split between Employer and Employee total costs will again be approximately 70%/30%.

**2015 Plan**

For 2015, we propose to continue to offer the same three plan options, with consistent plan design as outlined in the attached presentation materials. Through the migration to the consumer driven health plans, as well as a planned focus on various initiatives to help our employees take full advantage of the resources offered, our employees will help to reduce overall healthcare costs in 2015, and as such, we are recommending no employee premium increase. The University contribution will equate to $11,024 per employee for 2015, and we expect the split in total healthcare costs between Employer and Employee to be approximately 70% / 30% once again.

The Center for Healthy Living opened in February 2013 and has had a positive response from Purdue employees. Increased utilization of this facility will drive total costs down further. In order to help drive this increased utilization, we are recommending that we decrease the rate to employees on the PHPHSA 1 and PHPHSA 2 plans for non-preventive services to $40/visit in 2015 versus $45/visit in 2014. The PHP plan participants will continue to pay $10/visit for non-preventive services. Preventive, wellness and health coaching services will continue to be provided at no charge to all eligible employees and eligible covered dependents on all three plans.

Castlight is an effective tool for employees. Currently, the registration rate for this tool is 45%, which we will focus intently on increasing in 2015.

Other efforts will continue to focus on educating our employees on how consumer driven health plans work in conjunction with a health savings account (HSA), which hopefully can increase further the migration to these plans.

Finally, we will be utilizing the Truven Informed Enrollment tool to illustrate to employees during open enrollment their total costs (premium and out of pocket) under each 2015 medical plan, based on past claims. This information will allow our employees to make an informed and educated decision in a year following so many significant plan design changes.

Your approval of the proposed 2015 Plan will be requested during the September Board of Trustees meeting. If you have any questions prior to the meeting, please call me at (765) 494-7395.