2016 Health Care Plan Options and Rates

At the Audit and Insurance Committee meeting on October 8, 2015, we will review the proposed 2016 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.

In 2014, we experienced a large migration of employees to the two consumer-driven health plans, achieving a 73% enrollment in the PHPHSA 1 and PHPHSA 2 plans, up significantly from a 24% enrollment in the consumer-driven health plan offered in 2013. Purdue’s premium costs for 2014 decreased 8.9% from 2013 and employees’ total health care costs (premium and out-of-pocket) were reduced by 7.7%. The total health care costs for both Purdue and employees came in under budget by approximately $19 million and were 13.8% lower than in 2013.

In 2015, we held employee rates flat for the second consecutive year. This has resulted in 2015 projected total health care costs for employees to increase a modest 1.5% over 2014, while Purdue’s total costs are projected to increase by 6.9%. The medical plan’s total costs (employee and employer) are projected to be under budget by approximately $19.5 million in 2015. There was a 1% increase in migration to consumer-driven health plans during 2015. The continued savings for both Purdue and its employees is apparent in the trends we are seeing in health care costs.

2016 Plan

Given the better than expected performance during the previous two years, we propose to continue to offer the same three plan options, with slight modifications in 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 keep the overall health care costs within budget for 2016, and as such, we are recommending no employee premium increase and the addition of preventive dental for all Purdue benefits-eligible employees and their dependents on the medical plan. The University contribution will equate to $9,750 (11.6% decrease) per employee for 2016, and we expect the split in total health care costs between employer and employee to be approximately 70% / 30% once again.

The 2016 rates and budget also include approximately $3 million in costs due to Health Care Reform fees and costs associated with compliance.

During 2016, we will also be working closely with Student Life to assess health care resources on campus. We will be reviewing the scope of services at both the Center for Healthy Living (CHL) and Purdue University Student Health (PUSH) and determining if there is potential to
integrate and/or share services. We expect to issue a request for proposal and have the new program off the ground during 2017.

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.

Your approval of the proposed 2016 Plan will be requested during the October Board of Trustees meeting.