



PURDUE UNIVERSITY BOARD OF TRUSTEES
AUDIT AND RISK MANAGEMENT COMMITTEE

AUGUST 2, 2019

MINUTES

A meeting of the Audit and Risk Management Committee of the Board of Trustees convened at 10:12 a.m. on Friday, August 2, 2019, in Room 326 of Stewart Center on the campus of Purdue University in West Lafayette, Indiana.

Members of the Committee present were: Thomas Spurgeon, chair; Vanessa Castagna; and Malcolm DeKryger. JoAnn Brouillette was not in attendance. Other trustees present were: Michael Berghoff; Michael Klipsch; Noah Scott; and Don Thompson.

Officers and administrators in attendance were: Mitch Daniels, president; Jay Akridge, provost and executive vice president for academic affairs and diversity; Bill Sullivan, treasurer and chief financial officer; Jim Almond, senior vice president, assistant treasurer, and assistant secretary; Steve Schultz, general counsel; Janice Indrutz, corporate secretary and senior executive assistant to the Board; and Ron Elsenbaumer, chancellor of Purdue University Fort Wayne.

Trustee Spurgeon indicated that a quorum of the Committee was present.

I. APPROVAL OF MINUTES

Upon proper motion duly made and seconded, the Committee voted unanimously to approve the minutes of its February 8, 2019, meeting.

II. APPROVAL OF 2020 MEDICAL PLAN

Mr. Chris Ruhl, senior vice president for strategic initiatives, requested approval of the health plan for the 2020 calendar year. He reminded the Committee that the health plan provided three options and was self-insured, and he provided an overview of plan demographics. Mr. Ruhl presented the history of changes that had been made to the health plan in recent years then walked the Committee through a number of recommendations for 2020 which, he said, were arrived at following a year-long sharing of ideas and benchmarking. The recommendations he discussed included no across-the-board increase in employee premiums for the 2020 calendar year and a proposal to sunset the PPO plan. Mr. Ruhl expressed his belief that, collectively, the recommendations would mitigate cost increases.

With regard to the recommendation to add new premium rates for working spouses, President Daniels observed that the university had been subsidizing other employers for years and said the new premium rates would allow those spouses with access to other employers' health care continued access to Purdue's health plan. He noted that over half of the high-cost claimants were spouses. Therefore, he said, it was necessary for the university to take this action or raise the premium for all faculty and staff, which, he pointed out, would not be fair. President Daniels also emphasized that more money could be available for salary increases if fewer spouses were covered by the university's health plan. He concluded his remarks by saying, "It's all compensation."

Mr. Ruhl pointed out that approval of the health plan was being sought earlier this year to give employees more time to consider their options. He said the goal continued to be offering a high-quality, competitive health plan that was cost effective and sustainable for future generations of faculty and staff.

Trustee Spurgeon invited Professor Cheryl Cooky, chair of the University Senate, to speak on behalf of the faculty. Professor Cooky expressed her appreciation for the administration's transparency with regard to the medical plan and recognized that the decisions were challenging. She expressed concern for how the plan changes would affect faculty recruitment and retention and how faculty and staff would feel about the changes given their efforts to support the university's record-setting fundraising activities.

Mr. Ruhl responded by saying every dollar the university spent on health care was a dollar that could not be spent elsewhere. Treasurer Sullivan expressed his belief that it would be beneficial to engage with faculty and staff in a robust discussion about the university's full palette of benefits. He said it was tough to compare Purdue to other universities because each institution was different, but he emphasized that Purdue offered an "incredible set of benefits."

Trustee Thompson made impassioned remarks from a corporate perspective. He stated that companies did not go into this kind of depth and expressed his hope that everyone understood the level of work that had been done. He said all employees usually shared premium increases and companies mandated physicals, and he argued that coverage available to spouses through their employers needed to be netted against the university's plan because ultimately it was not fair to the viability and survivability of the university's plan, and "if you want to be part of the plan, that's part of the plan because there was only so much cost the university could absorb in order to focus on student affordability, salary increases, faculty recruitment, and maintaining facilities and grounds." Trustee Thompson further stated that faculty and staff needed to be educated about the realities that existed outside of Purdue and encouraged the administration to communicate fully about all the benefits and all the costs inside and outside of academia so that faculty and staff truly understood the reality. He expressed his belief that adding the new premium rate for working spouses was the right thing to do and said other things embedded in the plan may ultimately need to evolve in the next few years as well.

President Daniels expressed his belief that the medical plan was fair and said where additional premiums were assessed was based on choice; "you choose to smoke or you don't, you choose to get a physical or you don't, and you choose to enroll your spouse in the plan or you don't." Trustee Thompson pointed out that employees with spouses choose the university's plan because it is a better plan. He concluded by saying, "If you don't take the plan with the other employer, then you're not going to protect this plan, the better plan, long term which risks the viability of this plan." Professor Cooky said she did not deny that the university had a good plan and offered that families often prefer to have everyone on the same plan to maintain continuity with providers and better meet deductibles. She asked if it would be possible to see hard numbers for what the university would be gaining as opposed to the losses that had been incurred.

Trustee Spurgeon remarked that it had been a good discussion, which he summarized, and Chairman Berghoff said it had been one of the top five most meaningful conversations with a chair of the University Senate. Professor Cooky offered her assistance with regard to communicating to faculty and staff about the plan changes.

Upon proper motion duly seconded, the Audit and Risk Management Committee voted unanimously to recommend full Board approval of the 2020 medical plan. A supporting document and a copy of Mr. Ruhl's presentation were filed with the minutes.

III. ADJOURNMENT

By consent, the meeting adjourned at 10:50 a.m.