

To: Members of the Board of Trustees

Fr: Candace G. Shaffer, Senior Director, Benefits

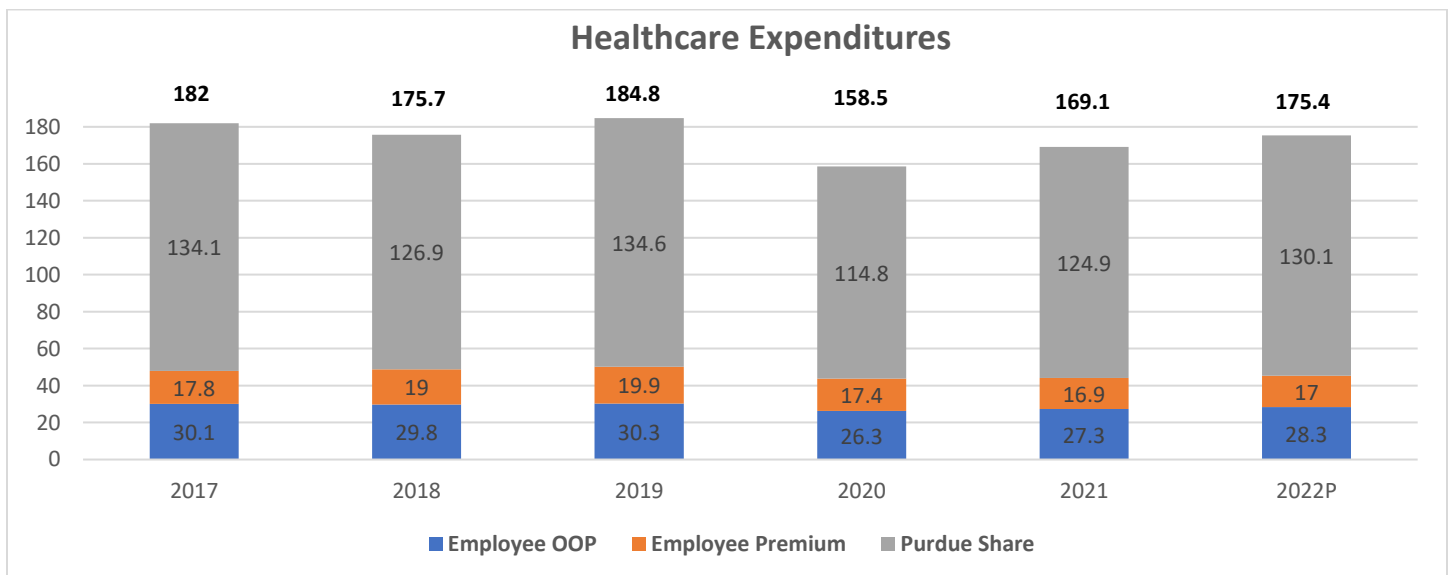
Date: August 5, 2022

Re: Approval of 2023 Medical Plans

CY 2022 Healthcare expenses

Based on claims through May 2022, and inclusive of all approved programmatic changes, Purdue healthcare expenses for 2022 are projected to be 3.7% over CY2021. Figure 1 below shows actual expenses for 2021 and updated projections for 2022. Costs suppressed in 2021 due to COVID-19 are estimated at \$13m with no suppression expected for CY2022. As discussed before, suppression is due to a combination of factors, including a shift to telehealth, postponement of elective surgeries and primary care and access to care being limited for several months periodically throughout the pandemic. Due to this, 2022 benefit communication and education focused on members re-engaging with healthcare by completing their annual physical, biometrics and any applicable screenings. While the postponement of primary care and elective surgeries may have resulted in a temporary or permanent savings to the plan, Purdue’s population health reports indicate an impact on members’ health statuses, including delayed diagnoses and more severe diagnosis. While we have seen the highest level of physical compliance in 2021 at 57%, benefits communication will continue to focus on members engaging with healthcare and more fully take advantage of the various benefit programs Purdue offers. Overall, however, even after adjusting for the COVID impact, healthcare expenditures have declined 5.1% since CY2019.

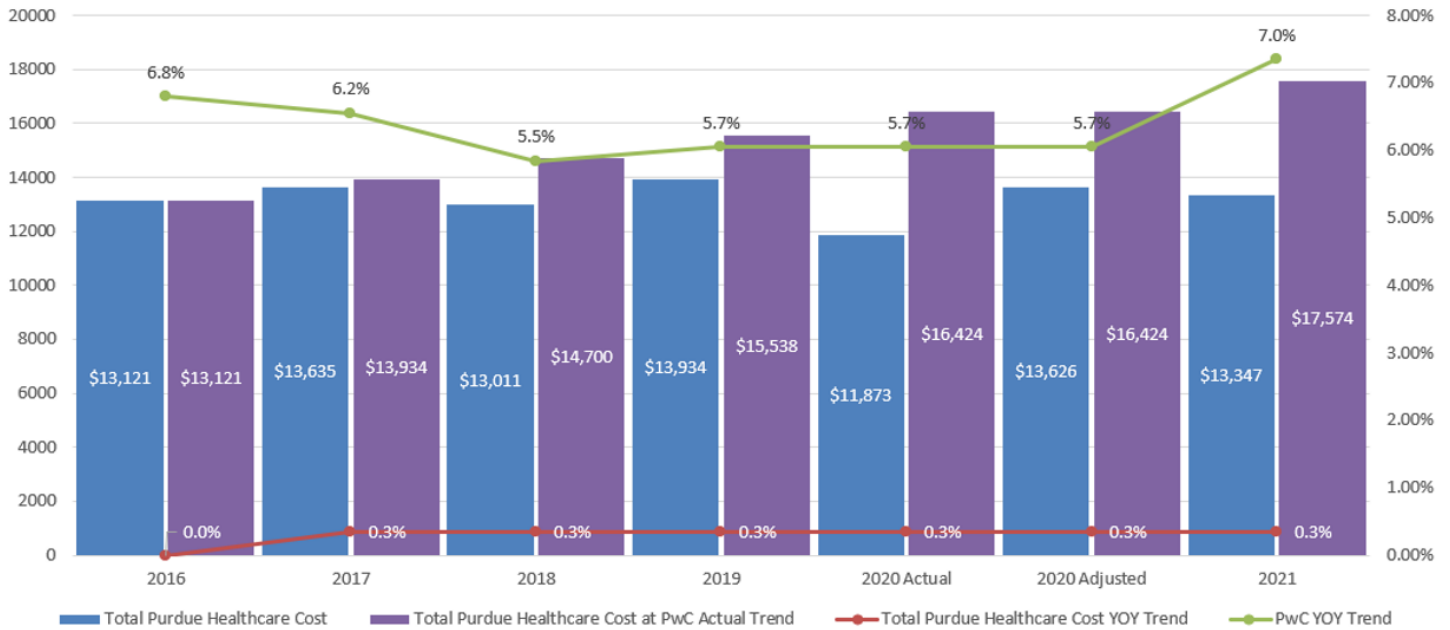
Figure 1: Total Healthcare Expenditures CY 2017-2022P



We periodically benchmark our plans against state and national trends. Recent data from PricewaterhouseCoopers (PwC) indicates a national healthcare trend at nearly 6% annually since 2017. Purdue’s trend compares very favorably over the same period, growing at only 0.3% annually (Figure 2). We attribute this to the active management of our health plans and the numerous strategic initiatives and plan design changes undertaken over this period to contain costs, many of

which are summarized below. Had Purdue’s healthcare costs increased at national trend, our employees would have spent an additional \$40m on healthcare 2016 thru 2021.

Figure 1: Total Combined (ER & EE) Expenses vs Total Actual at PwC Published Trend (PEPY)



Strategic Initiatives – Update

During 2021 and into 2022, we continued to make progress on numerous longer-term strategic initiatives to address increasing costs. Our efforts around education and communication will continue as our employees continue to reengage with the healthcare industry post-pandemic, focusing on increasing steerage to high-quality cost-effective care, notably through our direct agreements and tiered network.

Narrow Network

In 2020, we added a narrow network, Anthem’s HealthSync (Public Session Slide 6), to all Purdue medical plans. HealthSync is a tiered network of high-performing providers, with a history of proven quality of care and must continue to show positive health outcomes along with lower total cost care for those they care for. Purdue members are incentivized to establish and seek care with HealthSync providers, not only for quick access and coordinated care, but with lower deductibles and out of pocket expenses.

To date, over 65% of Purdue members are engaged with HealthSync providers, driving total healthcare savings to \$10.4m from our 2020 implementation through YTD 2022. Additionally, population health reports tell us that members who are engaged with these high performing, cost-effective providers carry more health risk, but are more compliant with physicals and annual screenings, have less non-emergent ER visits and have shorter lengths of inpatient stays. This indicates to us that the HealthSync network providers are having an impact on Purdue members and over time, will continue to lower costs while increasing the quality of care.

Population Health

As mentioned before, benefit communication has focused on member’s completing their annual physical, biometrics and any applicable annual screenings. This focus has been in place since 2017 as we launched the Healthy Boiler Incentive program, which provides financial incentives to employees and their spouses who complete wellness activities. Since the launch of that program, we have seen an increase in the compliance of not only annual physicals, but mammograms and colonoscopies, as seen in Figure 3. We will continue to encourage compliance and engagement in the Healthy Boiler incentive program as well as other benefit programs that support the overall health for employees and their families.

Figure 3: Annual Screening Compliance for employees and spouses from 2017 through 2021.

Annual Screening	2017	2018	2019	2020	2021
Physical	39%	48%	54%	49%	57%
Mammogram	52%	69%	70%	67%	68%
Colonoscopy	-	28%	39%	48%	53%

Medical Campus

Relative to another strategic priority, with the announcement of Purdue’s partnership with Ascension St. Vincent and Purdue Research Foundation, we continue our plan to expand access to quality, affordable healthcare services for faculty and staff to develop medical facilities near campus. Active conversations are ongoing with current health partners, including those we have direct agreements with, to develop plans on a medical office building within the medical complex (Public Session Slide 8).

2023 Medical Plans

As stated previously, as we encourage Purdue members to re-engage in healthcare and Purdue’s benefit programs, we will continue to explore the medical and pharmacy plans and look at new ways to ensure our members have access to high quality care while maximizing savings for them and the University. We anticipate 2023 to be another stable year and are not proposing significant changes in plan design, benefits, or premiums, but continue to work towards our continued plan to 1) improve in population health, 2) control overall costs and 3) achieve the Board target of a 70/30 cost share.

Recommendations to take effect January 1, 2023, include (Public Session Slide 10) :

- For the fourth year in a row, hold premium rates flat for active employees and long-term disability members.
- Increasing premium rates for early retirees by 5%. Approximately 250 early retirees are on the medical plans. Collectively their claims exceed premiums by over \$1 million. Our intent is to reduce this subsidy over time. Savings are \$0.107 million.
- Launch national Centers of Excellence with Carrum Health for specific bundles of care, such as bariatric, musculoskeletal, cardiac care and sports medicine. By connecting members with the top 10% of providers nationwide, Carrum can deliver correct care from the best providers, predictable and immediate savings for members and the university and higher member satisfaction. Estimated savings, after program fees and member incentives for participating are \$1.9 million.
- Expand the operation of the Center for Healthy Living at the PNW campus. While the university will incur implementation and short-term costs, we expected long-term savings for engaged members and the university as well as improved population health. Annual expense is estimated at \$0.28 million.
- Implement a colonoscopy direct agreement with a preferred provider. Estimated savings are \$0.2 million.
- Launch a telehealth pilot through the Center for Healthy Living (both locations). With the increase in remote and hybrid employees, access to quality acute care can be critical to help reduce unnecessary urgent or emergency care visits. With a successful pilot – population health, savings to employees and positive satisfaction – we will expand this program to all members. Pilot expenses are \$0.15 million.

- Release and implement a medication therapy management (MTM) network direct agreement, in partnership with the college of pharmacy. The goal of MTM is to optimize outcomes for an individual while preventing medication related adverse reactions. Estimated savings are \$0.25 million.
- Increase single coverage (\$50) and family coverage (\$100) deductibles based on IRS requirements.
- CVS Caremark, prescription benefit manager (PBM), four-year contract renewal based on the Indiana Aggregate Prescription Plan Program RFP. Estimated savings are to be determined.

Collectively, these recommendations are expected to produce an annual savings of \$1.7 million to the medical plans when fully implemented. Many of these recommendations will provide savings directly to our employees, including the colonoscopy direct agreement, medication therapy management network, the Carrum centers of excellence program and no premium increase. Those savings are estimated at \$0.37 million which are in addition to the \$1.7M. With these changes, 2023 is projected to end with a 74/26 cost share.

Finally, in appreciation for their actions establishing Purdue as a leader in delivering high-quality benefits with innovative population health solutions at the lowest possible costs, we recommend that all employees enrolled in a Purdue medical plan receive a cash payment later in calendar year 2022 equal to two months of the average employee premium. Estimated cost is \$2.4 million. (Public Session Slide 13)

We request your approval of the proposed 2023 Medical Plans during the August Board of Trustees meeting.

2023 Health Plans

Board of Trustees – August 5, 2022

Purdue Health Plans - Overview

Plan Demographics

11,400 active eligible employees (monthly average)

23,844 total members (monthly average - employees, spouses, dependents)

48% single; 22% family; 14% employee + spouse; 16% employee + children

Offer Consumer Driven Health Plans with Health Savings Accounts

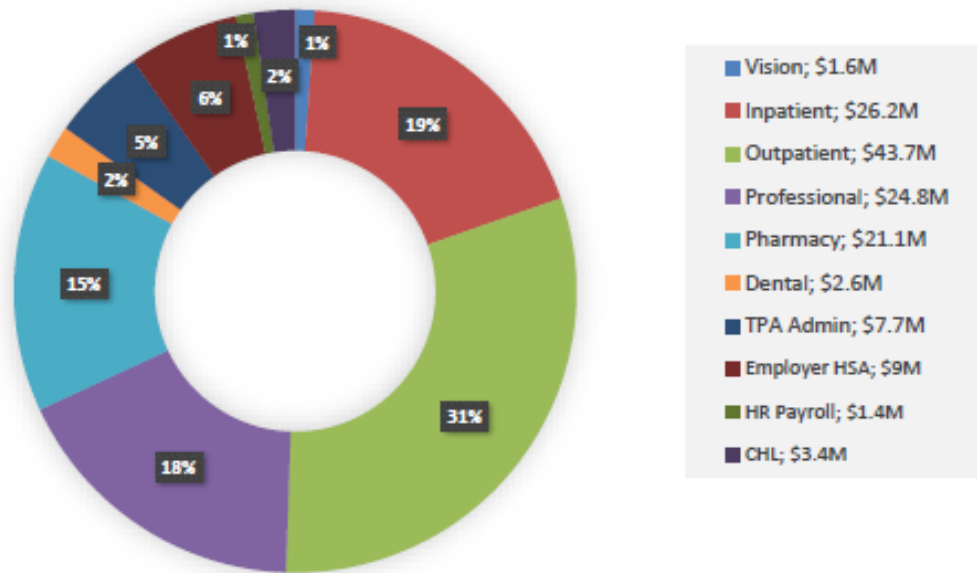
- 50% Premier; 33% Standard; 15% Limited; 2% J1

900 covered spouses with additional premium

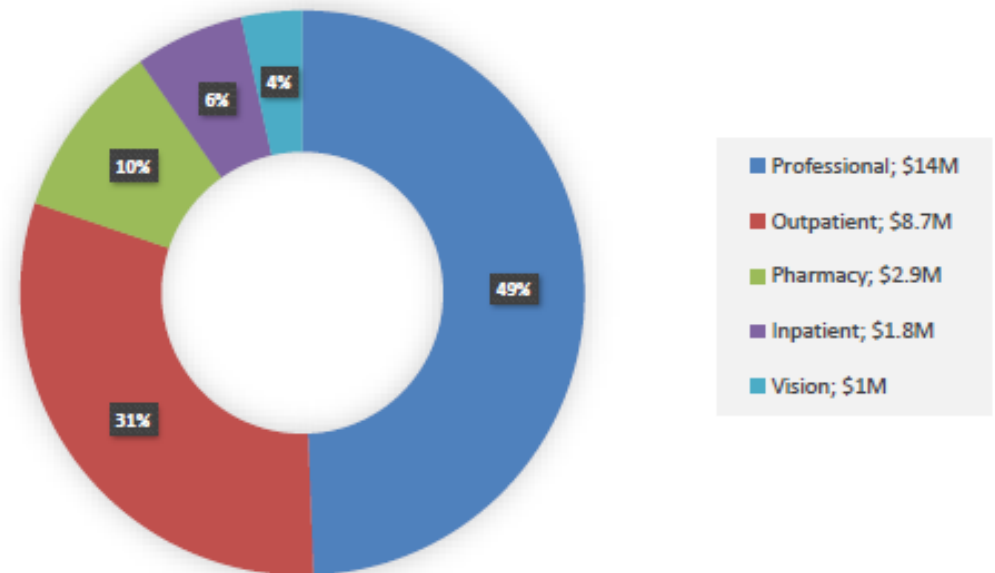
57% annual physicals in CY 2021, highest since implementing Healthy Boiler Incentive Program

Summary of Expenses - 2021

2021 Purdue Medical Spend - \$142M



2021 Employee Spend - \$28M



2022 Projected Spend - \$147m Purdue and \$28m Employees

History of Benefit Changes

2014 - 2016

- Three plans (2 HDHP; 1 PPO)
- Anthem contract
- No employee premium increases
- Added free preventive dental
- Added autism and bariatric

2017

- Mid-America contract for labs
- Imaging/radiology offered at PUSH
- Healthy Boiler provided additional financial incentives for wellness activities and education
- Employee premium increase (4%)

2018 - 2019

- CVS contract for pharmacy administration
- Prescription formulary change
- Numerous measures to reduce administrative costs
- Deductible/OOP increases
- Employee premium increases (2018-7%; 2019-6%)

2020

- No Employee premium increase
- Sunset PPO medical plan (1/1/21)
- Working spouse premium
- Tobacco surcharge increase
- Direct provider agreements
- Tiered narrow network option

2021

- No Employee premium increase
- 100% CDHP (3 Plans)
- Specialty Prescription Carve Out
- Retiree premium increase (5%)
- Prescription and Cancer Concierge
- Additional direct provider agreements
- Vision separated from Medical elections

2022

- No Employee premium increase
- Retiree premium increase (5%)
- Dental premium decrease
- Additional Healthy Boiler Incentive activities

Results of Changes

Strategy	Implementation Year	Results
Center for Healthy Living – Operator Change	2017	● ●
Direct Agreements – Medical labs and X-rays	2018	●
Healthy Boiler Incentive Program	2018	●
Prescription Value Formulary	2019	●
HealthSync Narrow Network (2020-2022 YTD)	2020	● ●
Cancer Concierge*	2020	●
Rx Savings – Prescription Concierge (Save from 2021 through May 2022)	2020	●
Medical Prescription Drug Carve-Out	2020	●
Total Hip / Total Knee Center of Excellence	2021	●
Imaging Direct Agreement*	2021	●
Physical Therapy Direct Agreement*	2021	●
Archimedes Management/Copay Assistance	2021	● ●

*Delays in operations or steerage

Results of Changes - HealthSync

- Tiered narrow network option with lower deductible and out of pocket expenses
- Built with high performing providers with a history of quality that must be maintained
- 65% Purdue members engaged in HealthSync
 - Carry more health risk
 - More compliant with physicals and annual screenings
 - Lower lengths of inpatient stays
 - Less ER visits
- Savings from 2020 implementation through 2022 YTD - \$10.4m
- Evaluating options to further expand network and incentivize use of HealthSync network providers

HEALTHSYNC
**A SMARTER APPROACH
TO HEALTHCARE**

 **HIGHER QUALITY**  **QUICK ACCESS**  **REDUCED COST**  **COORDINATED CARE**

Find a provider at anthem.com/healthsyncproviderfinder

 **PURDUE UNIVERSITY** | Human Resources

Results of Changes – Focus on Population Health

Annual Screening	2017	2018	2019	2020	2021
Physical	39%	48%	54%	49%	57%
Mammogram	52%	69%	70%	67%	68%
Colonoscopy	-	28%	39%	48%	53%

YOUR BENEFITS. YOUR CHOICES. YOUR WELL-BEING.

HEALTHY BOILER



BEHAVIORAL
HEALTH



FINANCIAL
WELLNESS



PHYSICAL
HEALTH



SOCIAL
WELLNESS



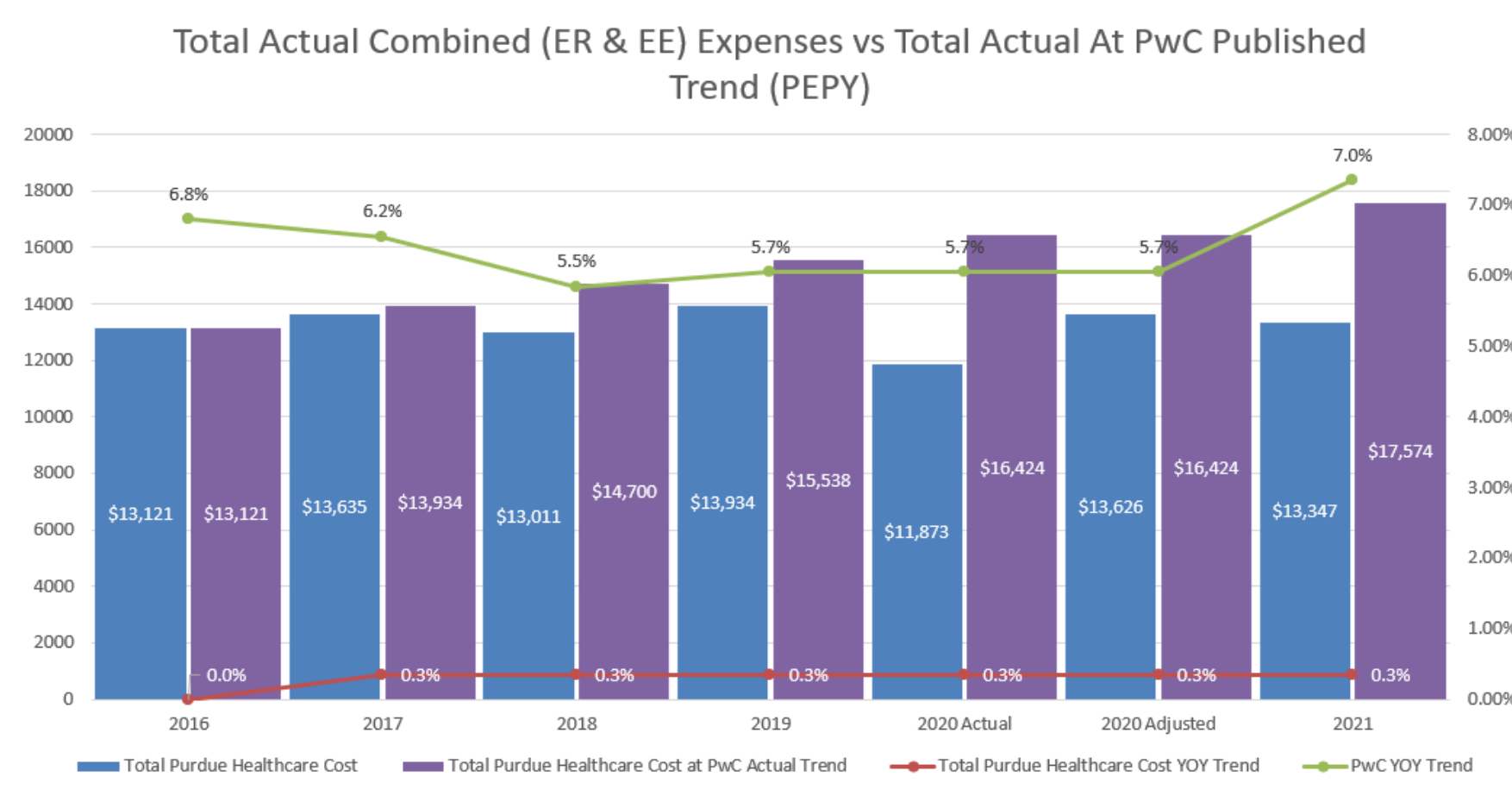
WORK-LIFE
INTEGRATION

New Partners and Continued Innovation - Medical Complex

- Ascension St. Vincent, PRF and Purdue partnership announced May 2022
- Neighborhood Hospital, Imaging Center and Ambulatory Surgery Center
- Developing plans on the Medical Office Building



Healthcare Expenditures - Overall 2016 - 2021



Bucking the Trend

- IF Purdue followed the PwC national trend ...
- \$163M in additional health care costs by the University and employees since 2016
- Our actions to actively manage the Purdue health plans have cumulatively saved the University over \$120 million
- And saved our employees over \$40 million
- For CY21 annual recurring savings are now in excess of \$40 million

2023 Recommendations

Strategy	Plan Cost/Savings	Employee Cost/Savings
No Employee Premium increase		●
Increase Retiree premiums (5%)		●
Launch Centers of Excellence with Carrum Health	●	●
Expansion of Center for Healthy Living @ PNW	●	●
Direct Agreement - Colonoscopy	●	●
OTO Pilot - Telehealth	●	●
Medication Therapy Mgmt - RFP	●	●
Prescription Benefit Manager Contract Renewal	TBD	TBD
Premier Plan - \$50 single/\$100 family Increase Deductible (IRS requirement)		●

Not Recommended for 2023. Consider in future years:

- Increase in Working Spouse Premium
- Increase in Tobacco Surcharge
- Deductible and Out of Pocket increases
- Further differentiation between Tier 1 and Tier 2 (all medical plans)
- Cost share on preventive dental
- Cost share on vision
- Premium increase for active employees and long-term disability members

Communication / Engagement

1. Continued stakeholder engagement

- Joint meetings – MaPSAC, CSSAC, Faculty benefits and compensation sub-committee

2. Benefit education emails

- Begins week of August 9
- Focus on all benefit programs (aka Healthy Boiler) which support overall health and well being

3. Open Enrollment Support

- Two weeks (includes two weekends) – October 25 – November 8
- Presentations, one-on-one counseling, online guide and dedicated website

4. Broader Advocacy

- Working with Hoosiers for Affordable Healthcare
- Member of All Payer Claims Database Advisory Board

Communication / Engagement

YOUR BENEFITS. YOUR CHOICES. YOUR WELL-BEING.

HEALTHY BOILER

DID YOU KNOW?

1 in 3 adults over 50 are not getting screened.

At least **70%** of people with colorectal cancer have no family history.

Many patients with early stage colorectal cancer have no symptoms and are detected through screening.

Colorectal cancer is the **2nd** leading cause of cancer-related deaths.

3rd most common cancer among men and women.

FACT: WHEN CAUGHT IN ITS EARLIEST STAGES, COLORECTAL CANCER IS 90% CURABLE

Stage	Curability Rate
STAGE 1	90%
STAGE 2	82%
STAGE 3	67%
STAGE 4	11%

Colorectal cancer is the most preventable yet least prevented form of cancer in the United States.

JOINT REPLACEMENT

TOP-RANKED CARE. AFFORDABLE RATES.

#1 RANKED HOSPITAL IN INDIANA FOR MEDICAL EXCELLENCE IN JOINT REPLACEMENT AND IN THE TOP 10 PERCENT NATIONALLY FOR JOINT REPLACEMENT.

"I highly recommend the **joint replacement program** because of the excellence of the staff on both ends, from the Purdue staff who gets things going to the Franciscan staff. I especially loved my surgeon and his entire staff!"

— JUANITA CRIDER, Program Advisor, Black Cultural Center

2022 Healthcare Appreciation Award

Recommendation:

All employees enrolled in a Purdue medical plan will receive a cash payment later in calendar year 2022 equal to 2 months of the average employee premium in appreciation for their actions establishing Purdue as a leader in delivering high-quality benefits with innovative population health solutions at the lowest possible costs.

Annual Active Premium	\$ 14,158,907
Monthly Active Premium	\$ 1,179,909
Average Monthly Active Premium	\$ 102