

To: Members of the Board of Trustees

Fr: Candace G. Shaffer, Associate Vice President, Benefits & Payroll

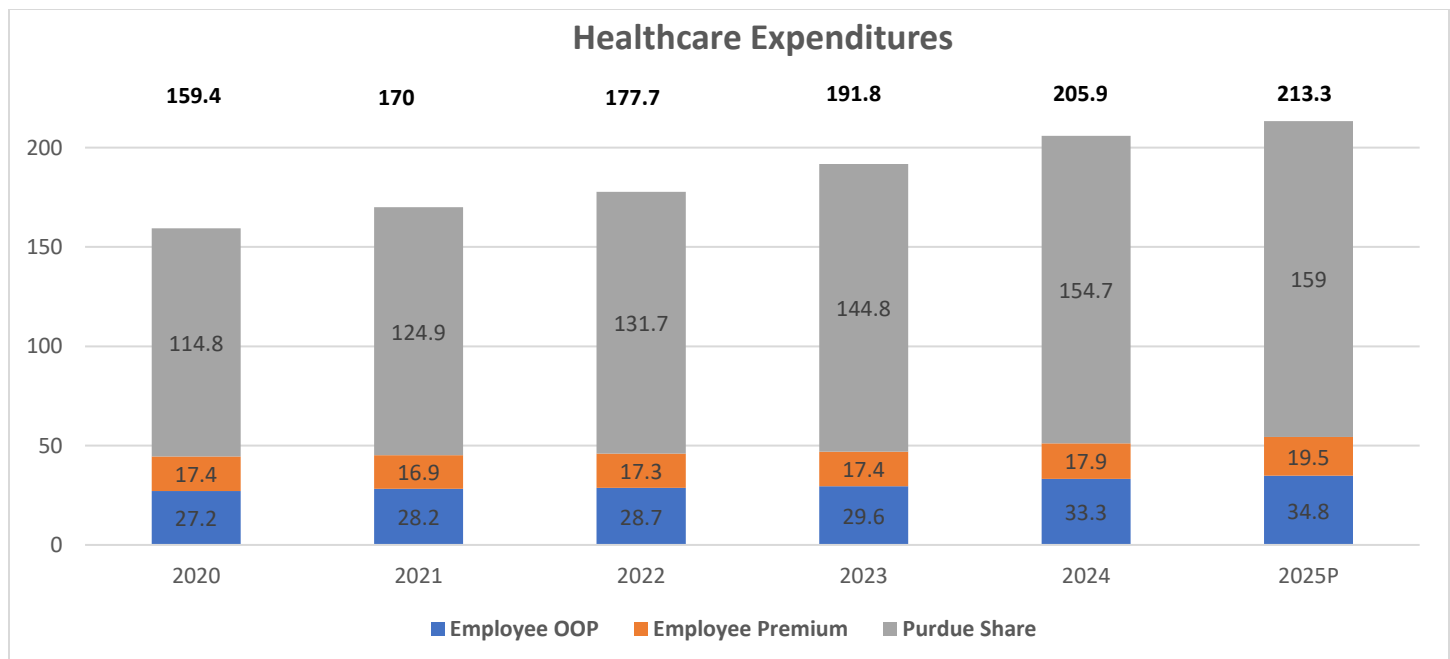
Date: August 8, 2025

Re: Approval of 2026 Medical Plans

CY 2024 / CY 2025 Healthcare expenses

Based on claims through June 2025, and inclusive of all approved programmatic changes, Purdue healthcare expenses for 2025 are projected to be 3.5% higher than CY2024. Figure 1 below shows actual expenses for prior years and updated projections for 2025. As in past years, benefit communication and outreach in 2024 continued to focus on members completing requirements for the Healthy Boiler incentive wellness program as well as resources available to help navigate Purdue’s medical plan and overall healthcare utilization. Health reports and claims show that Purdue’s population is now engaged with healthcare at the highest levels since we began tracking. In fact, the percentage of employees and covered spouses who completed their annual physical in 2024 reached 64%, another year of the highest completion rate since the Healthy Boiler incentive program began. Benefit communication will continue to focus on how members can fully utilize the various benefit programs Purdue offers and how to navigate within the healthcare industry to maximize population health and cost-effective utilization of care.

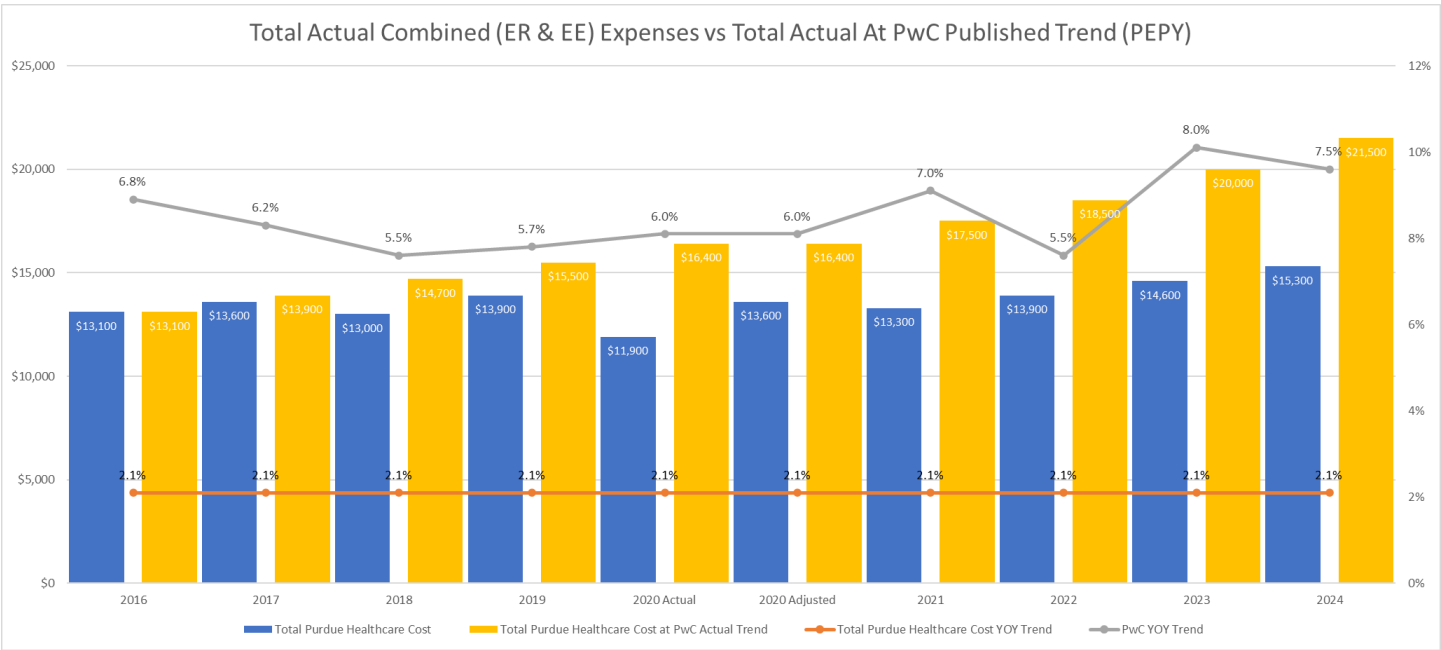
Figure 1: Total Healthcare Expenditures CY 2020-2025P (\$ in millions)



We continue to benchmark our benefit plans against national trends and our Big Ten peers. Data from PricewaterhouseCoopers (PwC) indicates a national healthcare cost trend growing at nearly 6% annually since 2017. While Purdue’s trend compares very favorably over the same period, growing at only 2.1% annually (Figure 2), the last four years of expenses show that Purdue’s health plans are not immune from national healthcare trends. We continue to

attribute our successful long-term trend to the active management of our health plans, the numerous strategic initiatives and plan design changes undertaken to contain costs, many of which are summarized below. Had Purdue’s healthcare costs increased at national trend over this time, our employees would have spent an additional \$79.5m on healthcare 2016 through 2024.

Figure 2: Total Combined (ER & EE) Expenses vs Total Actual at PwC Published Trend (PEPY)



Increasing Healthcare Costs

As mentioned prior, while Purdue has been able to maintain a modest YOY increase in total healthcare costs over the last decade, we are not immune to the ongoing increases in healthcare costs nationally as well as within Indiana, especially in the last three years. As a result, we have adjusted the overall cost share, including but not limited to employee premiums and medical plan deductibles and out of pocket maximums (OOM). In preparing recommendations for 2026, we also analyzed how Purdue premiums benchmark nationally and how Purdue medical plan deductibles/OOM benchmark against our Big Ten peers.

The Kaiser Foundation conducts an employer health benefit survey annually and then publishes both the average premiums for single and family coverage. Displaying Purdue’s single and family premiums alongside the Kaiser premiums (Public Session Slide 7), we found that our premiums have become more competitive year over year since Purdue began to actively manage our medical plans, implementing several cost containment strategies.

Then when comparing Purdue medical plan deductibles and out of pocket maximums, we use a Big Ten benchmark from the summer of 2024 by LHD Benefit Advisors. Through the benchmark, fifty percent of institutions provided responses and 50% of data was obtained from public sources. We can see that using our base plan, Premier (with 50%+ of our employees enrolled), our consumer driven plan deductibles for employee only and family coverage is lower than the average across those peers that provide a consumer driven health plan (Public Session Slide 9).

While making changes to the Purdue medical and prescription plans can be difficult for both the university and our employees, we have to continue to make adjustments to keep the plan healthy and balanced for the long term. We continue to ensure that changes being made are keeping the plans competitive nationally and with our peers. While progress is made, the Purdue plan as well as employees and their families are not immune to the impact of the national and local healthcare trends, including the dramatic rise in pharmacy claims and dental costs. We have found no other large employer who has taken on, and will continue, the challenge to tackle the underlying cost of healthcare for all plan members, noted by Purdue being recognized both nationally and within Indiana (Public Session Slide 13). We continue to

educate and inform Purdue employees and their families of the programs and resources available to navigate the healthcare landscape as costs continue to increase beyond what Purdue can mitigate or control. Further we annually provide all employees a total rewards statement to demonstrate Purdue's commitment to providing a full salary and benefit package through the healthcare, leaves and retirement programs (Rewards Statement attachment).

2026 Medical Plans

We anticipate 2026 to be another year of increased costs, therefore we are proposing an increase in medical premiums, transitioning to a new medical plan administrator, and transitioning our voluntary benefit administration to further enhance benefits and save employees on those premiums. We continue to work towards our plan to 1) improve population health, 2) control overall costs and 3) achieve the Board target of a 70/30 cost share.

Recommendations to take effect January 1, 2026, include (Public Session Slide 6):

- For second time in six years, increase premium rates 3% for active employees and long-term disability members. The increase will impact employees and their families between \$0.12 - \$8.35 per month depending on medical salary tier, plan election and coverage level, but prior to accounting for tobacco or working spouse premiums. Savings to the plan are \$0.406 million.
- Increasing premium rates for early retirees by 5%. Approximately 300 early retirees are on the medical plans. Collectively their claims exceed premiums by over \$1 million. We continue to work towards reducing the subsidy over time. Savings to the plan are \$0.08 million.
- Move the administration of our medical plan from Anthem BCBS of Indiana to their affiliate, Ameriben. The full service TPA with a transparent approach will provide easier access to Purdue data while also providing flexibility in future plan design, networks, and partnerships. This transition is cost neutral.
- Adding a commuter benefit for employees to benefit from pre-tax deductions on mass transit and parking fees. There is no cost to the university.
- Transition voluntary benefits – critical, accident and hospital indemnity – from Voya to Securian, reducing premiums and continuing to provide supplemental options for employees and their families.
- As approved in 2025, increase by \$250 the surcharge for tobacco users enrolled on the medical plans. Savings to the plan are \$0.381 million
- Also as approved in 2025, maintain eligibility for working spouses to access the Purdue medical plans, increasing the surcharge by \$125 (lower medical tier) and \$250 (higher medical tier) for enrolled spouses who do not enroll in their employer's health plan. Savings to the plan are \$0.272 million.

Collectively, these recommendations are expected to produce an annual savings of \$1.4 million to the medical plans when fully implemented. With these changes, 2026 is projected to end with a 75/25 cost share.

We request your approval of the proposed 2026 Medical Plans during the August Board of Trustees meeting.

2026 Health Plans

Board of Trustees – August 8, 2025

Purdue Health Plans - Overview

2025 Plan Demographics

13,633 active eligible employees; 12,693 enrolled – 4.7% increase from prior year

25,540 total members – 4.6% increase from prior year

51% single; 20% family; 13% employee + spouse; 16% employee + children

Offer Consumer Driven Health Plans with Health Savings Accounts

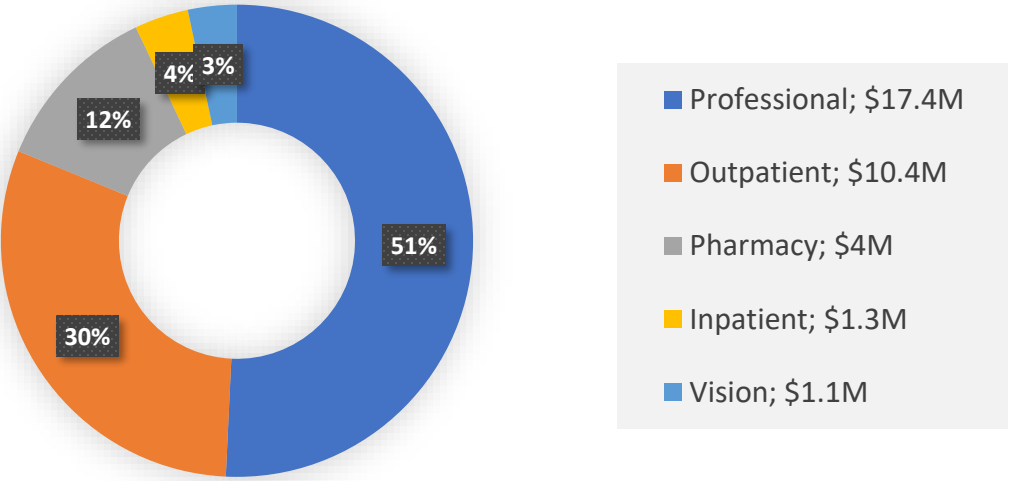
- 51% Premier; 35% Standard; 12% Limited; 2% J1

1,249 covered spouses with additional premium – 10% increase from prior year

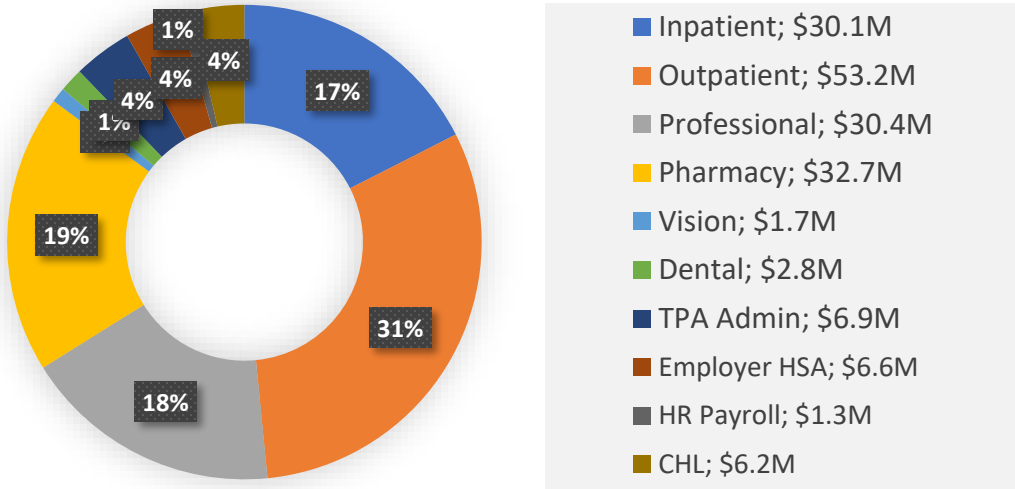
64% annual physicals in CY 2024, up 2% from 2023 and again highest since implementing Healthy Boiler Incentive Program

Summary of Expenses – CY 2024

2024 Employee Spend - \$34.2M



2024 Purdue Medical Spend - \$171.9M



Cost Containment Strategy – Purdue Implemented Strategies 2017 - 2025

Less Savings

More Savings

Foundational Tactics

- Employee premium increases (2018; 2019; 2025)
- Deductible/OOP increases
- Retiree premium increases
- Expansion of CHL to PNW & PFW
- Imaging/radiology offered at PUSH
- Numerous measures to reduce administrative costs (i.e. new vendors; lower admin costs; performance guarantees)

Progressive Tactics

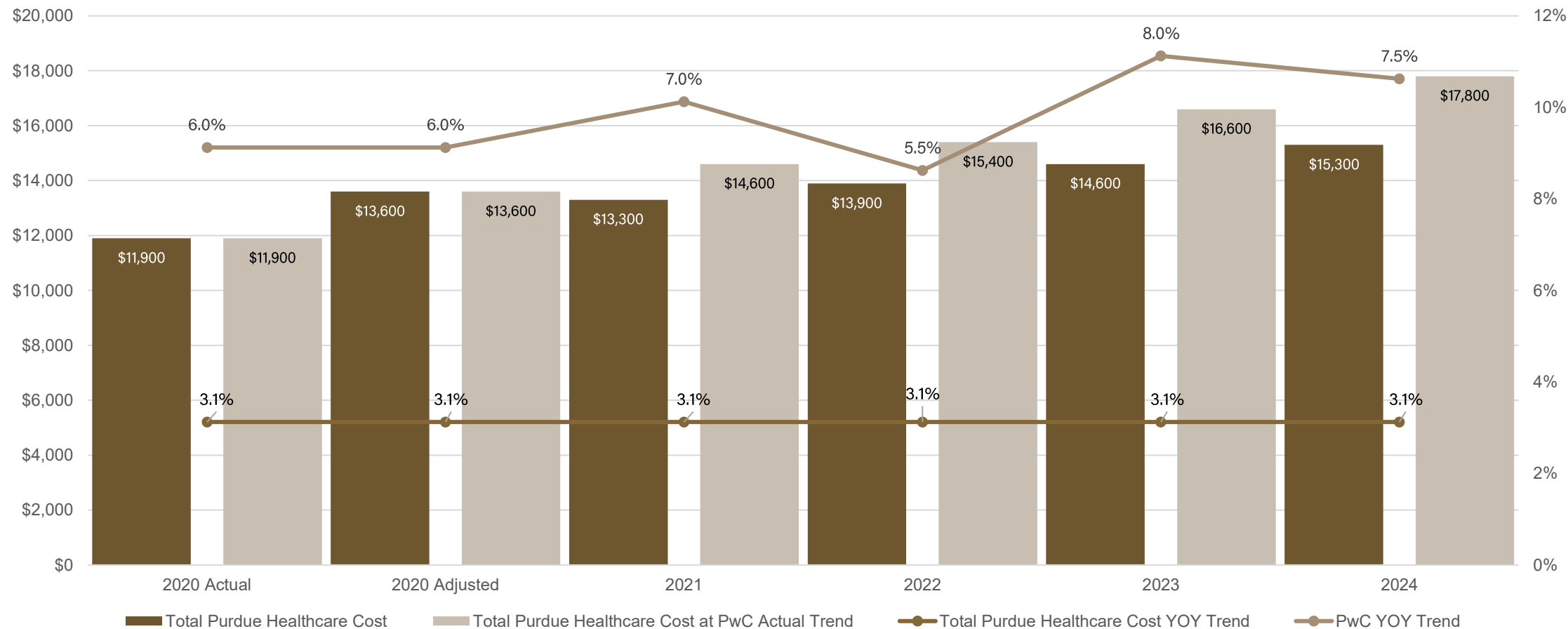
- Launched Healthy Boiler financial incentives for wellness activities and education
- Prescription formulary change (2019; 2025)
- Tobacco surcharge increase
- Prescription and Cancer Concierge
- Direct Agreements – Preferred Providers
- Healthcare Navigator
- CHL Telehealth Program
- Centers of Excellence (voluntary and mandated)
- New provider partners to West Lafayette area (Ascension, OrthoIndy)

Disruptive Tactics

- Working spouse premium
- Specialty Prescription Carve Out
- Sunset PPO medical plan (1/1/21)
- 100% CDHP (3 plans)
- Tiered narrow network option
- Total Hip and Knee Replacement direct agreement

Healthcare Expenditures – Overall 2020 - 2024

Total Actual Combined (ER & EE) Expenses vs Total Actual At PwC Published Trend (PEPY)



*Total Purdue Healthcare cost is equal to the member out of pocket expenses plus the claims paid by Purdue

2026 Recommendations

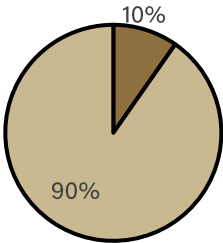
Strategy	Plan Cost / Savings	Employee Cost / Savings
Increase Employee premiums	●	●
Increase Retiree premiums	●	●
Medical TPA – Move contract from Anthem to Ameriben (Anthem affiliate)	●	●
Voluntary Benefits – Move contract from Voya to Securian		●
Commuter Benefit – pre-tax benefit for mass transit and parking	●	●
Changes approved in August 2024 for 2026		
Increase Department Premium Contribution (effective July 1, 2025)	●	
Increase Tobacco Surcharge - in 2025 and 2026	●	●
Increase Working Spouse Premium – in 2025 and 2026	●	●

Not Recommended for 2026. Consider in future years:

- Deductible and OOP increases
- Out of State only plan
- Cost share on preventive dental
- Cost share on vision
- Eliminating income tiers for premiums
- Lifestyle Savings Accounts
- Narrow Network only Medical plan

Premiums – Employee & Families

Purdue Medical Plan Premium



■ Employee Premium ■ Purdue Premium

2026 Recommendation -

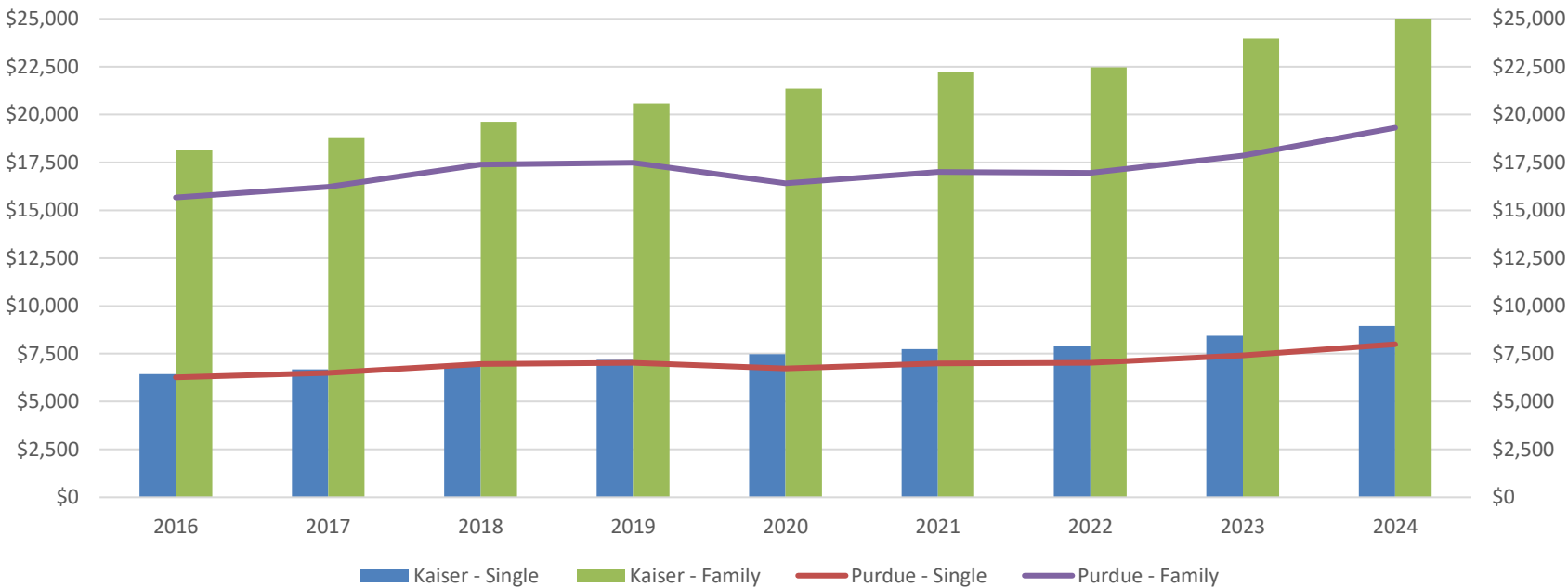
Monthly increase range

Varies based on medical plan election, coverage level and does not include surcharges

Lower salary tier - \$0.12 - \$5.05

Higher salary tier - \$0.29 - \$8.35

Purdue Medical Plan Premiums vs National Premiums



Source: Kaiser Family Foundation, Employer Health Benefits Survey

Premiums – Employee & Families

More employers likely to make plan design changes that shift healthcare cost to employees



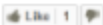
% large employers planning to raise deductibles, copays or make other cost-shifting changes Source: Survey on Health and Benefit Strategies for 2025, 2026

Employers anticipate 2026 to see biggest healthcare cost increase in over a decade

Employers expect the drivers of 2025 healthcare cost increases will be joined by new factors in expected 2026 increases.



Rich Daly



May 28, 2025 6:42 pm



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INDIANA 2026 ACA FILINGS

The overall requested average rate increase for 2026 Indiana individual Marketplace plans is 20.5%. This year's requested rate increases were substantially impacted by the assumptions that for 2026 Congress will not continue enhanced premium subsidies available to Hoosiers under the American Rescue Plan Act and the Inflation Reduction Act and that Congress will fund Cost Sharing Reductions.

SHOTS - HEALTH NEWS

ACA health insurance will cost the average person 75% more next year, research shows

JULY 18, 2025 - 5:00 AM ET

HEARD ON MORNING EDITION



Selena Simmons-Duffin

More Employers Plan to Shift Health Costs to Workers in 2026 as Benefits Grow More Expensive

July 23, 2025

By Briana Contreras

News

Article



Employers increasingly shift health benefit costs to workers in 2026, while prioritizing mental health and innovative affordability strategies.

In-Network Deductibles – Big Ten Benchmark

Avg. Deductible	Standard (Tier 1 / Tier 2)	Premier (Tier 1 / Tier 2)	Big Ten HDHP
Employee (Validated)	\$2,050 / \$2,825	\$1,600 / \$2,300	\$1,875
Employee (All)			\$1,817
Family (Validated)	\$4,100 / \$5,650	\$3,200 / \$4,600	\$3,750
Family (All)			\$3,633

Source: 2024 Big Ten Benefit Survey, LHD Benefit Advisors

Move from Anthem to Ameriben as Purdue's Medical Plan Administrator

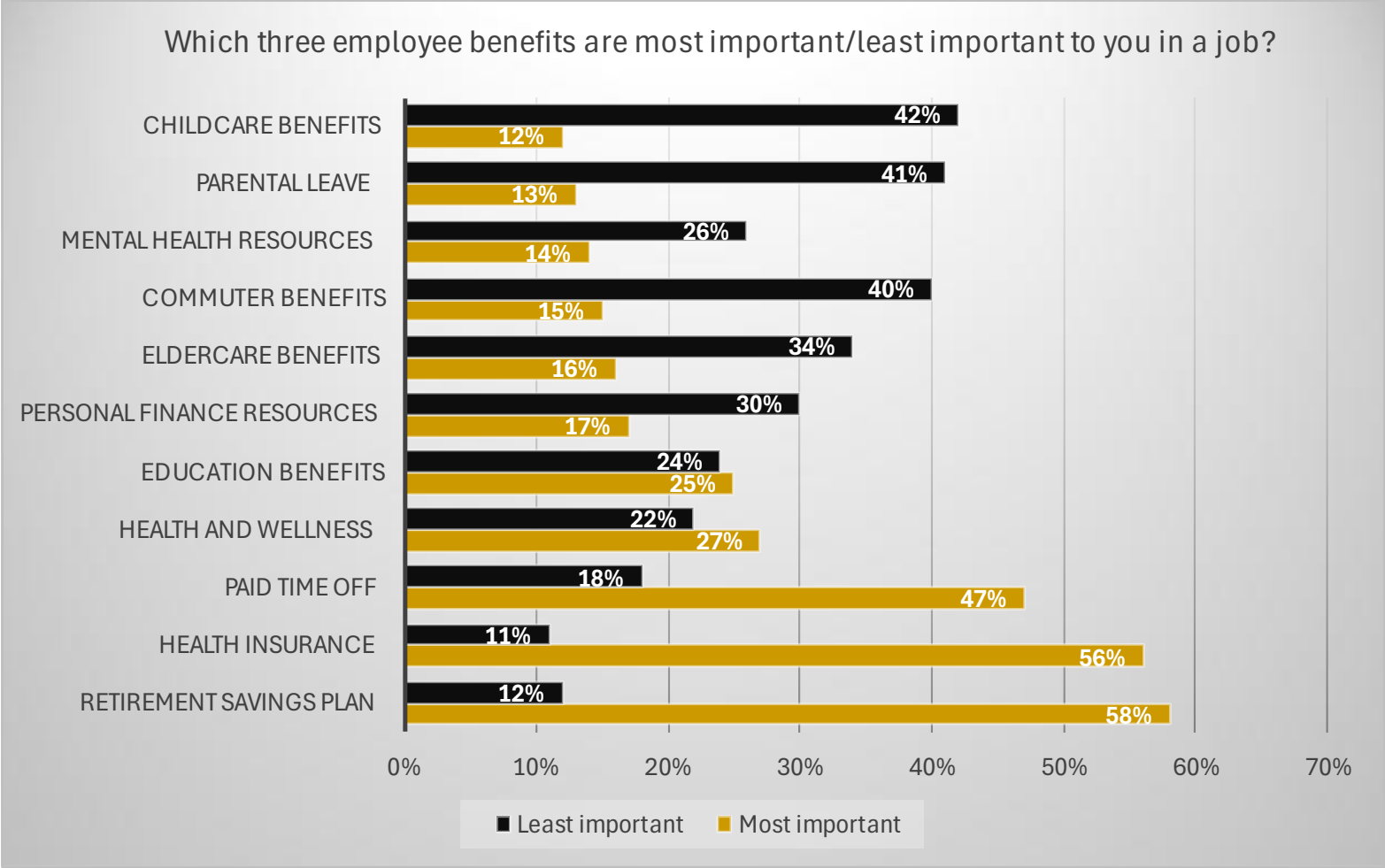
- Effective January 1, 2026
- As affiliate to Anthem BCBS of Indiana, ability to take advantage of the broad Anthem network
- Full service TPA with transparent approach to managing medical plans, providing easier access to Purdue data
- Providing Purdue flexibility regarding future plan design, networks and partnerships



What does this mean?

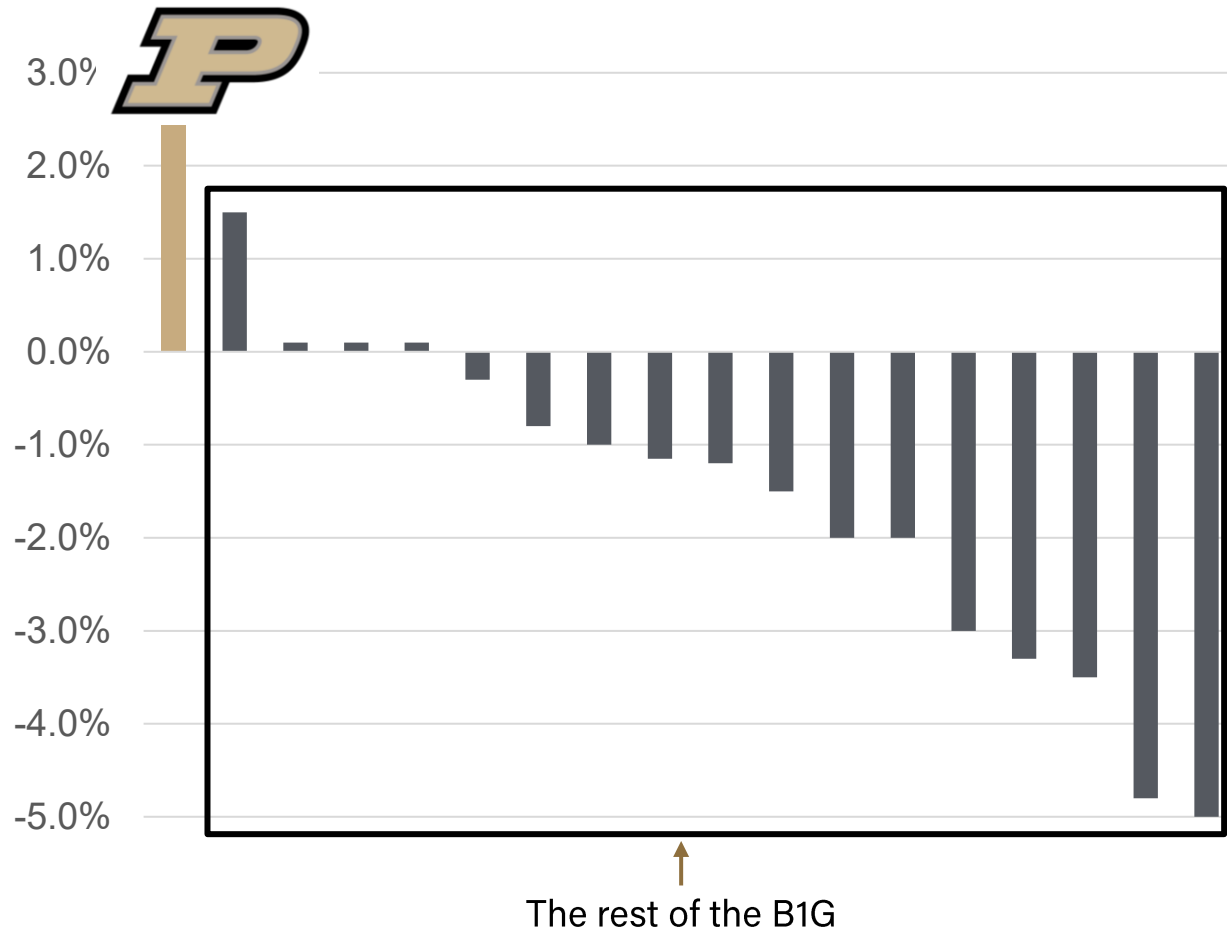
- Direct Agreements - Expand beyond initial arrangements, including Carrum Health, into higher volume, wide pricing disparities
- Custom Networks - Leverage Purdue's size with high-value providers through a narrow network
- Data Driven Decisions - When paired with data warehouse, identify and intervene on cost and quality issues
- Provider Incentives - Option to restructure provider incentives through quality and outcome driven agreements
- Innovations - Ability to layer in solutions or programs quickly

Purdue University Total Rewards



Source: College and University Professional Association, 2024 Benefits Survey

FY26 Salary Increase-to-Tuition Difference



- Purdue is one of only two B1G universities increasing employee salaries more than tuition in FY26 and has the most positive difference
 - Without cutting employee benefits to pay for salary increases
- Purdue's positive difference over the last twelve years is 35%

Recognition, Engagement & Communication

1. Recognition

- 2024 Indiana's Healthiest Employers
- 2025 Platinum Recipient – Bell Seal for Workplace Mental Health
- 2025 5-Star Achieve WELL designation – Indiana Wellness Council

2. Continued stakeholder engagement

- Joint meetings – MaPSAC, CSSAC, Faculty benefits and compensation sub-committee
- Working with Hoosiers for Affordable Healthcare, Employers Forum of Indiana and Indiana Business Health Collaborative
- Member of All Payer Claims Database Advisory Board – Public Release Q4

3. Open Enrollment Support

- Two weeks (includes two weekends) – October 28 – November 11
- Presentations, one-on-one counseling, online guide and dedicated website
- Benefit education emails – Focus on changes and how all benefit programs support overall health and well-being