



Weber State University

Medical Benefits Advisory
Committee

January 7, 2010

Medical Benefits Advisory Committee

- Healthcare Reform
- National and Local Trends
- What Other Employers are Doing
- WSU's Experience
- Potential Changes for WSU to Consider

Healthcare Reform

- Hot Topic: Obama administration wants focus on:
 - Universal coverage
 - Modernizing the health system
 - Prevention and wellness
- The Senate passed H.R. 3590 (Patient Protection and Affordable Care Act) in December, and the House Passed H.R. 3962 (The Affordable Health Care for America Act) in early November.
- There are multiple unknowns. While both the Senate and the House have passed their own version of the bill, they must now combine each of them to form a single bill to be approved.
 - For a side-by-side comparison of the proposed bills visit <http://www.kff.org/healthreform/sidebyside.cfm>

Healthcare Reform

- Both require U.S. Citizens and legal residents to have “acceptable” health insurance coverage or be penalized via an additional tax;
- Both have some form of requirement that employers offer coverage or be penalized via a payroll tax, mandates specified employers to automatically enroll employees;
- Major difference is on the creation of a Public Plan option – The House bill includes the creation of a Public Plan but the Senate bill does not have a similar provision.

Healthcare Reform

- Both include language regarding treatment of Medicare, Medicaid and CHIP programs;
- Tax changes related to health insurance including changes to both Flex Spending Accounts (Section 125 Cafeteria Plans) and HSA (Health Savings Accounts);
- Create National and/or State “Exchanges” for the purchase of health insurance;

Healthcare Reform

- Both include insurance reform provisions including required minimum medical loss ratios and other various insurance market rules;
- Different provisions would become effective over the next 4 year period, through 2014 under both plans (different dates however between the two plans);
- Would standardize dependent coverage up to age 26 (Senate) or 27 (House).

Healthcare Reform

- Based on the latest reports we have, there is still a long way to go to bring the two bills together in a form that will meet the approval of Congress and the White House. There is a lot of pressure being put on all parties to work through the issues, but as of today, we do not know what the final bill will look like or what the impact will be on individuals, employers, or the health care system.

National Trends *

- Nationally medical costs are expected to increase between 9% – 10%.
- Prescription drug trends are anticipated to increase about 10%.
- A 10% trend, using midpoint underwriting of 18 months, would be an estimated 16.11% premium increase.

* Large and small employers combined.

Local Trends *

- Locally, medical costs are running higher than the national trend and are expected to increase between 10.35% – 12.50%.
- Prescription drug trends in Utah are as low as 5% with the high at about 12.50%.
- Using an average of 11.44% as trend, and a midpoint underwriting of 18 months, an employer group could anticipate an estimated 18.63% premium increase.

* Large employer (100+) groups only

Factors on Cost

- Price inflation for service and supplies.
- Continued development of better (and more expensive) technology and drugs.
- Lagging Medicare and Medicaid reimbursement rates result in increased cost shifting to commercial/private plans.
- Increased utilization:
 - Recession and unemployment (i.e. It is typical to see workers who anticipate being laid off use more services, combined with stress related illnesses.).
 - Aging population (Baby Boomers), staying in the work force longer (the older one gets, the more aches and pains they typically feel).

Cost Containment

- Employers are increasing the cost of coverage for employees (cost shifting).
- Employers are using more incentives to encourage better consumerism.
- Employers are changing the benefit plan design to encourage better consumerism:
 - Increased deductibles
 - Increased office visit copays
 - Increase the amount employees pay for prescription drugs
 - Offer Qualified High Deductible Health Plans w/HSAs

Cost Containment

- Employers are eliminating higher-cost or more generous health insurance plan options to move employees into lower-cost options;
- Employers and carriers are auditing plan with more regularity to ensure that all covered members (i.e. dependents) are actually eligible for coverage;
- Employers are putting more emphasis and incentives on Wellness and Disease management programs.

Weber State University's Plans

- Medical and Rx – the incumbent carriers have proposed renewal rate increases of 9.48% and 11.2%. Both are below the current local market trends.
- Dental – the incumbent carrier is proposing no increase to the administration fees with an anticipated claims increase slightly under 5%.

Factors on Cost

- Factors are similar National experience.
- EMIA Plan is experiencing an estimated 33% increases in the number of large claims that exceed \$50,000.
- WSU vs. Educators Mutual benchmark data:
 - Outpatient Hospital/Surgical 2.67% ↑
 - Psychiatric 1.11% ↑
 - Prescription Utilization 0.89% ↑
 - Inpatient Hospital/Surgical 2.17% ↓
 - Diagnostics 0.83% ↓
 - Maternity 0.56% ↓

Factors on Cost

- WSU vs. Educators Mutual benchmark data PEPM costs:
 - Inpatient Hospital/Surgical cost per day \$108.77 ↑
 - Facility Admits/1000 2.3 ↑
 - Facility Days/1000 8.6 ↑
 - Outpatient Hospital/Surgical cost per day \$42.22 ↑
 - Prescription PMPM \$9.54 ↑
 - Generic utilization: 64.1% (WSU) vs. 68.5% (EMIA)
 - Brand where generic is available: 3% (WSU) vs. 2.4% (EMIA)
 - Rx # PMPY 12 (WSU) vs. 9.1 (EMIA)
 - Mental Health PMPM \$2.83 ↑
 - X-Ray/Lab PMPM \$1.02 ↑
 - ER – Encounters .02 ↓

PMPM = Per Member Per Month
PMPY = Per Member Per Year

Loss Ratio

- Loss Ratio is the medical and prescription claims dollars paid versus the premiums paid. The higher the desired loss ratio, the more dollars that are available to pay incurred claims
- The combined desired loss ratio is approximately 89%. \$0.89 of every premium dollar is expected to pay for claims.
- Current combined loss ratio for WSU plans is 99.4% (including large claims).

Some Additional Causes

- Large Claims – more numbers and more severity;
- Top Diagnosis of all claims include:
 - Back disorders;
 - Diseases of the urinary system;
 - Joint diseases and related disorders;
 - Pregnancy;
 - Preventive Services;
 - Diseases of the Skin;
 - Heart Disease.

Potential Plan Design Changes for Consideration

- Weber State University may need to consider plan design changes to offset the additional costs of insurance. These may include (current plan design):
 - Change the current coinsurance levels (90%/10%)
 - Change deductible (\$600/\$1800)
 - May want to consider moving to a Qualified High Deductible Health Plan (QHDHP) so participants can participate in the tax advantaged Health Savings Account (HSA) opportunities.
 - Increase coinsurance maximum (\$1500/\$3000)
 - Add a copay to preventive services (Covered 100%)
 - Change how outpatient services are covered, possibly have the annual medical deductible apply
 - Change Rx coinsurance (\$1250)
 - Change Rx tier structure (20%, 25%, 35%)