As previously reported, the Contribution Strategy and Health Insurance Options Committee was appointed by President Boren in April 2007 to explore, evaluate and propose alternatives for managing the cost of the University’s healthcare benefits. Since its formation, the Committee has met regularly and received input from additional faculty and staff and outside benefits experts to ensure that we understand fully our community’s healthcare needs, the programs that are currently available at both OU and peer organizations, and the many factors that drive the cost of these programs. Last year, our focus was on benefits for active employees. Now we are assessing our healthcare program for retired faculty and staff. While we have not yet reached consensus on recommendations for the future direction of our retiree program, we think it is important to keep the community apprised of our progress to date.

One need only look at healthcare cost projections under our current program to understand the rationale for our study. Currently, OU’s annual cost for insuring our retiree population is about $6 million. Looking ahead 10 years, we estimate that the annual cost will be $28 million, based on the age and service levels of our current population, and our current retiree benefit plan features and contribution strategy. Fifteen years out, the projection is $43 million. This dramatic increase is attributable in large part to the eligibility provisions of our program, under which roughly one-half of our current employees will become eligible for retirement within the next 15 years.

The sharply rising costs of retiree medical benefits consume a growing percentage of the University’s operating funds. Funds available to pay for salaries, benefits, and other university obligations continue to grow relatively slowly, especially when compared to the growth in retiree health care expenditures. Given today’s national healthcare environment, practically all sponsors of healthcare plans – in the public and private sectors alike – face these escalating costs. Naturally, many institutions have begun taking steps to manage their spiraling retiree medical costs.

The Committee is currently reviewing a wide range of options in our attempt to determine which can help OU sustain its commitment to providing a valuable retiree medical benefit for employees and retirees in this environment of rapidly increasing costs. We have not concluded our review. However, we have general agreement around some key concepts that should be reflected in our ultimate recommendations. Several of the principles agreed to by the committee that guide our continued evaluation are summarized below.

- There should be no change in the retiree medical insurance contribution strategy for current retirees.
- Employees currently eligible to retire and those “near” retirement eligibility, should be “grandfathered” into the same retiree medical contribution strategy as current retirees.
- No changes will be recommended that would motivate an employee to retire earlier than planned to preserve a better retiree medical benefit.

Over the next few months, as the Committee continues to review the complexities of the range of possible solutions, we will seek input from the OU community. Before we issue our final report and recommendations to President Boren, we will provide details of our review and analysis through a series of forums and campus updates. We are committed to take the time needed to complete a thoughtful and comprehensive review. In the meantime, we seek your feedback, questions, concerns and suggestions. To contact us, please send an email to HealthcareOptions@ou.edu. We will provide updates reflecting the answers to frequently asked questions and to keep you posted about our progress. To review all previous communications, go to www.ou.edu/healthcareoptions.