



# OU Contribution Strategy and Health Insurance Options Committee

## About the Committee's Work

May 2007



## Introduction

OU faces an unprecedented challenge – to ensure employees continue have access to affordable, quality healthcare.

- Healthcare benefits are an important driver of faculty and staff satisfaction and morale
- Our benefits programs drive the university's ability to recruit and retain the best available faculty and staff – OU must be competitive with our peer institutions and in the Oklahoma employment marketplace
- Our programs must also be fiscally responsible

**The Committee is charged with building a consensus and call to action on the healthcare front.**

***Finding the correct balance for our priorities is critical.***

## Background on OU's Healthcare Challenges

OU, like most U.S. employers, is faced with managing the effects of staggering healthcare cost increases.

- Since 2001:
  - Premiums for employee-only coverage have more than doubled
  - Premiums for employee and dependent coverage have increased by 178%
- OU continues to pay the full cost of employee-only premiums; employees with family coverage must pay the full premium for that coverage out of their own pocket
- Employees' out-of-pocket costs at the point of care have increased
  - Plan deductibles and copayments are higher

**The bottom line: The University is paying more for our employees' healthcare benefits, and employees are paying more, too, as they seek care.**

# Healthcare Cost Drivers

Healthcare costs continue to rise for many reasons.

- Higher costs at the point of care (e.g. for a doctor's visit)
- The use of high-tech equipment for medical diagnosis and care
- Advances in prescription drug solutions
- An increase in the prevalence of obesity and associated health conditions
- Consolidation in the healthcare industry
- Increases in medical liability costs for providers

## Healthcare Cost Drivers (*continued*)

Employee demand for the highest quality medical services and prescription drugs can have a significant impact on costs.

### ➤ Why?

- Health insurance premium costs are directly correlated to an employee population's use of an employer's healthcare programs

### ➤ To what impact?

- Employers with a high number of healthy individuals enrolled in their plans are able to negotiate more favorable premiums with their medical plan providers
- Employers with a less-healthy population, who utilize benefits more frequently, can be faced with dramatically higher premium costs

**OU continues to take steps to mitigate our ongoing healthcare cost increases. We are negotiating aggressively with our vendors to secure the best possible premiums. Yet, it is clear that the cost increases experienced since 2001, cannot be sustained.**

# The Impact of Employee Health and Lifestyle Choices

Many employers, including our peer institutions, are exploring to what extent their employees' health status and lifestyle choices affect healthcare costs and the productivity and well-being of their employee communities.

- Understanding employee health risk factors is a critical input for this review; the most common health risk factors include
  - Smoking
  - Obesity
  - High blood pressure
  - Sedentary lifestyle
  - High lipids/cholesterol
  - Stress/anxiety/depression

**Risk factors are conditions and behaviors that increase an employee's chances of developing a more serious disease.**

## Moderating Employee Health Risks

To moderate employee health risks, many employers are building health management programs and incentives into their healthcare strategies.

- Programs being considered and adopted include employee prevention and wellness programs or disease management programs
- These programs are beginning to recognize real results
  - A recent study on the economic return of employer health promotion initiatives indicated that over a 3-4 year period, employers reduced healthcare costs by 26% and in addition, reduced employee absenteeism by 27%<sup>1</sup>

**Given the emerging data, the Committee is interested in exploring the outcomes that employee health management programs might have for the university.**

<sup>1</sup> Larry Chapman, Art of Health Promotion, July/August 2005.

## The Committee's Purpose and Scope of Work

OU is taking action to review and redesign its healthcare benefits delivery strategy. The OU Contribution Strategy and Health Insurance Options Committee, made up of a panel of experienced faculty and staff, will lead and manage this review.

➤ The committee will review and analyze:

- OU's current healthcare plan designs
- Our healthcare plan funding strategies
- The competitive positioning of our healthcare programs
- The possible effects that employee wellness programs might have on OU's healthcare cost trends

## The Committee's Purpose and Scope of Work *(continued)*

The Committee has begun work on two critical areas.

➤ **A review of OU's contribution strategy and health insurance options**

- The Committee is exploring the best designs for OU's healthcare insurance premiums and benefit plans
- The Committee's work will include a comparative analysis of OU's programs against the programs offered by peer universities, health sciences centers and selected local employers that we compete with for talented employees

➤ **A review of OU employee health status and health management options**

- The Committee is working to understand OU's employee health risk factors
- The Committee will analyze to what extent these risks impact our healthcare costs and consider the possible effects that introducing employee health, wellness and intervention initiatives might have on our employees' health outcomes

**In completing its work, the Committee will engage others from the OU community and outside experts to provide expertise and feedback.**

## Committee Members

- **Dr. Dewayne Andrews – Committee Chair**  
Vice President for Health Affairs and Executive  
Dean College of Medicine, Health Sciences  
Center
- **Dr. Peter Budetti** – Professor & Chair, Health  
Administration & Policy, Health Sciences Center
- **Dr. Tom Coury** – Retiree & Former Chair  
Employment Benefits Committee
- **Dr. Robert Dauffenbach** – Associate Dean,  
Center for Economic & Management Research
- **Theta Dempsey** – Director Parking Administration
- **Alisa Dougless** – Managerial Associate I,  
OU-Tulsa
- **Brenda Freese** Senior Administrative Manager  
Department of Pediatrics, Health Sciences Center,  
Member Employee Benefits Committee
- **Dr. Don Harrison** – College of Pharmacy
- **Nick Hathaway** – Vice President for  
Administrative & Executive Affairs,  
Norman campus
- **Julius Hilburn** – Director Human Resources
- **Joan Koos** – Financial Associate II
- **Dr. William Matthews** – Chair, Zoology
- **Dr. Darryl McCullough** – Chair, Employee  
Benefits Committee, Professor Mathematics,  
Norman Campus
- **Dr. Julie Miller-Cribs** – Associate Professor,  
Social Work, OU –Tulsa
- **Dr. Gary Raskob** – Dean, College of Public  
Health, Health Sciences Center
- **Ken Rowe** – Vice President for Administrative  
Affairs, Health Sciences Center

**The Committee will meet frequently over the next four months.  
We will issue our initial report and recommendations in fall 2007.**

## Providing Feedback to the Committee

The Committee has received feedback from employees across the university – we will continue to welcome your ideas and input throughout the course of our review.

- Send your questions and ideas to the Committee by e-mail:  
**HealthcareOptions@ou.edu**
- Watch for answers to frequently asked questions through the Committee's web site:  
**[www.ou.edu/healthcareoptions](http://www.ou.edu/healthcareoptions)**

## Questions and Discussion

