

October 5, 2009

Dear OU Faculty and Staff:

Over the past two years, we have had an active campus dialogue about the challenges presented by the ever increasing cost of our national health care system. These challenges are not unique to OU—these are the same challenges being faced by employers in all sectors, public and private.

In April 2007, I appointed the OU Contributions Strategy and Health Insurance Options Committee to review health insurance options and strategies for providing coverage for our active employees and retirees. The Committee completed its analysis of our active employee insurance programs and options in September 2007, and their recommendations, modified by subsequent review and stakeholder feedback, led to changes that have helped OU make significant progress in putting in place a sustainable healthcare program for our active employees.

In their September 2007 report, the Committee identified retiree health care as an important yet relatively unaddressed issue. I then charged the Committee to continue to meet in order to study our retiree health care programs. The Committee has continued to meet over the past two years and they have done a wonderful job in encouraging dialogue about this important issue. This week, the Committee has provided me with their final report of recommendations for our approach to delivering retiree healthcare benefits in the future. I encourage you to read the Committee's report which can be found at <http://www.ou.edu/healthcareoptions>.

As indicated in the Committee's report, OU's post retirement benefit obligation is on an unsustainable course. I share the Committee's opinion—backed by clear data—that failure to take action soon to address years of significant increases in our retiree health insurance costs will result in more drastic actions being required in the future. With no change to our current course, the University's annual cost to provide retiree health insurance benefits will increase from the \$6 million we spent in 2008 to a projected \$20 million by 2015. This number is a sobering reality for all of us, and a call to action.

Our state's fiscal crisis is complicating matters further. Recent and projected reductions in state allocations to the state's colleges and universities hits OU's budget directly. By using federal stimulus funds, we've been able to close much of the gap on the University's projected revenue shortfall for 2009/10. However, we cannot anticipate those dollars being available beyond the next fiscal year. As the economy slowly recovers, we must be realistic and plan for continued reductions in the state's allocation to the University, fully recognizing that the cost to provide OU's faculty and staff salaries and benefits (including retirement benefits) consumes close to two-thirds of the University's operating budget each year.

I am reviewing the Committee's report and recommendations with these challenges clearly in mind. But before coming to a final decision regarding future changes to our retiree medical benefit programs, I will seek input from you as a stakeholder in the system. In addition, we will

closely monitor the national healthcare debate to determine if new opportunities for more affordable and quality options emerge that will benefit OU retirees.

While we continue to refine the final program designs over the coming months, we need to abide by certain fundamental principles:

1. The impact of program changes on current retirees and those active employees who are near retirement should be limited.
2. Program changes should not provide motivation for employees to accelerate their retirement date to obtain a better benefit.
3. A range of additional cost-sharing components within our plans will be needed to ensure that OU is able to offer a retiree medical program that is sustainable for the foreseeable future.

I anticipate completing my review of options for changes to OU retiree medical benefits sometime in early 2010. Hopefully we will know more at that time about possible changes at the national level in health policy. At that time, we will communicate any proposed retiree medical program changes to the OU community, with clear and detailed information about how those changes may affect you in the future. Of course any proposed changes would be submitted to the Board of Regents for consideration before being enacted. I do not intend to propose changes that will affect calendar year 2010. I also want to assure you that I will not act in haste to submit proposals to the Board of Regents without full discussion with the faculty and staff. A quick decision is not nearly as important as making the right and fair decision.

Throughout this process and these discussions about our University healthcare benefits, we have promoted and encouraged open communication about our healthcare program challenges and the actions we are considering as a result. I am deeply thankful for the hard work of the OU Contributions Strategy and Health Insurance Options Committee in producing their recommendation. I look forward to continuing our discussion and to working together with the OU community on the right approach.

Sincerely,



David L. Boren  
President