



## OU Contribution Strategy and Health Insurance Options Committee

An Update on the Committee's Work  
July 2007



### Building Consensus ... Developing Recommendations

**The OU Contribution Strategy and Health Insurance Options Committee continues to meet regularly. We've completed three critical components of our work:**

- **Guiding Principles** – We've developed consensus on the principles that will guide OU's approach to health care benefits delivery going forward
- **Competitive Benchmarking** – We've completed a comparative review and analysis of the health care and other benefits programs offered by our competitor institutions and local employers
- **Utilization Review** – We continue to review and analyze of our employees' current health plan utilization and participation in wellness and health intervention programs with Aetna

## Building Consensus ... Developing Recommendations (continued)

We are now focusing on a range of “going forward” recommendations for the President’s and Board of Regents’ consideration

- OU’s health care benefits contribution strategy
- The health care plan options and benefits OU will offer to employees
- The wellness and health intervention programs OU will sponsor in the near-term

The Committee’s work continues through August; we will make our recommendations to the President and Board of Regents in September.

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## Guiding Principles – For Delivery of Health Care Benefits to OU Employees

The Committee agrees that, going forward, OU’s health plans should be tested against and adhere to the following underlying principles.

- 1 OU wants to be socially responsible with its contribution strategy.
- 2 OU wants to address the root cause drivers of health care cost by providing appropriate support to facilitate healthier behaviors.
- 3 In OU’s efforts to attract and retain its required talent and achieve appropriate employee diversity, its benefit programs need to be affordable to all segments of OU’s population, so as to be competitive in the marketplace.
- 4 Retiree health benefits need to be tied more closely to a total reward strategy, and be more reflective of the years of service provided to OU.
- 5 The health plan should be affordable to all benefit-eligible employees, without creating a hardship for the lower paid employees.
- 6 Benefits should provide reasonably comprehensive security for OU’s employees.

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## Comparing OU's Health Care Benefits to the Market

OU engaged an outside consulting firm, Segal/Sibson, to evaluate our benefit plans against those offered by 14 peer institutions and 5 local private sector employers.

We benchmarked against these institutions and employers		We reviewed these programs (for active employees and retirees)	We compared these plan features
University of Alabama, at Birmingham	University of Missouri	Medical	Plan types offered (i.e., PPO, HMO, POS) Benefit plan designs (i.e., copayments, deductibles, benefit maximums, coinsurance levels) Employer and employee contribution for: -- Employee only coverage -- Employee + dependent coverage
University of Arkansas	Oklahoma State University	Prescription Drugs	
University of Colorado	Texas A&M University	Dental	
University of Illinois	The University of Texas	Life	
Iowa State University	The University of Iowa	AD&D	
The University of Kansas	Chickasaw Nation	Vision	
University of Nebraska	Integrus Health	Disability	
University of New Mexico	State of Oklahoma	Wellness	
Ohio State University	York International	Other ancillary programs	
	Dell		

Highlights of our benchmarking study follow.

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## Market Benchmarking – The Committee's Findings

### OU and Employee Contributions Toward Health Care Benefits – Active Employees

OU's Current Approach	What's Happening with Our Comparator Employers
<ul style="list-style-type: none"> <li>➤ OU subsidizes medical coverage for all plans at the single employee PPO (Open Access) plan rate; we provide a credit to employees when they choose a lower cost plan (e.g., the Low HMO option)</li> <li>➤ OU employees pay the full cost of the dependent portion of their coverage</li> </ul>	<ul style="list-style-type: none"> <li>➤ 8 out of 14 peer institutions charge an employee premium for every plan and coverage level offered (e.g., employee only and employee + dependents)</li> <li>➤ 3 peer institutions offer plans with free single employee coverage</li> <li>➤ With the exception of OSU, all peer institutions contribute toward the cost of coverage for employees' dependents</li> </ul>

The Committee's work in progress on the contribution front:  
To develop a premium contribution solution that offers employees with dependents an affordable health care option.

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## Market Benchmarking – The Committee’s Findings *(continued)*

OU contributes more toward active employees’ health care benefits than our comparator group. However, the distribution of contributions between employee and dependent coverage is significantly different from the practices employed by our competitors. OU is, in effect, subsidizing the cost for employee-only health care coverage, while employees covering their dependents pay significantly more than their peers employed by other institutions.

Contributions	2007 OU Current	2007 Peer Institution Benchmark	Difference from OU Current
<b>OU Employer Contributions</b>			
Employee Only	\$25,694,000	\$20,648,000	\$(5,046,000)
Employee + Dependents	\$9,022,000	\$13,056,000	\$4,034,000
<b>Total</b>	<b>\$34,716,000</b>	<b>\$33,704,000</b>	<b>\$(1,012,000)</b>
<b>OU Employee Contributions</b>			
Employee Only (* Opt out credits)	\$(204,000)*	\$4,841,000	\$5,046,000
Employee + Dependents	\$10,883,000	\$6,849,000	\$(4,034,000)
<b>Total</b>	<b>\$10,679,000</b>	<b>\$11,691,000</b>	<b>\$1,012,000</b>

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## Market Benchmarking – The Committee’s Findings *(continued)*

### Benefit Plans Offered – Active Employees

OU’s Current Approach	What’s Happening with Our Comparator Employers
<p>OU offers the following medical plans to active employees</p> <ul style="list-style-type: none"> <li>➤ Open Access PPO Plan</li> <li>➤ HMO High Option</li> <li>➤ HMO Low Option</li> <li>➤ Aetna Health Fund (High Deductible Health Plan)</li> </ul>	<ul style="list-style-type: none"> <li>➤ All comparator employers offer an HMO or EPO option</li> <li>➤ All comparator employers offer a PPO or POS option; 10 of our 14 peer institutions offer a PPO plan</li> <li>➤ Less than half of our comparator employers offer a high deductible or consumer driven health plan option</li> </ul>

The Committee’s work in progress on our benefit plan options: To analyze the costs/benefits of continuing to offer, or changing, the current plan mix to active employees.

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## Market Benchmarking – The Committee’s Findings (continued)

Similar to OU’s approach, comparator employers provide a range of plan options at various costs to employees. However, as mentioned previously, our benchmarking study indicates OU employees’ costs for dependent coverage vary substantially from the market’s across all plans offered.

Plan	2007 OU Current	2007 Peer Institution Benchmark	Difference from OU Current
<b>Open Access PPO</b>			
Employee Only	\$ --	\$ 67.94	\$ 67.94
Employee & Spouse	499.69	262.78	(236.91)
Employee & Children	258.22	250.15	(8.07)
Employee & Family	778.38	380.31	(398.07)
<b>HMO Low Option</b>			
Employee Only	\$ (29.09)	\$ 59.89	\$ 88.98
Employee & Spouse	411.67	229.51	(182.16)
Employee & Children	194.25	207.11	12.86
Employee & Family	668.12	345.84	(322.28)
<b>HMO High Option</b>			
Employee Only	\$ 121.90	\$ 59.89	\$ (62.01)
Employee & Spouse	608.94	229.51	(379.43)
Employee & Children	464.59	207.11	(257.48)
Employee & Family	992.97	345.84	(647.13)
<b>Aetna Health Fund</b>			
Employee Only	\$ (43.64)	\$ 31.50	\$ 75.14
Employee & Spouse	381.38	144.91	(236.48)
Employee & Children	170.45	139.42	(31.03)
Employee & Family	626.94	179.34	(447.61)

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## Market Benchmarking – The Committee’s Findings (continued)

### Benefit Plan Designs

OU’s Current Approach	What’s Happening with Our Comparator Employers
<ul style="list-style-type: none"> <li>➤ OU’s benefit plan options offer a range of benefit plan designs (i.e., copays, coinsurance levels, deductibles, in-network utilization incentives, out-of-pocket maximum limits, etc.)</li> <li>➤ These design options factor in to the annual cost of the plans to OU and to our employees</li> </ul>	<ul style="list-style-type: none"> <li>➤ Our comparator employers’ plans also offer a range of benefit plan designs, which factor into the annual cost of the plans to the employers and their employees</li> <li>➤ The following page provides a brief comparison of the differences</li> </ul>

**The Committee’s work in progress on benefit plan designs:  
To review drivers of plan costs and determine plan design elements  
that can affect savings or minimize ongoing cost increases  
for OU and our employees.**

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## Market Benchmarking – The Committee’s Findings (continued)

OU’s health care benefits are, on average, more generous in some areas and less generous in others, when compared to the benefits offered by our competitors. However, we share a similar strategy – employees have the option to “buy-up,” or contribute toward the higher premiums associated with the richer plans (see plan contribution comparison on page 7).

Plan Feature	HMO		Open Access (PPO)		Aetna Health Fund (HDHP)	
	Low Option	High Option	In-Network	Out-of-Network	In-Network	Out-of-Network
<b>Deductible</b> OU Individual/Family Peer Individual/Family	\$0/\$0 \$26/\$51	\$0/\$0 \$26/\$51	\$500/\$1,000 \$ 640/\$1,367	\$750/\$1,500 \$1,320/\$2,982	\$1,500/\$3,000 \$1,500/\$3,000	\$1,500/\$3,000 \$2,000/\$4,000
<b>PCP Office Visit</b> OU Peer Institution	\$25 \$21	\$10 \$21	\$25 \$21	70% coinsur. \$15	70% coinsur. 80% coinsur.	70% coinsur. 60% coinsur.
<b>Specialist Office Visit</b> OU Peer Institution	\$40 \$32	\$25 \$32	\$25 \$29	70% coinsur. \$16	70% coinsur. 80% coinsur.	70% coinsur. 60% coinsur.
<b>Coinsurance</b> OU Peer Institution	100% 98.7%	100% 98.7%	80% coinsur. 82% coinsur.	70% coinsur. 61% coinsur.	70% coinsur. 80% coinsur.	70% coinsur. 60% coinsur.
<b>Inpatient Copay</b> OU Peer Institution	\$250 \$283	\$100 \$283	80% coinsur. \$242	70% coinsur. \$330	70% coinsur. None	70% coinsur. None
<b>Emergency Room</b> OU Peer Institution	\$100 \$101	\$75 \$101	\$100 copay, then 80% coinsur. \$85 in-network/\$93 out-of-net.		70% coinsur. None	70% coinsur. None
<b>Maximum Out-of-Pocket</b> OU Individual/Family Peer Individual/Family	\$2,000/\$4,000 \$1,824/\$3,829	\$1,000/\$2,000 \$1,824/\$3,829	\$3,000/\$6,000 \$2,414/\$4,950	\$4,000/\$8,000 \$4,221/\$9,094	\$3,000/\$6,000 \$5,000/\$10,000	\$3,000/\$6,000 \$6,000/\$12,000

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## Modeling a Recommended Strategy for the Future

The Committee now continues critical work under our charge.

Issue	The Committee’s Considerations
<ul style="list-style-type: none"> <li>➤ <b>OU plan contribution strategy</b></li> </ul>	<ul style="list-style-type: none"> <li>➤ Setting a standard employer/employee contribution cost sharing ratio that is applied from year-to-year as health care costs change</li> <li>➤ Introduction of a reasonable and affordable employee contribution toward employee-only health care premiums</li> <li>➤ Introduction of a salary-based contribution structure – OU’s lower-paid employees would contribute less, higher-paid employees would contribute more</li> <li>➤ Redistributing OU’s health care investment to more competitively position dependent health care premium contributions</li> </ul>

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## Modeling a Recommended Strategy for the Future *(continued)*

Issues	The Committee's Considerations
➤ <b>Benefit plan options</b>	<ul style="list-style-type: none"> <li>➤ Determining the appropriate "mix" of plan options – fewer or more</li> <li>➤ Exploring the feasibility of offering an EPO plan (An EPO is an HMO-style plan that includes a specific provider network. University settings generally offer EPOs when an affiliated health system is available)</li> <li>➤ Redesigning the Aetna Health Fund plan</li> </ul>
➤ <b>Benefit plan designs</b>	<ul style="list-style-type: none"> <li>➤ Identifying and addressing the drivers of out-of-network utilization and costs</li> <li>➤ Redesigning our plans' prescription drug benefits to encourage effective employee use of prescription drugs</li> <li>➤ Reviewing possible impacts of changes to out-of-pocket cost structures for some plans to encourage effective use of plans</li> <li>➤ Aggressively negotiating 2008 costs with Aetna, based on OU's 12-month claim history</li> </ul>

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## Modeling a Recommended Strategy for the Future *(continued)*

Issues	The Committee's Considerations
➤ <b>Wellness and health intervention initiatives</b>	<ul style="list-style-type: none"> <li>➤ Inventorying, leveraging and promoting participation in wellness resources available currently through our relationship with Aetna</li> <li>➤ Reviewing Aetna's disease management programs</li> <li>➤ Promoting participation in a smoking cessation program</li> <li>➤ Introducing a university-wide walking program</li> <li>➤ Promoting use of preventive care benefits</li> <li>➤ Developing incentives and rewards for participation in wellness programs noted above</li> </ul>

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## 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)**

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## Questions and Discussion



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