USNH Medical Cost Reductions

APRIL 13, 2011
In February, 2011, USNH Board of Trustees approved cost containment measures to non-unionized employee benefits, including these changes to the medical plan:

- Elimination of the $500 HRA
- Self insure medical plan on 1/1
- Use a national pharmacy benefit company to administer the pharmacy benefits on 1/1; known as the “pharmacy carve-out”
- Save $2 million in plan redesign
The Systems Personnel and Policy Committee (SPPC) met to discuss Board decision and options
Subcommittee representing all campuses formed to discuss options in detail, utilizing employee input and available expertise
Employee forum held for overview and Q & A (April 13$^{th}$ and potentially May TBA) prior to decision on recommendation

Next Steps:
- Recommendation to be brought to the SPPC for vote May 19$^{th}$
- SPPC recommendation brought to the USNH Administrative Board May 26$^{th}$
- Board accepts or rejects recommendation of SPPC
- Implementation January 1$^{st}$ (self-insure, pharmacy carve-out, implementation of medical plan design changes, elimination of USNH contribution to HRA)
Guiding Principles of SPPC: What do we want to accomplish?

- Minimize financial and accessibility impact on employees to the extent possible
- Ensure that the right care is provided at the right price and at the right time
- Encourage positive health behaviors while minimizing cost
- Improve the health of our university community
- Engage and educate our community about healthcare and steps that can be taken to reduce costs
- Make changes that are predictable
- Reduce the size of the healthcare cost pie
Important Note

The goal of the SPPC and administration is to make impacts as minimal as possible on all employees.

However:
No matter what is done, it will impact all employees and some more than others. If you use health care, you will pay more than last year.
Definitions

- **Self-insurance** – instead of paying Harvard Pilgrim to completely manage the plan, USNH pays an administrator like Harvard Pilgrim to service the plan but USNH pays the actual claims. Advantage to USNH is less profit is paid to Harvard Pilgrim.

- **Pharmacy benefit management** – USNH would have a separate pharmaceutical plan through a large purchasing collaborative to reduce costs of prescriptions, also called the “carve out”.

- **HRA – Healthcare Reimbursement Account** – USNH provided $500 to use on medical costs that can roll over from year to year.

- **FSA – Flexible Spending Account** – a pre-tax contribution option, funded by the employee to use on qualified medical and life expenses. Wageworks is the USNH FSA processor.
Definitions

- **Co-pays** – an amount paid by the insured person each time a medical service is accessed.
- **Plan deductible** – amount that must be paid before insurance “kicks in”.
- **Premium** – annual amount charged for health plan
USNH Medical Costs

USNH Health Care Expenditures | 2007-2011

- Total Annualized Cost
- Annualized Employer Contributions
- Annualized Employee Contributions

$70,000,000
$60,000,000
$50,000,000
$40,000,000
$30,000,000
$20,000,000
$10,000,000
$0

2007
2008
2009
2010
2011 Projected
Background information: wages vs. benefits

Figure. Changes in Per Capita Health Expenditures and Average Hourly Earnings (Adjusted for Inflation), 1982-2005

Data are from the Council of Economic Advisers\(^6\) and Catlin et al.\(^7\)
The SPPC reviewed two basic options for the majority of the cost savings:

1. Increase % of premium paid by employee and modify co-pays
   - 1% increase for all tiers saves $500k per year
   - Can also do it by tier (individual, two-party, family)

Or:

1. Implement a Plan deductible and modify co-pays
   - $200 individual/$400 family saves $1,372,000
   - The current proposal would be that deductible applied to all non-office visits
Why target these areas?

- Many high technology radiology and laboratory procedures are “repeats”

- PT/OT/Speech is a high visit limit service and has no-co-pay, which is not industry standard

- Incentivizes seeking alternatives to high cost treatment in hospital settings
USNH Tier Analysis
Claims PMPM (Per Member Per Month) by Contract Type

USNH Claims PMPM by Contract Type

- Individual: $492.49
- Two Party: $592.95
- Family: $312.54
Two conceptual models have been developed for review:

Both models include:

a) a reduction in the incentive to waive coverage ($173,000 in cost avoidance)

b) establishment of a Physical, Speech, Occupational therapy copay of either $5 or $10 ($105,000 to $210,000 in cost avoidance)

c) establishment of a high tech imaging copay of either $50 or $100 ($105,000 to $210,000 in cost avoidance)

The models vary in inclusion or exclusion of several factors including employee contribution changes, annual deductibles and size and number of copay changes. Each model has a conceptual advantage.

Both models include no copay for designated preventative services, which is in line with the new health care reform legislation.
Two Models

Alternative 1 - “Minimize Cost at Point of Care” (Increased Premium Contribution)

- Spreads the cost over all users by increasing employee contributions by 1.5% but provides small increases in frequently used co-pays such as PCP visits, P/S/O therapy and Specialists. The advantage is that the burden of costs is spread more evenly among users and non-users of services.
- If the medical premium increases each year, the amount of the employee contribution also rises, because the percentage of employee contribution is on a higher premium.

Alternative 2 - “Behavior Change and Consumerism” (Deductible)

- The establishment of a $200/$400 annual deductible is the major cost reduction vehicle, plus the three common co-pay changes. The advantage of this plan is an increase in awareness of costs of medical services and greater employee engagement in managing the costs. This model also has a greater potential to lower overall cost of medical premium compared to an increase in employee contribution rates.
- Deductible levels may remain flat year over year, versus percent of premium increase contributions, which will likely increase at a rate that is close to annual medical trend.
### Alternative 1 - Minimize Out of Pocket Costs at the Point of Care

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Current USNH HMO</th>
<th>Potential Copay Changes</th>
<th>Estimated Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes to USNH Waiver Process</td>
<td></td>
<td></td>
<td>$173,000</td>
</tr>
<tr>
<td>P/S/O Therapy **</td>
<td>Covered in Full</td>
<td>$5 copay</td>
<td>$105,000</td>
</tr>
<tr>
<td>High Tech Imaging ***</td>
<td>Covered in Full</td>
<td>$100 copay</td>
<td>$210,000</td>
</tr>
<tr>
<td>Emergency Room</td>
<td>$75 copay</td>
<td>$100 copay</td>
<td>$100,000</td>
</tr>
<tr>
<td>PCP Office Visits</td>
<td>$10 copay</td>
<td>$15 copay</td>
<td>$250,000</td>
</tr>
<tr>
<td>Specialist Office Visits</td>
<td>$20 copay</td>
<td>$30 copay</td>
<td>$410,000</td>
</tr>
<tr>
<td>Employee Contribution Increase +1.5% For All Tiers</td>
<td></td>
<td></td>
<td>$750,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td>$1,998,000</td>
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</tbody>
</table>

* Includes reducing the medical waiver payment from $800 to $550 and employees covered by a USNH medical/dental plan are not eligible for the waived medical/dental coverage payment.

** Physical/Speech/Occupational therapy (also includes cardiac rehab visits).

*** High tech imaging includes MRIs, CAT scans and PET scans. All other imaging including X-rays are covered in full.
## USNH Medical Program Savings Analysis

### Alternative 2 - Behavior Change and Consumerism

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** Physical/Speech/Occupational therapy (also includes cardiac rehab visits).

*** High tech imaging includes MRIs, CAT scans and PET scans.

**** Current hospital inpatient and outpatient copays remain. All hospital (inpatient and outpatient), diagnostic imaging, x-ray and lab subject to the deductible and applicable copays.
Pros and Cons of Options

- **Contribution increase:**
  - Pro: spreads distribution of cost across employee base
  - Con: As medical costs increase (about 10% a year) the amount contributed increases

- **Plan deductibles ($200/$400)**
  - Pro: Can be budgeted using the FSA (pre-tax, 26 pay periods)
  - Con: Need to hit deductible before plan pays for medical care

- **Increase co-pays for services where benefit is richer than industry norm (e.g., PT/OT/Speech, high tech imaging)**
  - Pro: Incentivizes employee to consider necessity and cost of medical care
  - Con: Chronically ill and high utilizers will be disproportionately affected

- **Reduce opt out for medical insurance**
  - Pro: All employees contribute to changed benefit plan
  - Con: Employees who opt out may actually save plan funds
Mitigation Strategies

- **Promoting the FSA**
  - Health expenditures can be planned and budgeted over 26 pay periods using pre-tax dollars
  - All funds are available on January 1st every year

- **Zero-balance your HRA!**
  - This employer fund for non-covered health care expenses will be eliminated December 31, 2013—take advantage and don’t leave a balance!

- **Identifying & promoting low cost providers**
  - Employees could make a real difference by choosing the right option at the right place and the right place

- **Healthy UNH can create tools to assist employees in choosing care**
  - Employees can offer suggestions to what information is needed
Key Points from the Healthcare Reform Legislation (*subject to change/updates*)

- **Flexible Spending Account (FSA) rules change to eliminate reimbursement for OTC medicine**
  - In 2013, FSA cap to be reduced to $2500
- **Elimination of cost-sharing (co-pays) for preventive services**
  - Annual childhood check-ups
  - Routine vaccinations
  - Preventive screenings
  - Routine physicals and gynecological exams
- **For more info see www.HealthCare.gov**
Another forum in early May?
SPPC will post worksheet comparing out of pocket expenses for employees
Please check [http://www.unh.edu/hr/total-rewards-information.htm](http://www.unh.edu/hr/total-rewards-information.htm) for more information on benefits
Healthy UNH website: learn more about the programs available to improve employee health and review cost information: [http://www.unh.edu/healthyunh/](http://www.unh.edu/healthyunh/)
Healthy UNH is happy to schedule a brown bag meeting with your department: [stacey.gabriel@unh.edu](mailto:stacey.gabriel@unh.edu)