An analysis of proposed changes to the Medical Plan at Missouri State University 2018

A REPORT
FROM THE
COMMITTEE ON FACULTY BENEFITS

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Charge

On September 28, 2018, The Committee on Faculty Benefits received the following charge from the Faculty Senate Chair, Tom Dicke:

> I would like the Committee on Faculty Benefits to review and report on the 3 health insurance options currently under consideration for next year. Attached you will find a copy of the handout presented by Matt Morris, Vice President for Administrative Services. Additional information should be forthcoming over the next few weeks. Unfortunately, things are moving quickly so I would like at least a tentative report by Oct 10.

As noted by President Clif Smart in his town hall meeting on this topic on October 1, the original 3 plans that we are requested to evaluate above has now been pared down to only two plans. See https://blogs.missouristate.edu/president/files/2018/09/Handout-Medical-Plan-Town-Hall-2018-10-01.pdf.

Historical Data on the Health Care Insurance Plan

In order to examine the nature of the problem that has precipitated changes, Table 1 below presents historical (5 years) data on the MSU health care plan, including all costs and all revenues. Table 2 presents annual percentage changes in the data presented in Table 1. Notice that in FY 2014 and FY 2015, the insurance plan was in the black with more revenues than costs. The university did inject $250,000 into the insurance plan in FY 2014. This was to keep at least 60 days of reserves (the table only shows current reserves but not year-to-year reserves.)

However, starting in FY 2016 this trend of the plan being in the black, which had been generally true in previous years as well, changed. Revenues were mostly flat throughout the entire time period, with some slight increases in revenues. Notice in Table 2 that annual percentage changes in revenue, especially the two largest categories of revenue employer premiums and employee/retiree/COBRA premiums, had quite small annual percentage changes. However, costs increased substantially beginning in FY 2016. The increase in costs was primarily because of an increase in claims and in stop-loss insurance premiums.[1]

[1] Stop-Loss Insurance insures against large claims. MSU stop lost insurance covers claims larger than $275,000 per person.

Table 1

FINANCES - MISSOURI STATE UNIVERSITY HEALTH PLAN

FISCAL YEAR	2014	2015	2016	2017	2018
NET MEDICAL AND DENTAL CLAIMS PAID	$14,412,317.67	$15,951,435.68	$17,632,869.21	$16,993,875.89	$19,689,654.21
MEDICAL STOP LOSS INSURANCE PREMIUM	$588,894.31	$485,985.20	$573,252.20	$846,565.31	$1,115,848.93
MEDICAL ADMINISTRATIVE CHARGES	$412,552.33	$416,664.15	$431,370.96	$417,211.36	$420,360.40
OTHER EXPENSES	$369,452.87	$290,891.74	$333,240.86	$273,175.40	$282,489.50
TOTAL EXPENSES	$15,783,217.18	$17,144,976.77	$18,970,733.23	$18,530,827.96	$21,508,353.04
REVENUE					
EMPLOYEE/RETIREE/COBRA PREMIUMS PER PLAN	$3,822,893.00	$3,932,081.11	$4,081,741.57	$4,251,238.56	$4,285,734.35
OTHER REVENUE	$32,167.46	$31,654.99	$33,847.79	$18,800.42	$112,341.29
EMPLOYER PREMIUMS PER PLAN	$12,611,292.32	$13,249,330.58	$13,385,343.82	$13,547,339.22	$13,433,384.25
UNIVERSITY SUPPORT	$250,000.00	-	$884,471.56	$1,200,000.00	$3,600,172.61
UNIVERSITY SUPPORT Decline in Days Claims					$461,258.00
TOTAL REVENUES	$16,716,352.78	$17,213,066.68	$18,385,404.74	$19,017,378.20	$21,892,890.50
Net	$933,135.60	$68,089.91	-$585,328.49	$486,550.24	$384,537.46
HEALTH PLAN RESERVES					$3,345,893.00
ESTIMATED DAYS OF RESERVES					62 days

Table 2

FINANCES - MISSOURI STATE UNIVERSITY HEALTH PLAN - ANNUAL PERCENTAGE CHANGES

FISCAL YEAR	2014	2015	2016	2017	2018
NET MEDICAL AND DENTAL CLAIMS PAID	N.A.	10.68%	10.54%	-3.62%	15.86%
MEDICAL STOP LOSS INSURANCE PREMIUM	N.A.	-17.47%	17.96%	47.68%	31.81%
MEDICAL ADMINISTRATIVE CHARGES	N.A.	1.00%	3.53%	-3.28%	0.75%
OTHER EXPENSES	N.A.	-21.26%	14.56%	-18.02%	3.41%
TOTAL EXPENSES	N.A.	8.63%	10.65%	-2.32%	16.07%
REVENUE					
EMPLOYEE/RETIREE/COBRA PREMIUMS PER PLAN	N.A.	2.86%	3.81%	4.15%	0.81%
OTHER REVENUE	N.A.	-1.59%	6.93%	-44.46%	497.55%
EMPLOYER PREMIUMS PER PLAN	N.A.	5.06%	1.03%	1.21%	-0.84%
UNIVERSITY SUPPORT	N.A.	N.A.	N.A.	35.67%	200.01%
UNIVERSITY SUPPORT Decline in Days Claims	N.A.	N.A.	N.A.	N.A.	N.A.
TOTAL REVENUES	N.A.	2.97%	6.81%	3.44%	15.12%
Net	N.A.	-92.70%	-959.64%	183.12%	-20.97%

However, note that generally stop-loss insurance premiums are related to claims, especially the number of large claims that the stop-loss insurance must pay out. Thus, really both of these increases are related to the increase in claims, both because claims have been generally increasing and because there have been more large claims. Notice that claims increased by 10.5% in FY 2016, fell by 3.62% in 2017 and increased by 15.86% in 2018; percentage increases for the stop-loss premiums were even larger in these years, 17.96%, 47.68%, and 31.81% respectively. There are not any other significant increases in expenses over these years. Primarily expenses rose because of an increase in claims both the total value of claims and the number of large claims over the past three years.

One of the interesting issues from Table 1 is that, for example, in FY 2014, the university injected $250,000 from reserves into the insurance fund even though revenue that year exceeded total costs. This is because MSU's board mandates that the university keep an insurance reserve of between 60 to 90 days of claims. You can see that currently insurance reserves are at an estimated 62 days of claims. One question that arises is what happens in good years (none are shown in Table 1) where insurance reserves increase past the 90 day limit established by the board. Presumably, the excess goes into the university's general reserves. One question, which the committee has not had answered is how much of this has occurred in the past. That is, how much of the approximately $6.4M that the university has injected into the insurance plan over the past 5 years had previously been taken out of the insurance fund by the university?[2]

In general, after discussion the committee feels that when there exists an excess of revenue over costs in the insurance fund so that insurance reserves exceed 90 days of claims that the extra revenue should remain in the insurance reserves. This would allow more of a cushion when the university experiences bad years in its insurance plan.

The Proposed Medical Care Insurance Plans

Table 3 contains the proposed plans as currently understood by the Committee on Benefits to make up for what is assumed will be a continuing shortfall in MSU's insurance plan. Let us note that we have updated Table 3 as compared both to the data presented to the Faculty Senate and to the data presented by President Smart in his town hall. Primarily, both of those data sources about the proposed changes were incomplete. Table 3 is more consistent with the amount of data and the format used in our Committee report to the Faculty Senate on faculty benefits given last spring (and available on the Faculty Senate web site.)

Table 3 contains two plans under consideration for adoption. The new plan, which consists of two options, labelled *base plan* and *buy-up plan* and the existing plan, which only has one

[2] This $6.4M is the sum of the row in Table 1 titled "University Support" plus the row titled "University Support Decline in Days Claims".

option. In both of these plans, the overall cost of the plan to employees is increased by a significant amount with, however, differences in how those costs are allocated.   For example, in the existing plan, the only change is that premiums to employees are significantly increased; no benefits are changed. These increases are largest for the employee premium (a 97 percent increase) but still substantial for the other premiums. For example, Spouse premiums rise by 12.5%, Family premiums rise by 18.7% and Premiums for Children rises by 12.6 percent.

In the new plan, however, costs to employees are increased by a combination of both premium increases and benefit decreases. The allocation of these changes vary between the two options in the new plan with the base plan having the lowest premium increases but the largest decreases in benefits while the buy-up plan has just the opposite, the highest premium increases but relatively smaller decreases in benefits. For example, in the buy-up plan regular deductibles are the same as in the existing plan. However, copays now exist but are smaller than in the base plan and maximum out of pocket values are generally smaller than the base plan but higher than the existing plan (with the exception of maximum out of pockets for prescriptions.)

The committee was requested to evaluate which of these plans is generally better for the faculty and it is the Committee's considered opinion that which is better depends upon each faculty member's individual situation. In general, if a faculty and his/her family has substantial known on-going medical costs, the existing plan is the best for them. However, if a faculty and his/her family does not have known on-going medical costs then the new plan will be the best for them. Without knowing more about faculty in general it is not possible for the committee to make specific recommendations about which plan is the best overall.

There is an exception to that general conclusion, however. The committee considered the possibility that the new plan and the existing plan might be combined so that the resulting MSU health care plan now have <u>three</u> options: The *base plan* in Table 3, the *buy-up plan* in Table 3, <u>and</u> the *existing plan* in Table 3. Essentially, under this plan employees could choose either of these 3 options based upon their own more complete knowledge of their own personal situation.

One question that arose was whether administration costs would rise under this plan (these costs are a little over $400,000 in Table 1). We investigated this and were told by Human Resources that administrative costs would not rise. However, Human Resources also told the Committee of another complication. Plans in existence when the Affordable Care Act were instituted are grandfathered and do not have to contain all of the required elements under the act. New plans must comply fully with the Affordable Care Act. This is why, for example, only $400 of preventative benefits are covered in the existing plan but 100 percent are covered under both the options in the new plan; preventative benefits are required to be covered under the ACA.

It is possible for a plan to include both a portion of the plan that is new and therefore not grandfathered under the ACA and a portion of the plan that is old and therefore is grandfathered under the ACA. However, MedPay recommends against doing so.

Notwithstanding this recommendation from MedPay, the Committee recommends that this option be taken by MSU. That is, the Committee on Benefits recommends that MSU adopt a health insurance plan that consists of three options: The Base plan and the Buy-up Plan listed under the New Plan in Table 3 and the Existing Plan in Table 3.

Table 3
Comparison of New Plan with Existing Plan with Increased Premiums

		New Plan		Existing
Benefits		Base Plan	Buy-Up Plan	Plan
Preventive Benefit		100%	100%	$400
In-Network Deductible		$1,600	$800	$800
Out-of-Network Deductible		$3,200	$1,600	$1,600
In-Network Coinsurance (no change)				
Employee Pays		20%	20%	20%
Maximum Out of Pocket (per person)		$2,000	$2,000	$2,000
Out-of-Network Coinsurance (no change)				
Employee Pays		40%	40%	40%
Maximum Out of Pocket (per person)		$4,000	$4,000	$4,000
Office Visit Co-Pays:				
Magers		$10	$5	N/A
Primary Care		$40	$20	N/A
Specialist		$60	$30	N/A
Emergency Room Deductible		$500	$250	N/A
Office Visit Co-Pays & ER Deductible Maximum		$1,750	$700	N/A
Medical Maximum Out-of-Pocket				
Per Person		$5,350	$3,500	$2,800
Per Family		$10,700	$7,000	$5,600
Rx Maximum Out-of-Pocket				
Per Person		$2,000	$1,500	$1,500
Per Family		$4,000	$3,000	$3,000
Total Maximum Out-of-Pocket				
Per Person		$7,350	$5,000	$4,300
Per Family		$14,700	$10,000	$8,600

Table 3 (Continued)
Comparison of New Plan with Existing Plan with Increased Premiums

	Current	Base Plan	Buy-Up Plan	Existing (2019)
Active Employee Premiums*	$30.00	$40.00	$76.00	$59.00
Employee + Spouse	$350.91	$380.00	$416.00	$420.00
Employee + Child(ren)	$252.89	$280.00	$316.00	$310.00
Employee + Family	$393.20	$435.00	$471.00	$490.00
Employee Premiums (Paid by MSU)**	$418.16	??	??	??
Spouse Premiums (Paid by MSU)**	$135.00	??	??	??
*Does not include the $30 reduction for wellness credit				
** The President's Town Hall Presentation indicated that the Premiums paid by MSU would increase by $1.5M but did not indicate how that would be distributed.				

Note that Table 3 includes the changes recommended by President Smart on October 8 where he indicated that he would recommend the new plan (in orange) in Table 3. Our recommendation here is, it seems, moot but we forward it nonetheless to the Faculty Senate as requested.

Long Term Issues and Recommendations

The Committee also compared both of the options presented in Table 3 to health care insurance plans at other Missouri universities and MSU peer universities. The health care plans in these other universities are presented in the Committee Report to the Faculty Senate on Faculty Salaries and Benefits in Spring 2018; this report is available on the Faculty Senate web site. In that report, the Committee finds only one major difference between MSU's health care plan and those of other universities: our plan provided less choice by employees. That observation would no longer be true if the Committee recommendation from above is taken by the MSU administration.

However, although MSU's health care plan was comparable to other universities in the data from our report in the Spring of 2018, that is no longer the case. Health care plans from other universities would now be considerably better than MSU's plan with the proposed changes. It is important to note that only one other university is self-funded in these universities. In fact, all of the other universities have plans that utilize third party insurance companies and, yet, provide substantially better plans than the options presented above in Table 3.

Although MSU cannot now investigate the use of third party health insurance plans, it seems clear to the Committee that this option should be investigated in the future.

One final long-term issue remains that is of concern to the Committee and the Faculty Senate. It is apparent that there existed a communication problem with the sudden arrival of these proposals to change the MSU health care plan. Discussion in the Faculty Senate, in the Committee on Benefits and on campus generally indicates that faculty felt surprised and out of the loop on these proposed changes to the health care plan.

One obvious way to fix problems with communication about MSU's health care plan between the administration and the Faculty Senate and faculty generally is to improve faculty representation on the Health Care Plans Review Committee. The Health Care Plans Review Committee is a university committee that makes recommendations to the MSU administration regarding changes to MSU's health care plan.

The Committee on Benefits suggests that the Chair of the Committee on Benefits, at a minimum, should regularly serve as a member of the Health Care Plans Review Committee and be charged with keeping both the Committee on Benefits and the Faculty Senate updated on proposed changes to the MSU health care plan.

FACULTY SENATE RESOLUTIONS

Note: Justifications for these resolutions are included in the body of the report.

Resolution 1

Be it resolved, the current policy of keeping at least 60 days of estimated claims but no more than 90 days of estimated claims in the health insurance reserve fund will be changed to one where MSU keeps at least 60 days of estimated claims in the health insurance reserve fund. This would allow more of a cushion when the university experiences bad years in its insurance plan.

~~Resolution 2~~

~~*Be it resolved,* MSU will adopt a health insurance plan that consists of three options: The Base plan and the Buy-up Plan listed under the New Plan in Table 3 and the Existing Plan in Table 3.~~

Resolution 3

Be it resolved, MSU will investigate the use of third party health insurance plans to replace MSU's current self-funded health insurance plan.

Resolution 4

Be it resolved, the Chair of the Committee on Benefits will serve as a member of the Health Care Plans Review Committee and be charged with keeping both the Committee on Benefits and the Faculty Senate updated on proposed changes to the MSU health care plan.