

MERCER

Human Resource Consulting

April 23, 2003

John Carroll University Employee Benefits Program Assessment

David Garratt and Daniel C. Allen, CEBS

Cleveland, Ohio



Marsh & McLennan Companies

Table of Contents

- Project Overview
- Focus Group Findings
- Financial Situation
- Plan Designs
- Employee Contributions
- Conclusions/Findings
- Proposed Changes
- Financial Impact of Proposed Changes
- Summary
- Q&A

Project Overview

- The purpose of the Benefits Assessment is:
 - Facilitate a process for improving the overall value and cost of JCU's employee benefit program
- The process includes:
 - Employee focus group discussions to solicit input from all of the various constituents (staff, administration, faculty, HR)
 - Data analysis to assess the current program costs and effectiveness
 - Benchmarking to provide a competitive assessment (All colleges and universities*, Jesuit colleges, local colleges and universities)
 - Formulating recommendations that will address employees' concerns and the universities' financial situation
 - Reaching a consensus

*As reported by the Mercer/FH National Survey of Employer Sponsored Health Plans.

Focus Group Findings

- Key Findings included the following:
 - Generally high employee satisfaction with the current medical plan, with the following exceptions:
 - Lack of coverage for some preventive procedures (PSA, routine blood work, colonoscopies)
 - No coverage for Occupational Therapy
 - Visit limits on Physical Therapy, Chiropractic care, Mental Health
 - Prescription drug coverage which requires participants to “up front” the full costs and wait for reimbursement
 - Low employee satisfaction with the current dental and vision plans due to insufficient benefit levels, inadequate choice of preferred providers, and perceived poor quality of preferred providers that are available

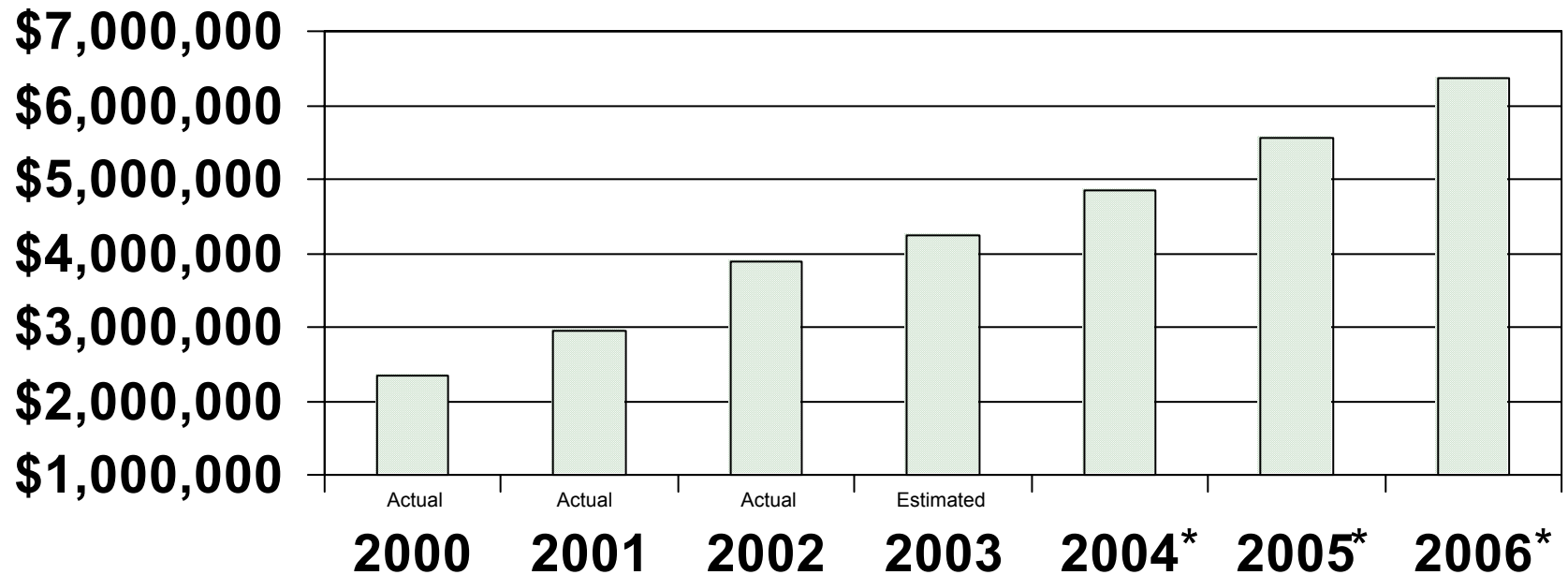
Focus Group Findings

- A desire for more flexibility/options for Life and AD&D insurance
- A belief that employee contribution amounts (payroll deductions) for benefits should be “equitable”
 - Concern amongst employees for those with lower incomes and the impact any proposed changes would have on them
 - Allocation between employees and the university that considers “Total Compensation” competitiveness
- The necessity of considering the least invasive cost saving innovations:
 - Group purchasing coalitions
 - Education of participants
 - Vendor evaluation
 - In-house clinic/pharmacy/counseling

Financial Situation

Total Premium

Projected Total Premium

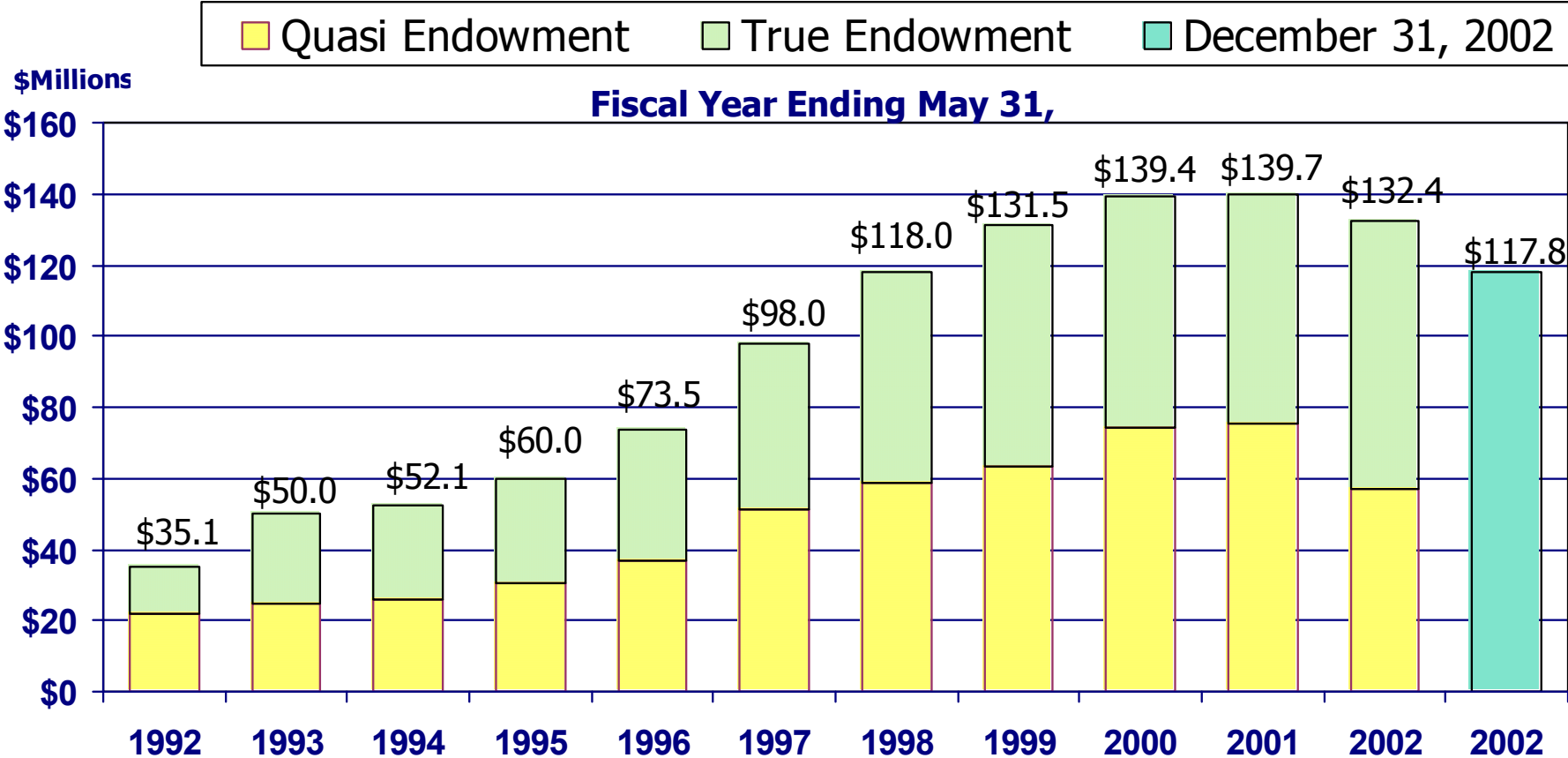


	2000	2001	2002	2003	2004	2005	2006
□ Total Premium	\$2,345,000	\$2,959,000	\$3,878,000	\$4,241,000	\$4,853,000	\$5,555,000	\$6,361,000

*Assumed trends of 15% for medical, 8% for dental, 6% for vision, 8% for LTD, 4% for Life Insurance.

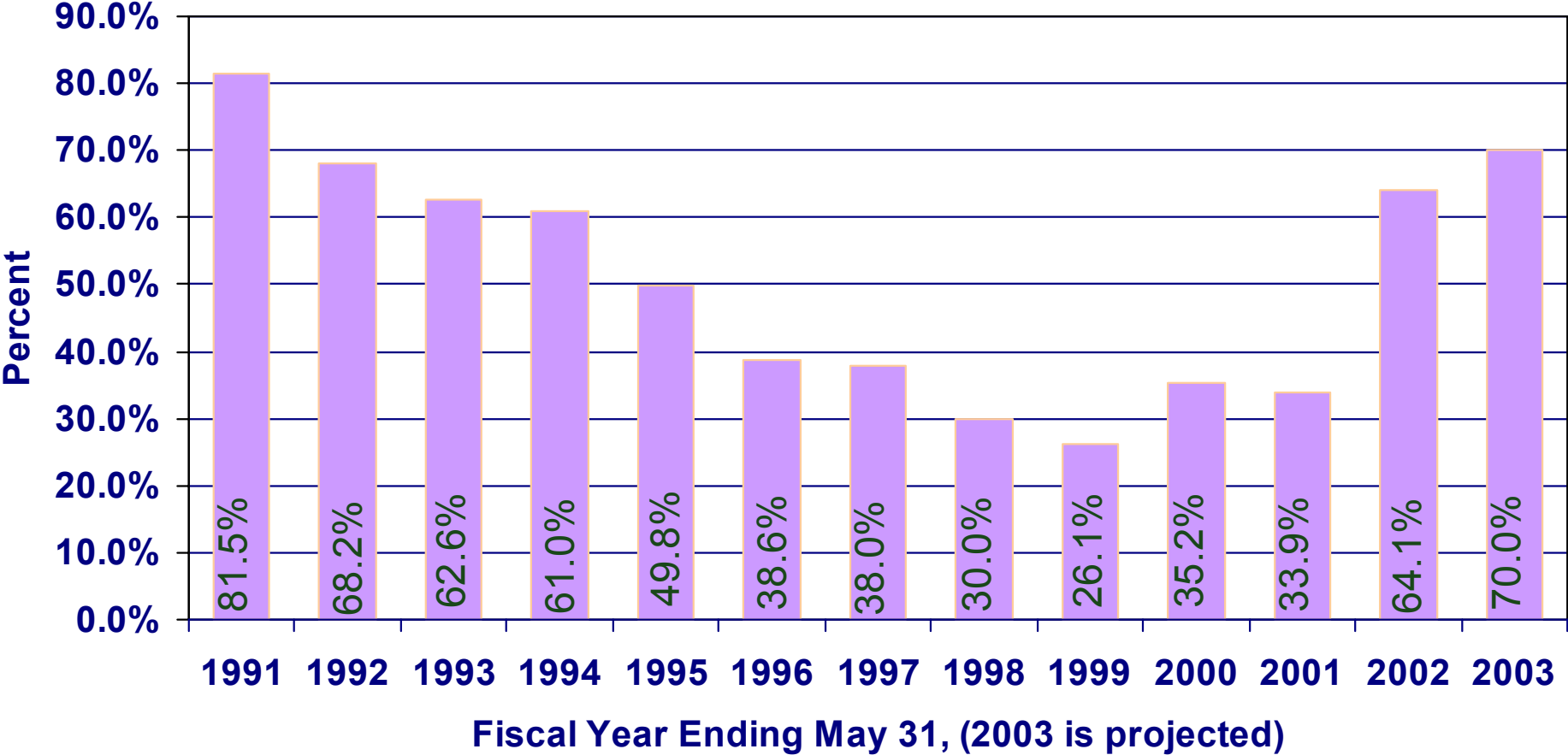
Financial Situation

Endowment Market Value



Financial Situation

Long-Term Debt as a Percent of Endowment



Financial Situation Summary

- Declining Revenue Sources
 - Weakness in equity markets causes a reduction in spendable endowment earnings
 - Low interest rates have caused a significant reduction in earnings on cash balances
 - Weak economic conditions could threaten enrollment levels
- Rising Expenses
 - Medical premiums have increased 43% over the past two years
 - Utility costs continue to rise at double-digit rates
 - Past due student accounts receivable balances are growing significantly
- It is projected that university's financial results will not show a surplus for the fiscal year ending 5/31/03 for the first time ever

Plan Designs

PPO Medical

Plan Design Feature:	JCU (2003)	AJCU (2002)	All Colleges (2002)	Local College A (2003)	Local College B (2003)
In network deductible-Single	\$0	\$212	\$250	\$250	\$0
In network deductible-Family	\$0	\$541	\$675	\$500	\$0
Non network deductible-Single	\$100	\$541	\$350	\$500	\$300
Non network deductible-Family	\$200	\$1,355	\$800	\$1,000	\$600
Out of Pocket Maximum-Single	\$500	\$1,775	\$1,250	\$1,500	\$1,000
Hospital Coinsurance	0%	11%	10%	10%	0%
Office Visits	\$10	\$17	\$15	\$15/\$25	\$10
Retail RX Copayments	20% (\$5/\$15/\$20)	N/A	\$9/\$19/\$33	\$10/\$20/\$20 + Difference	\$8/\$15/\$25

Plan Designs

Dental

Plan Design Feature:	JCU (DHMO)	Local College A (PPO)	Local College B (Passive PPO)
Deductible	\$0	\$0/\$50	\$25
Annual Maximum	N/A	\$1,500	\$750
Preventive	\$5	100%	100%
Major	Varies	80%	90%
Restorative	Varies	60%	Not Covered
Orthodontia	Not Covered	50% (\$1,250 maximum)	Not Covered

Plan Designs (Other Plans)

Plan:	JCU	AJCU	Local College A	Local College B
Vision	Voluntary	9 of 17 (Varied)	No	Voluntary
Life Insurance	Optional-50/50 2 x salary	17 of 17 - Varied 1 – 2.5 x salary	\$10,000 Basic 1 – 3 x salary (\$500k max.)	1 x salary Basic 1 – 3 x salary (\$500k max.)
Long Term Disability	Optional-50/50 60% \$5,000 max.	Varied 63% \$8,400 max.	Employer Paid 60% \$6,000 max.	Employer Paid 60% \$8,000 max.

Employee Contributions

PPO Medical

Monthly Contribution	JCU	AJCU	All Colleges	Local College A	Local College B
Single					
%*	5%	12%	20%	1.75% of Salary	0%
\$	\$14	\$30	\$64	\$68	\$0
Family					
%*	5%	33%	37%	4% of Salary	25%
\$	\$37	\$240	\$245	\$154	\$202

* Percentage of medical premium except as specified for Local College A, which is a percentage of salary.

Employee Contributions

Dental

Monthly Contribution	JCU	AJCU	All Colleges	Local College A	Local College B
Single					
%*	100%	32%	N/A	100%	0%
\$	\$13	\$8	\$14	\$18	\$0
Family					
%*	100%	53%	N/A	100%	32%
\$	\$32	\$36	\$41	\$66	\$20

* Percentage of dental premium.

Conclusions/Findings

- Medical costs at JCU are high, but this is not unexpected, given the university's demographics
 - Demographic factors will most likely result in higher than average cost increases (trends) in the future
 - Current vendors (MMO and Kaiser) are among the most cost effective in the region
- Medical plan design is richer than any of the comparative benchmarks (Jesuit, Nationally, or Locally)
 - Deductibles and Out of Pocket Maximums are lower
 - Copayments and Coinsurance is lower

Conclusions/Findings

- Employee contribution levels for medical are lower than the comparative benchmarks
 - Single coverage costs \$14 a month, while the range for most other colleges is \$30 - \$68 a month
 - Family coverage costs \$37 a month, while the range for most other colleges is \$154 - \$245 a month
- Dental plan design is not comparable to the other colleges, thus contributing to the general dissatisfaction with the current plan
 - Limited selection of network providers (DHMO)
 - Perceived poor quality of network providers
 - Long appointment waiting times
 - No out of network benefits

Conclusions/Findings

- Employee contribution levels for dental coverage are in the mid-range when compared to other colleges. 41% of dental programs are voluntary (employee “pay all”) for colleges and universities. Mid-range contributions with unsatisfactory benefit levels are contributing to the general dissatisfaction with the current plan.
- Other benefit plans (vision, life, disability) are generally comparable when compared to other colleges, with the following exceptions:
 - Most other colleges offer a basic, company paid life insurance benefit to employees at no cost
 - Most other colleges offer more flexibility (a broader range of options) for life insurance coverage
 - The maximum monthly disability benefit is lower than average

Proposed Changes

Medical

- Improvements to the current PPO medical plan:
 - Better preventive coverage (PSA tests, blood work, colonoscopies, EKG's)
 - Coverage for Physical/Occupational Therapy at 40 visits/year.
 - Outpatient Mental Health visits increased to 25 visits/year
- Addition of a second Medical Mutual PPO medical plan (i.e. a lower cost plan)
- Converting the prescription drug benefit to a “card” plan
 - Only 20% copayment is due at the time the script is filled, not the full 100% cost
 - Kaiser employees will be covered, but Office Visit will be \$10
- Solicit competitive proposals for prescription coverage, including coalition purchasing through HAC/Caremark

Proposed Changes Medical

Plan Design Feature	Current MMO Plan “Plan A”	New MMO Plan “Plan B”
In Network Deductible	\$0/\$0	\$150/\$300
Non Network Deductible	\$100/\$200	\$300/\$600
In Network OOP Max. (Excluding Deductible)	\$400/\$800	\$500/\$1,000
Non Network OOP Max. (Excluding Deductible)	\$400/\$800	\$1,000/\$2,000
Coinsurance	100% in network/ 80% non-network	90% in network/ 70% non-network
Office Visit Copayment (including OP MH/SA)	\$10/\$20	\$15/\$25
<u>Non-Emergency</u> Use of Emergency Room	\$50	\$50 + 90%

Proposed Changes Employee Contributions

- Medical Contributions:
 - Will be based on a percent of medical premium
 - MMO PPO “Plan A”
 - 15%
 - Kaiser HMO Plan
 - 15%
 - MMO PPO “Plan B”
 - 5%

Proposed Changes Dental

- Solicit competitive proposals for dental coverage
- In addition to the current DHMO plan, a second dental plan will be offered
- The new alternative plan design will be a PPO, with the following level of benefits:
 - \$50/\$150 deductible (not applicable to Preventive services)
 - \$1,000 annual maximum
 - 100%/80%/50% in network; 90%/70%/40% non network
- Much broader provider network

Proposed Changes Other Plans

- Solicit competitive proposals for all other lines of coverage (vision, life, AD&D, and disability)
- Increased preferred provider access and richer benefits will be a primary focus for the vision plan
- Proposed plan design for Life/AD&D insurance will be:
 - Same as current, but employees may purchase 1-3 x salary, with a maximum of \$500k, GIA = lesser of 2 x salary or \$250k
- Increase the monthly maximum benefit for LTD coverage to \$7,500

Financial Impact of Proposed Changes

Medical

	2003	2004*
Current Plans (<u>no changes</u>):		
MMO – Single	\$15	\$17
MMO – Family	\$40	\$46
Kaiser - Single	\$41	\$47
Kaiser - Family	\$123	\$142

		2004*
New Plans (<u>with changes</u>):		
MMO Plan B – Single		\$16
MMO Plan B - Family		\$42
Kaiser Plan - Single		\$47
Kaiser Plan - Family		\$140
MMO Plan A – Single		\$53
MMO Plan A - Family		\$141

*2004 rates are estimates, assuming an increase of 15%.

Financial Impact of Proposed Changes Dental

	2003	2004*
Current Plan (<u>no changes</u>):		
Single	\$12.55	\$13.50
2 Party	\$20.71	\$22.35
Family	\$32.09	\$34.65

		2004*
New Plans (<u>with changes</u>):		
DHMO – Single		\$13.20
DHMO – 2 Party		\$20.78
DHMO – Family		\$33.38
PPO – Single		\$26.74
PPO – 2 Party		\$49.82
PPO - Family		\$74.57

*2004 rates are based on a bid provided by Cigna Dental.

Financial Impact of Proposed Changes Vision

	2003	2004*
Current Plan (<u>no changes</u>):		
Single	\$6.75	\$7.15
2 Party	\$12.65	\$13.40
Family	\$18.00	\$19.10

		2004*
New Plans (<u>with changes</u>):		
Single		\$8.96
2 Party		\$12.98
Family		\$23.28

*2004 rates are based on a bid provided by Vision Service Plan.

Financial Impact of Proposed Changes Life/AD&D/Disability

- Employee life/AD&D rates may increase by as much as 8% by adding the “portability” feature

Summary

- FY 03/04 budget includes an increase of \$1.4 million for salaries and benefits (3.2% increase). However, employee benefit cost increases are expected to consume approximately \$593,000 (14.4% increase).
- While these proposed changes will result in higher monthly contributions for employees, the benefits of this program include:
 - Better preventive benefits, coverage for Occupational Therapy, and higher visit limits for PT/OT and Mental Health
 - Prescription Drug “card” plan, with coverage for Kaiser participants
 - Another medical plan option with lower (5%) contributions
 - A better dental plan (richer benefits, more preferred providers)
 - A better vision plan (richer benefits, more preferred providers)
 - More life/AD&D insurance options/flexibility
 - Higher LTD monthly maximum benefit



?
? **Q & A** **?**
? **?** **?**