

Notes from Faculty Council and Staff Council Executive Meeting about Health Care Costs October 25, 2011

Guest: Neil Theobald, Senior Vice President and Chief Financial Officer, Indiana University

Theobald used a PowerPoint to address concerns expressed via e-mail through Faculty Council and Staff Council representatives. He acknowledged there has been a communication problem at the university in getting information out about important issues.

Theobald has been in his position for five years and worked as IUB's CFO for five years. In the past, the decision was made by the university to keep employee contributions to health care artificially low. However, over the last decade, the employee contributions have covered less and less of the actual health care costs. In 2010, the employee contributions covered 4% of the costs. The university is self-insured.

Theobald reviewed how the state is putting pressure on the university to keep tuition low. If the university keeps tuition low, then employees will have to pay more in health care costs. Another thing driving up employee health care premiums is the salary increases. In 2010, the IU administration recommended slowing the growth of the health care budget in order to give raises in 2010 and 2011.

Theobald met with leaders from administration, faculty and staff governance, and other leaders on the campuses. The option was either to scale back the coverage of the insurance plans or to raise premiums. Theobald said he received unanimous feedback to raise premiums. Theobald showed the cost of premiums compared to our peer institutions. In the past, the premiums for IU employees has been significantly lower.

In April, Theobald met with the IU trustees. They were concerned that some employees would not be able to afford the new premiums, so Theobald came up with the income sensitive plan for premiums. He reviewed the percentage of premiums that different income levels will pay. He also reviewed the university's health care budget. The university will pay an average of \$10,529 per employee for health care costs. Future premiums will be based on how much the university budgets for health care and the actual amount the university pays out to providers in 2012. They will change things in the future that do not work well in 2012. The focus on health engagement will continue.

The university hopes to quickly expand access to high-quality and lower-cost clinics. The pilot program will take place in Bloomington. The clinics will be for routine medical situations and will be same-day appointments. If the program works at Bloomington, IUPUI will be next for the program.

The biometrics will continue in 2012, but will not be tied to the premiums. The goal is for people to be aware of their health so they can do something about it. The biometric screenings will be staged so all employees aren't doing it at once.

Question and Answer Session

In response to a question about the \$400 deductible in the Blue Access plan, Theobald said he didn't know anything about the deductibles or co-pays. He said the goal was to keep the plans the same and allow the premiums to go up.

When asked about why the university's health care costs are higher than the national average, Theobald never really answered the question. He claimed that the average salary increase matches the average increase in health care costs.

Questions were asked about why the increased deductibles and co-pays were not figured into the total increased health care costs (in Theobald's PP slides) and why employees are being driven into the high deductible plan. Theobald never really answered these questions. He did say that the university is involved in a project with Eli Lilly and Cummins to start a website that lists costs of medical procedures in the state. They believe it is important for people to have this information. This should be available in the next few months.

One person noted that when Theobald compared health care costs to our peer institutions that salaries were not included. She said our salaries are not competitive with the labor market. Theobald acknowledged that they need to look at salaries and compensation. They need to be benchmarked with the labor market.

When a question was asked about IU Health and the School of Medicine receiving income by virtue of university employees using those providers, Theobald said there was no quid pro quo when the name was changed from Clarian to IU Health. The university does not own IU Health.

One person expressed concern that employees were not informed about these changes until a few weeks before open enrollment. Theobald said all of this information was discussed at a trustee's meeting in April. It was a public meeting and anyone could have attended if they wanted to know more information.

When asked if the university will drop the IU plan (using only IU Healthcare), Theobald said the plan will not be dropped unless employees quit enrolling in that plan. It all depends on the employees.

A question was asked about why the clinic pilot is being tried in Bloomington first. Indianapolis has all the medical facilities. Theobald said they wanted to do it in Bloomington because it is a smaller area and there are fewer doctors and hospitals to negotiate with.

One person said he did research and discovered that he could go to Anthem as an individual and get health care coverage cheaper. Why is this? Theobald said this is because 7% of employees create 70% of the costs. The group plan is not cheaper because of the costs generated by that 7%.

A suggestion was made that employees pay for health care costs according to how much they use it. Theobald said they want people who are sick to go to the doctor. It is less expensive this way rather than having employees wait and allow serious conditions to go untreated. Theobald believes the new clinic system will hold down costs.

When asked if the university will consider subsidizing health care costs for single parents with children, Theobald said they would consider it.

Theobald was asked if the university has done an analysis to see if the self-insured model is the most efficient. Theobald said an analysis was done some time ago, but not recently. He has no objections to doing another analysis.

A question was asked about the income tiers and premiums. Theobald said they want employees to be aware and to appreciate the cost of health care. They may make wiser choices if they are aware of the costs.

When asked if an analysis was done to compare the raises for administrators to the raises for faculty and staff, Theobald said he does not track this. It is all public information anyway.

There was discussion about the reduced tuition costs for summer. Theobald said that this was a presidential decision, so each campus is guaranteed that they will not lose money. The costs for staff will remain the same because they are paid for 12 months. The costs for air conditioning, electricity, and building use will not change either.

A question was raised about employees being informed health care consumers. We do not choose to get sick. It is difficult to know how much money to put on the TSB card or to save for future health care costs. It would be helpful to know how much procedures cost. Theobald said they are working on making this public information.

A suggestion was made about package benefits. Some single people choose not to get married or have children, yet they subsidize health care costs for families. The university should look into giving benefit packages. If an employee does not use all of the health care benefits that the university provides, they should have a choice to receive benefits in another way.

Another question was raised about staff salaries not keeping pace with health care costs. Employees cannot advance now. They cannot even accept more responsibilities to earn more money. Even if we transfer to another position, we cannot get a pay raise. Does the university not want to keep loyal staff? Theobald said this issue needs to be looked into. They need to relook at the job classification system. Staff salaries are a resource issue.

When asked if the university plans to educate employees to be savvy health care consumers, Theobald said he hopes the new clinics will help with this. It will also be a place for people with complicated health issues to coordinate their care.

Someone said that it was late in the year to be giving employees information about increased costs for health care. Negotiations about health care costs had to take place some time ago. Theobald said he didn't do the negotiations; Dan Rives did this.

A point was made about the university being self-insured. An individual can go to Anthem and get comparable coverage for the same price or less than what the university is paying. Anthem is

clearly making a profit. Is the university? Theobald indicated the university is not making a profit.

A suggestion was made that the university needs an oversight board with outside consultants to make insurance decisions and to protect employees' interests. Many corporations do this. Since employees received this information three weeks before open enrollment, the university should roll back the new insurance plans to last year's. This would allow the university to spend more time studying this issue more closely.

Theobald said he understands everyone's frustrations. He believes assumptions have been made that are incorrect. He will consider making changes, but he believes the university has taken a reasonable approach.

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