

**INDIANA UNIVERSITY
PURDUE UNIVERSITY
AT FORT WAYNE**

Senate Document SD 88-5
(Approved, 9/19/1988)

Office of the Vice Chancellor
for Academic Affairs
(219) 481-6805

TO: Fort Wayne Senate

FROM: PU Committee on Institutional Affairs
David A. McCants, Chair

DATE: September 7, 1988

SUBJECT: Medical Insurance Program: Recommendation for 1989

DISPOSITION: Upon approval, to the Presiding Officer for transmittal to President Steven C. Beering

WHEREAS, The recommendations of the Task Force on the Medical Security Plan appear to be a reasonable short-term response to the problem of the deficit incurred by the current medical insurance program in 1987 and 1988 and its projected increase in 1989,

THEREFORE BE IT RESOLVED THAT, the recommendations for changes in the medical insurance program for 1989 be approved as presented. (see enclosure).

WHEREAS, All University Employees need to make informed choices among the options offered by the medical insurance program, and knowledge of the precise value of these options is necessary to making such a choice,

THEREFORE BE IT FURTHER RESOLVED THAT, the University should provide information concerning the "usual and customary charges," for various procedures, established by the different carriers of medical insurance corresponding to options offered to University employees, and that such information should be provided to University employees with the 1989 enrollment literature.

The Task Force on the Medical Security Plan has examined the plan currently in effect and is recommending changes in the Plan for 1989. The Task Force intends to make additional recommendations later for more fundamental changes in the Medical Security Plan for 1990 and beyond.

In considering changes to the current Medical Security Plan for 1989, the Task Force had several objectives in mind. First, the Task Force dealt only with 1989 and not with changes that could be considered permanent. Second, the ideas and concepts that were discussed incorporated only changes which were thought to be manageable in the current environment and which preserved as much as possible of the present medical plan structure. Third, it was important to us to develop recommendations that were financially responsible, especially in light of the current escalation of health care costs at rates exceeding 20% annually. For example, Purdue Medical Security Plan deficits in 1986 and 1987 were \$2.7 million and \$3.2 million, respectively, and are anticipated to be \$3.5 million in 1988. As a result, the Group Insurance Reserve has gone from \$7.0 million in 1986 to an estimated balance of \$1.5 million at the end of 1988. Based on the claims to date, the MSP 150 is experiencing significant financial problems and the pricing structure should reflect this fact. However, it is vital that the University-based program continue to include feasible alternatives to HMOs. It is essential that the program reach financial stability and minimize increases in employee contributions.

1. Following are the recommended changes for 1989:

- . Increase the deductible on the MSP 150 from \$150 to \$200, making it the MSP 200.
- . Increase the deductible on the Core+PPO from \$175 to \$200. The plan name would become Core+PPO 200.
- . Eliminate the MSP Core and MSP 2000 plans. The Core+PPO 200 would become the "core medical program".
- . Offer the MSP 600 with Preferred Care of Indiana (PPO). This plan would be named PPO 600.

Rationale for MSP changes:

- a. Increases in the deductibles are necessary to help offset rate increases.
- b. Eliminating the MSP Core and MSP 2000 simplifies the program. With the MSP 150 becoming the MSP 200, the "old" MSP Core is no longer needed because the benefit differential between that plan and the MSP 200 would be small. The MSP 2000 has few participants and seems not to be a practical plan offering.
- c. The Core+PPO 200 and PPO 600 would both have claims administered by Blue Cross-Blue Shield. The MSP 200, the alternative to BC/BS and HMOs, would continue to have claim service through the Purdue Staff Benefits Office. Continuation and expansion of the preferred provider concept should be an important element in stabilizing the financial soundness of the program. It provides for both cost management and case management.

2. Contributions for 1989:

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University

- . An increase in the University contribution of 50% will be needed.

Employee

- . Increase contributions for the MSP 200 by 35%.
- . Increase contributions for the Core+PPO 200 and PPO 600 by 10%;
- . Increase contributions for Arnett HMO and Key Health Plan by 10%;
- . Increase contributions for Maxicare by 50+%.
- . Increase medical credit payments by 20%.

Rationale for rate changes:

- Limiting employee contribution increases as recommended would require an increased contribution by the University of 50%.
- The MSP 200 is the most generous plan with the least amount of cost management. A substantial increase in contributions is required for this option to be continued.
- One of the goals of the Task Force was to continue to offer options which would minimize employee contribution increases. We feel that a 10% increase for the PPO plans and the Arnett HMO and Key Health Plan meets this goal.
- The very large increase in employee contributions for Maxicare entirely reflects the increase charged by that HMO.
- Medical credit increases for those who elect no coverage or choose the PPO 600 option correspond to the projected annual increase in health care costs, nationally.

The attached price sheet reports the employee and University contributions as of 1 January 1989 reflecting these recommendations. A Medical Security Plan comparison between 1988 and 1989 (proposed) is also provided.

Twenty of the Task Force members listed below were present at its August 17, 1988 meeting and unanimously passed the Recommendation.

Task Force Membership:

Patricia A. Babcock
 Walter S. Beltz, Co-Chairman
 Charles S. Elliott
 Richard E. Gelzleichter
 Sue Hume Graham
 James M. Grubb
 Myron Q. Hale
 Bernard H. Holicky
 Steven H. Jonker
 Patricia L. Kretzmann
 Michael E. Lipschutz, Co-Chairman
 Bernard J. Liska

Phyllis J. Mace
 David A. McCants
 Marilyn S. McFatriidge
 Dana L. Millies
 Donald R. Ottinger
 Anthony A. Puller
 Rebecca A. Reece
 Thomas F. Ryan
 Marvin R. Schlatter
 Paul A. Strouts
 H. Leon Thacker
 Jay W. Wiley

Task Force Recommendation - Health Plans
Effective 01/01/89

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Factors:

- (1) MSP 150 becomes MSP 200 with Employee rates +35%
- (2) Eliminate MSP Core & MSP 2,000
- (3) Core + PPO deductible goes from \$175 to \$200 Employee rates +10%
- (4) MSP 600 becomes PPO, credit increases +20%, Employee rates +10%
- (5) Key & Arnett Employee rates +10%
- (6) Maxicare employee rates vary from +51% to +110%
- (7) Medical credits to employees increase +20%
- (8) University contribution increases +50%

<u>Employee Contributions</u>	1988 Biweekly (26)	1989 Biweekly (26)	1988 Monthly (12)	1989 Monthly (12)
<u>Purdue Plans</u>				
MSP 200				
Employee only	\$ 4.85	\$ 6.54	\$ 10.50	\$ 14.17
Employee & children	18.00	24.31	39.00	52.67
Employee & spouse	28.50	38.46	61.75	83.33
Employee & family	44.23	59.73	95.83	129.42
Core + PPO 200				
Employee only	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Employee & children	12.50	13.77	27.08	29.83
Employee & spouse	20.61	22.69	44.67	49.17
Employee & family	33.12	36.42	71.75	78.92
PPO 600				
Employee only	\$(3.85)	\$(4.62)	\$ (8.33)	\$(10.00)
Employee & children	2.73	3.00	5.92	6.50
Employee & spouse	9.00	9.88	19.50	21.42
Employee & family	18.62	20.46	40.33	44.33
<u>Other Plans</u>				
Arnett HMO - West Lafayette				
Employee only	\$ 1.23	\$ 1.35	\$ 2.67	\$ 2.92
Employee & children	14.65	16.12	31.75	34.92
Employee & spouse	23.30	25.65	50.50	55.58
Employee & family	36.69	40.35	79.50	87.42
Key Health Plan - West Lafayette				
Employee only	\$ 2.73	\$ 3.00	\$ 5.92	\$ 6.50
Employee & children	21.30	23.42	46.16	50.75
Employee & spouse	32.50	35.77	70.42	77.50
Employee & family	40.81	44.88	88.42	97.25
Maxicare - Calumet, FW and NC				
Employee only	\$ 3.77	\$ 7.92	\$ 8.17	\$ 17.17
Employee & children	24.11	36.46	52.25	79.00
Employee & spouse	19.23	35.62	41.67	77.17
Employee & family	46.15	74.27	100.00	160.92
No Coverage through Purdue	(\$15.38)	(\$18.46)	(\$33.33)	(\$40.00)
<u>University Contribution</u>				
	1988 Biweekly (26)	1989 Biweekly (26)	1988 Monthly (12)	1989 Monthly (12)
Employee only	\$33.81	\$ 50.73	\$ 73.25	\$109.92
Employee & children	46.27	69.42	100.25	150.42
Employee & spouse	54.42	81.65	117.92	176.92
Employee & family	66.92	100.38	145.00	217.50

**Medical Security Plan Comparison
1988 vs. Proposed 1989**

<u>Year</u>	<u>Plan</u>	<u>Individual Deductible</u>	<u>Family Deductible</u>	<u>Co-insurance</u>	<u>Stop Loss</u>	<u>Claims Admin.</u>
1988	<u>Purdue Plan</u>					
	MSP 150	\$ 150	\$ 300	90%-10%	\$6000	Staff Benefits
	MSP CORE	175	350	80%-20%	5000	Staff Benefits
	CORE+PPO	175	350	90%-10%*	5000	BC/BS
	MSP 600	600	1200	80%-20%	6000	Staff Benefits
	MSP 2000	2000	4000	80%-20%	6000	Staff Benefits
	<u>Other Plans</u>					
	Arnett HMO - WL					As contained in the pertinent plan
	Key Health Plan - WL			"	"	"
	Maxicare - Calumet, FW and NC			"	"	"

1989	<u>Purdue Plan</u>					
	MSP 200	\$ 200	\$ 400	90%-10%	\$6000	Staff Benefits
	CORE+PPO 200	200	400	90%-10%*	5000	BC/BS
	PPO 600	600	1200	90%-10%*	6000	BC/BS
	<u>Other Plans</u>					
	Arnett HMO - WL					As contained in the pertinent plan
	Key Health Plan - WL			"	"	"
	Maxicare - Calumet, FW and NC			"	"	"

*Using Preferred Care of Indiana providers, plan pays 90% - individual 10%; otherwise, plan pays 80% - individual 20%.