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New Mexico State University (NMSU) Stakeholder meetings presentation

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Denver, CO

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NMSU goals

NMSU's goals

- Control cost but ensure that changes have minimal impact to employees
- Provide a competitive, well-rounded benefit program
- Provide employees with choice
- Ensure that employees recognize the value of their benefit offerings
- Implement a 3-5 year benefits strategy
- Develop a forward-looking strategic benefit plan that includes the following:
 - Delivers value to employees and their families
 - Supports the NMSU culture
 - Considers cost-value measurements
 - Include assessment of the current benefit offerings for both active employees and retirees including:
 - Evaluation of plan design, claims data, financial impact and funding structure
 - Recommendations to the plan design and/or funding based on analysis of NMSU data, industry benchmarks, and performance data.

NMSU's goals

- Evaluation of benefit programs include, but are not limited to:
 - Medical/Rx
 - Dental
 - Vision
 - Life/supplemental life/AD&D
 - LTD
 - Pre-tax premium/FSA
 - EAP
 - Retiree benefits
 - Retirement
 - Deferred comp (403b and 457)
 - Tuition remission and dependent tuition discount
 - Sick leave
 - Sick leave bank
 - Annual leave
 - Employee health center
 - AggieFit discounts – athletics, golf, tennis



2009 marketplace trends

About the survey

- The employer groups used in this presentation are:

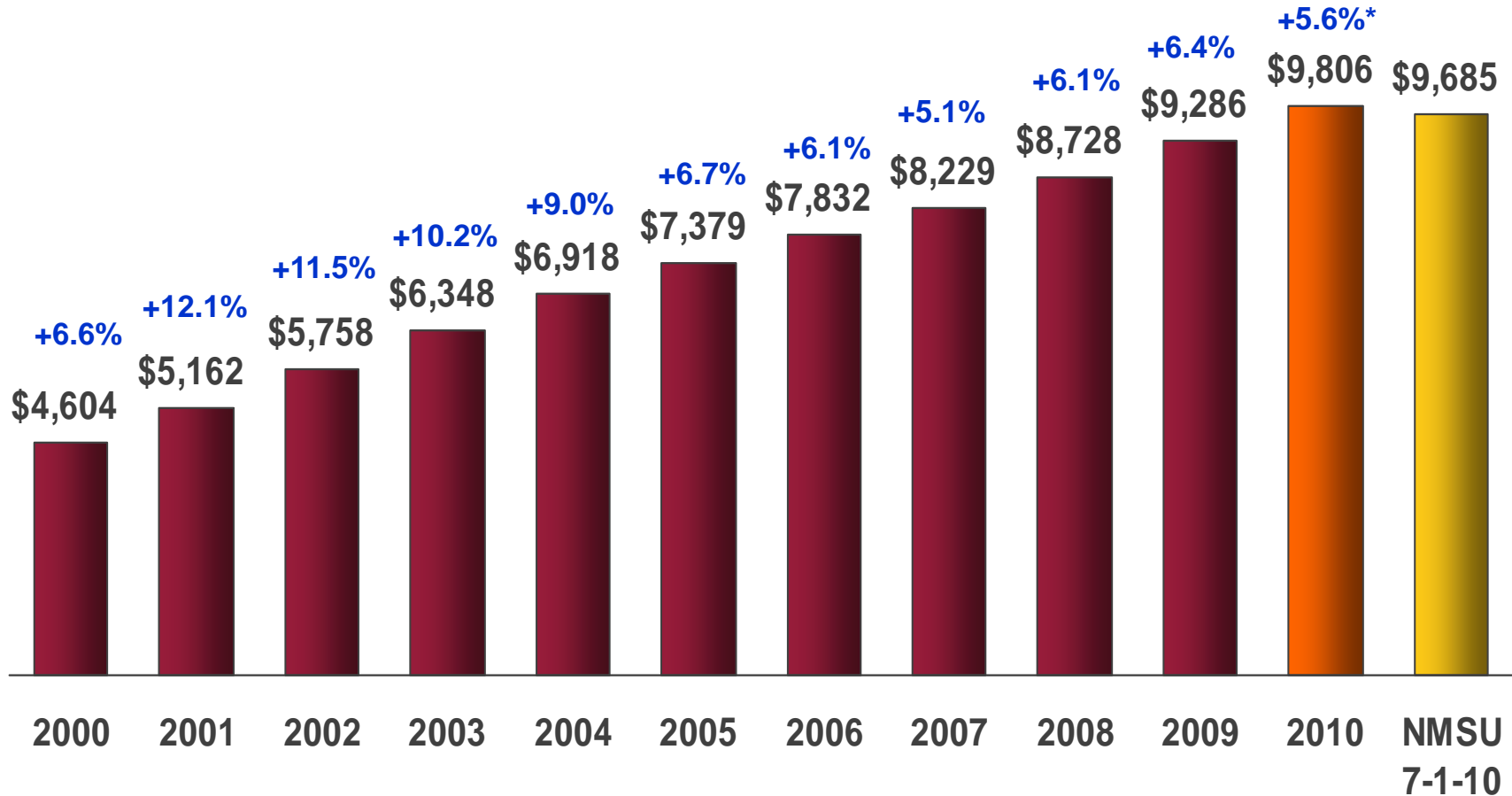
Employers	Number of participants
Colleges and Universities 500+	85
Nonprofit 500+	398
Southwest 500+	104
National 500+	1791

- The map below shows which states fall into each of the four major geographic regions:



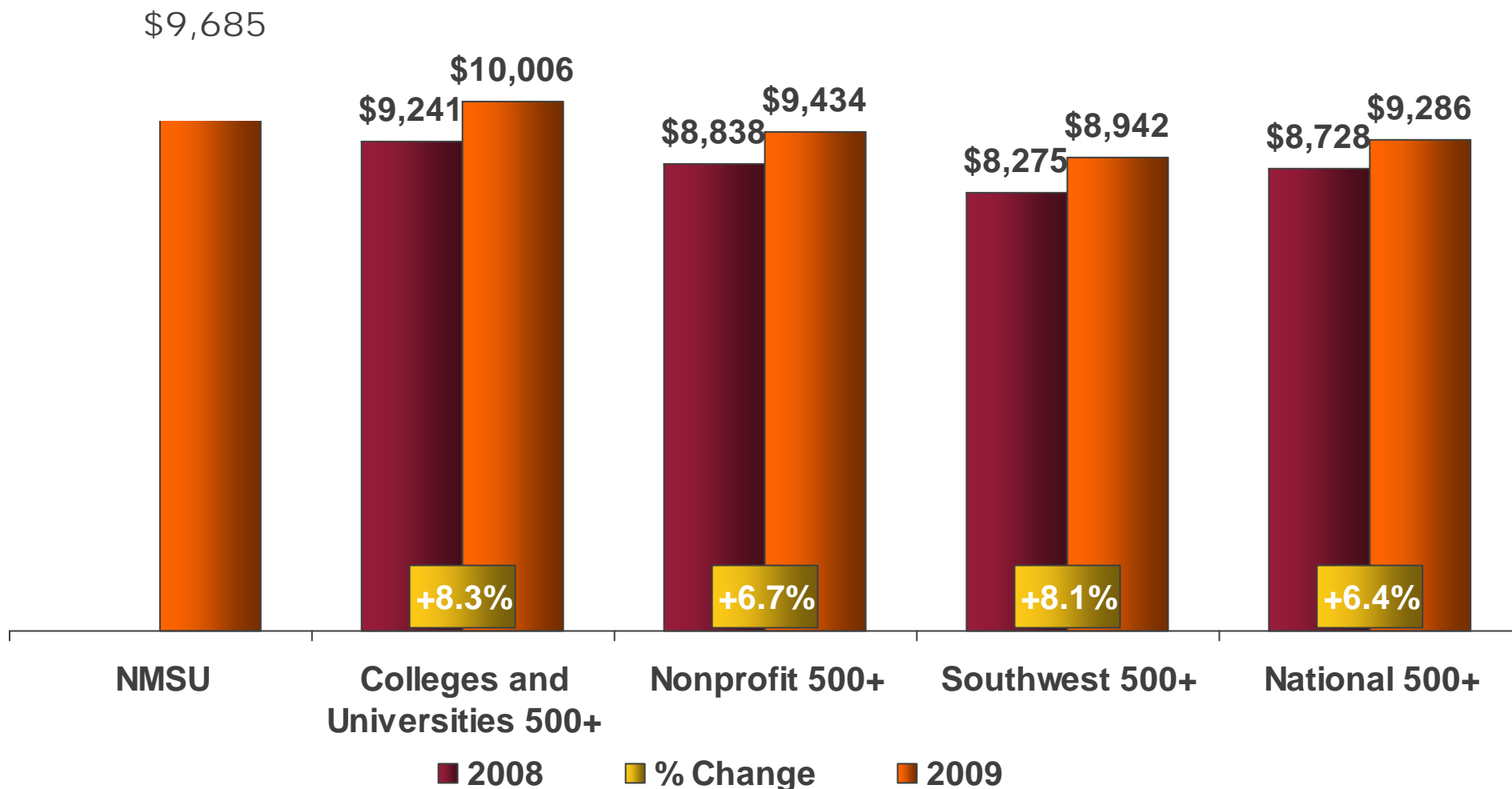
Total health benefit cost for active employees up 6.4% in 2009

Large employers



*Average increase projected for 2010 after changes; increase of 8.8% predicted before changes.

Average total health benefit cost* per employee



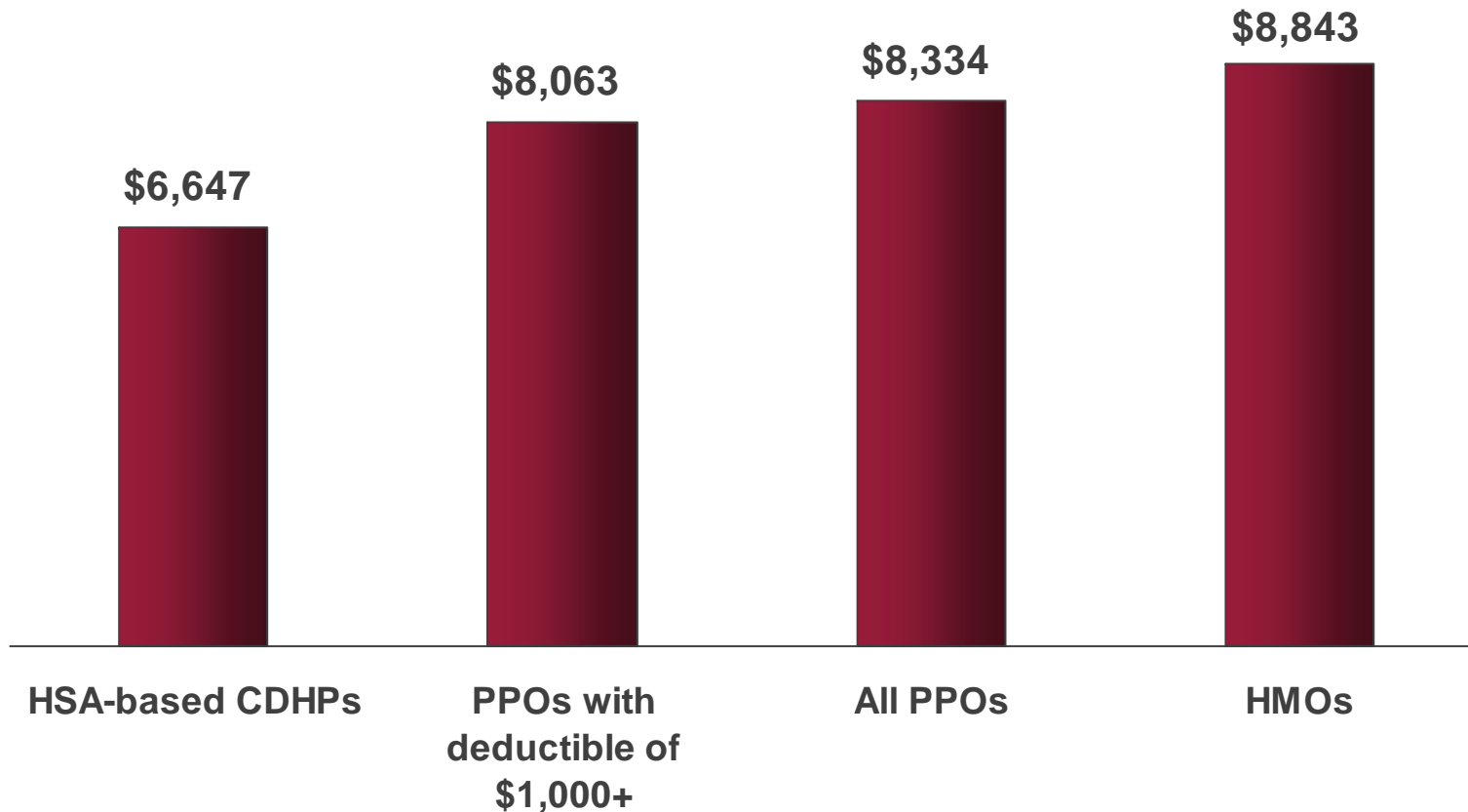
*Total health cost includes medical, dental, Rx and vision when employer paid.

Actions taken to reduce cost increases for 2010

	Colleges and Universities 500+	Nonprofit 500+	Southwest 500+	National 500+
Increased deductibles, copays, OOP max	37%	42%	37%	42%
Renegotiate vendor ASO fees	37%	36%	32%	40%
Add/renegotiate performance guarantees	24%	25%	26%	25%
Audit plans	51%	50%	41%	46%
Put medical plan out to bid	34%	37%	33%	42%
Put components of plan out to bid (such as pharmacy or behavioral health)	20%	21%	26%	24%
Eliminate high-cost or more generous medical plan(s)	6%	12%	11%	15%

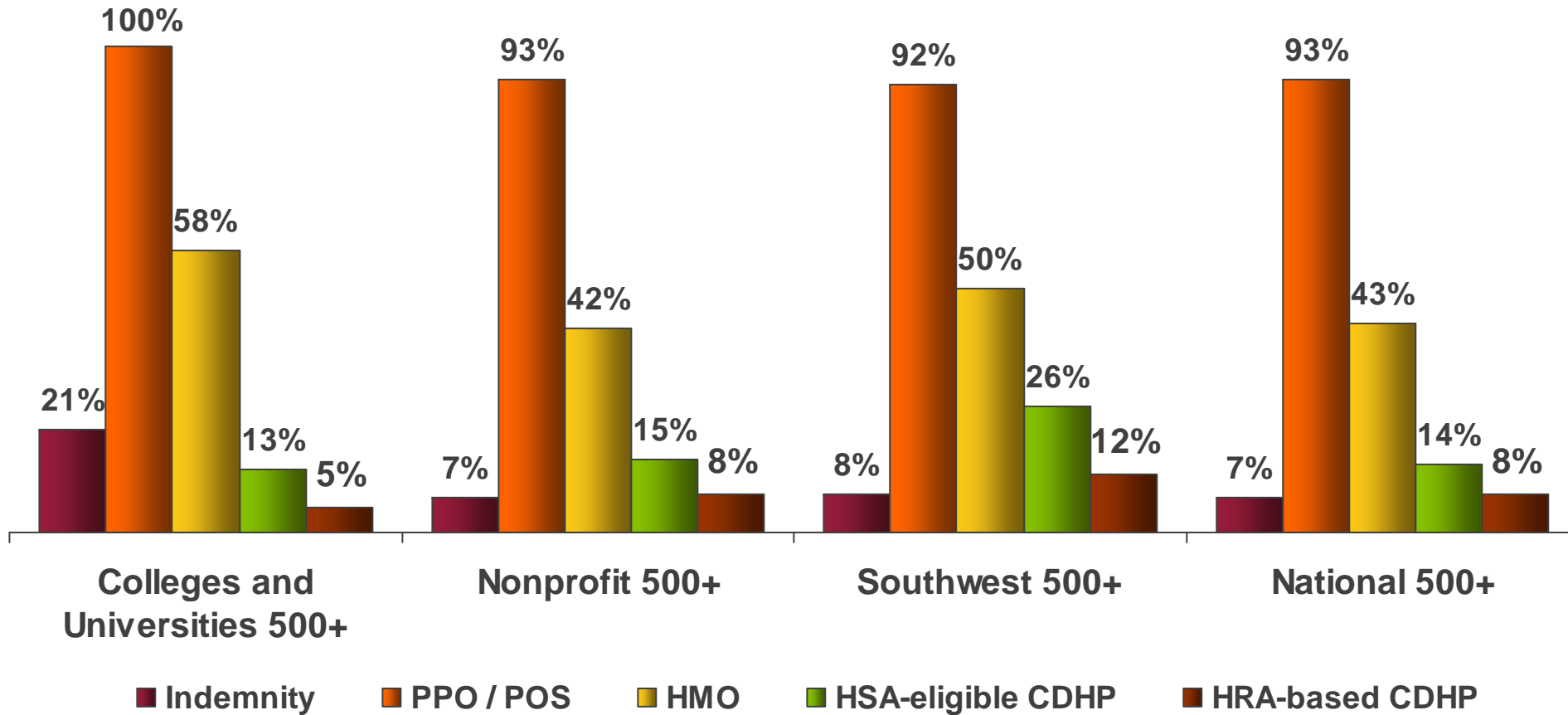
HSAs are significantly less costly than PPOs – even high-deductible PPOs – and HMOs

Average cost per employee among large employers



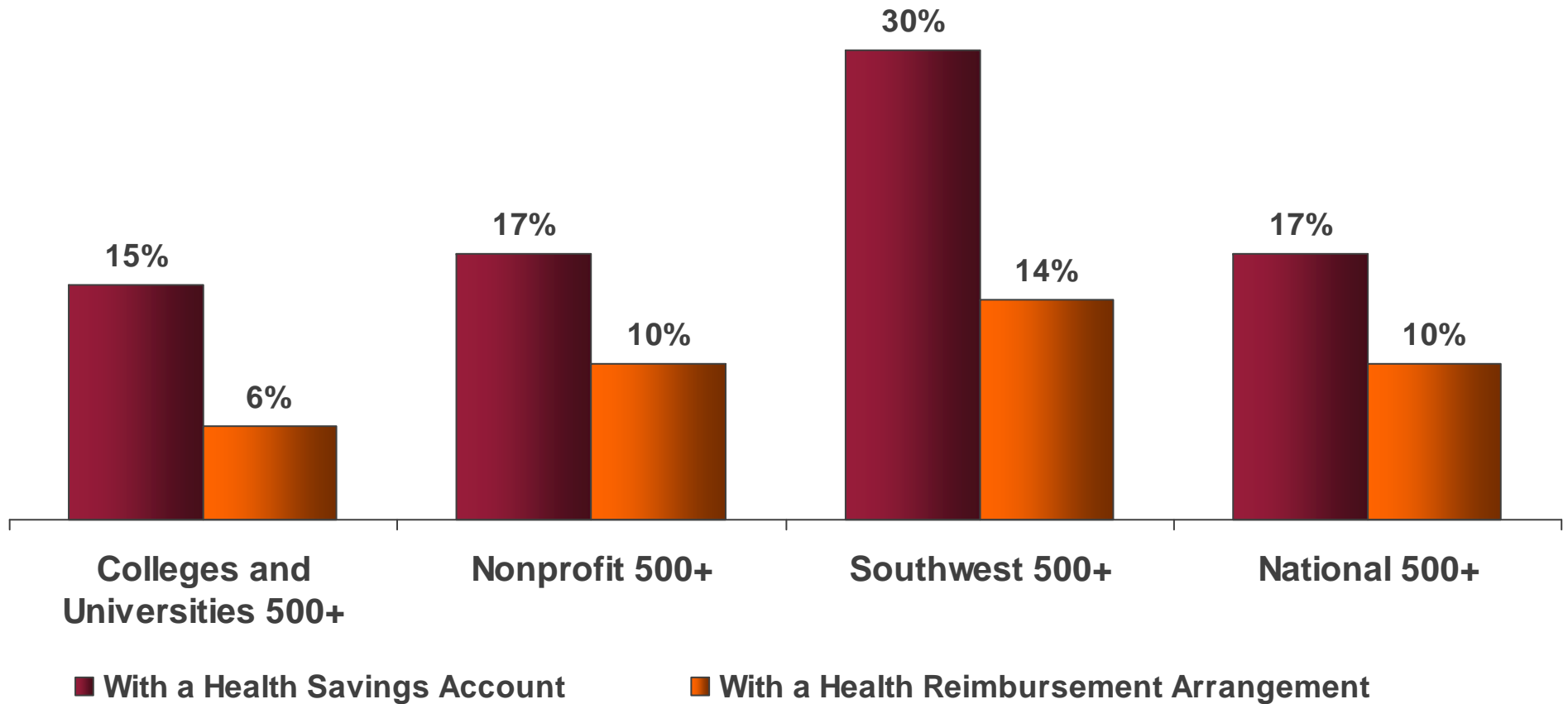
Type of medical plan offered

Percent of employers offering each type of medical plan



Very likely to offer account-based CDHP in 2010

Includes employers that offered a CDHP prior to 2010



PPO/POS funding method

Colleges and Universities 500+



Nonprofit 500+



Southwest 500+



National 500+



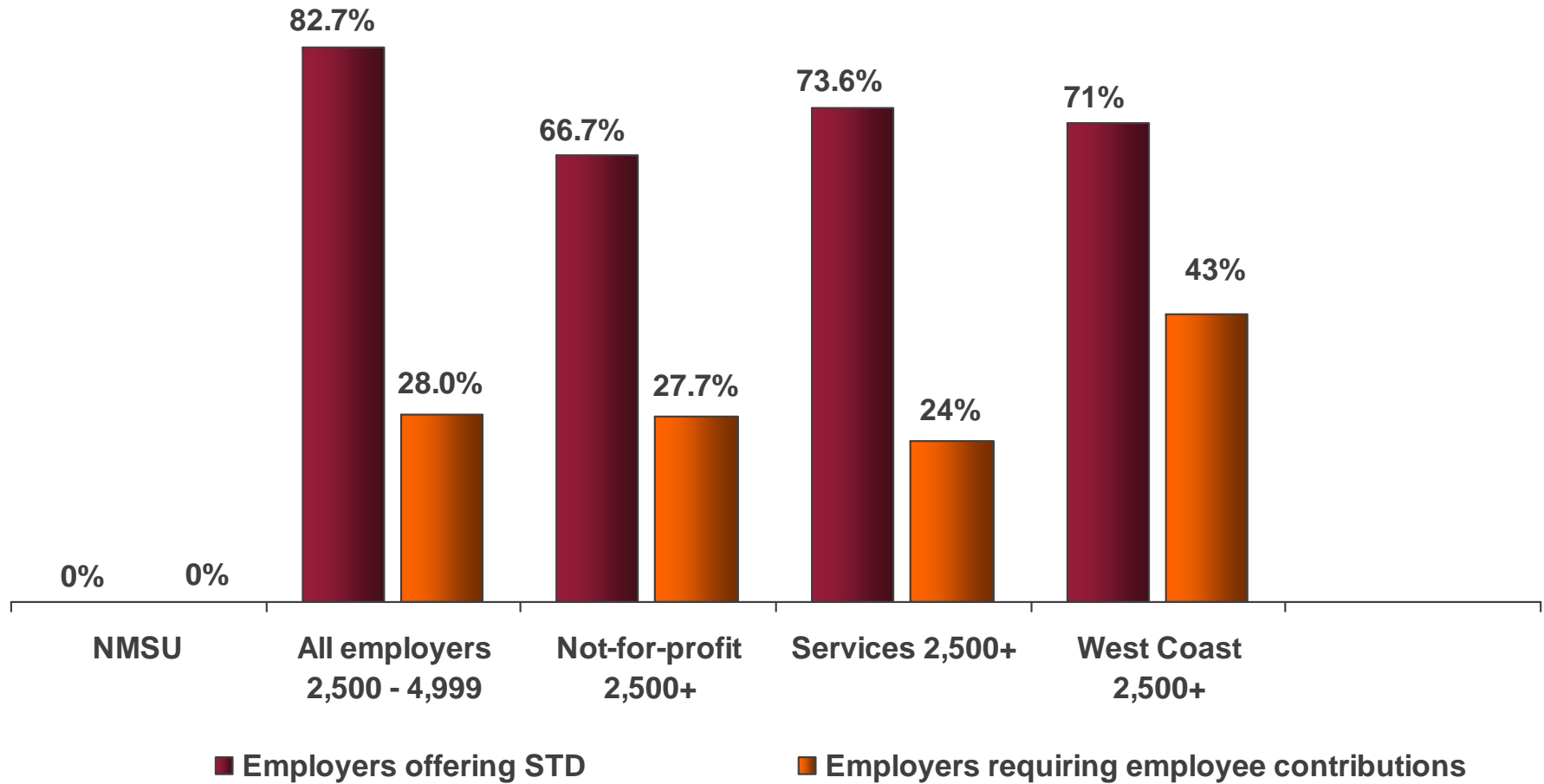
- Conventionally insured
- Experience-rated
- Self-funded with stop-loss
- Self-funded without stop-loss

Voluntary insurance benefits offered

	Colleges and Universities 500+	Nonprofit 500+	Southwest 500+	National 500+
Disability	87%	85%	81%	81%
Vision	71%	71%	81%	70%
Accident	49%	53%	56%	52%
Whole/Universal Life	34%	52%	46%	49%
Cancer/Critical Illness	16%	39%	33%	34%
Long-Term Care	66%	45%	38%	34%
Auto/Homeowners	24%	22%	23%	17%
Travel	27%	18%	15%	17%
Hospital Indemnity	1%	12%	14%	13%
Pet	10%	9%	9%	6%

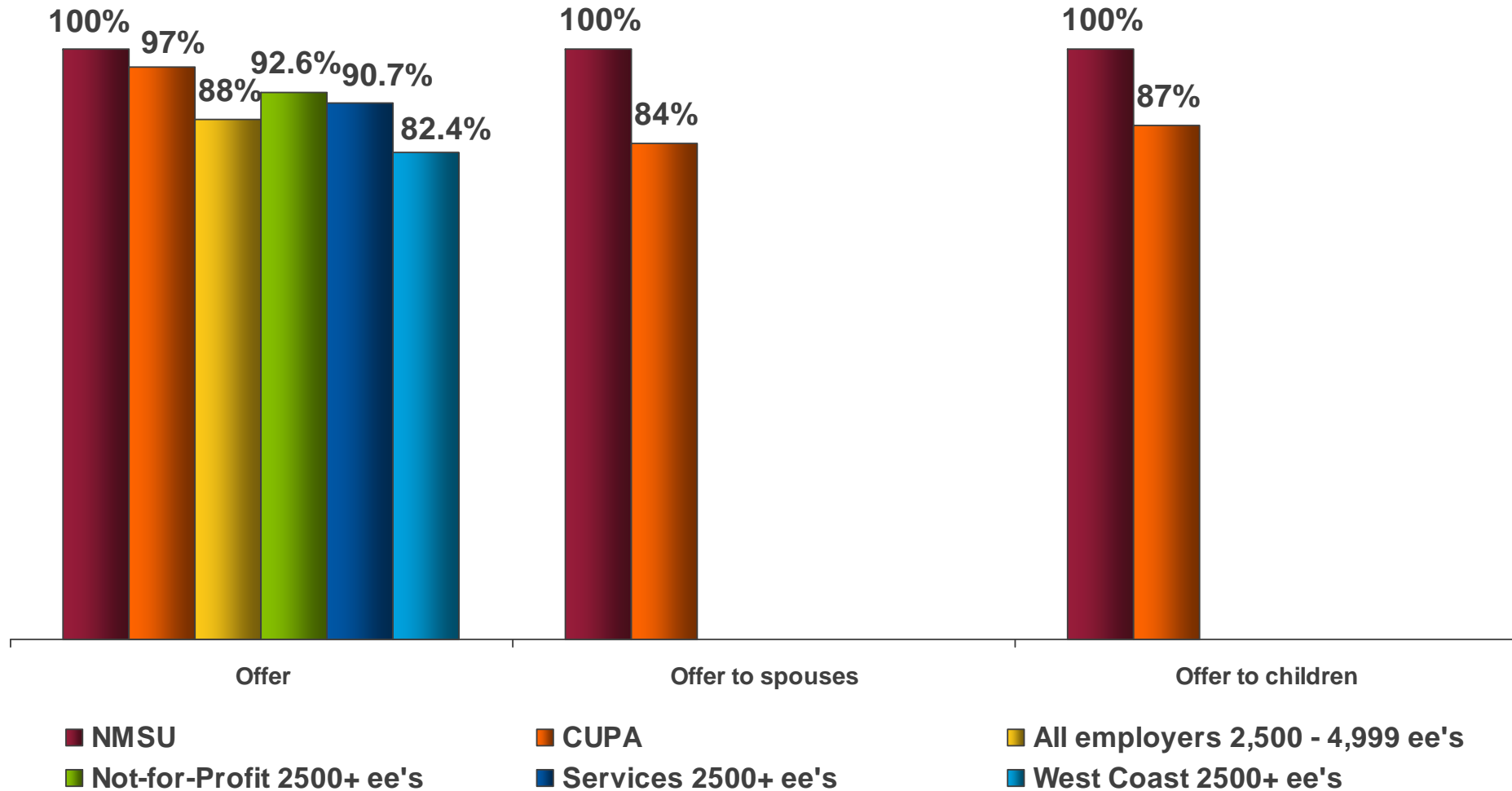
Prevalence of organizations offering STD coverage

Towers Watson 2010/2011 survey and CUPA HR 2008 survey



Tuition assistance

Towers Watson 2010/2011 survey and CUPA HR 2008 survey





Overview of NMSU benchmark findings

Overview of NMSU benchmark findings

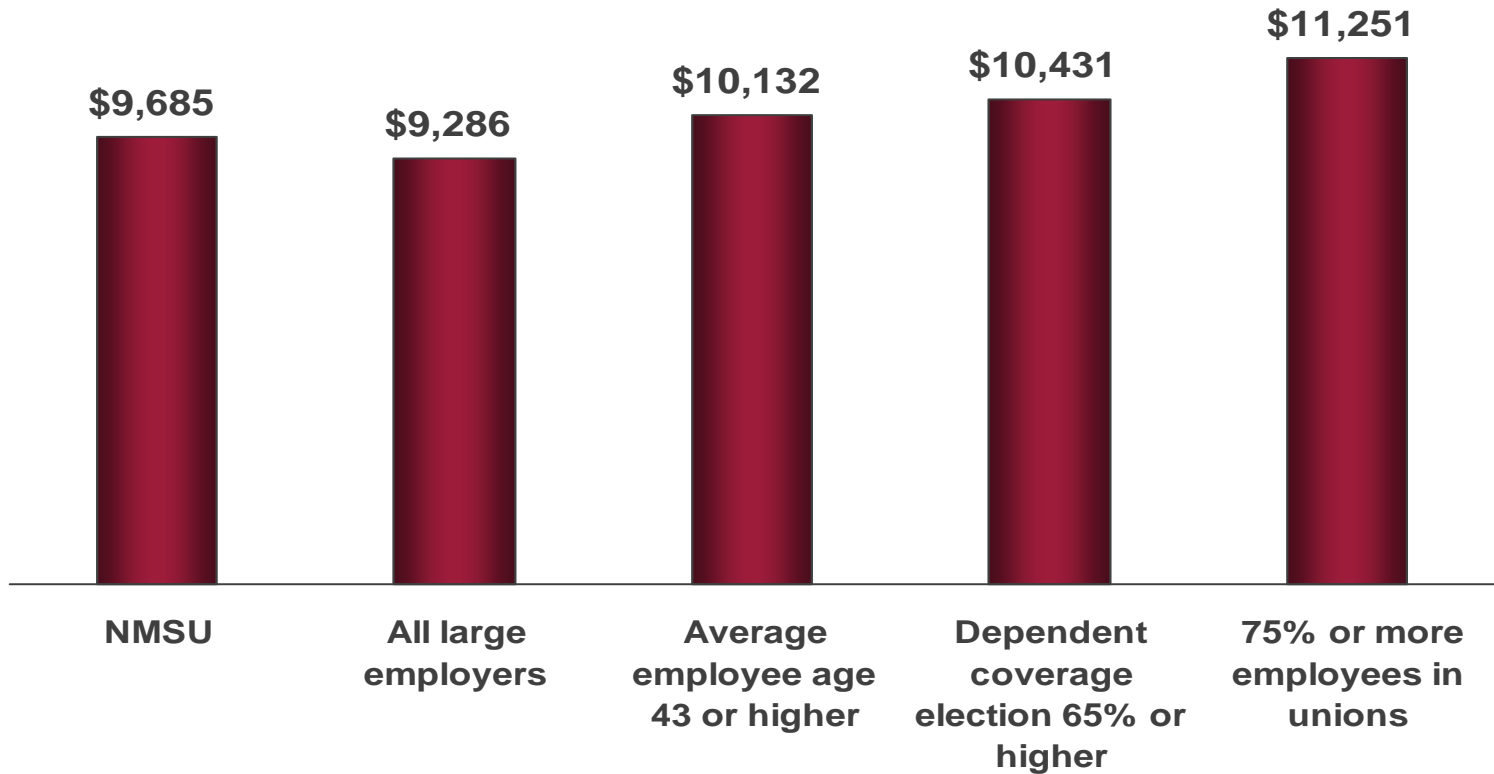
- Mercer 2009 Health and Benefits Survey Data Benchmarks
 - Colleges and Universities 500+
 - Non-profit 500+ (includes Universities)
 - Southwest 500+
- General
 - NMSU percentage of employees waiving coverage (21%) is higher than the benchmarks
 - Medical employee contributions
 - PPO and HMO – two higher salary tiers are higher than benchmarks in dollar and percentage for single and family coverage
 - Aggregate employer contribution percentage (total and for each plan) – 65%
- Potential for plan cost impact
 - NMSU's average age is higher than the benchmarks
 - NMSU's percentage of employees electing dependent coverage is higher than the benchmarks
 - Total plan cost (medical, dental for NMSU – benchmarks include vision)
 - NMSU's plan cost is higher than the Southwest and Non-profit benchmark

Overview of NMSU benchmark findings

- Medical plan cost
 - Most employees enrolled in the BCBS PPO plan (second highest enrollment in Presbyterian HMO plan)
 - BCBS PPO plan is costing the most per employee per year (PEPY) and is higher than the benchmarks
 - Presbyterian HMO plan cost is inline with the Colleges and Non-profit benchmarks but higher than Southwest
- Medical plan design
 - PPO plans – in line with benchmark data except that the inpatient admission copay is higher
 - HMO plans – have less rich benefits than the benchmark data
- Dental plans/contributions
 - Cost is higher than Colleges & Universities 500+ and Non-profit 500+ benchmarks
 - Cost is under the Southwest 500+ benchmark
 - Annual maximum is higher than benchmarks
 - Employee contributions – less than benchmarks by dollar and percentage
 - Employer contribution percentage – 60%

Overview of NMSU benchmark findings – 2009 plan year

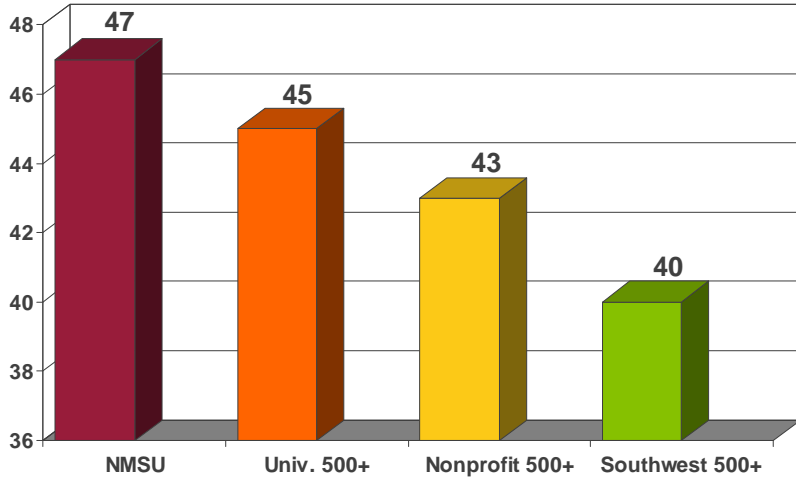
Factors that affect average cost per employee (employer/employee demographics) – large employers



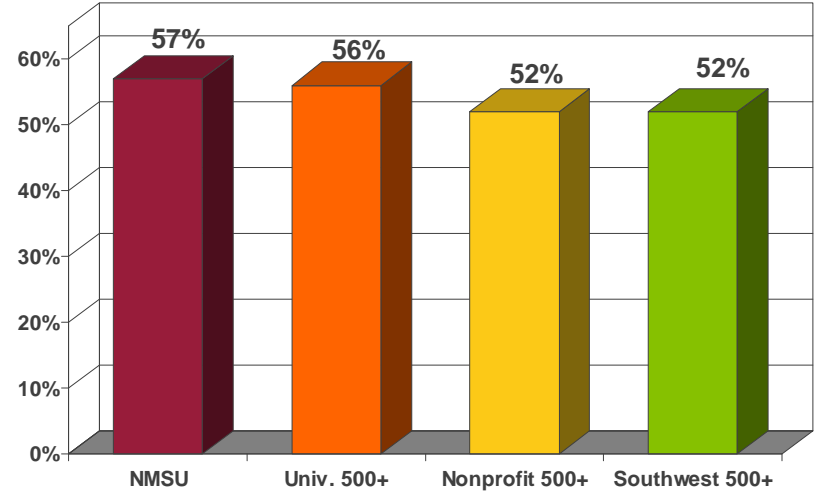
NMSU		
Average Age	Electing Dependant Coverage	Unions
47	57%	Yes

Overview of NMSU benchmark findings – 2009 plan year

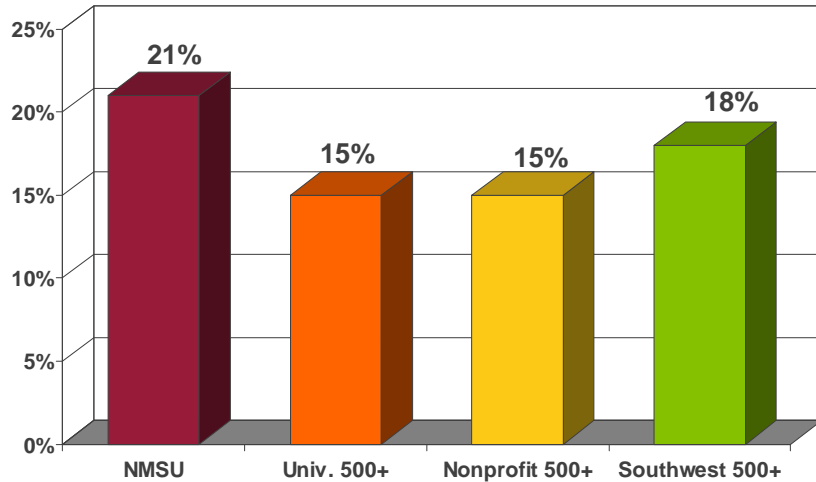
Average ee age



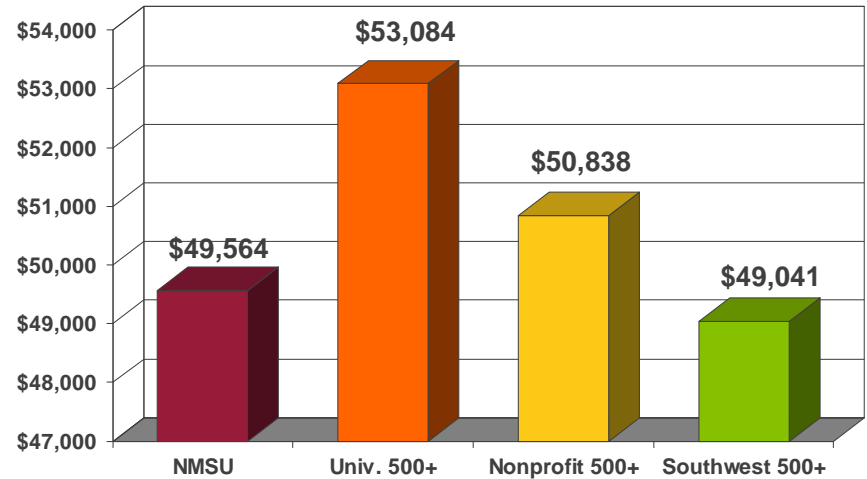
% ee's electing dependent coverage



percentage of employees waiving coverage

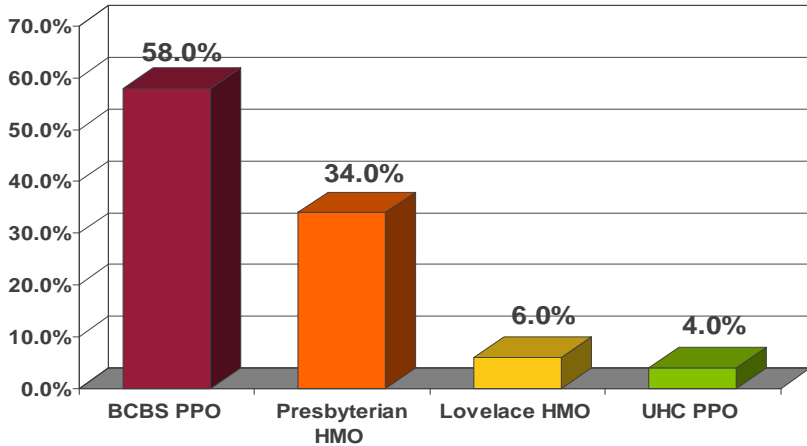


average salary

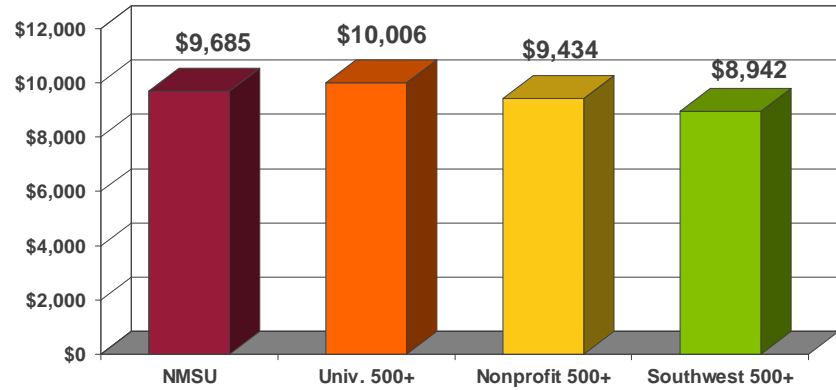


Overview of NMSU benchmark findings – 2009 plan year

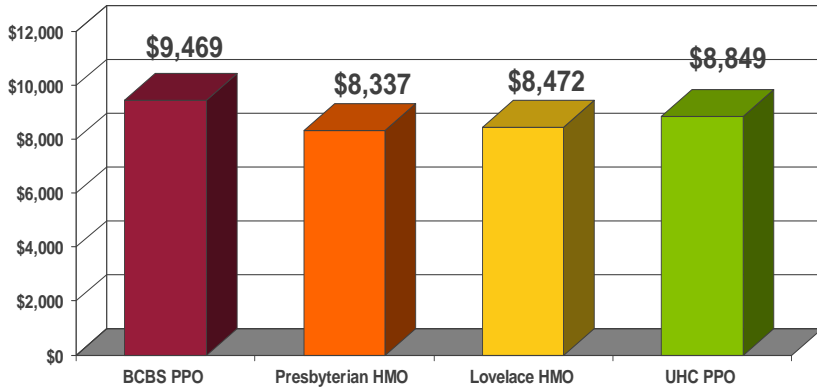
Enrollment by plan



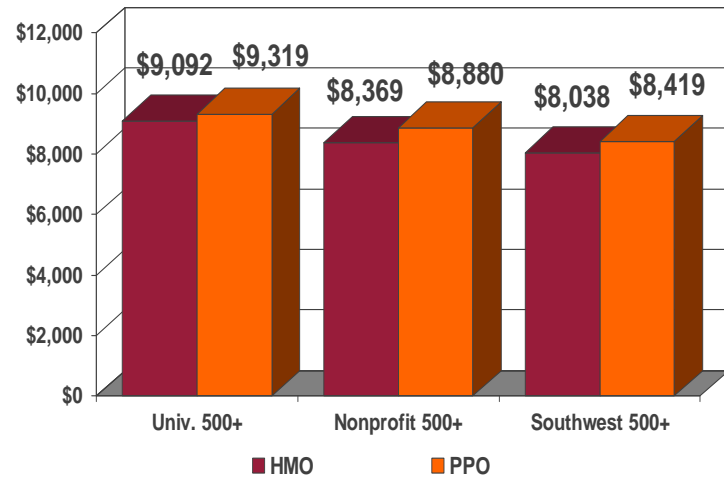
Total health benefit cost (medical and dental for NMSU – benchmarks include vision)



PEPY plan cost

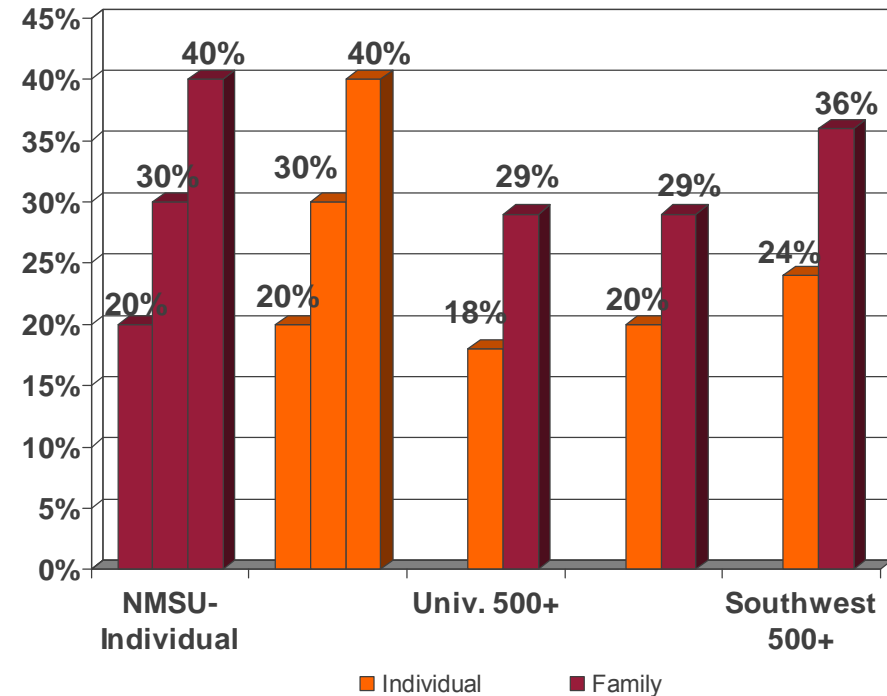
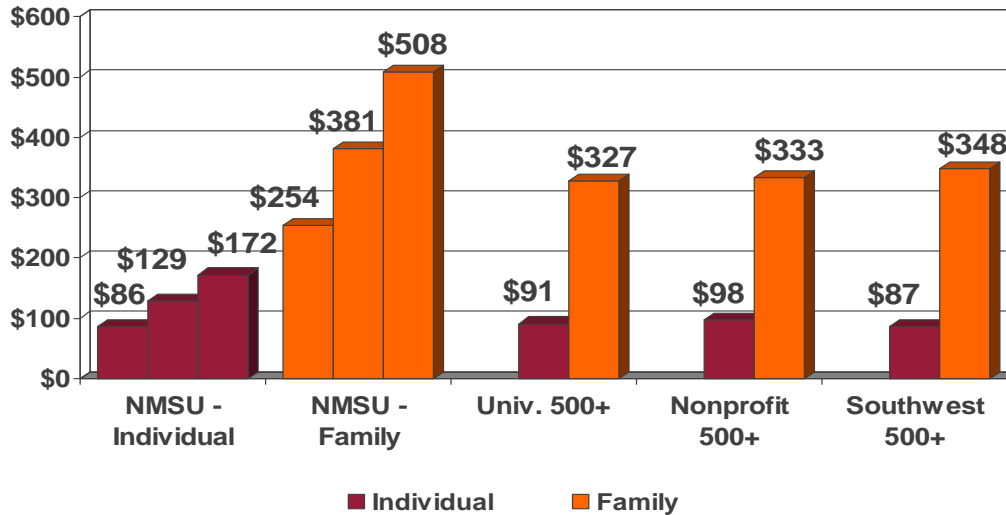


PEPY plan cost



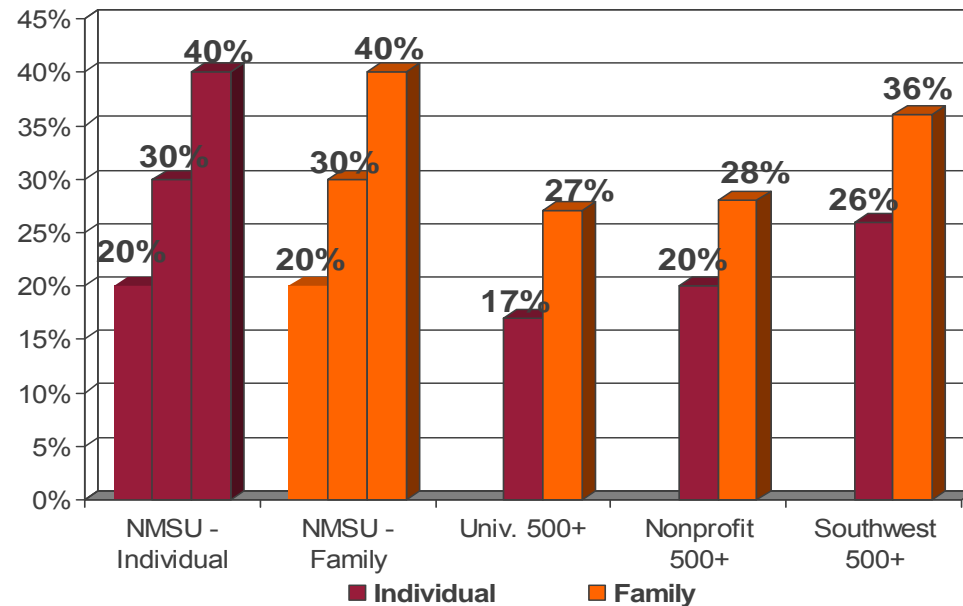
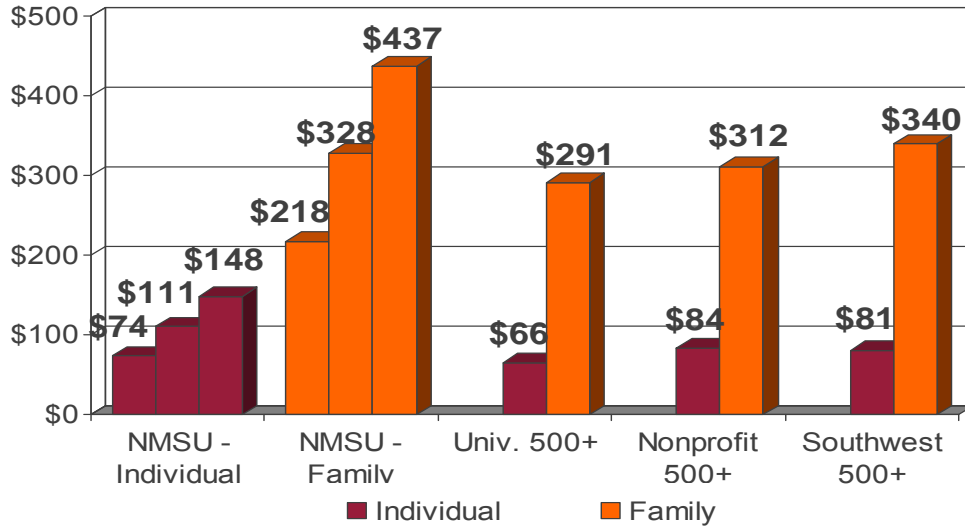
Overview of NMSU benchmark findings – 2009 plan year

PPO Contributions



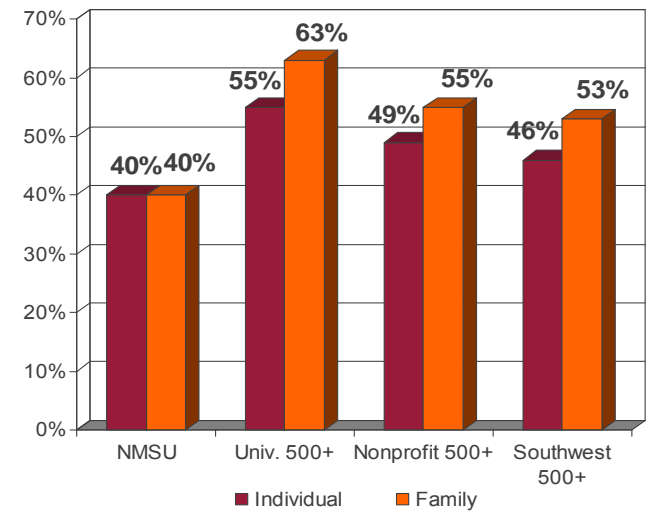
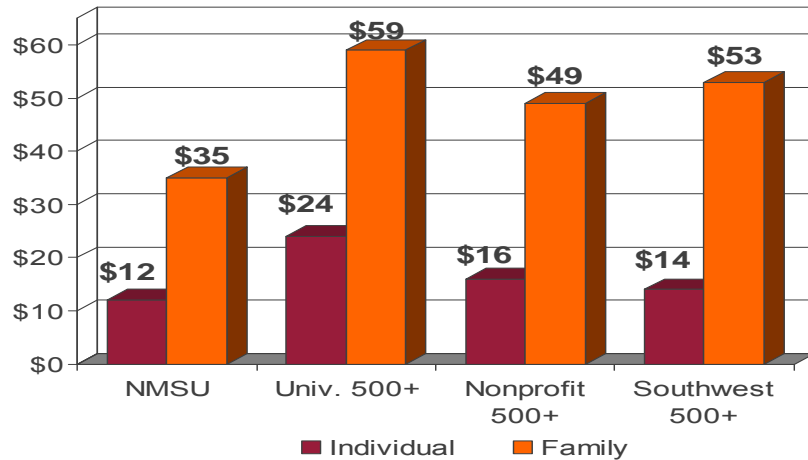
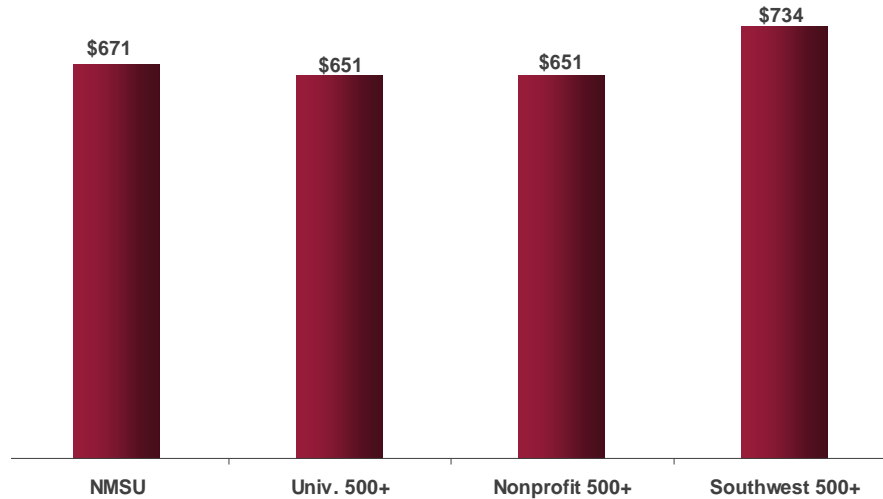
Overview of NMSU benchmark findings – 2009 plan year

HMO Contributions



Overview of NMSU benchmark findings – 2009 plan year

Dental plan cost and contributions



Dental plan design

	NMSU	Colleges and Universities 500+	Nonprofit 500+	Southwest 500+	National 500+
Median deductible	\$50	\$50	\$50	\$50	\$50
Median maximum annual benefit	\$1,750	\$1,250	\$1,500	\$1,500	\$1,500
Includes orthodontic lifetime max (% of employers)	Yes	93%	94%	89%	88%
Services covered``					
Sealants	Through age 15	81%	78%	84%	81%
Implants	Yes	59%	54%	58%	53%
Adult orthodontics	Yes	37%	39%	46%	36%
Treatment of TMJ	No	18%	19%	22%	19%
Posterior composites	Yes?	34%	27%	29%	31%



Strategic next steps

Strategic next steps

Overview of ideas for change

- NMSU's health insurance per active employee appears high when compared collectively with other data, including NMSU's own retiree cost data
 - It is suggested NMSU move to a higher deductible plan with a “buy up” option to still remain competitive with other universities based on benchmark data
 - It is suggested that NMSU consider changes like moving to a Health Savings Account for the 2012 plan year
- Benchmark data shows that NMSU is noncompetitive in your approach to life, LTD and STD coverage, so there is the opportunity for expansion of these benefits
 - The cost impact could be reduced under a buy-up option
 - The sick leave bank is not as common amongst benchmarked employers
 - NMSU should consider evaluating moving to a STD plan
- NMSU would be noncompetitive if you reduced tuition waiver opportunities
 - Plan design opportunities to maintain competitive benefits
 - Options include, reimbursement structure, or pay for pass structure

Strategic next steps

Plan review and design alternatives – July 1, 2011 plan year

- Move from State Plan to own self-funded medical and dental plans
- Consolidate medical plan offerings to two plans with base/buy-up plan strategy
- Consolidate medical “risk” under one carrier to avoid adverse selection exposure (if network access allows)
- Implement a defined contribution approach on the medical plan
- Evaluate a pharmacy carve-out with stand-alone pharmacy vendors versus carrier programs
- Evaluate carving out the stop loss for additional premium savings
- Evaluate dental plan design to align to benchmarks
- Evaluate medical and dental plans/employee contributions compared to benchmarks for attraction/retention
- Provide employees with benefit statements to reflect NMSU’s contribution to benefits

Strategic next steps

Plan review and design alternatives – July 1, 2011 plan year

- Implement required Health Care Reform changes
 - Some changes include:
 - No health FSA or HSA reimbursements available for over-the-counter medication
 - Dependent coverage provided for children to age 26 if dependent lacks access to other employer sponsored coverage (if lose grandfathered status other coverage is removed)
 - Eliminate pre-existing condition exclusions for covered children under age 19
 - Remove annual maximums (if considered “essential”)
 - Remove lifetime maximums (all NMSU plan general lifetime maximums are unlimited)
- Implement the required Mental Health Parity changes

Strategic next steps

Plan review and design alternatives – July 1, 2012 plan year

- Review and evaluate the retiree medical plans (1-1-12 renewal date) for potential cost savings
 - Evaluate moving the retirees under the active medical plan
 - Evaluate stand-alone retiree plan design for cost savings
 - Evaluate retiree cost share
- Consider implementing a wellness incentive strategy to integrate with AggieFit and impact member behavior and mitigate future claim cost increases
- Evaluate current sick leave bank/LTD plan for better management of claims and reduction in liability
- Evaluate needs for STD and LTD programs
- Market life/disability to move under one carrier for additional premium savings by consolidating risk

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