MEDICAL PLAN ANALYSIS

Throughout the country, medical expenses have increased dramatically. We have been successful at managing health care cost increases at Missouri State, but we are not entirely immune from the trend.

In FY2014, our medical plan paid $15.8 million in expenses. Expenses have increased each of the past four years, reaching $21.5 million in FY2018 (an increase of more than 36 percent). We managed these increases by modifying our contract with Mercy and using one-time university funds to pay for shortfalls.

This shortfall has trended up as total expenses have increased. In FY2018, the university funded $4.1 million of medical plan shortfall from one-time funds.

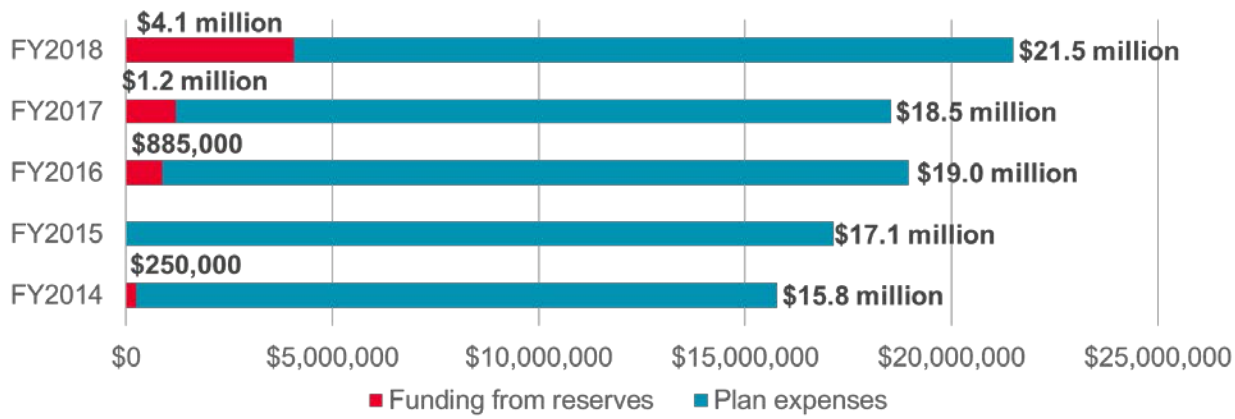

Figure 1 —Medical Plan Expenses

The university cannot continue to fund the medical plan from university reserves. The university has committed to centrally fund $1.5 million—approximately one third of the shortfall—through additional university contributions. We will also secure savings to fund at least $1 million—approximately another third of the shortfall—through contract negotiations with health care providers. This leaves the remaining third—approximately $1.5 million—to be funded through employee premiums and/or changes to the design of the medical plan.

The administration has worked with the Health Care Plans and Benefits Committee to identify the remaining $1.5 million. Options have been vetted through Springfield Faculty Senate, Springfield Staff Senate, and faculty and staff on the West Plains campus. Changes have been incorporated based on feedback received.

A. Our Existing Medical Plan

Our current medical plan is funded with premiums from employees and premiums paid by the university. In FY2018, the university paid $17.5 million ($13.4 million in university premiums plus $4.1 million in one-time funding to cover the plan shortfall) to the plan and members paid $4.3 million.[1]

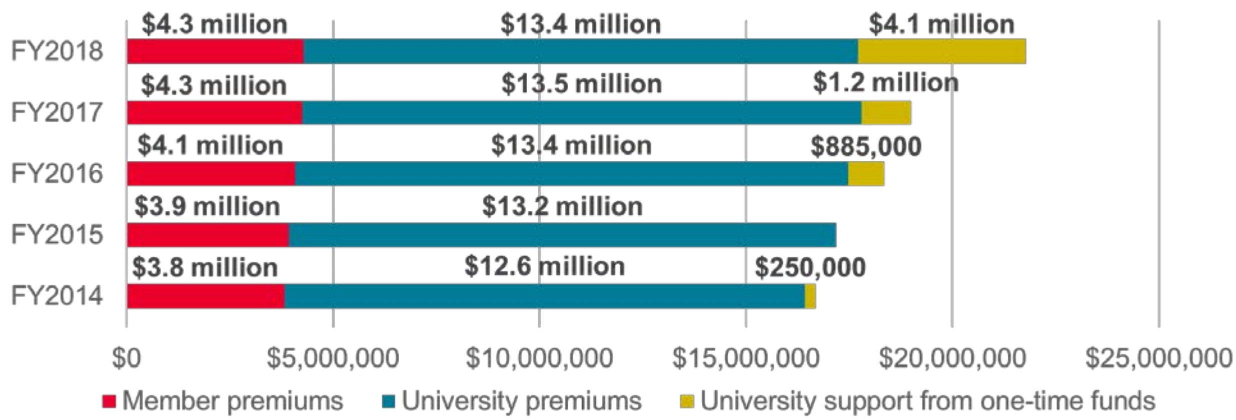

Figure 2 —Medical Plan Contributions

The university has been successful at keeping employee premiums low under the existing plan.

Over the past decade, the premiums for "Employee Only" and "Employee + Child(ren)" have not increased, and the premiums for "Employee + Spouse" and "Employee + Family" have increased only once—by $30 in 2014.

Additionally, employees are eligible to have $360 in premiums waived each year by participating in the university's wellness plan.

Features of the existing plan include:

- $400 preventive benefit
- An In-Network Deductible of $800
- An Out-of-Network Deductible of $1,600
- An Out-of-Pocket Maximum for Medical of $2,800
- An Out-of-Pocket Maximum for Rx of $1,500
- Deductible is waived at on-campus facilities

B. One Option: Keep the Existing Medical Plan and Increase Premiums

To close the remaining gap, the university could simply increase premiums on the existing plan.

	2018 Employee Premium	2019 Employee Premium
Employee Only	$30	$59
Employee + Spouse	$350.91	$420
Employee + Child(ren)	$252.89	$310
Employee + Family	$393.20	$490

Figure 3 -- Existing Plan Premium Increase

[1] Plan expenses do not necessarily equal revenue each year. This is largely due to reserve requirement flexibility.

Positives of this approach include keeping the deductibles and out-of-pocket maximums that are in the existing plan which are low by comparison to some other medical plans. These positives are mitigated by the fact that relatively few members enjoy the benefits of the deductibles and out-of-pocket maximums:

- Only 21 percent of plan members have hit their in-network deductible
- Only four percent have hit the medical out-of-pocket maximum
- 20 percent have not had any medical claims

The preventive benefit is also a drawback of the existing plan. Since passage of the Affordable Care Act, most medical plans have begun to include 100 percent preventive coverage for all members. The existing plan includes only a $400 preventive benefit.

Perhaps most concerning with this option is the level of premium increase that would be required. The "Employee Only" premium would almost double, and the "Employee + Family" premium would go up by nearly $100. This presents a significant hardship, particularly for our lowest paid employees and our employees who do not have health care expenses that exceed deductibles or out-of-pocket maximums.

C. Another Option: Adopt a New Medical Plan

Largely because of the impact this premium increase would have on employees, administration and the Health Care Plans and Benefits Committee set out to develop a different option. This option would restructure the plan to absorb some of the estimated $1.5 million gap with plan design changes.

Features of the new plan include:

- Employee choice of two options: (1) a base plan with lower premiums and higher deductibles and out-of-pocket maximums, and (2) a buy-up plan with higher premiums and lower (by comparison to the base plan) deductibles and out-of-pocket maximums
- 100% preventive benefit
- Co-pays to reduce the member cost for office visits and give a predictable amount owed by the member for each office visit

	New		Existing
	Base Plan	**Buy-Up Plan**	
Magers	$10	$5	N/A
Primary Care	$40	$20	N/A
Specialist	$60	$30	N/A
Emergency Room Deductible[2]	$500	$250	N/A
Office Visit Co-Pays & ER Deductible Maximum	$1,750	$700	N/A

Figure 4 -- New Plan Co-Pays

Savings are achieved under the new plan primarily through increases to the deductibles and out-of-pocket maximums.

[2] Emergency Room Deductible does not apply if severity of sickness or injury substantiates ER treatment. This language was changed based on feedback received from Faculty Senate.

	New		Existing
	Base Plan	**Buy-Up Plan**	
In-Network Deductible	$1,600	$800	$800
Out-of-Network Deductible	$3,200	$1,600	$1,600
In-Network Coinsurance	$2,000	$2,000	$2,000
Out-of-Network Coinsurance	$4,000	$4,000	$4,000
Medical Maximum Out-of-Pocket	$5,350	$3,500	$2,800
Rx Maximum Out-of-Pocket	$2,000	$1,500	$1,500
Total Maximum Out-of-Pocket	$7,350	$5,000	$4,300

Figure 5 -- New Plan Deductibles and Out-of-Pocket Maximums

The remainder of the approximate $1.5 million gap is primarily closed with premium increases.

Premiums	New		Existing
	Base Plan	**Buy-Up Plan**	
Employee Only	$45	$81	$30
Employee + Spouse	$380	$416	$350.91
Employee + Child(ren)	$280	$316	$252.89
Employee + Family	$435	$471	$393.20

Figure 6 -- New Plan Premium Increase

The university would continue to fund its portion of the medical plan premiums plus an additional $1.5 million in employer premiums as referenced above. Additionally, the wellness plan will continue to give employees the option to have $360 of their premiums waived each year, and deductibles will continue to be waived for health care provided at on-campus medical facilities.

While the new plan includes higher deductibles and out-of-pocket maximums, it gives employees the option to choose the “Base Plan” and avoid a portion of the premium increase that would be required if we were to continue to use the existing plan.

Additional details can be found on the attached “Plan Savings Analysis” document.