Annual FY15 Benefits Report

Office of Human Resources
University System of New Hampshire
September 2015
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Annual FY15 Benefits Report does not include UNH School of Law.
Executive Summary

USNH net employer benefit plan costs for FY15 totaled $119M (not including employee contributions)

**Medical**
- Medical plan costs represent the largest component of USNH net benefit costs (~ $53M or 45% of total costs).
- Plan design changes made in 2012 (most notably self-funding) continue to have a positive impact on our overall medical claims spend and reserve levels:
  - Fringe rate reduced to 40% for FY15 and to 39% for FY16.
  - Employee rates will be held flat (0% increase) for calendar year 2016 (2nd year in a row).
- USNH medical and pharmacy claims trends continue to be significantly below the broader market.
  - USNH continues to benefit from favorable hospital inpatient utilization and large claim activity (fewer large claims with lower severity).
- The Affordable Care Act (ACA) requirements continue to drive the bulk of our efforts:
  - USNH continues to pay the PCORI fee and the reinsurance fee (totaling ~$400K+ in FY15).
  - A new consumer directed health plan was offered to eligible adjunct employees in 2015 to satisfy ACA requirements and allow USNH to provide benefits to this important group of employees (24 employees are currently enrolled).
  - Large employer reporting requirements will create significant administration needs and challenges (reporting based on 2015 data, due in Q1 2016).
- Launched newly designed wellness program (MyPath2Wellness) that more than doubled employee participation with 2,542 employees getting their on-site biometric screenings.
- Developed a sustainable three year medical plan strategy aimed at expanding employee choice while mitigating exposure to the Cadillac Tax.
  - Strategy includes expansion to a 4-tier rate structure that aligns rates and employee contributions with cost and demographics by tier.
- Implemented new benefit administration and enrollment solution with Business Solver.

**Retirement**
- $1.4B in plan assets. Employee funds: 58% TIAA CREF; 33% Fidelity; 9% split.
USNH FY15 Benefit Costs
FY15 Actual USNH & Employee Benefit Costs

- USNH FY15 Benefit Costs: $119M (not including EE contributions)
- Of $119M: Medical/dental = 45%; Retirement = 25%  Social Security= 22%

*Other benefits include workers compensation, compensated absences, tuition waiver plan, life and AD&D, long term disability, unemployment, etc. No employee costs are shown since some of the benefits do not include an employee contribution or the contribution amount varies.
Medical and Wellness Update
Medical Update

Medical

- The USNH medical plan continues to run favorable and out perform the broader market.
- Since the move to self-insurance in 2012, USNH’s claims experience has been virtually flat while annual trend rates in New Hampshire have averaged 6.5%.
  - After cost shifting, New Hampshire employers averaged a ~4.5% increase.
- Key observations of Per Member Per Month (PMPM) favorable trend:

  Calendar Year 2011 to 2012 (-4.1% PMPM)
  - Flat per capita pharmacy payments driven by steady utilization and consistent per script costs.
  - Member Out-of-Pocket costs increased 35.9%, which contributed significantly to lower plan payment trends.
    - This increase is a result of the plan design changes effective 1/1/2012.
    - Inpatient utilization (bed days) was down 10%, which helped offset increased inpatient unit costs.

  Calendar Year 2012 to 2013 (+1.9% PMPM)
  - Similar to the prior year, inpatient utilization was down (both surgical and non-surgical).
  - Generic utilization was up significantly from 77% to 81%.
    - Each point of improved generic utilization results in roughly 1% savings on overall pharmacy costs.

  Calendar Year 2013 to 2014 (-0.9% PMPM)
  - Medical payments per capita dropped 2.7% driven primarily by a 21% drop in inpatient admissions.
  - Outpatient utilization experienced similar results with lower utilization across many key areas including office visits, ER, X-Ray and Lab.
  - The prevalence of high cost claimants, which has been relatively flat in recent years, dropped 10.6% in 2014.
Since 2011, USNH’s claims Per Employee Per Year (PEPY) have been virtually flat (blue bar).
Over the same period, annual medical trend in New England has averaged 6.5% (grey bar).
USNH’s favorable claims experience has been driven by lower than expected utilization, primarily for hospital inpatient stays and catastrophic claims.
This favorable claims experience has resulted in a significant surplus since the move to self-insurance in 2012.

Data is based on HPHC population, excludes Option A and Retirees.
**Key Observations**

- Through Q12015 payment trends remained favorable at 1.6%, driven by a slight increase in medical payments per member per month (PMPM) and flat pharmacy payments.
- Spouse payments continue to outpace employee payments. The latest data show spouses costing 15.4% more than employees on average.
- The average contract size for the USNH population remains at 2.24, which is higher than the norm of 2.1.
- There are 4 claimants with payment greater than $100K in Q12015.
- Script usage was slightly up in Q12015, but cost per script decreased slightly to $86.
- Q12015 saw a drop in new Tandem cases vs. the prior quarter, but savings is up just under $50K for the quarter.
- This report reflects HPHC and Caremark claims only; does not include EBPA Option A.
Multi-Year Strategy

- USNH worked collaboratively with the campus HR leaders to develop a multi-year health care strategy with the following goals and objectives:
  - Provide a sustainable strategy that will help USNH better manage the health care program into the future.
  - Provide our diverse employees with meaningful plan choice.
  - Develop a strategy that allows USNH to mitigate Cadillac Tax exposure.

- Core components of health care strategy include:
  - Implement four coverage categories (rate tiers) instead of the current three, with rates aligned to the demographic/claims expense.
  - Implement new High/Mid/Low option PPO plan structure.
  - Move to a defined contribution methodology where USNH sets it’s subsidy off the mid-option plan and employees buy-up or buy-down to the high/low option plans.
    - USNH will likely phase-in the move to a defined contribution approach over 2-3 years.
    - If high-option plan costs exceed the Cadillac tax thresholds, pass costs through to employees enrolled in this plan via payroll contributions.
  - Encourage enrollment in lower cost plans by increasing HSA seeding and offering an employee-paid hospital indemnity plan.
Multi-Year Strategy, continued

- Other core components of the multi-year strategy include:
  - Competitive bidding of the medical carrier for 2017 – HPHC is current TPA.
  - Competitive bidding of the prescription drug coverage for 2017 – CVS/Caremark is the incumbent.
    - Consider carve-in vs. carve-out.
    - Explore additional coalition purchasing opportunities.
  - Explore retiree medical exchange options – conduct competitive assessment of retiree exchange market.
  - Evaluate tiered network and medical tourism opportunities.
USNH implemented a newly designed wellness program – MyPath2Wellness – for 2015 (launched in the fall of 2014).

• The new program features an enhanced incentive structure where employees are eligible for a $400 credit to their paycheck contributions if they obtain their biometric screenings and complete the online Health Questionnaire.
• The new program has been very successful in increasing employee participation!
  • The number of employees getting their biometric screenings more than doubled from 1,137 (28%) in the fall of 2013 to 2,542 (64%) in the fall of 2014.
  • Additional wellness metrics are included in the wellness dashboard on the following slide.

Future Wellness Considerations:
• Revisit the wellness strategy to determine program direction for 2016 and 2017.
• Look to engage spouses in program.
• Consider tobacco screenings in future years.
Preventive Visits by Gender/Age Group

<table>
<thead>
<tr>
<th>Group</th>
<th>Mid-2014</th>
<th>Mid-2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Females 0 to 21</td>
<td>76.3%</td>
<td>75.5%</td>
</tr>
<tr>
<td>Males - 0 to 21</td>
<td>69.7%</td>
<td>71.2%</td>
</tr>
<tr>
<td>Females 22 to 49</td>
<td>59.6%</td>
<td>60.2%</td>
</tr>
<tr>
<td>Males 22 to 49</td>
<td>32.0%</td>
<td>32.8%</td>
</tr>
<tr>
<td>Females 50+</td>
<td>69.7%</td>
<td>66.7%</td>
</tr>
<tr>
<td>Males 50+</td>
<td>53.1%</td>
<td>52.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>59.6%</td>
<td>59.2%</td>
</tr>
</tbody>
</table>

USNH HR Annual Wellness Dashboard

Mid-Year 2015

Screening Rates

<table>
<thead>
<tr>
<th>Condition</th>
<th>2013</th>
<th>2014</th>
<th>HPHC Norm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breast Cancer</td>
<td>63.5%</td>
<td>61.3%</td>
<td>63.5%</td>
</tr>
<tr>
<td>Colon Cancer</td>
<td>17.3%</td>
<td>16.8%</td>
<td>21.9%</td>
</tr>
<tr>
<td>Prostate Cancer</td>
<td>38.0%</td>
<td>32.8%</td>
<td>32.5%</td>
</tr>
<tr>
<td>Glaucoma</td>
<td>71.2%</td>
<td>74.2%</td>
<td>62.2%</td>
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</table>

Medication Adherence Compliance Rate

<table>
<thead>
<tr>
<th>Condition</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypertension</td>
<td>88.5%</td>
<td>83.4%</td>
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<tr>
<td>Hyperlipidemia</td>
<td>85.6%</td>
<td>80.6%</td>
</tr>
<tr>
<td>Diabetes Mellitus</td>
<td>92.4%</td>
<td>63.1%</td>
</tr>
<tr>
<td>Depression</td>
<td>63.1%</td>
<td>63.1%</td>
</tr>
<tr>
<td>Coronary Artery Disease</td>
<td>63.1%</td>
<td>63.1%</td>
</tr>
<tr>
<td>Asthma</td>
<td>63.1%</td>
<td>63.1%</td>
</tr>
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</table>

Employee Assistance Program (EAP) Utilization by Quarter

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>3Q2014</td>
<td>4.7%</td>
<td>4.7%</td>
<td>5.0%</td>
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<tr>
<td>4Q2014</td>
<td>3.3%</td>
<td>3.3%</td>
<td>3.3%</td>
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<tr>
<td>1Q2015</td>
<td>3.3%</td>
<td>3.3%</td>
<td>3.3%</td>
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<tr>
<td>2Q2015</td>
<td>3.3%</td>
<td>3.3%</td>
<td>3.3%</td>
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</table>

MyPath2Wellness Biometric Screenings

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
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<tbody>
<tr>
<td>2012</td>
<td>963</td>
</tr>
<tr>
<td>2013</td>
<td>1,137</td>
</tr>
<tr>
<td>2014</td>
<td>2,542</td>
</tr>
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</table>

Flu Shots - % of Members

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>20.6%</td>
<td>23.8%</td>
<td>19.2%</td>
</tr>
</tbody>
</table>

Key Observations

- Preventive office visits were down slightly compared to 2014, driven by a drop in the 50+ age band.
- Key cancer screening rates were down compared the prior year, and remain below HPHC norms.
- Medication adherence rates remains strong for top conditions with the exception of asthma. Although asthma medication adherence rates seem low, they are in-line with norm.
- In 2014, 19.2% of the USNH membership received flu shots through the medical program. Onsite flu clinics typically do not flow through the medical program.
- Participation in biometric screenings has increase dramatically in 2014.
Affordable Care Act Update and Impact
ACA Update

USNH Historical ACA Summary:

• USNH has met all ACA requirements (since 2010) and continues to prepare for future requirements.

• Total USNH ACA costs for FY15 was $490,640.

• Effective 1/1/15, USNH offered access to medical coverage to adjunct employees who work more than 30 hours/week.
  • Eligible adjunct employees were offered a consumer directed health plan (CDHP) with a flat $500/month subsidy.
  • There are currently 24 employees enrolled for a total estimated annual net cost of $144,000.

Future ACA Considerations:

• USNH safely exceeds the 70% employer shared responsibility threshold for CY 2015.

• USNH has policies and procedures in place to exceed the 95% requirement for CY 2016 and beyond.

• The proposed multi-year benefits strategy will mitigate USNH’s exposure to the Cadillac Tax when fully implemented.
ACA Timeline & Cost Considerations

**FY15 ACA Cost Considerations:**
- **PCORI Fee:** Projected $2.25 PMPY in 2016 ($20,640 actual in FY15).
- **Transitional Reinsurance Fee:** $63 PMPY for 2014 and $44 PMPY for 2015 ($470,000 actual in FY15).
- **Cadillac Tax (Effective 2018):** USNH and SBA monitoring potential impact.
### ACA Update

<table>
<thead>
<tr>
<th>Estimated ACA Fees</th>
<th>CY13</th>
<th>CY14</th>
<th>CY15</th>
<th>CY16</th>
<th>CY17</th>
<th>CY18</th>
<th>FY19</th>
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<tbody>
<tr>
<td></td>
<td>Jan-Jun</td>
<td>Jul-Dec</td>
<td>Jan-Jun</td>
<td>Jul-Dec</td>
<td>Jan-Jun</td>
<td>Jul-Dec</td>
<td>Jan-Jun</td>
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<tr>
<td>Comparative Effectiveness Research Fee</td>
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<td>$8,000</td>
<td>$8,000</td>
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<td>Reinsurance Program Fee</td>
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<td>$175,000</td>
<td>$125,000</td>
<td>$125,000</td>
<td>$8,000</td>
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<td>Cadillac Tax (2018+)</td>
<td>TBD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-total</td>
<td>$8,000</td>
<td>$8,000</td>
<td>$258,000</td>
<td>$183,000</td>
<td>$133,000</td>
<td>$8,000</td>
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<tr>
<td>Sub-total ACA Fees by FY</td>
<td>$8,000</td>
<td>$266,000</td>
<td>$441,000</td>
<td>$316,000</td>
<td>$141,000</td>
<td>$16,000</td>
<td>$8,000</td>
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<tr>
<td>Choice Plan Estimated Costs</td>
<td></td>
<td></td>
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<tr>
<td>Adjuncts</td>
<td></td>
<td></td>
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<td>$100,000</td>
<td>$100,000</td>
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<td>$100,000</td>
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<tr>
<td>Students</td>
<td></td>
<td></td>
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<td>$50,000</td>
<td>$50,000</td>
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<td>$50,000</td>
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<tr>
<td>Sub-total</td>
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<td>$0</td>
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<td>$150,000</td>
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<td>$150,000</td>
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<tr>
<td>Sub-total Choice Plan</td>
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<td>$0</td>
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<td>$300,000</td>
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<td>GRAND TOTAL</td>
<td>$0</td>
<td>$266,000</td>
<td>$591,000</td>
<td>$616,000</td>
<td>$441,000</td>
<td>$316,000</td>
<td>$158,000</td>
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Retirement Plan
Retirement Plan

Overall Participation

- Fidelity: 33%
- TIAA-CREF: 58%
- Split: 9%

Participation by Campus

- Total
- SYS
- UNH
- PSU
- KSC
- GSC

Participation by Level and Campus

- High
- Middle
- Low

Total Plan Assets ($) = $1.4B

$279,207,516

$1,143,622,294