# Hope College Health Insurance Plan

Have you ever wondered how changes to benefits, specifically the health plan, are decided each year? Have you ever wondered about how costs for health insurance are determined? We thought it might be helpful this year to provide a summary of how health insurance works along with how we determine costs/premiums, etc.

**So how does health insurance work, and what does it cost?**

At Hope College we are a self-funded health plan which means Hope College directly pays any health claim costs that remain after you have paid your portion. What does that mean? Let's say you have an Rx that costs $450/month and you pay the $40 copay. Hope College then pays the $410 (yes, the College pays this, not Blue Cross). This is different from a fully funded plan where we simply pay a premium to have the coverage and then the insurance company pays the rest. Most companies today are self-funded. Hope College became self-funded in 2008 when premiums were skyrocketing for fully funded plans. This was a good choice for us and over the last decade has saved all of us a lot of money. But it does mean we carry financial risk each year that this could be a year of high expense.

Because Hope College is actually paying the claims, you can see why most self-insured plans such as ours encourage generic drugs vs. brand drugs, or office visits vs. urgent care, as the actual cost is much higher for the latter. Also as it would be impossible for any employer to absorb several single employee claims of $500K- $1 million dollars, we purchase Stop Loss Insurance that steps in and help cover us when there are very large claims. We pay a premium for this type of insurance and the annual increase will depend on how often we utilized them the prior year. The Stop Loss market is not very competitive with few vendors willing to cover a plan such a Hope's (potential large risk).

Additionally the College pays taxes to the state of Michigan, Affordable Care Act fees to the government, and administrative fees to Blue Cross/Blue Shield to process the claims and pay the bills. We also pay for the services of a broker to help us negotiate our contracts.

Then you, as employees, pay for your plan back to the college. This is your contribution to have the coverage. Our contributions run historically low compared to both national and local trends, including higher education. As an example, many companies today charge much higher amounts to have family coverage.

In summary, our costs are made up of the following:

*Medical Claims + Rx Claims + Stop Loss Coverage + Admin Fees + Taxes +Broker Fees*

*– Employee Amounts = College Costs of Health Care*

**So how much do we spend?**

Last year when we added up all of the above it came to $5,778,316. That was the cost to the College after you paid your share. We expect this to be over $6 million this year!

**So how do we determine what to do for next year?**

Each year we review last year's costs. For example, after many years of low increases in our employee claims, our claims skyrocketed in the 2015-16 academic year and have continued to run higher, although not quite as high, this academic year. So we know right away that our medical and Rx claims will be higher for 2017/18 just based on our trends. And why are our claims going higher? There are several reasons. Nationally Rx is going up around 11% and there doesn't seem to be any control over the costs of pharmacy. Medical inflation increasing costs is estimated at 6% nationally next year. We have also increased the number of people on our plan by adding both full time positions, and making some part time positions into full time. We also incurred several medical situations that trended with higher costs. So in other words…it is a combination of factors, many of which are out of our control.

Next we look at all the other cost areas. How much did stop loss go up? What is the increase in Admin Fees? All of these numbers get plugged into the formula. Usually we do not know all these numbers until mid or late March. Given our open enrollment begins April 15, that can make all of this very challenging! (When increases are unsustainable, our broker will receive additional quotes from other vendors for us to review.)

Once we have all our numbers, we review what % increase is in the budget for the next fiscal year. For example, for the 2017/18 academic year, the budget could afford a 4% increase in health costs given what was approved for tuition. Hmmm…if costs are going up 6% and 11% for claims, and other things also go up, and the budget can only accept 4%, then immediately we know we have to make plan design/contribution changes to make up the difference.

**So how do we determine what to change?**

First we get estimates on what changes save how much. Our only options are usually things like deductibles, copays, co-insurance, pharmacy program authorizations, and changing employee contributions. We receive quotes on how much can be saved by changing each area.

Next we compare what we pay vs. national trends and higher education specifically. For example we have known for a couple of years that most organizations have special copays for expensive specialty drugs. We have been very fortunate to avoid that until this year. We also look to see where changes can help encourage behavior OR where the least number of individuals will be impacted.

Based on both of the above analysis, a team of us will review the options to come up with the least amount of change, impacting the least amount of people, to fill the cost gap. Once we think we have filled the gaps, we then do one final step. This year our salary increase is 1%. Therefore we try to discern with the increase in employee contributions, will individuals still end up with a positive net pay. An organization can't always assure that but we have been very fortunate in past years that utilizing these strategies have allowed us to often remain net pay positive. Even with the 1% this year, we analyzed the annual increase for each person and raised the premiums to an amount that would still insure the majority of the increase remained in employee's paychecks.

As you can imagine this all is happening in a very short window given the timing of renewals and quotes from vendors.

Once we have completed our analysis, we move on to the other benefits. A good example of that process this year was for our dental. Initial quotes came in 15% higher and so we had our broker price other plans and renegotiate our current plan.  We then had a choice….keep our current plan with a 10% increase (down 5% from the initial pricing) or move to a plan where 50% would lose their dentist in the plan.  We elected to go with the first option so that families were not disrupted from having to select new dentists.

Life insurance and long-term disability premiums and vision premiums, fortunately, did not increase for next year.

All this is to say the cost for health insurance is not small and it continues to increase at rather high percentages. How and what to change is a complex and sometimes challenging equation.   We know you, our employees, do your part by trying to be cost conscious consumers in utilizing generic drugs and getting your preventive physicals.  We plan to offer more information and education in this coming year to help all uf become even better consumers in the coming years.  On our part, our goal is to always get us the best plan possible, for the best price.  We still compare very favorably to local, regional, national, and higher education statistics and are considered a "rich" health plan based on our copays, deductibles and contributions. But this does become more of a challenge each year.

We hope this document has helped you to better understand how our health insurance gets managed, and what strategies are utilized in making changes to benefits each and every year.

If you have questions or comments, I, or Connie VanderZwaag, our Benefits Manager, welcome your input.

Thank You.

Lori Mulder
Director of Human Resources
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