

## Health Care Cost Questions

For January 1, 2009

(1) Why are we having an increase in the monthly cost to employees for health care?

Response: Arkansas State University is self insured. Health care costs are going up every year and ASU's claims to premiums are increasing faster than collections will fund. Consequently, the rates must be increased. Without rate increases, the fund balance for health care will become negative and the fund would be unable to meet its expenses.

(2) What are the increase amounts?

Response: Single employees will pay \$30.00 more per month (\$15.00 per pay day) for a total of \$60.00 per month, and employees with family coverage will pay \$42.68 more per month (\$21.34 per payday) for a total of \$225.00 per month.

(3) Why are the increases different?

Response: The last increase on January 1, 2008 was \$15 per month for single coverage and \$12 per month for family coverage. The costs of family coverage are much more expensive than for a single individual. Consequently, the increases need to be more for families and less for single coverage. Moreover, the increases were not enough the last time to meet the market or keep the health care fund balance positive.

(4) Are there any other changes occurring for health care, such as deductible or co-pay increases, other than the premium increases?

Response: Yes, just one change will occur. The coverage period for new employees and dependents of new employees will begin 60 days after the employment start date.

(5) When will the premium changes go into effect?

Response: Premium changes go into effect on January 1, 2009. The first increases will come from the employees' pay checks on January 15, 2009.

(6) If I hire a new employee who starts January 1, 2009, when will they be covered by health insurance?

Response: Coverage will begin immediately after the health care premiums are paid.

(7) Why are the premium increases so high?

Response: ASU is self insured so premiums must cover all costs. Moreover, the costs of health care have been rising annually for some time. ASU has been successful in keeping health care premiums at a

minimum with a \$15 increase last year for single employees and a \$12 increase for family coverage. Healthcare costs annually have been increasing 12% to 18% each year for fully insured programs. ASU's claims to premiums experience have been exceptional over the last 5 years except this year. Projections for next year indicate an even greater cost increase. Consequently, the rates must go up to accommodate the increasing costs and provide funds to pay the expenses for health care.

(8) How does ASU compare to the market?

Response: Currently, ASU is well below market costs for health care. The University of Arkansas had a similar experience with health care cost increases and had to raise its rates to employees on July 1, 2008 and is planning to raise them again January 1, 2009. ASU's rates are still below the market even with the increases for January 1, 2009. Public Schools pay \$500 to \$600 per month for family coverage and \$350+ for single coverage. With the increases announced herein, ASU will charge \$60 per month for single coverage, and \$225.00 per month for family coverage. These rates are still low compared to the other markets for health care in Arkansas. ASU is still a good deal for health care insurance coverage.

(9) This is the second year in a row that costs have been increased. Could we wait a couple more years before we go up again?

Response: Unfortunately, we cannot wait any longer for the increases to begin. ASU is self funded and the cost projections indicate the fund would be out of money in 2009 without the increases. Therefore, we must increase premiums effective January 1, 2009. The health care fund balance was hovering around \$4 million a year and a half ago. It has declined to \$2.6 million at June 30, 2008 and is currently headed downward at an accelerating pace.

(10) Will my Co-Pay at the Doctor's office go up or any other out-of-pocket costs such as prescriptions?

Response: No. No additional changes to the coverage will be made at this time. However, if cost continue to go up, it is possible that some additional changes may be necessary during the 2009 calendar year, or effective for January 1, 2010.

(11) Why can't the University pick up these increasing costs?

Response: The University does not have the financial capability to absorb the increasing costs. The state budget has been reduced for FY 2008-2009 and the future does not look good for new state resources. Tuition rates already place ASU as the third from the top in tuition costs in the State, so it is not fair to ask the students to pay this increasing cost. Any additional attempts to increase tuition would cause the University system to become even less competitive. The market cost for health care is too low for ASU employees so it is more reasonable for the employees to bear this cost to make them more reflective of the local market and bring them in line with the industry rates.

(12) Raises for 2008-2009 were so small, if I pay the increased health care costs, I will be taking home less money than I did before July 1, 2008. Can't the University delay the health care increases until raises are higher?

Response: Unfortunately the University cannot time health care cost increases to meet salary increases. One is not tied to the other. The increasing costs of health care are a reflection of the market, while salary increases are a reflection of revenue availability. The health care increases are necessary to pay existing health care bills and cannot be delayed at this time.

(13) I understood that dependents were covered up until the age of 25 for health care benefits but only 23 for tuition discount benefits. Why is there a difference?

Response: There is a difference in eligibility for health care and tuition discount. A dependent is eligible for the tuition discount and health care benefit if they are a student, has never been married, and is living at home (or on campus in a residence hall). The Internal Revenue Service defines a dependent in this category up to 18 or if continuing in school full-time up to age 23. Consequently, the tuition discount benefit is available to dependents up to the age of 23. Health care eligibility is determined by Blue Cross Blue Shield. Consequently, the health care coverage is available for a legal dependent up to the age of 19 or if continuing in school up to age 25. Again, the dependent must be a student, has never been married, and is living at home (or on campus in a residence hall) in order to qualify for the coverage.

(14) Why do we have to be self insured? Why can't we go into a larger group or pool to keep our rates down?

Response: The University made the decision back in the early 1990s to move away from fully insured and become self insured to reduce costs to employees. When the University was fully insured costs were rising an average 10% to 18% per year. Since that date, the University System has been quite successful in charging below market rates for health insurance. One example is the Arkansas 2-year campus consortium for health care. Their rates are much higher than ASU and yet they are a larger pool. The true costs are billed according to your claims to premiums experience, so the healthier our employees are, the lower the costs. Becoming a part of a larger pool does not guarantee lower premiums to employees. The wellness factor always comes into play. Another example is the University of Arkansas. They are a large pool of 10,000+ insured lives and they are increasing premiums in January 2009 after just increasing them on July 1, 2008. ASU's self insured program is still the best in the State of Arkansas as compared to costs and coverage.

(15) If I sign up for insurance now and then find something cheaper, can I drop my coverage at that time?

Response: Unfortunately, once you sign up, you may not drop coverage until the next open enrollment period. The open enrollment periods usually occur in November of each year. This is necessary so that costs may be projected appropriately for the annual period. If a life changing event occurs; however, such as the birth of the first child, coverage may be changed outside an open enrollment period to include the family coverage if a single employee category was the circumstance before the birth.

(16) Why can't we have tiers like Employee, Employee +1, Employee +2, Employee +3, etc.?

Response: Contrary to what many think, the premiums for a tier program would be higher than those currently identified, and the University does not have the financial capacity to absorb more health care costs.