

# Health Care Rebuttal

EMU-AAUP

February 20, 2007

# Employment Cost Index: Update Exhibit 130 to add 2006 Data

## Employment Cost Index news release text

Internet address: <http://www.bls.gov/ncs/ect/home.htm>

WEDNESDAY, JANUARY 31, 2007

EMPLOYMENT COST INDEX-DECEMBER 2006

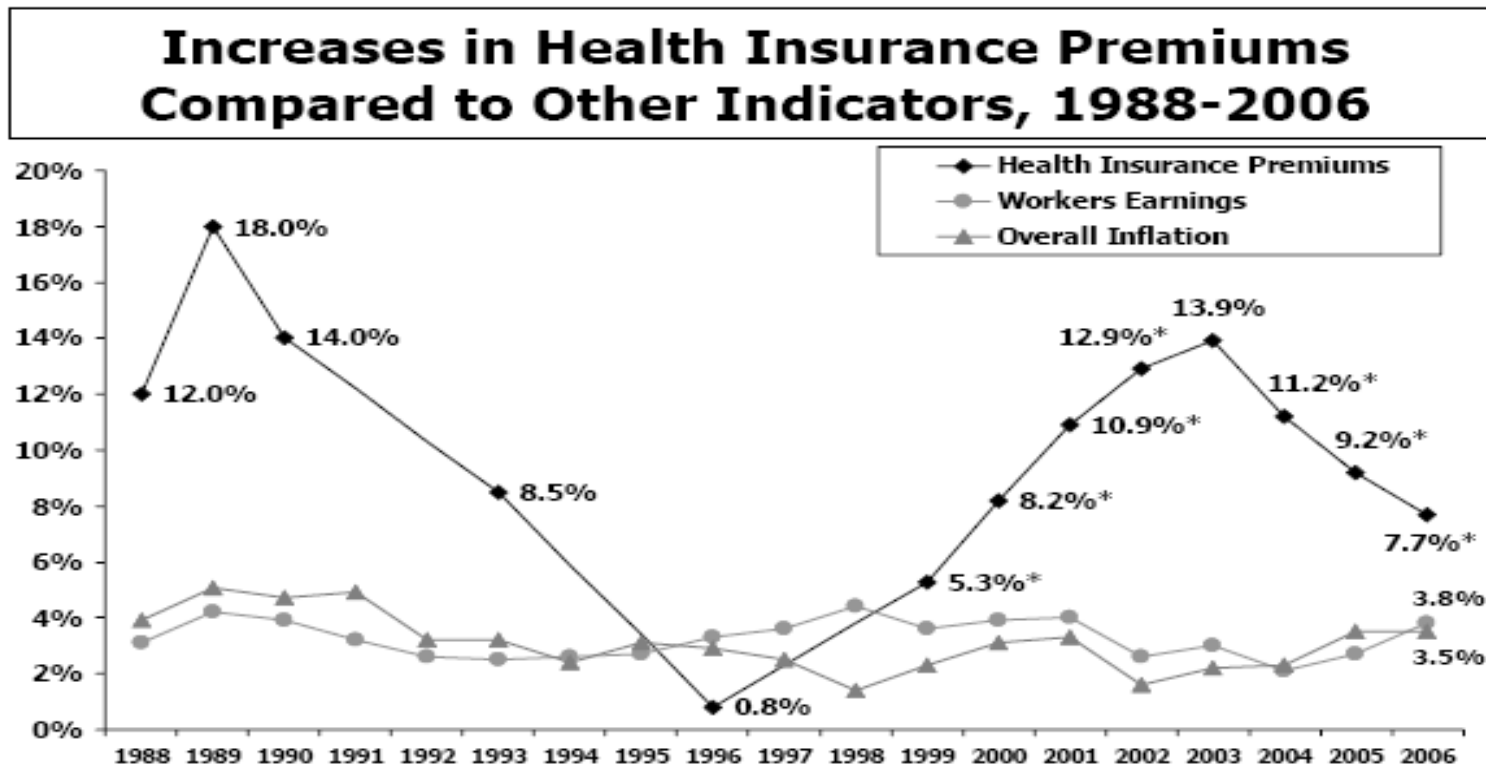
**Table B. 12-month percent changes in the Employment Cost Index**

	Dec. 2001	Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006
Compensation component						
Civilian workers						
Compensation costs	4.2	3.3	3.9	3.7	3.1	3.3
Wages and salaries	3.7	2.8	2.9	2.5	2.6	3.2
Benefit costs	5.1	4.6	6.4	6.7	4.5	3.6
Private industry						
Compensation costs	4.1	3.1	4.0	3.8	2.9	3.2
Wages and salaries	3.8	2.6	3.1	2.6	2.5	3.2
Benefit costs	5.2	4.2	6.5	6.7	4.0	3.1
State and local government						
Compensation costs	4.1	4.1	3.5	3.6	4.1	4.1
Wages and salaries	3.8	3.1	2.2	2.1	3.1	3.5
Benefit costs	5.1	6.3	6.3	6.7	6.3	5.2

# Health Care Inflation per Kaiser 2006 Study: Update of Exhibits 130, 135

Chart 2

Employer Health Benefits 2006 Annual Survey



\*Estimate is statistically different from the previous year shown at  $p < 0.05$ .

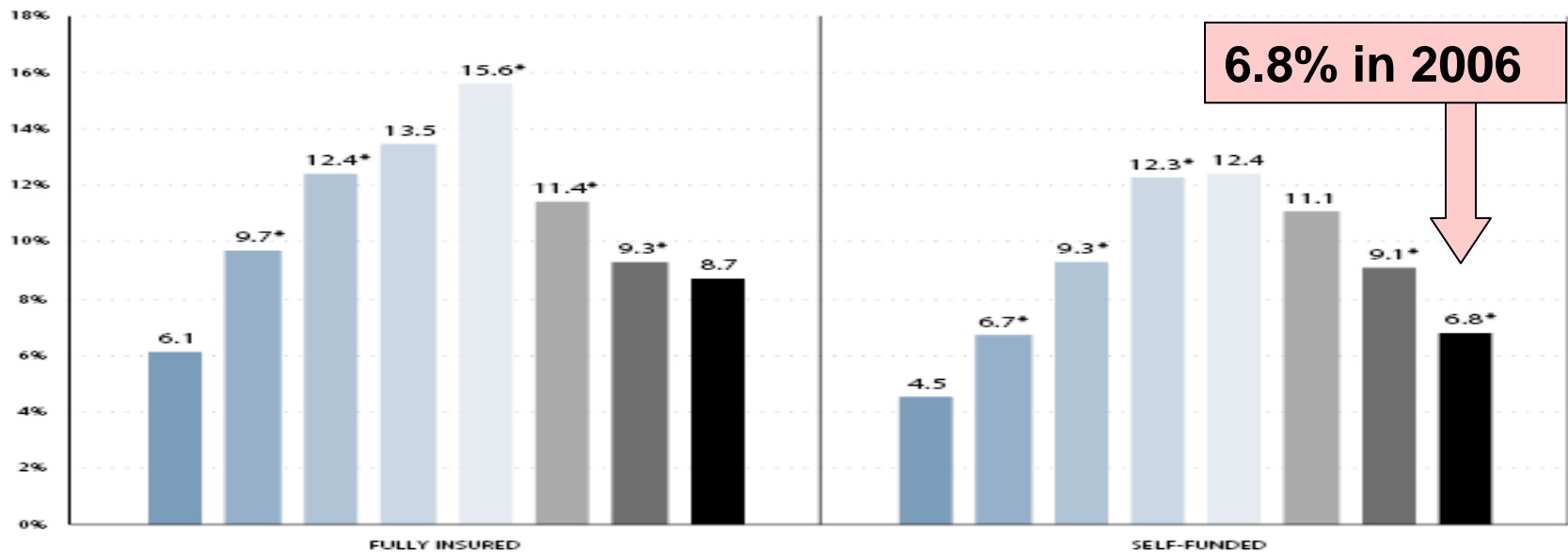
Note: Data on premium increases reflect the cost of health insurance premiums for a family of four.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2006; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1988, 1989, 1990; Bureau of Labor Statistics, Consumer Price Index (U.S. City Average of Annual Inflation (April to April), 1988-2006; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1988-2006 (April to April).

# Health Care Cost Increases: Kaiser 2006 Study (Exhibits 130, 135)

## EXHIBIT 1.7

Percentage Increase in Health Insurance Premiums, by Funding Arrangement, 1999–2006



### SOURCE:

Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2006.

\* Estimate is statistically different from estimate for the previous year shown at  $p < .05$ .

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. For definitions of Self-Funded and Fully Insured Plans, see the introduction to Section 10.





# Exhibit 135: Update of Hewitt Study


- EMU Administration projection of 2006 national health care cost increases: 9.9% (per 2005 Hewitt study)
- Actual 2006 increase: 7.9% (per 2006 Hewitt study)
- Projected 2007 increase: 7.7% (per 2006 Hewitt study)

*Press release:*

**Hewitt Associates Data Reveals Lowest U.S. Health Care Cost Increases in Eight Years**

*Issued by:* [Hewitt Associates LLC](#)

*Date:* Tuesday, October 10, 2006



## Exhibit 135 Update: Employer Strategies from 2006 Hewitt Study

- Influencing healthy behaviors. Many companies are providing education, decision support tools, integrated disease management, coaching, wellness and preventive care programs to provide employees with a more holistic way to manage their health.
- Using data to pinpoint strategies that impact the drivers of costs.
- Companies are also focusing more on generic and value drug programs, aggressive Pharmacy Benefit Manager (PBM) contracting and coinsurance in their drug plans to continue to influence utilization and costs.
- Companies are starting to take an interest in high-performance provider networks and are looking at innovative ways to reward health providers for better outcomes. By doing so, companies are ensuring that their employees will be served by high-quality providers that can best serve their health needs.

# Exhibit 135: Health Care – Wellness Programs

**ROI of Wellness Program  
\$1 = \$4.56 to \$4.73**

**Invest 1% of EMU Faculty  
Health Care Expense  
ROI \$4.56:**

2005 - \$264,174.30

2004 - \$271,610.52

2003 - \$225,027.39

2002 - \$191,693.19

University	Wellness Program	Programs & Incentives
EMU	2007	Info only, min, to no prog.
Western	2006	?
Central*	Pre-1999	Ext. programs Max. \$120
GVSU*	2007	Multi. programs activities
Kent	2006	\$50 assm't
Ball St.	2006	Facility cap. investment
Akron	n/a	n/a
Toledo	n/a	n/a



## Exhibit 135: Examples of Wellness Plans at Comparable Institutions

- Central Michigan  
<http://www.hrs.cmich.edu/wellness/wellness.htm>
- Grand Valley: <http://www.gvsu.edu/worklife/>
- Kent State:  
<http://www.recservices.kent.edu/Fitness%20&%20Wellness/F&W%20Home.asp>



## Exhibit 136 Update: 2006 Mercer Survey Results

Health benefit cost increases level off at 6.1% in 2006.

2006 National Survey of Employer-Sponsored Health Plans - Survey highlights

February 9, 2007

<http://www.mercerhr.com/referencecontent.jhtml?idContent=1258390>



## **Exhibit 136: Faculty Health Care Costs are Under Control**

- We have made numerous concessions during these negotiations, including paying premiums.
- Since 2001, faculty health care costs have increased by 10.9% per year. Source: EMU-Administration fact-finding exhibit 136.
- However, since 2001, the total EMU health care costs per employee has increased by 14% (and this includes the faculty!). Source: EMU-Administration fact-finding Exhibit 136.
- Clearly the faculty are NOT the problem with health care at EMU.
- The EMU-Administration is exploiting the “illusion” of health care costs out of control.

## Exhibit 142: Central Michigan: Polar Opposite to EMU

- Central Michigan has completely turned around its health care costs, and is passing the savings onto its faculty.
- Faculty paying family premiums on the most expensive plan are ADDING \$1883 to their paychecks.
- CMU credits its move to new self-funded plans and its new wellness plan (2003-04) saying in March 2006: "This means overall costs are more than \$10 million less than anticipated over the three year period."

Central Michigan			
MESSA	2006-07	2005-06	
Super Care	Annual Premium	Annual Premium	% Change
Single	\$ 165.78	\$ 1,049.22	-84%
Couple	\$ 2,001.24	\$ 4,647.96	-57%
Family	\$ 2,914.38	\$ 4,797.18	-39%
MESSA Tri-Med			
Single	\$(1,000.26)	\$ (276.30)	262%
Couple	\$ 379.98	\$ 1,668.24	-77%
Family	\$ 2.34	\$ 1,487.34	-100%



## Exhibits 140-146: Premiums tied to costs

- Kent State and Grand Valley claim faculty cost-sharing at 10%.
- Akron claims faculty cost-sharing at 15%.
- Ball State claims faculty cost-sharing at 25%.
- Toledo faculty contributed at 6.4% in 2004.
- Western does not specify.
- The EMU-Administration has declared \$750,000 as its target. Faculty health care costs about \$6 M per year. This target represents 12.5%.
- A change from no cost-sharing to 12.5% cost sharing in one year is a huge change. Faculty salaries, especially the junior faculty, need to be protected.
- A \$1000 premium represents 2% of a \$50,000 salary.
- The EMU-Administration is offering only a 3% raise and a \$250 lump sum.

## Exhibits 140-146: Premium Changes in 2007

Comparable Institution	Lowest	Highest
Akron (all plans)	0.00%	0.00%
Central Michigan MESSA Supercare	-84.00%	-39.00%
Kent State Medical Mutual 90/10 PPO	-4.19%	-4.17%
Kent State Anthem 90/10 PPO	2.36%	2.33%
Grand Valley Enhanced PPO	5.28%	5.62%
Grand Valley Base PPO	4.81%	6.19%
Ball State PPO	7.00%	7.00%
Toledo (all plans)	6.89%	7.06%
Grand Valley HMO	4.35%	7.53%
Ball State Traditional	8.00%	8.00%
Grand Valley Priority HMO	9.09%	9.83%
Western Michigan	9.38%	9.87%

It is interesting to note that the institution with the largest premium increases is the institution with 1 plan. Clearly competition can control health care costs.

Exhibit 713



# Summary of Health Care Rebuttal

- The actuarially-sound premiums proposed by the EMU-AAUP, and the other health care concessions, represent significant savings.
- Faculty costs at EMU are not “out of control”.
- EMU-Administration credits competition at the comparable institutions as having a significant effect on health care costs, yet proposes cancelling the only competitive plan.
- Our premiums should reflect the low cost of health care to EMU as realized by the concessions the EMU-AAUP has made. Our premiums increase by 9%, tracking the average increase in health care over the last 6 years. This is much higher than the predicted national increases.
- At the premiums proposed by the EMU-AAUP in the retroactive solution and the savings from the concessions, EMU will realize a cost-sharing of approximately 10% in Year 2.
- The EMU-Administration has failed to implement any of the cost-savings strategies detailed in the taskforce report. Premiums were supposed to be a last resort.



# Additional Health Care Rebuttal: EMU-AAUP

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**Based on New Administration Evidence  
Presented on February 20, 2007**

# Importance of Competition



- Mr. Stengle clearly articulated how competition is driving down health care premiums at: Akron, Toledo, Kent State, and Central Michigan.
- We note the comparable institution with the largest health premium increases in 2007 is WMU – the comparable institution with ONE plan.
- As consumers about to be paying health care premiums, we WANT competition. It drives down premiums and increases benefits.
- Ultimately this will help the university's bottom line as well. It clearly is happening at CMU.

# Importance of Competition (continued)

- This is why we have proposed to keep the Care Choices HMO open. It has just been sold to a competitor of BCBS. Priority Health should be very interested in the over 2000 employees needing health care at EMU.
- US News and World Report in their "Best Health Plans 2006" ranks Care Choices HMO as the 12<sup>th</sup> best plan in the US (out of 245 plans!).  
([http://www.usnews.com/usnews/health/best-health-insurance/rank\\_commercial\\_2006.htm](http://www.usnews.com/usnews/health/best-health-insurance/rank_commercial_2006.htm))
- If the HMO premiums are made competitive with the BCBS PPO-2 premiums, EMU will see rewards. We have proposed this with our change in the single premiums for the HMO.
- Being aggressive in the health care market is a winning strategy our comparables are using effectively.
- EMU should use this leverage, as Kent State, Akron, and Toledo are clearly doing, to drive down costs.
- This is a win-win situation.

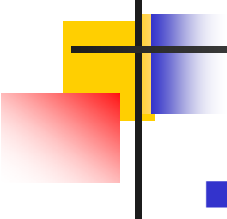
## Importance of Competition (continued)



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- Having multiple plans may not directly impact claims costs, but it does affect premiums.
- Competition from multiple plans helps keep the administratively set BC/BS rates down and competitive with externally set rates for the HMO.
- Competition on administratively set BC/BS rate will put pressure on the administration to find ways to contain costs, such as wellness initiatives.

# Implementation of Initial Premiums

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- The administration wrongly tries to compare EMU's first contract with premiums to universities that have been paying premiums for several contracts already.
  - The issue is how to implement this significant change.
  - The administration wants to implement all of the premium changes immediately.
  - The EMU-AAUP solution responsibly phases in significant health care changes that represent an appropriate amount of change for the duration of this transitional contract.

# PPO 1 is Not “Free”



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- There is one circumstance where PPO 1 is free: If you never use the medical system.
- Deductibles and co-insurance are a maximum of \$1,500 per year under the administration's proposal. This amount is \$1,200 in the EMU-AAUP proposal.

# Faculty Health Care at EMU



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- The average annual increase in faculty health care costs since 2004 has been only 4.5%.
- In 2004, the M-Care HMO was the lowest cost of the non-PPO plans when it was discontinued.

# EMU Employees Paying Premiums

- More than 66% of the other employees at EMU are NOT in PPO1 or PPO2 in 2006/07 (EMU-Administration Exhibit 105 and Exhibit 139).
- The EMU-AAUP has proposed that faculty pay premiums.
- The EMU-Administration will receive cost-sharing from its faculty.
- The EMU-Administration has not indicated how premiums can be paid in 2006/07.
- The obvious steps would be to start the premiums in 2007/08.

