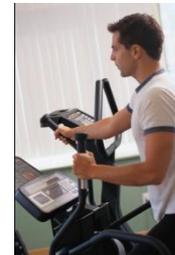


HIGHER EDUCATION INSURANCE FEASIBILITY STUDY



Insurance Feasibility Study - Background

In 2009 and 2010 changes were made to the State group insurance program that presented significant challenges to the higher education institutions' ability to attract and retain quality faculty and staff.

Specific examples include:

- Implementation of ***part-time insurance premium tiers***, which resulted in making coverage unaffordable to many employees, and adding significant administrative burden to track, report and reconcile enrollment and contribution records.
- Creation of a ***90-day waiting period for insurance coverage***, resulting in a program that is not competitive for higher education, and creating additional costs for the University when COBRA insurance premiums were reimbursed during the first three or four months.

Insurance Feasibility Study - Background

- In the fall of 2009 the University presidents met with Governor to discuss some of the challenges facing higher education related to health care and benefits. The Governor agreed to allow the institutions to conduct a feasibility study for the purpose of determining the fiscal viability of developing and administering a separate insurance program for higher education.
- In 2010 after an RFP process, the four 4-year institutions and the four community colleges engaged Aon/Hewitt, a global HR consulting firm with extensive expertise in higher education insurance, to conduct the feasibility study.

Insurance Feasibility Study - Timeline

- **May, 2010** – RFP issued for consulting services to conduct feasibility study
- **September, 2010** – Aon/Hewitt awarded the contract to conduct the insurance feasibility study, based on demonstrated capabilities and expertise, costs, and references
- **November, 2010** - Project kickoff call with Office of Group Insurance, Blue Cross, consultants, actuaries, Boise State, and others to gather data for the study
- **March-July, 2011** – Aon/Hewitt delivered presented study results to the Higher Education Insurance Consortium. Boise State and Board staff presented study results to the Legislative Services Office, Department of Administration, President's Council, Lieutenant Governor and State Board of Education

Feasibility Study Findings

Primary interests of the institutions:

- Control and flexibility in vendor selection, eligibility, plan design, funding, and strategic management of the insurance programs
- Opportunity to enhance value of benefits delivered to faculty and staff
- Program that is more responsive to the needs of higher education
- ***Potential savings identified to higher education in the range of \$2.2 - \$6.7 million, derived from provider discounts, cost management, plan design and pharmacy benefit changes.***

Feasibility Study Findings

Key questions:

- 1. Can these improvements be met within the current Dept of Administration Group Insurance structure?***
- 2. Could all State agencies and employees benefit from these proposed improvements?***

Feasibility Study Findings

Key Interests

- **A Seat at the Table**: input and involvement in the planning and decision-making of our insurance program; a voice to articulate our needs
- **Transparency**: information sharing for our plan utilization, cost drivers, and renewal options; opportunities to target communications to influence employee behaviors
- **Vendor Collaboration**: leverage existing insurance provider programs to help control costs and improve employee satisfaction. Establish vendor relationships, leverage technology to reduce errors, and improve efficiency
- **Flexibility and Control**: early involvement and input in the renewal planning, communications, and open enrollment timing to better meet the needs of faculty work schedules

Examples of Desired Changes

Strategic Changes

- Involvement in renewal and planning discussions, tailor the program design features, eligibility, and enrollment period to our unique employee types, work schedules, and calendar.
- Options with regard to decisions made on premium contributions, and funding issues related to reserve levels, etc. Current reserves include amounts far in excess of the contractual reserve.
- For FY11 the contractual reserves for the insurance were \$67 million, yet the state was funding additional “actuarial reserves” of ***an additional \$29 million or more***. The excess reserves were being released in the form of premium holidays for FY11 and will be again for FY12, rather than re-evaluating the premium rates themselves.

Examples of Desired Changes

Strategic Changes - Examples

- Ability to offer new or different benefit options, such as **an improved vision insurance benefit**, or additional amounts of **supplemental life insurance**, with the **premium paid by the employee**.
- Ability to carve out certain benefits, such as **pharmacy benefits**, to take advantage of collective purchasing opportunities and innovative, more cost effective plan designs.
- Ability to seek **competitive bids for life and disability insurance**, to update plan design, and take advantage of current market conditions and reduce premium costs.
- **Eliminate the 10-month waiting period for flexible spending account enrollment**, which is unnecessary and uncompetitive. Consider paying FSA administrative costs from plan forfeitures.

Examples of Desired Changes

Flexibility and Control

- **Ability to establish benefits eligibility and premium contribution rules, reduce administrative overhead and cost burden associated with the current part-time insurance tiers.** Simplify the program to have a one rate structure for full-time employees, and one rate structure for part-time employees, working less than 30 hours per week.
- Automated eligibility files, to reduce administrative costs and errors from manual processing.
- Elimination of use of Social Security numbers as participant identifiers within the insurance programs, to better protect the identity of our employees.

Examples of Desired Changes

Vendor Collaboration

- ***Direct access to our insurance providers***, including the ability to confirm eligibility, assist with claim inquiries, and have insurance representatives participate in campus events, such as employee educational sessions, our annual benefits fair, etc.
- To explore and take advantage of the full capabilities of our insurance providers, including, for example, ***comprehensive wellness programs*** that will keep our employees healthy and productive, and control costs related to lifestyle choices.

Meeting with Dept. of Administration

- State Office of Group Insurance: prospective changes in the provision and management of insurance programs
- A collaborative approach to identify the ***best and most efficient practices could greatly improve the benefit package for all State employees, particularly after multiple years with no compensation increases.***
- Cost to State is an important factor:
 - Potential savings in excess of \$2 million just for Higher Education
 - If extended to all State employees, the ***savings could be as great as \$7 or \$8 million***

Meeting with Dept. of Administration

- Further development of wellness programs and preventative medicine programs
- Rebidding of some of the current programs (i.e., life insurance and long-term disability) to ensure we get the best deal
- Higher Education participation in the Insurance Advisory Council to OGI to actively participate in plan design, bidding process, and program evaluation (will require statutory change)

Meeting with Dept. of Administration

Part time Health Insurance Tiers

- Pursue a change from the three tiered part-time employee health insurance to 2 tiers in which employees working greater than 30 (or so) hours receive full benefits at the State employee premium rates.
- Employees working 20 to 30 hours pay a higher portion of the health insurance premium, but have access to State health insurance and employees working less than 20 hours continue to be non-benefit eligible.
- ***This change alone will be a significant improvement and will reduce the need for part-time employees to move between tiers during the benefit year.***
 - Accommodates 9 and 10-month staff appointments, potentially providing more affordable coverage
 - Some staff are forced to move between the various tiers during the year, resulting in having to pay higher premiums for 3 - 6 months, regardless of regular work schedules
 - Administratively cumbersome and inefficient; difficult to communicate to employees and managers

Meeting with Dept of Administration

New Employee Waiting Period:

- Eliminate the 10 month waiting period for the flex spending program and eliminate the administrative fee
- Costs associated with administration and for the few instances in which employees might take the full flex spend benefit and leave state employment prior to making their full contribution will be covered by the flex spend amounts that are left in the program by employees who do not utilize or claim the full benefit
- This is consistent with how most private business and government organizations manage this benefit and ***should not cost the State additional money***

Immediate Next Steps

- **Follow up with Department of Administration on timelines and action items**
- **Pursue higher education participation of the Group Insurance Advisory Council in the State Group Insurance Program**
- **Assist in redesign and analysis to modify the part-time insurance premium structure**
- **Working on immediate changes in Flexible Spending Account benefit to eliminate waiting periods and employee paid administrative fees**
- **Research legislation that may need to be revised/updated to accommodate these and other desired changes**

Future Actions

- **Work with Executive and Legislative authorities to implement the needed changes**
- **Provide support and feedback, monitor progress to ensure that solutions are being implemented**
- **Encourage best practices and focus on wellness programs similar to NIC and UI programs**
- **Reassess to determine if higher education needs are being met or if other options should be pursued**
- **Encourage that savings are reinvested to improve benefits, reduce costs, and provide funding for salary increases**