BOARD APPROVED
August 6, 2021

Janice Indrutz
Corporate Secretary

PURDUE UNIVERSITY

TO: Members of the Board of Trustees

FR: Christopher A. Ruhl, Treasurer and Chief Financial Officer

DATE: July 26, 2021

RE: Approval of 2022 Medical Plans

Background

Effective January 1, 2021, the University redesigned its medical plans, eliminating the one traditional preferred provider organization (PPO) and offering three consumer-driven health plans (CDHP) with health savings accounts. All plans are self-insured and funded by the University and employees. As of December 31, 2020, the three plans covered approximately 24,000 employees, spouses and dependents. Relative to cost share there are two key metrics. One measures total plan costs, including employee out-of-pocket expenses. For 2021, the University will cover 73% of total costs, with active employees and early retirees funding the remaining 27%. The other metric excludes out-of-pocket costs and compares share of total premiums paid. In 2021, across all three plans, the University will fund 89% of total premiums, active employees 9% and early retirees 2%. Both of these metrics are stable compared to 2020.

Plan design changes in 2015 and 2016 added several benefits, including preventive dental, bariatric surgery and full autism coverage for all employees and their dependents. Total costs grew from $155 million in 2014 to $180 million in 2017. This $25 million increase was borne by the University as premiums and out-of-pocket expenses paid by employees remained flat over that period.

Beginning in 2017 with the 2018 plan year, the University began to undertake a series of cost containment measures to mitigate cost increases, improve population health and increase access to high quality healthcare for all members. Those initiatives included eliminating the administrative vendors that did not provide value, consolidating external consulting services, established a wellness program providing monetary incentives to encourage employees and spouses to engage in healthy activities, renegotiating the University's medical TPA agreement, establishing a narrow network tiered offering and engaging in a series of direct agreement partnerships to provide joint replacements, physical therapy, imaging and cancer concierge services. We also focused on ways to control pharmacy costs by moving pharmacy benefits administration to CVS, modifications to the formulary for prescriptions drugs, introducing a prescription concierge partner and carving specialty infusion prescriptions from the medical plan to ensure members had access to the right prescription at the right time. During this time, additional changes were made to the University medical plans, including employee premium increases, a new spousal premium tier, plan design changes (increased deductibles and out of pocket maximums) and increase in the tobacco surcharge.

During 2021, amidst the global pandemic, we continued to make progress on numerous longer-term strategic initiatives to address the underlying drivers behind increasing costs. Specialty prescriptions are now managed with a new partner who focuses on clinical need and outcome, while ensuring the member and University save on these high-dollar prescriptions. We announced a new partnership for physical therapy that will provide high quality, cost efficient services while reducing per unit costs to all members, as well as provide a worksite injury prevention program for our most active employees. We continue to explore new thoughts and ideas on how to best approach our ever increasing pharmacy spend, including discussions with large commercial employers who have success with prescription spend and with our College of Pharmacy to optimize outcomes for members on medications.

We continue to review new opportunities to develop direct provider agreements that will address our population's overall health, including colonoscopy and diabetes management. We continue to actively engage with several hospital systems and healthcare providers on the idea of building health care facilities on campus through public private partnerships.

As a result of these changes, the rate of healthcare spend growth has slowed. Since 2017, total healthcare trend at Purdue has been 1% year over year, compared to national trends nearing 6% annually. Looking forward, we expect to have a stable year related to healthcare, while monitoring the impact of COVID-19 on costs as well as our population's overall health. We plan to spend concerted efforts to encourage members to re-engage with healthcare, further promoting preventive screenings and utilizing appropriate healthcare programs that are available.

2022 Medical Plan Strategy

We are recommending a series of changes for 2022 as part of a continued plan to (1) improve population health, (2) control overall costs and (3) achieve the Board target of a 70/30 cost share.

Recommendations to take effect January 1, 2022 include:

- Reduce the fixed or base Purdue HSA contribution, while increasing the incentive dollars available to employees and spouses who complete a series of preventive screenings, including their physical, biometrics and health risk assessment. The total potential HSA employees can earn remains the same in 2022 as the 2021 incentive year.
- Upgrade current Healthy Boiler Portal to further promote overall wellness for employees and spouses.
- Transition from Anthem to Delta Dental in providing the dental voluntary plan. This move also includes a reduction in overall premiums for employees and the university. Savings are $0.3 million.
- Holding premium rates constant for active employees, but increasing premium rates for early retirees by 5%. Approximately 300 early retirees are on the medical plans. Collectively their claims exceed premiums by over $1 million. Our intent is to reduce this subsidy over time. Savings are $0.097 million.
- Release and implementation of a diabetes management and colonoscopy direct agreements. Estimated savings are $0.5 million.
- Continue prior year initiatives: carving-out the utilization management of specialty drugs, physical therapy and total hip and knee replacement steerage and increase engagement in prescription and cancer concierge services. Savings are estimated at $1.1 million.

Collectively, these recommendations are expected to produce an annual savings of $1.7 million to the medical plans when fully implemented. Many of these recommendations will provide savings directly to our employees, including the reduction in dental premiums, continued carve-out of specialty Rx and total hip and knee replacements and no premium increase. Those savings are estimated at $0.3 million which are in addition to the $1.7M.

We request your approval of the proposed 2022 Medical Plans during the August Board of Trustees meeting.