

To: Members of the Board of Trustees

Fr: Candace G. Shaffer, Senior Director, Benefits

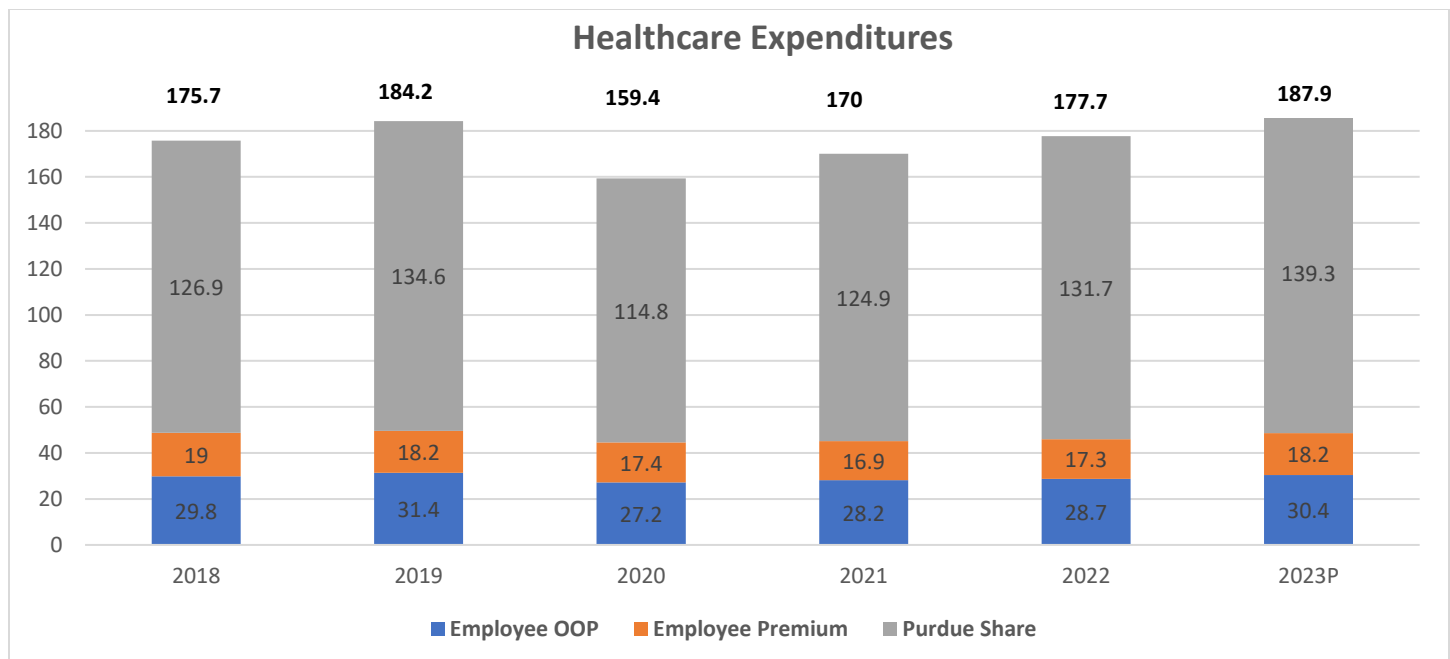
Date: August 4, 2023

Re: Approval of 2024 Medical Plans

### CY 2023 Healthcare expenses

Based on claims through May 2023, and inclusive of all approved programmatic changes, Purdue healthcare expenses for 2023 are projected to be 4.1% over CY2022. Figure 1 below shows actual expenses for 2022 and updated projections for 2023. Much of 2022 benefit communication focused on members re-engaging with healthcare by completing their annual physical, biometrics and any applicable screenings. While the postponement of primary care and elective surgeries may have resulted in a temporary or permanent savings to the plan in 2020 and 2021, 2022 health reports and claims show that Purdue's population is now engaged with healthcare at pre-COVID levels. In fact, the percentage of employees and covered spouses who completed their annual physical in 2022 reached 60%, the highest completion rate since the Healthy Boiler incentive program began. While benefit communication will continue to encourage members to engage with healthcare, it will begin to focus more on how to fully utilize the various benefit programs Purdue offers and how to navigate them within the healthcare industry.

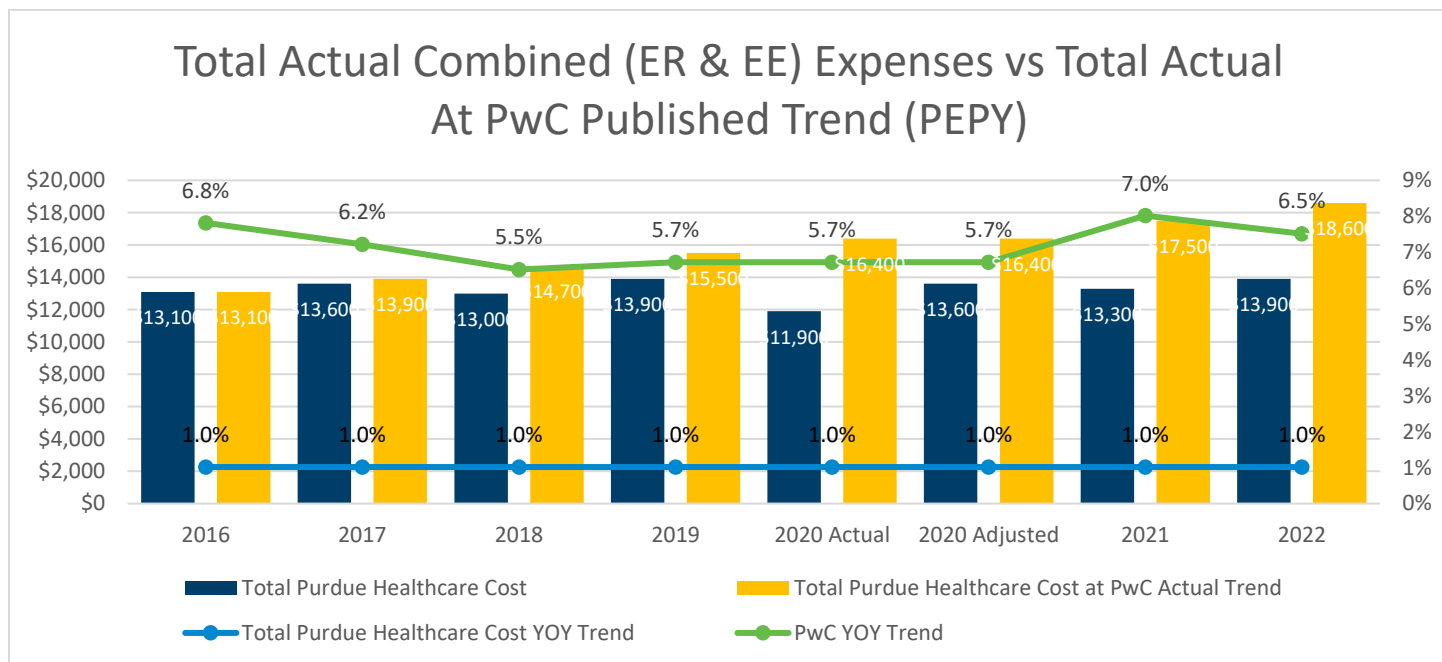
**Figure 1:** Total Healthcare Expenditures CY 2018-2023P



We periodically benchmark our plans against state and national trends. Recent data from PricewaterhouseCoopers (PwC) indicates a national healthcare trend at nearly 6% annually since 2017. Purdue's trend compares very favorably over the same period, growing at only 1.0% annually (Figure 2). We attribute this to the active management of our health plans and the numerous strategic initiatives and plan design changes undertaken over this period to contain costs, many of

which are summarized below. Had Purdue’s healthcare costs increased at national trend, our employees would have spent an additional \$49.5m on healthcare 2016 thru 2022. In appreciation for their actions establishing Purdue as a leader in delivering high-quality benefits with innovative population health solutions at the lowest possible costs, in 2022 all employees enrolled in a Purdue medical plan received a cash payment equal to two months of the average employee premium, a total of \$3.3 million.

**Figure 2:** Total Combined (ER & EE) Expenses vs Total Actual at PwC Published Trend (PEPY)



## Strategic Initiatives – Update

During 2022 and into 2023, we continued to make progress on numerous longer-term strategic initiatives to address increasing costs. Our efforts around education and communication will continue as our employees continue to engage with the healthcare industry, focusing on increasing steerage to high-quality cost-effective care, notably through our direct agreements and tiered network.

### Narrow Network

In 2020, we added a narrow network, Anthem’s HealthSync (Public Session Slide 7), to all Purdue medical plans. HealthSync is a tiered network of high-performing providers, with a history of proven quality of care and must continue to show positive health outcomes along with lower total cost care for those they care for. Purdue members are incentivized to establish and seek care with HealthSync providers, not only for quick access and coordinated care, but with lower deductibles and out of pocket expenses.

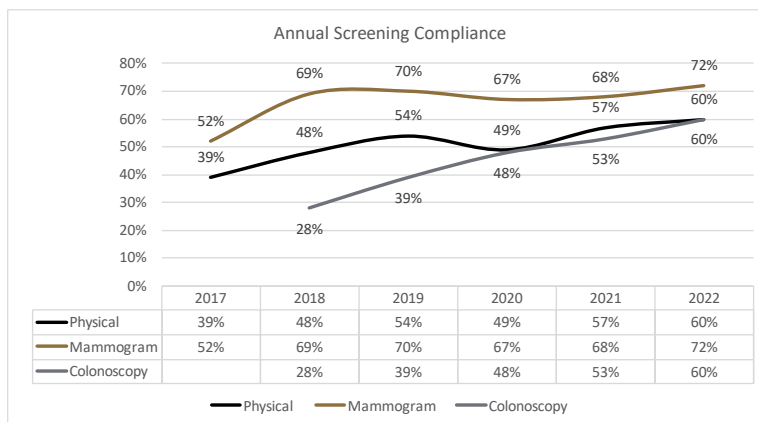
To date, over 59% of Purdue members are engaged with HealthSync providers, driving total healthcare savings to \$22.3m from 2020 implementation through YTD 2023. As in previous years, population health reports tell us that members engaged with these high performing, cost-effective providers carry more health risk, but continue to be more compliant with physicals and annual screenings, have less non-emergent ER visits and have shorter lengths of inpatient stays. This indicates to us that the HealthSync network providers are having an impact on Purdue members and over time, will continue to lower costs while increasing the quality of care.

### Population Health

As mentioned before, benefit communication continues to focus on member’s completing their annual physical, biometrics and any applicable annual screenings. This focus has been in place since 2017 as we launched the Healthy Boiler Incentive program, which provides financial incentives to employees and their spouses who complete wellness activities. Since the launch of that program, we have seen an increase in the compliance of not only annual physicals, but

mammograms and colonoscopies, as seen in Figure 3. We will continue to encourage compliance and engagement in the Healthy Boiler incentive program as well as other benefit programs that support the overall health for employees and their families.

**Figure 3: Annual Screening Compliance for employees and spouses from 2017 through 2022.**



### Center for Healthy Living

Established in 2013 as a patient-centered medical home, the Center for Healthy Living continues to grow in providing healthcare to the university’s employees and their covered dependents. Services currently include primary and acute care, behavioral health counseling, chronic condition management, medication therapy and health coaching within two locations, West Lafayette and Hammond. Our current partner, One to One Health provides high-quality care to over 3,700 Purdue members while being the most cost-efficient and the highest physical compliance provider in Purdue’s HealthSync network. Since partnering with One-to-One Health in 2017, employees and the university have saved \$19.6m in healthcare costs (Public Session Slide 8).

### **2024 Medical Plans**

As in previous years, we will continue to explore the medical and pharmacy plans and look at new ways to ensure our members have access to high quality care while maximizing savings for them and the University. We anticipate 2024 to be another stable year, proposing modest changes in plan design, no increase in premiums and adding programs that will help support members to navigate the Purdue medical plans. Finally, we continue to work towards our 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, 2024, include (Public Session Slide 11) :

- For the fifth year in a row, hold premium rates flat for active employees and long-term disability members.
- Increasing premium rates for early retirees by 5%. Approximately 250 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 \$0.099 million.
- Modestly increase medical plan deductibles and out of pocket maximums on all three consumer driven health plans to meet IRS requirements as well as continue to create differentials between the three plan offerings and within network tiers. These modest increases align to the strategies of (1) incentivizing care to our preferred narrow network and (2) aligning the employee cost share to the higher utilization (and cost) of care across the plan offerings, notably the Premier Plan. Outside of IRS requirements, deductibles and out of pocket maximums last increased in 2020. For the approximately 38% of employees who reach their tier 1 deductible, the increase ranges from \$50-\$300 (employee only) to \$100-\$600 (family). Savings to the plans are \$1.3 million, with a corresponding amount funded by employees.

- Expand the operation of the Center for Healthy Living at the Purdue Fort Wayne campus. While the university will incur implementation and short-term costs, we expect long-term savings for engaged members and the university as well as improved population health. Annual expense is estimated at \$0.886 million.
- Launch a telehealth medicine program, in conjunction with a healthcare navigation program, through the Center for Healthy Living. Access to quality acute care can be critical to help reduce unnecessary urgent or emergency care visits. Additionally navigating the healthcare landscape as a consumer can be difficult and confusing. Implementing both of these programs will bring short term costs to the university with long-term savings and benefits to members expected in the first year. Annual expense is estimated at \$0.676 million with a first year expected savings for members and the university of \$0.842 million.
- Launch the Healthy Boiler non-cash Incentive Program to further encourage overall wellness and engagement with the various university benefits and partners. Annual expense is estimated at \$0.001 million with most expenses being off-set by existing benefit vendor partners.
- Develop and execute a physical therapy redirection strategy plan to further boost utilization of high-quality, low-cost direct agreement partner. Shifting 30% of utilization results in estimated savings of \$0.579 million.
- Renew current short-term and long-term disability vendor contract with Guardian for three years. Benefit expenses are shared between the university and employees who elect the benefit. Annual expense estimated at \$1.47 million.
- Renew current life and AD&D vendor contract with Securian for five years. Guaranteed benefit expenses are funded by the university with buy-up options available at employee's expense. Annual expense estimated at \$4.44 million.
- Renew current contract with HSABank, medical savings account administrator, for three years with an annual wellness credit being provided to support the university's Healthy Boiler incentive program. Total contract expense is reduced to \$0 at renewal.

Collectively, these recommendations are expected to produce an annual savings of \$1.8 million to the medical plans when fully implemented. Many of these recommendations will provide savings directly to our employees, including the expansion of Center for Healthy Living, telehealth, navigation support, physical therapy redirection and no premium increase. Those savings are estimated at \$1.1 million which are in addition to the \$1.8m. With these changes, 2024 is projected to end with a 75/25 cost share.

We request your approval of the proposed 2024 Medical Plans during the August Board of Trustees meeting.