

Wake Forest is now Self-Insured

Therefore, if we overspend the budget
it will be directly reflected in next
years premiums and/or coverage

First year of self-insurance 2002-2003

- Costs were estimated by a consulting firm based on our costs with Qualchoice and discounts by the provider network
- Actual costs exceeded estimates by \$1 million
- Therefore estimated costs for this year were much higher

What were 2002-2003 costs?

	<u>Estimates</u>	<u>Actual</u>
Employees	1350	1391
Employee premiums	3.15 million	~3.62
University costs	4.8	4.8
Per capita	3555	3450*
Percentage	60%	59%**
Claims costs	5.1 million	~6.1 million
Per capita	3777	4184

* Considers only employees contributing 40%

** Considers the unanticipated claims costs

What were estimated changes in costs for this years plan?

Last year total cost: \$7.95 million

Initial estimate for this year: \$10.3 million

(keeping the coverage the same)

Percentage increase 30%

What are the university's contributions?

	<u>Total Dollars</u>	<u>per capita</u>
2002-2003	\$4.8 million	\$3450
2003-2004	\$5.7 million	\$4098
Total increase	19%	

With a 30% increase in cost, what were the choices?

- Increase premiums by 30% both for employee and university
 - Everyone pays much more independent of usage of health care
 - Higher premiums may exclude more lower paid employees
- Decrease the extent of the coverage
 - Raises the maximum cost for some individuals, but keeps the cost low for others
 - Shifts costs to those who use health care
 - Theoretically encourages more prudent use of health care

The Changes for 2003-2004

- Premiums increased by 17%
 - National average increase is 15-20%
- Deductibles increased (doubled)
 - All costs up to \$200/person and \$500/family
- Coinsurance was initiated
 - Employee pays 10% of costs up to a maximum
- Out of pocket maximum (deductible and coinsurance)
 - Maximum of \$1000/person or \$2500/family
- Pharmacy copays increased
 - \$15/25/40 from \$10/20/35

Note: Summarized in handout from Human Resources and on web

How can you personally reduce your costs?

- ALL tests ordered with a yearly physical are covered without deductible or coinsurance (tell physician)
- Be informed of the options for prescription medicine and inform your physician, exploring generic options
- If a claim or other cost does not appear to be covered call ACS or Human Resources
- Use the Flexible spending account for tax savings, as all money set aside reduces your taxable income
- Stay in network
- Avoid extra costs by minimizing emergency services

Role of ACS in this process

- ACS is a third-party administrator who follows the rules set by the university
- Explanation of Benefits (EOB) forms have lots of information
- Call ACS first, if you have a question about coverage, EOB form, etc.

Explanation of EOB form by ACS

Flexible Spending Accounts: Why do so few employees use this?

- Perceived hassles
 - Forms and calculator available on-line to make paperwork less complex
- Perceived savings are underestimated!
 - All funds deducted from paycheck reduce taxable income
 - Savings is ~40% on each dollar put aside
- Concern that unspent dollars will be lost
 - At end of year unspent dollars are easy to determine
 - Unspent dollars can be used on over the counter medicines

Question and Answers

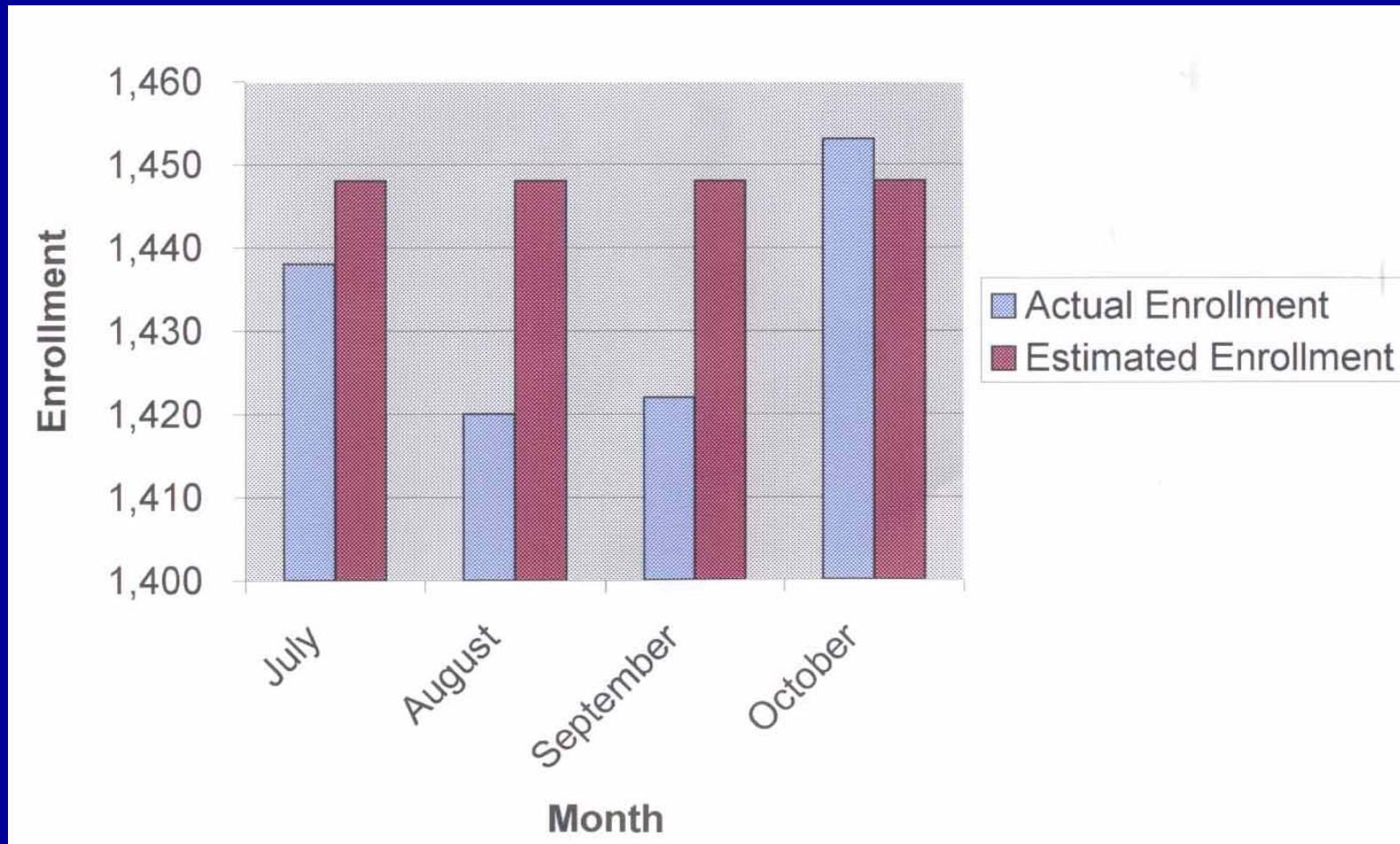
Future of Health Care at Wake Forest

- Why did costs go up so much this year?
- Are the estimates of costs for this year closer to actual and is another adjustment expected?
- How much will medical costs increase nationally next year?
- How will both university and employee premium contributions change?
- How does coverage at Wake Forest compare to other academic institutions?

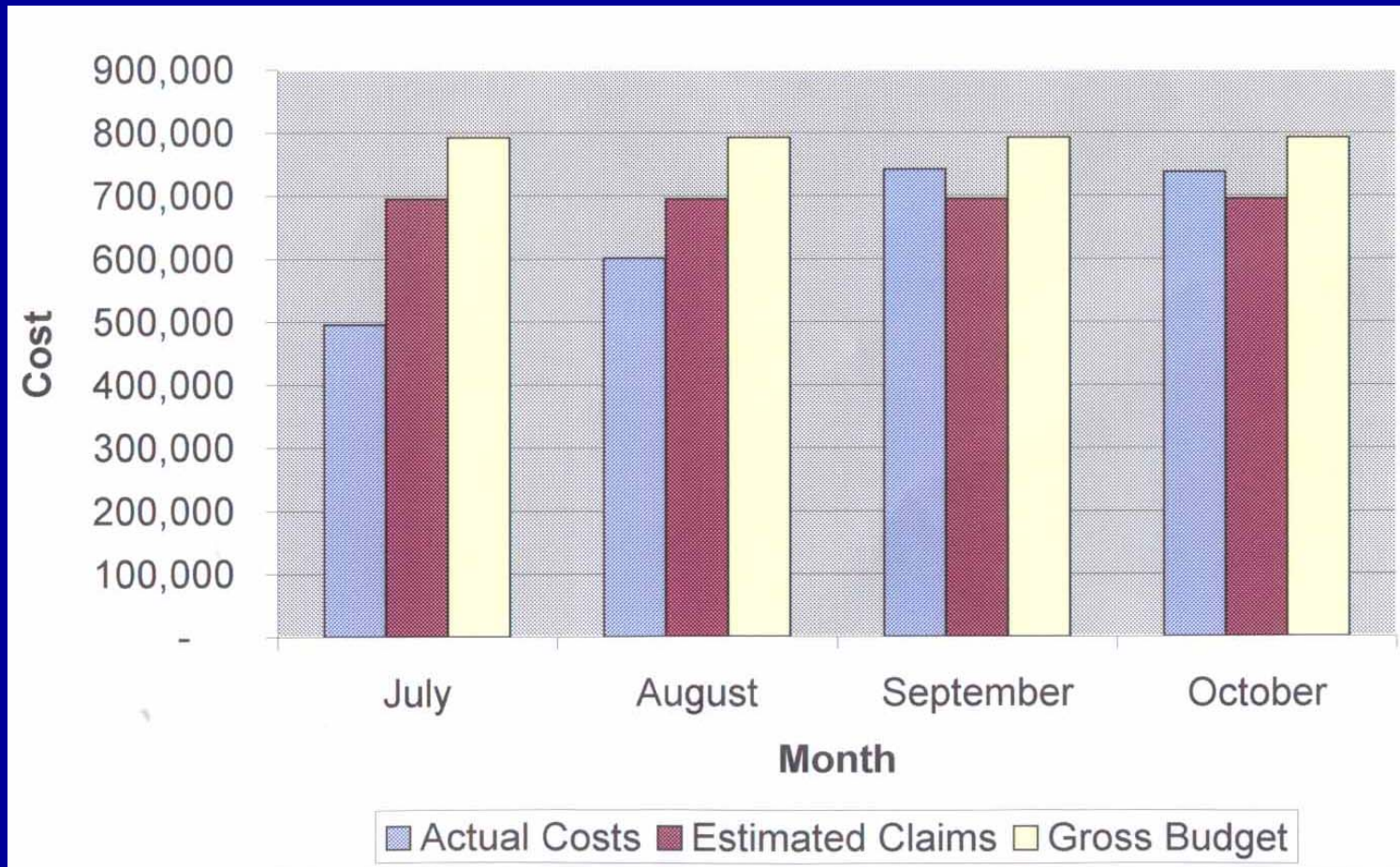
Why did costs increase so much this year?

- Actual costs were higher this year than expected
 - More enrolled employees
 - More use than expected per employee
- National average is a 17% increase
- Transition from short, immature year to long, mature year

Insurance enrollment slightly exceeds estimate



Claims costs for the year-to-date are still below estimated costs



Anticipation of cost changes for 2004-2005

- Expect 15-20% changes in employee premiums
- What will be the budget for university premium contributions?
 - Should balance the change in employee premiums
- If costs this year exceed estimates then changes in copays, deductible, coinsurance are possible

How does Wake Forest compare to
other academic institutions?

Dale Dagenbach, Senate Fringe Benefits Co-chair

Wake Forest is Now Self-Insured

Therefore, if we overspend the budget it will be directly reflected in next years premiums and/or coverage