

Budget Planning Council
Benefits Information Session

11/6/2023

Agenda

- Health Benefits General Trends
- Benefit Budget
- Department Benefits Expense Rate
- Historical Benefits Budget Costs
- Projected Costs FY25-FY26-FY27

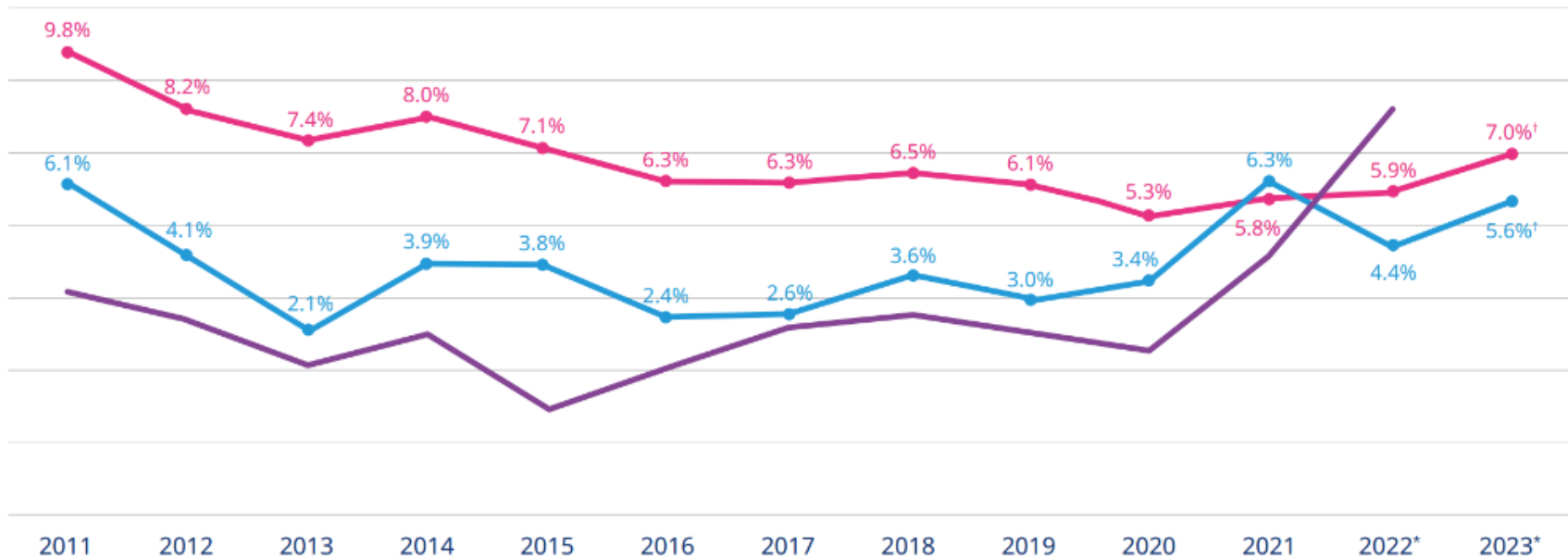


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Health Benefits General Trends

Mercer Survey – October 2022 – 500+ Employers

Change in total health benefit cost per employee compared to CPI



Beginning in 2020, results are based on employers with 50 or more employees.

*Projected. The actual cost increase for 2022 will be available later this year. †Preliminary data

Source: Mercer's National Survey of Employer-Sponsored Health Plans (beginning in 2020 results are based on employers with 50 or more employees); Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April) 1993-2022

— Annual change in health benefit cost per employee — expected trend before plan changes

— Actual trend — after plan changes

— Overall inflation

Mercer Survey – October 2022 – 500+ Employers

Mercer Comments:

- Health benefits cost growth is on the rise.
- Health benefits cost growth is normally higher than inflation.
- In 2022 and 2023 health benefits cost growth was not higher than inflation.
- Health plans are likely to see higher costs as inflation is built into contracts between health insurers and health care providers.



Benefits Expenses Per Year Last Five Fiscal Years

Summary -- Annual Benefits Expenses					
	FY2019	FY2020	FY2021	FY2022	FY2023
Claims and Rebates (Med, Rx,	60,942,049	63,026,493	59,096,002	64,979,698	68,608,637
All Other Expenses	7,362,264	7,048,025	6,404,856	6,443,939	6,778,992
All Premiums	(13,547,551)	(14,029,234)	(14,981,658)	(13,868,917)	(14,833,549)
Total	54,756,762	56,045,284	50,519,200	57,554,720	60,554,079
	7.8%	2.4%	-9.9%	13.9%	5.2%
Avg Benefits Eligible	4,058	4,043	3,700	3,506	3,558
Cost Per Avg Ben Eligible	13,494	13,862	13,654	16,416	17,019
% Change	9.9%	2.7%	-1.5%	20.2%	3.7%



Benefits Budget Projections FY24 – FY27

Note:

- Projections need to be updated due to employment growth.
- In October 2023 there were 3,735 benefits eligible employees.
- The aggregate costs in top chart will increase significantly (\$3m - \$4m).

FY24 Budget and FY25 - FY27 Projections				
	FY2024	FY2025	FY2026	FY27
Claims and Rebates (Med, Rx, Dntl)	72,766,369	77,505,842	81,381,996	86,437,789
All Other Expenses	7,484,482	8,788,090	9,244,763	9,708,036
All Premiums	(16,800,440)	(18,418,717)	(19,307,624)	(20,420,657)
Total	63,450,411	67,875,215	71,319,135	75,725,168
Avg Benefits Eligible	3,504	3,630	3,630	3,630
Cost Per Avg Ben Eligible	18,108	18,698	19,647	20,861
% Change	6.4%	3.3%	5.1%	6.2%



Department Benefit Expense Rate Review

- The benefits expense rate funds the benefits budget.
- Departments are charged the benefits expense rate pro rata per benefits eligible employee per pay period.
- Items Included in the Department Benefits Expense Rate
 - Health Insurance (medical, rx, admin fees)
 - Dental Insurance
 - Vision Insurance
 - Life Insurance
 - Disability Insurance
 - Employee Assistance Program
 - Flexible Spending Account Administration
 - Healthy Ohio / Wellness Programs



Department Benefit Expense Rate Review

- VP Finance – Budget posts the benefits expense rates online under Budget Development Tools.
- The benefits expense rate for FY24 is \$15,958. This amount is currently subsidized by university reserves.

Ohio University	
Benefit Expense Rates	
Fiscal Year 2023-24	
Effective July 1, 2023	

Group Health Insurance	Group Health Insurance per year	\$15,958.00
	Per month (July through June)	\$1,329.83
	Per bi-weekly pay (July through June)	\$613.77
	Per semi-monthly pay (September through May)	\$886.56

- The actual benefits expense rate for FY24 is \$18,100
- Starting with FY25 the benefits expense rate will no longer be subsidized with reserves resulting in a spike in the benefits expense rate charged to departments.
- Starting in FY24 the full budgeted rate on operating sources will be collected from departments.



Benefits Advisory Committee (BAC) Update

- BAC current topics include
- Benchmarking employee premiums compared to Ohio IUC Institutions and Southeast Ohio public employers
- Benchmarking employee plan cost sharing (deductible, out of pocket maximum, etc.) to Ohio IUC Institutions and Southeast Ohio public employers
- Reviewing Faculty/Staff PPO plan premiums including the nine salary bracket structure.



Benefits Advisory Committee (BAC) Update

- Over the last 5-8 years premiums paid by OU employees, and cost sharing in terms of deductibles and out of pocket maximums have increased.
- Preliminary data indicates the university premiums and cost sharing are higher than the peer groups. (Data reported as of January 2023 for PPO plans.)
 - OU Deductible* \$800 single / \$1,600 family
 - IUC Deductible \$590 single / \$1,232 family
 - SEO Deductible \$477 single / \$1,050 family

 - OU out of pocket maximum* \$3,500 single / \$7,000 family
 - IUC out of pocket maximum \$3,312 single / \$6,956 family
 - SEO out of pocket maximum \$2,697 single / \$5,285 family

 - OU Monthly Employee Premium* \$154 single / \$568 family
 - IUC Monthly Employee Premium \$128 single / \$400 family
 - SEO Monthly Employee Premium \$121 single / \$373 family

 - OU Employee Premium Percent* 18% single / 22% family
 - IUC Employee Premium Percent 16% single / 17% family
 - SEO Employee Premium Percent 12% single / 15% family

*OU Faculty/Staff PPO Plan (Faculty, Admin, AFSCME 3200, FOP)



Benefits Advisory Committee (BAC) Update

- BAC is also reviewing current premium structure, including the 9 salary bracket structure.
- Brackets are normally set in January/February each year for the following July 1 plan year
- When set, each bracket contains one-ninth of individuals enrolled in the Faculty/Staff PPO plan.
- Due to annual pay increases, turnover, etc. the brackets do not contain one-ninth of individuals enrolled throughout the plan year.
- Bracket 5 is the “base” bracket from which all other premiums are set. Bracket 5 would be the premium paid by all enrollees if there were no salary brackets.
- Brackets 1-4 receive a discounted premium
- Brackets 6-9 pay a surcharge to make up for discounted premiums for Brackets 1-5

Bracket Formula and Salary Ranges

	B1	B2	B3	B4	B5	B6	B7	B8	B9
	\$0-\$42,200	\$42,201-\$50,200	\$50,201-\$56,400	\$56,401-\$64,700	\$64,701-\$72,300	\$72,301-\$82,000	\$82,001-\$94,000	\$94,001-\$113,400	\$113,401+
Formula	0.72	0.78	0.85	0.93	1.00	1.07	1.14	1.21	1.28



Benefits Advisory Committee (BAC) Update

- Salary Bracket Formula and Premiums.

Monthly Premium - No Brackets

FY24 Premium	Full Prem	Employee %	Employee \$
Single	942.62	18%	169.67
Single+1	1,885.25	20%	377.05
Family	2,827.87	22%	622.13

Bracket Formula and Salary Ranges

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Formula	0.72	0.78	0.85	0.93	1.00	1.07	1.14	1.21	1.28

Monthly Premiums with Brackets and Formula

PPO	Full Premium	B1	B2	B3	B4	B5	B6	B7	B8	B9
Bracket \$ Range		\$0-\$42,200	\$42,201-\$50,200	\$50,201-\$56,400	\$56,401-\$64,700	\$64,701-\$72,300	\$72,301-\$82,000	\$82,001-\$94,000	\$94,001-\$113,400	\$113,401+
Single	942.62	\$122.16	\$134.04	\$145.92	\$157.79	169.67	\$181.55	\$193.43	\$205.30	\$217.18
Single+1	1,885.25	\$271.48	\$297.87	\$324.26	\$350.66	377.05	\$403.44	\$429.84	\$456.23	\$482.62
Family	2,827.87	\$447.93	\$491.48	\$535.03	\$578.58	622.13	\$665.68	\$709.23	\$752.78	\$796.33

FY24 Percent of Full Premium Paid by Each Salary Bracket

Bracket	B1	B2	B3	B4	B5	B6	B7	B8	B9
Bracket \$ Range	\$0-\$42,200	\$42,201-\$50,200	\$50,201-\$56,400	\$56,401-\$64,700	\$64,701-\$72,300	\$72,301-\$82,000	\$82,001-\$94,000	\$94,001-\$113,400	\$113,401+
Single	13%	14%	15%	17%	18%	19%	21%	22%	23%
Single+1	14%	16%	17%	19%	20%	21%	23%	24%	26%
Family	16%	17%	19%	20%	22%	24%	25%	27%	28%



Benefits Advisory Committee (BAC) Update

- BAC will provide recommendations regarding benchmarking findings and premium structure to executive leadership by end of January 2024.
- Any plan or premium changes need to be finalized in February 2024 in order to provide time for system updates and employee communication prior to annual benefits open enrollment (normally held in last April each year)



Questions?



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