October 25/26, 2010

New Mexico State University (NMSU)
Stakeholder meetings presentation

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Denver, CO
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NMSU goals
NMSU’s goals

- Control cost but ensure that changes have minimal impact to employees
- Provide a competitive, well-rounded benefit program
- Provide employees with choice
- Ensure that employees recognize the value of their benefit offerings
- Implement a 3-5 year benefits strategy
- Develop a forward-looking strategic benefit plan that includes the following:
  - Delivers value to employees and their families
  - Supports the NMSU culture
  - Considers cost-value measurements
  - Include assessment of the current benefit offerings for both active employees and retirees including:
    - Evaluation of plan design, claims data, financial impact and funding structure
    - Recommendations to the plan design and/or funding based on analysis of NMSU data, industry benchmarks, and performance data.
NMSU’s goals

- Evaluation of benefit programs include, but are not limited to:
  - Medical/Rx
  - Dental
  - Vision
  - Life/supplemental life/AD&D
  - LTD
  - Pre-tax premium/FSA
  - EAP
  - Retiree benefits
  - Retirement
  - Deferred comp (403b and 457)
  - Tuition remission and dependent tuition discount
  - Sick leave
  - Sick leave bank
  - Annual leave
  - Employee health center
  - AggieFit discounts – athletics, golf, tennis
2009 marketplace trends
About the survey

- The employer groups used in this presentation are:

<table>
<thead>
<tr>
<th>Employers</th>
<th>Number of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colleges and Universities 500+</td>
<td>85</td>
</tr>
<tr>
<td>Nonprofit 500+</td>
<td>398</td>
</tr>
<tr>
<td>Southwest 500+</td>
<td>104</td>
</tr>
<tr>
<td>National 500+</td>
<td>1791</td>
</tr>
</tbody>
</table>

- The map below shows which states fall into each of the four major geographic regions:
**Total health benefit cost for active employees up 6.4% in 2009**

Large employers

*Average increase projected for 2010 after changes; increase of 8.8% predicted before changes.*

NMSU 7-1-10
Average total health benefit cost* per employee

- **NMSU**: $9,685
  - 2008: $9,241
  - 2009: $10,006
  - % Change: +8.3%

- **Colleges and Universities 500+**: $8,838
  - 2008: $8,275
  - 2009: $8,942
  - % Change: +6.7%

- **Nonprofit 500+**: $9,434
  - 2008: $8,728
  - 2009: $9,286
  - % Change: +8.1%

- **Southwest 500+**: $8,275
  - 2008: $7,978
  - 2009: $8,421
  - % Change: +6.4%

- **National 500+**: $9,286
  - 2008: $8,865
  - 2009: $9,865
  - % Change: +6.4%

*Total health cost includes medical, dental, Rx and vision when employer paid.*
### Actions taken to reduce cost increases for 2010

<table>
<thead>
<tr>
<th>Action</th>
<th>Colleges and Universities 500+</th>
<th>Nonprofit 500+</th>
<th>Southwest 500+</th>
<th>National 500+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased deductibles, copays, OOP max</td>
<td>37%</td>
<td>42%</td>
<td>37%</td>
<td>42%</td>
</tr>
<tr>
<td>Renegotiate vendor ASO fees</td>
<td>37%</td>
<td>36%</td>
<td>32%</td>
<td>40%</td>
</tr>
<tr>
<td>Add/renegotiate performance guarantees</td>
<td>24%</td>
<td>25%</td>
<td>26%</td>
<td>25%</td>
</tr>
<tr>
<td>Audit plans</td>
<td>51%</td>
<td>50%</td>
<td>41%</td>
<td>46%</td>
</tr>
<tr>
<td>Put medical plan out to bid</td>
<td>34%</td>
<td>37%</td>
<td>33%</td>
<td>42%</td>
</tr>
<tr>
<td>Put components of plan out to bid (such as pharmacy or behavioral health)</td>
<td>20%</td>
<td>21%</td>
<td>26%</td>
<td>24%</td>
</tr>
<tr>
<td>Eliminate high-cost or more generous medical plan(s)</td>
<td>6%</td>
<td>12%</td>
<td>11%</td>
<td>15%</td>
</tr>
</tbody>
</table>
HSAs are significantly less costly than PPOs – even high-deductible PPOs – and HMOs

Average cost per employee among large employers

- **HSA-based CDHPs**: $6,647
- **PPOs with deductible of $1,000+**: $8,063
- **All PPOs**: $8,334
- **HMOs**: $8,843
Type of medical plan offered
Percent of employers offering each type of medical plan

<table>
<thead>
<tr>
<th>Type of Plan</th>
<th>Colleges and Universities 500+</th>
<th>Nonprofit 500+</th>
<th>Southwest 500+</th>
<th>National 500+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity</td>
<td>21%</td>
<td>7%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>PPO / POS</td>
<td>13%</td>
<td>15%</td>
<td>26%</td>
<td>14%</td>
</tr>
<tr>
<td>HMO</td>
<td>58%</td>
<td>42%</td>
<td>50%</td>
<td>43%</td>
</tr>
<tr>
<td>HSA-eligible CDHP</td>
<td>8%</td>
<td>8%</td>
<td>12%</td>
<td>8%</td>
</tr>
<tr>
<td>HRA-based CDHP</td>
<td>5%</td>
<td>8%</td>
<td>12%</td>
<td>8%</td>
</tr>
</tbody>
</table>
Very likely to offer account-based CDHP in 2010
Includes employers that offered a CDHP prior to 2010

- Colleges and Universities 500+: 15% with a Health Savings Account, 6% with a Health Reimbursement Arrangement
- Nonprofit 500+: 17% with a Health Savings Account, 10% with a Health Reimbursement Arrangement
- Southwest 500+: 30% with a Health Savings Account, 14% with a Health Reimbursement Arrangement
- National 500+: 17% with a Health Savings Account, 10% with a Health Reimbursement Arrangement

With a Health Savings Account
With a Health Reimbursement Arrangement
PPO/POS funding method

Colleges and Universities 500+
- Conventionally insured: 10%
- Experience-rated: 18%
- Self-funded with stop-loss: 56%
- Self-funded without stop-loss: 16%

Nonprofit 500+
- Conventionally insured: 8%
- Experience-rated: 16%
- Self-funded with stop-loss: 60%
- Self-funded without stop-loss: 16%

Southwest 500+
- Conventionally insured: 6%
- Experience-rated: 19%
- Self-funded with stop-loss: 65%
- Self-funded without stop-loss: 10%

National 500+
- Conventionally insured: 10%
- Experience-rated: 20%
- Self-funded with stop-loss: 62%
- Self-funded without stop-loss: 8%
### Voluntary Insurance Benefits Offered

<table>
<thead>
<tr>
<th></th>
<th>Colleges and Universities 500+</th>
<th>Nonprofit 500+</th>
<th>Southwest 500+</th>
<th>National 500+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disability</td>
<td>87%</td>
<td>85%</td>
<td>81%</td>
<td>81%</td>
</tr>
<tr>
<td>Vision</td>
<td>71%</td>
<td>71%</td>
<td>81%</td>
<td>70%</td>
</tr>
<tr>
<td>Accident</td>
<td>49%</td>
<td>53%</td>
<td>56%</td>
<td>52%</td>
</tr>
<tr>
<td>Whole/Universal Life</td>
<td>34%</td>
<td>52%</td>
<td>46%</td>
<td>49%</td>
</tr>
<tr>
<td>Cancer/Critical Illness</td>
<td>16%</td>
<td>39%</td>
<td>33%</td>
<td>34%</td>
</tr>
<tr>
<td>Long-Term Care</td>
<td>66%</td>
<td>45%</td>
<td>38%</td>
<td>34%</td>
</tr>
<tr>
<td>Auto/Homeowners</td>
<td>24%</td>
<td>22%</td>
<td>23%</td>
<td>17%</td>
</tr>
<tr>
<td>Travel</td>
<td>27%</td>
<td>18%</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td>Hospital Indemnity</td>
<td>1%</td>
<td>12%</td>
<td>14%</td>
<td>13%</td>
</tr>
<tr>
<td>Pet</td>
<td>10%</td>
<td>9%</td>
<td>9%</td>
<td>6%</td>
</tr>
</tbody>
</table>
Prevalence of organizations offering STD coverage

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
<th>employers requiring employee contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>NMSU (2,500 - 4,999)</td>
<td>82.7%</td>
<td>0%</td>
</tr>
<tr>
<td>All employers (2,500+)</td>
<td>28.0%</td>
<td>24%</td>
</tr>
<tr>
<td>Not-for-profit (2,500+)</td>
<td>66.7%</td>
<td>27.7%</td>
</tr>
<tr>
<td>Services (2,500+)</td>
<td>73.6%</td>
<td>24%</td>
</tr>
<tr>
<td>West Coast (2,500+)</td>
<td>71%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Employers offering STD
Employers requiring employee contributions

Mercer
Tuition assistance

- Offer:
  - NMSU: 100%
  - CUPA: 97%
  - Not-for-Profit 2500+ ee's: 88%
  - Services 2500+ ee's: 92.6%
  - West Coast 2500+ ee's: 90.7%

- Offer to spouses:
  - NMSU: 100%
  - CUPA: 84%
  - Not-for-Profit 2500+ ee's: 82.4%
  - Services 2500+ ee's: 90.7%
  - West Coast 2500+ ee's: 82.4%

- Offer to children:
  - All employers 2,500 - 4,999 ee's: 100%
  - Not-for-Profit 2500+ ee's: 87%
Overview of NMSU benchmark findings
Overview of NMSU benchmark findings

- Mercer 2009 Health and Benefits Survey Data Benchmarks
  - Colleges and Universities 500+
  - Non-profit 500+ (includes Universities)
  - Southwest 500+

- General
  - NMSU percentage of employees waiving coverage (21%) is higher than the benchmarks
  - Medical employee contributions
    - PPO and HMO – two higher salary tiers are higher than benchmarks in dollar and percentage for single and family coverage
    - Aggregate employer contribution percentage (total and for each plan) – 65%

- Potential for plan cost impact
  - NMSU’s average age is higher than the benchmarks
  - NMSU’s percentage of employees electing dependent coverage is higher than the benchmarks
  - Total plan cost (medical, dental for NMSU – benchmarks include vision)
    - NMSU’s plan cost is higher than the Southwest and Non-profit benchmark
Overview of NMSU benchmark findings

- Medical plan cost
  - Most employees enrolled in the BCBS PPO plan (second highest enrollment in Presbyterian HMO plan)
    - BCBS PPO plan is costing the most per employee per year (PEPY) and is higher than the benchmarks
    - Presbyterian HMO plan cost is inline with the Colleges and Non-profit benchmarks but higher than Southwest

- Medical plan design
  - PPO plans – in line with benchmark data except that the inpatient admission copay is higher
  - HMO plans – have less rich benefits than the benchmark data

- Dental plans/contributions
  - Cost is higher than Colleges & Universities 500+ and Non-profit 500+ benchmarks
  - Cost is under the Southwest 500+ benchmark
  - Annual maximum is higher than benchmarks
  - Employee contributions – less than benchmarks by dollar and percentage
    - Employer contribution percentage – 60%
Overview of NMSU benchmark findings – 2009 plan year

Average ee age

% ee’s electing dependent coverage

Percentage of employees waiving coverage

Average salary
Overview of NMSU benchmark findings – 2009 plan year

**Enrollment by plan**
- BCBS PPO: 58.0%
- Presbyterian HMO: 34.0%
- Lovelace HMO: 6.0%
- UHC PPO: 4.0%

**Total health benefit cost (medical and dental for NMSU – benchmarks include vision)**
- NMSU: $9,685
- Univ. 500+: $10,006
- Nonprofit 500+: $9,434
- Southwest 500+: $8,942

**PEPY plan cost**
- BCBS PPO: $9,469
- Presbyterian HMO: $8,337
- Lovelace HMO: $8,472
- UHC PPO: $8,849

**PEPY plan cost**
- Univ. 500+: $9,092
- Nonprofit 500+: $8,369
- Southwest 500+: $8,038

Mercer
Overview of NMSU benchmark findings – 2009 plan year

PPO Contributions

- NMSU - Individual: $86
- NMSU - Family: $172
- Univ. 500+: $381
- Nonprofit 500+: $327
- Southwest 500+: $333
- Univ. 500+ Nonprofit: $348

Individual Participation Percentages:
- NMSU - Individual: 20%
- Univ. 500+: 30%
- Nonprofit 500+: 40%
- Southwest 500+: 40%

Family Participation Percentages:
- NMSU - Individual: 40%
- Univ. 500+: 30%
- Nonprofit 500+: 29%
- Southwest 500+: 29%
Overview of NMSU benchmark findings – 2009 plan year

HMO Contributions

NMSU - Individual
NMSU - Family
Univ. 500+
Nonprofit 500+
Southwest 500+

Individual
Family

$74
$111
$218
$328
$437

$66
$291
$312
$340

$148
$118
$218
$328
$437

$174
$291
$312
$340

$418
$74
$111
$218
$328

$251
$318
$341
$340

20%
30%
40%
20%
30%
40%

17%
27%
26%
36%
20%
26%
Overview of NMSU benchmark findings – 2009 plan year

Dental plan cost and contributions

<table>
<thead>
<tr>
<th></th>
<th>NMSU</th>
<th>Univ. 500+</th>
<th>Nonprofit 500+</th>
<th>Southwest 500+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>$12</td>
<td>$24</td>
<td>$16</td>
<td>$14</td>
</tr>
<tr>
<td>Family</td>
<td>$35</td>
<td>$59</td>
<td>$49</td>
<td>$53</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>NMSU</th>
<th>Univ. 500+</th>
<th>Nonprofit 500+</th>
<th>Southwest 500+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>$734</td>
<td>55%</td>
<td>49%</td>
<td>46%</td>
</tr>
<tr>
<td>Family</td>
<td></td>
<td>55%</td>
<td>55%</td>
<td>53%</td>
</tr>
</tbody>
</table>

Individual: red, Family: orange
### Dental plan design

<table>
<thead>
<tr>
<th>Services covered</th>
<th>NMSU</th>
<th>Colleges and Universities 500+</th>
<th>Nonprofit 500+</th>
<th>Southwest 500+</th>
<th>National 500+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median deductible</td>
<td>$50</td>
<td>$50</td>
<td>$50</td>
<td>$50</td>
<td>$50</td>
</tr>
<tr>
<td>Median maximum annual benefit</td>
<td>$1,750</td>
<td>$1,250</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$1,500</td>
</tr>
<tr>
<td>Includes orthodontic lifetime max (% of employers)</td>
<td>Yes</td>
<td>93%</td>
<td>94%</td>
<td>89%</td>
<td>88%</td>
</tr>
</tbody>
</table>

**Services covered**

<table>
<thead>
<tr>
<th>Service</th>
<th>NMSU</th>
<th>Colleges and Universities 500+</th>
<th>Nonprofit 500+</th>
<th>Southwest 500+</th>
<th>National 500+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sealants</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Through age 15</td>
<td>81%</td>
<td>78%</td>
<td>84%</td>
<td>81%</td>
<td></td>
</tr>
<tr>
<td>Implants</td>
<td>Yes</td>
<td>59%</td>
<td>54%</td>
<td>58%</td>
<td>53%</td>
</tr>
<tr>
<td>Adult orthodontics</td>
<td>Yes</td>
<td>37%</td>
<td>39%</td>
<td>46%</td>
<td>36%</td>
</tr>
<tr>
<td>Treatment of TMJ</td>
<td>No</td>
<td>18%</td>
<td>19%</td>
<td>22%</td>
<td>19%</td>
</tr>
<tr>
<td>Posterior composites</td>
<td>Yes?</td>
<td>34%</td>
<td>27%</td>
<td>29%</td>
<td>31%</td>
</tr>
</tbody>
</table>
Strategic next steps
Strategic next steps
Overview of ideas for change

- NMSU’s health insurance per active employee appears high when compared collectively with other data, including NMSU’s own retiree cost data
  - It is suggested NMSU move to a higher deductible plan with a “buy up” option to still remain competitive with other universities based on benchmark data
  - It is suggested that NMSU consider changes like moving to a Health Savings Account for the 2012 plan year

- Benchmark data shows that NMSU is noncompetitive in your approach to life, LTD and STD coverage, so there is the opportunity for expansion of these benefits
  - The cost impact could be reduced under a buy-up option
  - The sick leave bank is not as common amongst benchmarked employers
    - NMSU should consider evaluating moving to a STD plan

- NMSU would be noncompetitive if you reduced tuition waiver opportunities
  - Plan design opportunities to maintain competitive benefits
    - Options include, reimbursement structure, or pay for pass structure
**Strategic next steps**
Plan review and design alternatives – July 1, 2011 plan year

- Move from State Plan to own self-funded medical and dental plans
- Consolidate medical plan offerings to two plans with base/buy-up plan strategy
- Consolidate medical “risk” under one carrier to avoid adverse selection exposure (if network access allows)
- Implement a defined contribution approach on the medical plan
- Evaluate a pharmacy carve-out with stand-alone pharmacy vendors versus carrier programs
- Evaluate carving out the stop loss for additional premium savings
- Evaluate dental plan design to align to benchmarks
- Evaluate medical and dental plans/employee contributions compared to benchmarks for attraction/retention
- Provide employees with benefit statements to reflect NMSU’s contribution to benefits
Strategic next steps
Plan review and design alternatives – July 1, 2011 plan year

- Implement required Health Care Reform changes
  - Some changes include:
    - No health FSA or HSA reimbursements available for over-the-counter medication
    - Dependent coverage provided for children to age 26 if dependent lacks access to other employer sponsored coverage (if lose grandfathered status other coverage is removed)
    - Eliminate pre-existing condition exclusions for covered children under age 19
    - Remove annual maximums (if considered “essential”)
    - Remove lifetime maximums (all NMSU plan general lifetime maximums are unlimited)

- Implement the required Mental Health Parity changes
Strategic next steps
Plan review and design alternatives – July 1, 2012 plan year

- Review and evaluate the retiree medical plans (1-1-12 renewal date) for potential cost savings
  - Evaluate moving the retirees under the active medical plan
  - Evaluate stand-alone retiree plan design for cost savings
  - Evaluate retiree cost share
- Consider implementing a wellness incentive strategy to integrate with AggieFit and impact member behavior and mitigate future claim cost increases
- Evaluate current sick leave bank/LTD plan for better management of claims and reduction in liability
- Evaluate needs for STD and LTD programs
- Market life/disability to move under one carrier for additional premium savings by consolidating risk