



BENCHMARKING THE MOTT HEALTH INSURANCE PROGRAM

February, 2009

INTRODUCTION

- Why health insurance is a concern?
- What we've done to get to where we are?
- How we compare with what other employers have done?

[NATIONAL]

- Employers have been, are and will continue to focus on managing its expense for employee health costs.

[NATIONAL]

- It all adds up to an annual rate of increase in health care spending that exceeds by three or more times projected increases in the gross domestic product or the future growth in employee wages, and far outpaces the expected growth in federal or state revenues. Taken together, these projections make it abundantly clear that no matter who ultimately pays the bill, health care must be made more affordable or it cannot be made more available.

[MICHIGAN]



MACOMB COUNTY

- “Macomb County government workers soon will decide whether to accept a pay freeze and cuts to fringe benefits or face hundreds of layoffs that could cripple services ... The county and its two largest unions ended more than a year of dead-end negotiations this week with a tentative labor agreement that calls for a 2-year wage freeze, more out-of-pocket health care costs and a boost in the retirement age for some employees.”

[STATE]

- “Another cause for the increasing deficit problems is the rising costs of health care – for current employees, for retirees and for prison inmates. It’s expected to go up three times as fast as revenue in the next 10 years, Clay said. That’s a national crisis.”

[STATE]

- Policy makers should work with a business coalition to adopt additional reforms by summer, including bringing state employee and teacher benefits and pensions in line with the private sector.

[STATE]

- Part of a deal to balance the state's budget deficit mostly through tax increases was passage of bills aimed at lowering the employee health costs of K-12 schools and local governments. The ... legislation ... requires public employers to competitively solicit bids for health benefits. Supporters said the measure will save millions of dollars a year but it is controversial because it would open up the claims data of an insurer affiliated with the ...Michigan Education Association, the state's largest teachers' union...

Critics of the current system complained of expensive, generous school health costs ...

LOCAL

- “I think anybody that’s in the public sector or private sector are struggling with paying for health care for its employees and I think the important thing ... is to understand that things have got to be looked at differently. I’m a GM retiree and I never would have envisioned nor my dad or anybody else who’s retired from GM that they would be put in the position that they are, that now they are in a position where they are going to be in a managed program that is managed by the Union.

As much as I am a union guy...I understand that at some point the Union is going to understand just what Management has been understanding for years and you’re going to have to look at how you either do it differently or ask more from those employees.”

[MOTT ENVIRONMENT]



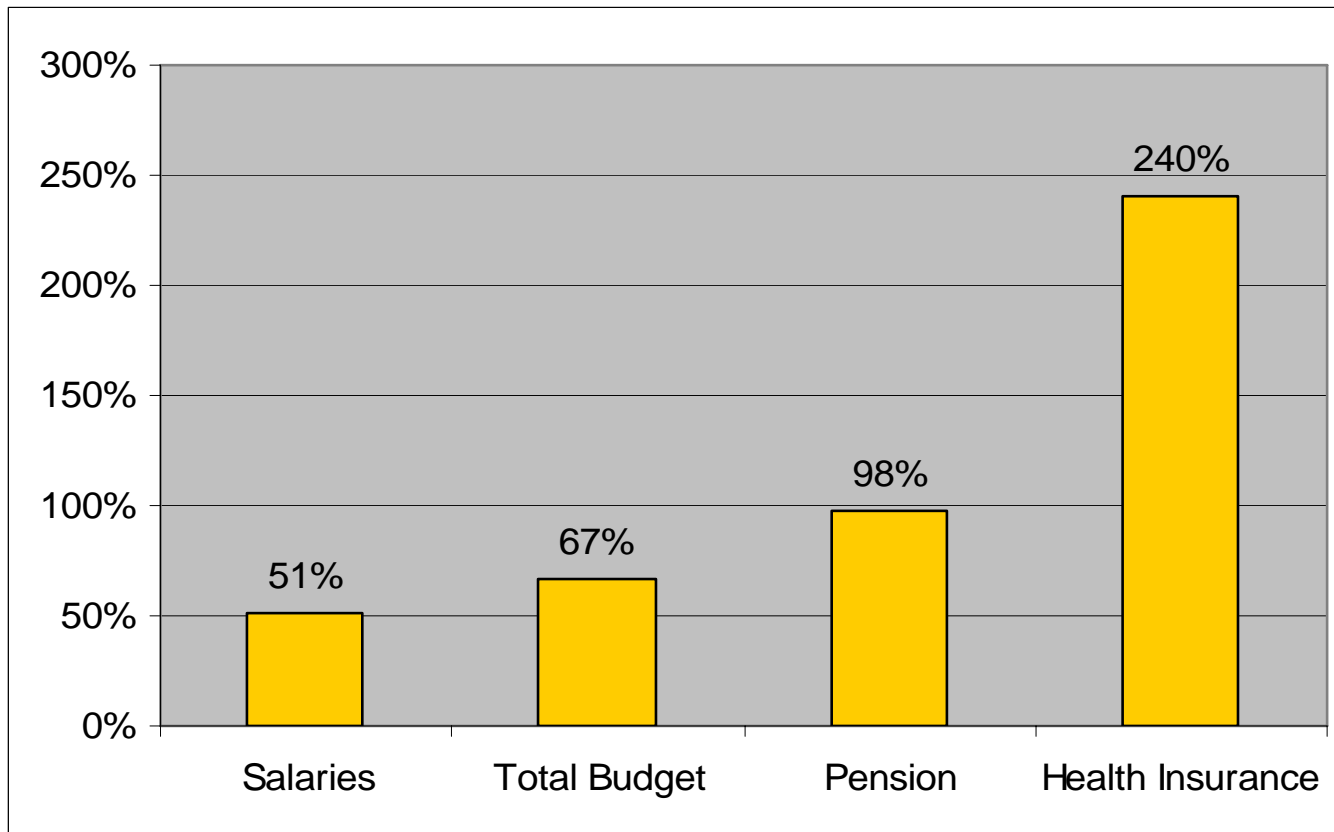
INCREASES IN COMPENSATION COSTS

	1997-1998	2007-2008
Total salaries excluding student employment	21,418,361	32,343,153
Cost of pension		
MPSERS	2,285,598	4,142,979
ORP	337,223	1,051,347
Total	2,622,821	5,194,326
Cost of Health Insurance	1,389,367	4,726,075
Cost of all other benefits (mandatory and optional *	3,970,265	3,648,473
Total expenses (all line items)	40,372,536	67,246,907

* Decrease due to severance plans completed by 07/08 fiscal year (97/98 amount was \$388K)

CHANGE IN MOTT'S COSTS

Fiscal Years 1997-98 to 2007-08

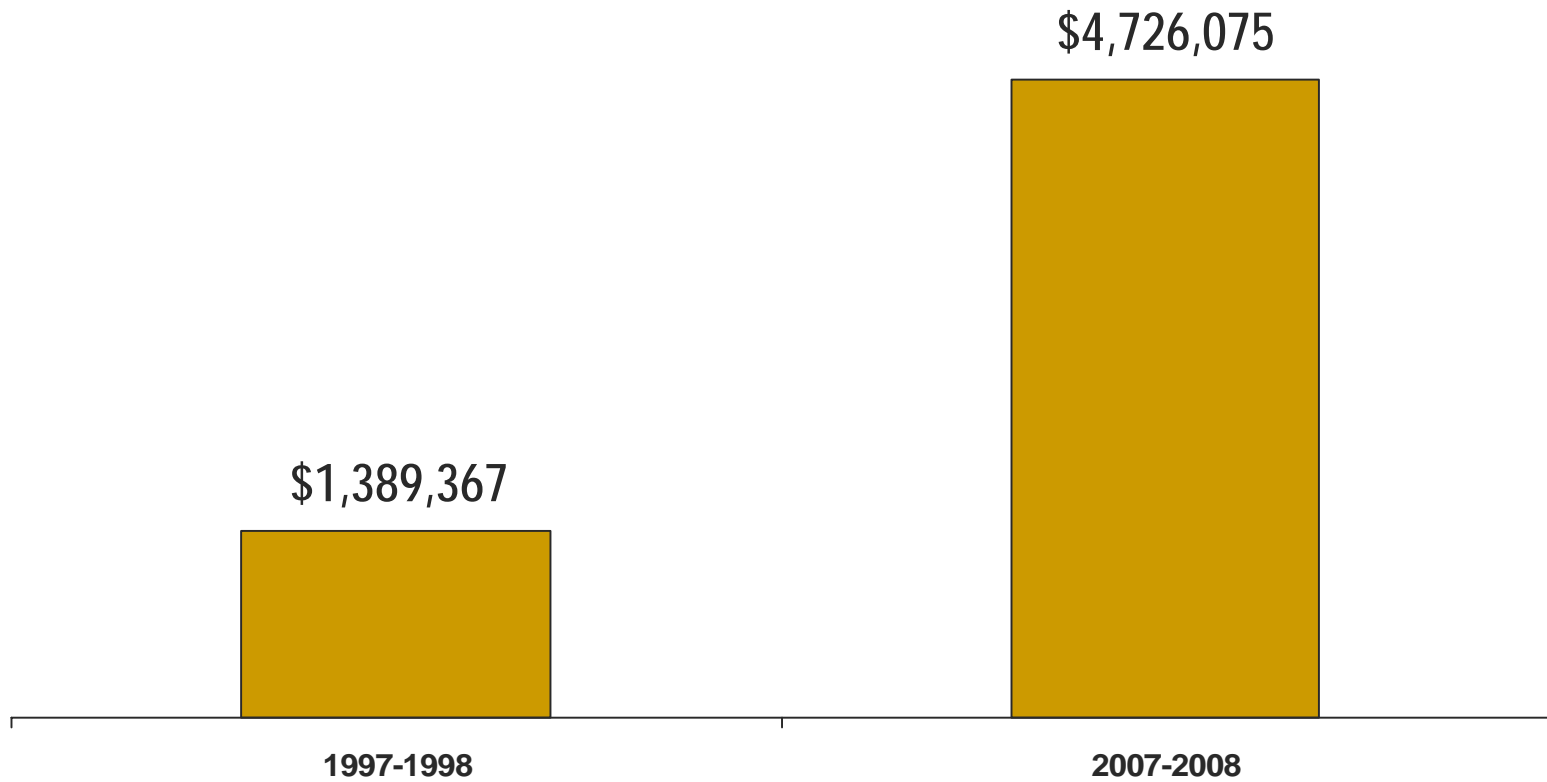


NOTES TO HEALTH INSURANCE INCREASE

- As the previous slide shows, health insurance costs to the College increased 240% between 1997-98 and 2007-08.
- The number of employees on hand barely increased during this period.
- The number of subscribers increased 17%
- The increase in subscribers above the increase in employees on hand reflects the attractiveness of Mott's plan as other employers have reduced coverage and increased costs.

HEALTH INSURANCE COSTS

FISCAL YEARS 1997-1998 THROUGH 2007-2008



Compound Increase = 11.8%

LINKAGE TO GOALS AND POLICIES

Strategic Plan Linkage: 7-1: Focus on controllable revenues and costs to sustain our current reputation and facilities and provide funding for strategic priorities.

Strategic Plan Linkage: 7-3: Implement a comprehensive strategy to address the long-term deficit which enables us to continue to provide affordable, high quality education.

Board HR Policy 5100: Total compensation (as measured by the combined economic value of wages and benefits) should reflect the College and Community's ability to pay and the Board's desire to compete effectively in the various labor markets in which the College recruits. External market data will be taken into consideration in the design and administration of compensation and benefit programs. The Board recognizes that employee compensation and benefits represent the most significant expenditure in the College budget, given the role of human resources in accomplishing the goals of the College.

BENEFITS TASK FORCE

- Vision - move from insured to self-funded and self-administered
- Dental - move from insured to self-funded with SET-SEG as third party administrator (TPA)
- Deductible Introduced - \$100 single / \$200 family
- Rx Co-Pay - increased from \$2 to \$5

BARGAINING HISTORY

Mott Community College Negotiated/Agreed Wage Change

	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	Average	Trade Offs
Faculty		0.0%	2.4%	2.8%	2.6%	1.95%	ORP, Health, Counselor Hours
Pro Tech	0.0%	2.4%	2.0%	2.8%		1.80%	Market Differential for ITS
Exempt	0.0%	1.8%	1.8%	2.8%	2.4%	1.76%	ORP, Terminal Leave
Secretarial	0.0%	1.8%	1.8%	2.8%		1.60%	Two Tier
M&O	0.0%	1.6%	1.8%	2.8%		1.55%	Two Tier
S&M		0.0%	1.0%	1.4%	2.8%	1.30%	None
PSO		0.0%	1.5%	1.5%	**	0.75%	Restructuring of pay system, full-time positions

* Step increases add 1.2% to compensation costs annually

** Restructured comp system for unit; created full-time positions; ability to attend Academy, progression track

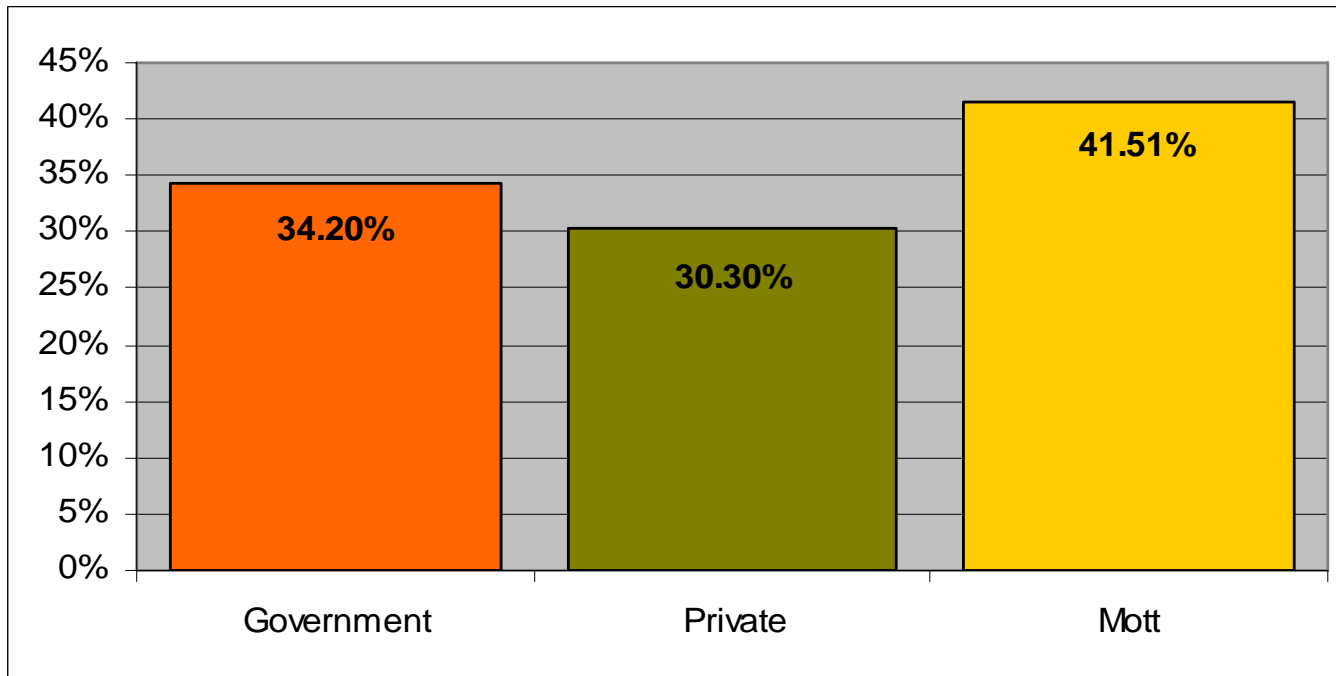
WHAT WE'VE DONE TO GET TO WHERE WE ARE

- Kushner & Company
- PA106 / Bid

[HOW DO WE COMPARE?]

BENCHMARKING

BENEFITS AS A PERCENTAGE OF TOTAL COMPENSATION



HOW DO WE COMPARE?

Plan Design

- “all of the Michigan school employee health benefits plans, with the exception of Blue Cross POS, are more valuable than 90 percent of the health care plans in the 2004 Hay Benefits Report.”

Report by Hay Group to the Michigan Legislative Council July 13, 2005; Report on the Feasibility and Cost Effectiveness of a Consolidated State-Wide Health Benefits System for Michigan Public School Employees

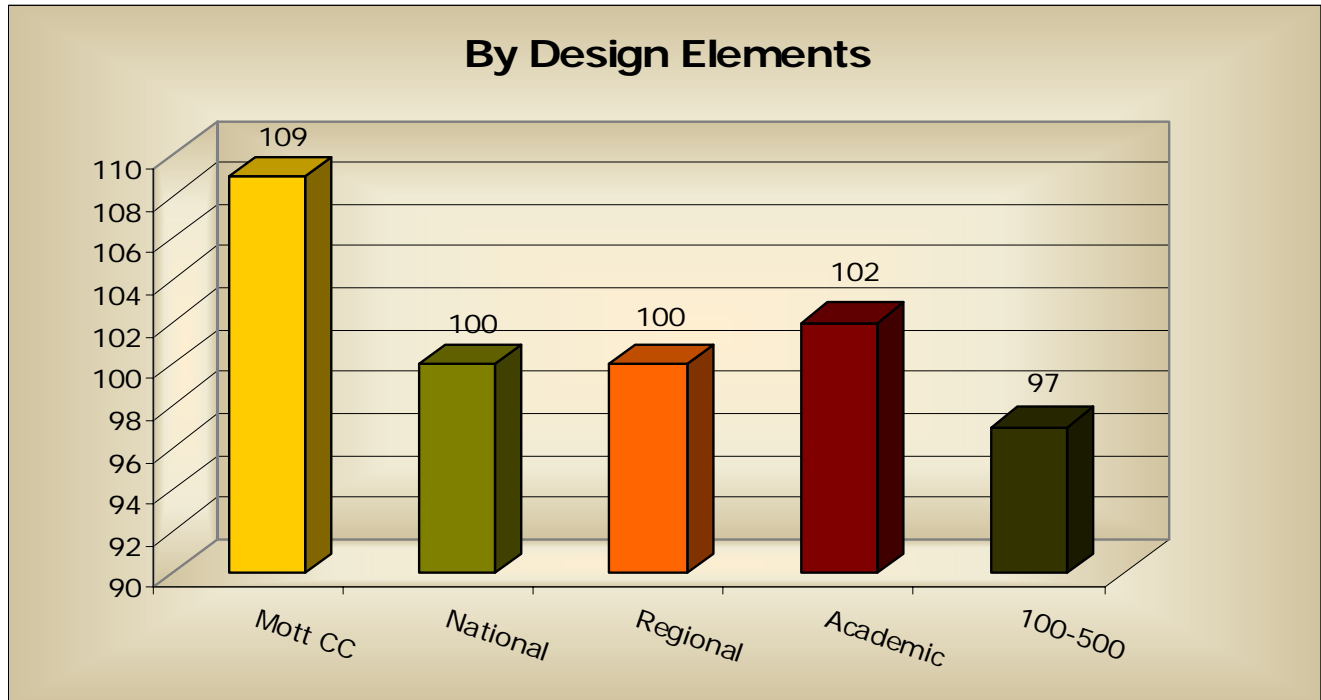
HOW DO WE COMPARE?

Plan Design

- One of the richest benefit plan designs in the region, state, and nation
- Extraordinarily low (or no) cost to participants for either premium co-share or utilization co-share, ranking it in the 99th percentile nationally

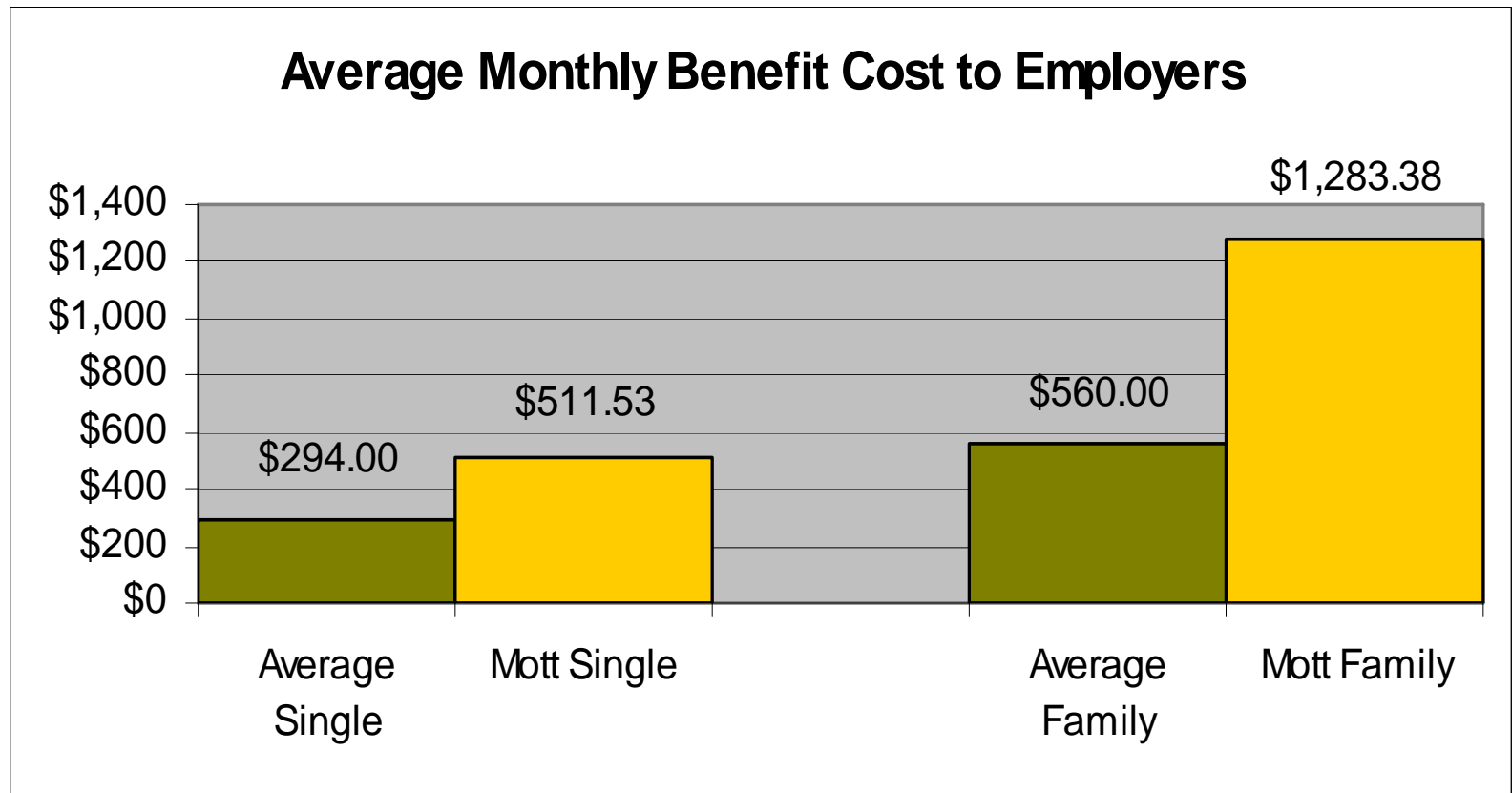
HOW DO WE COMPARE?

Plan Design



HOW DO WE COMPARE?

Employer Cost

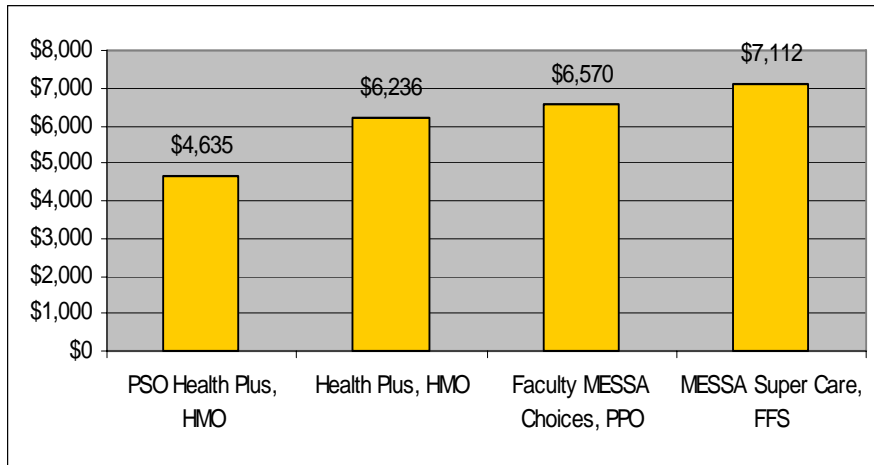


Note: Mott figures were based on averages of MESSA SuperCare, MESSA Choices, and HealthPlus HMO

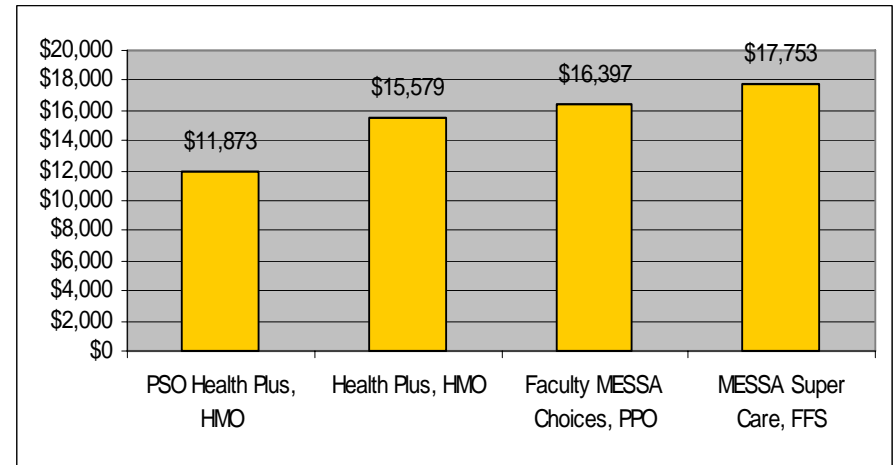
Source: Society for Human Resources Management article based on Culpepper Benefits Trends Survey, 2007

COST OF MOTT PLANS

Single



Family



USE MANAGED CARE APPROACH (HMO, PPO)

- Traditional plans like SuperCare have mostly gone away

HOW DO WE COMPARE?

Managed Care

- Hay Report estimates that schools can reduce their premiums 13% by moving from traditional fee for service to managed care (PPO is managed care).

Report by Hay Group to the Michigan Legislative Council July 13, 2005; Report on the Feasibility and Cost Effectiveness of a Consolidated State-Wide Health Benefits System for Michigan Public School Employees.

SHIFT TO MANAGED CARE

Prevalent Plan Type			
Type of Medical Plan	Michigan School District Employees	Hay Benefits Report	
		Governmental Employers	All Employers
Fee-for-Service	48%	8%	2%
PPO	30%	54%	61%
HMO	14%	32%	25%
POS	8%	6%	12%

Report by Hay Group to the Michigan Legislative Council July 13, 2005; Report on the Feasibility and Cost Effectiveness of a Consolidated State-Wide Health Benefits System for Michigan Public School Employees

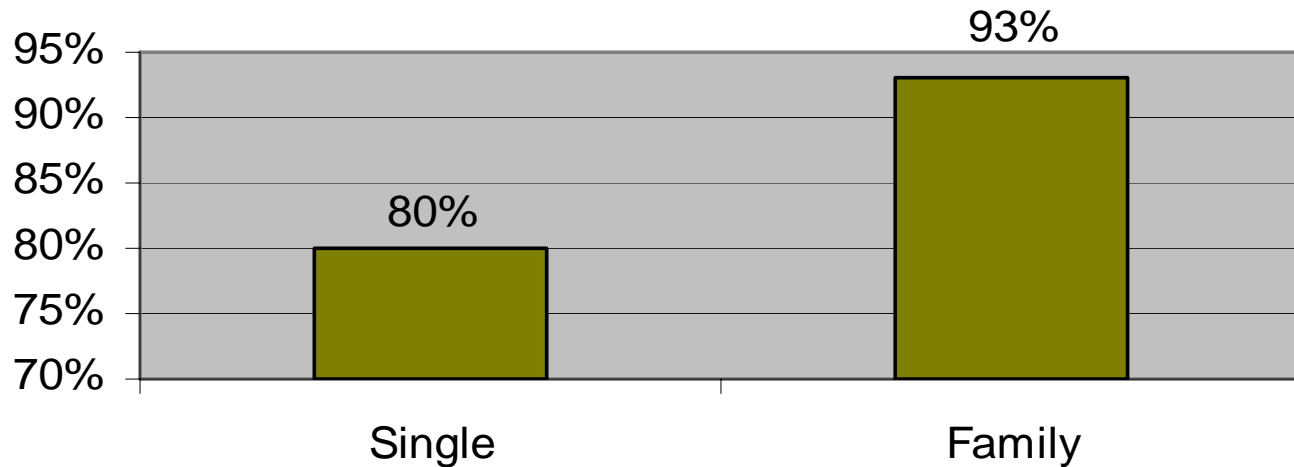
MESSA MOVES TO PPO (Prevalent form of Managed Care)

- “At the close of the 2006-2007 plan year almost 70 percent (57,202) of MESSA members were enrolled in one of our PPO plans. During the same period the number of members enrolled in our traditional plan fell from 85,767 to less than 20,000).

HOW DO WE COMPARE?

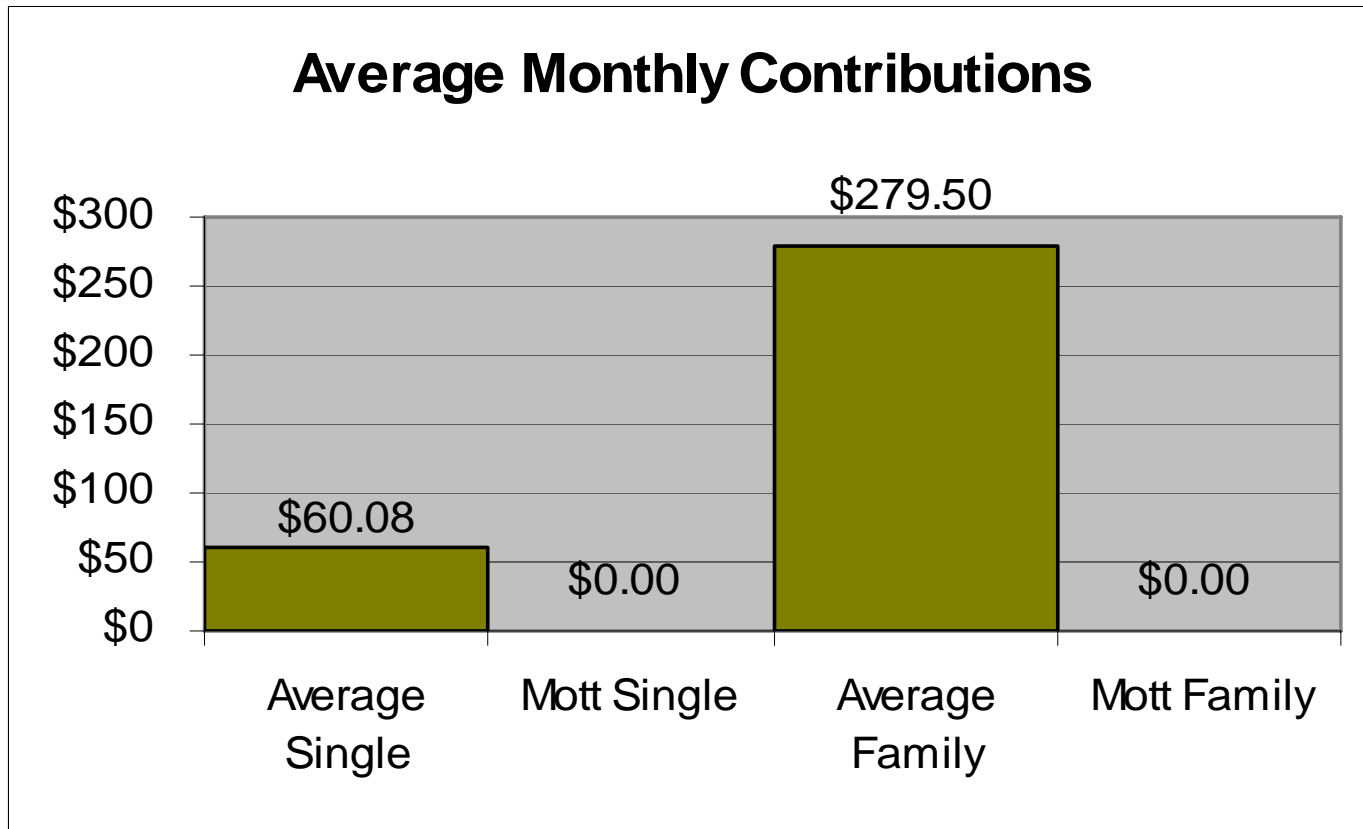
Employee Payment of Premium

**Percent of Medical Insurance Participants
Required to Contribute to Medical Care,
2008**



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2008

EMPLOYEE CONTRIBUTION TO PREMIUM



Note: The average worker contributions include those workers with no contribution
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2008

Other Michigan CCs

- Of the 26 Colleges that responded to the 2008 Michigan Community College Human Resources Association Health Insurance Survey, 19 colleges require an employee contribution to premium.
- The average employee contribution for single coverage is \$59.80 per month.
- The average employee contribution for two-person coverage is \$104.96 per month.
- The average employee contribution for family coverage is \$123.04 per month.

INCREASE CO-PAYS AND DEDUCTIBLES

Average Deductible

Single	\$ 560
Family	\$1,344

Average Copayment

Primary Care	\$ 19
Specialist	\$ 26

COINSURANCE

- 11 percent of employees have coinsurance amounts. These typically apply to participants of traditional insurance plans or high deductible health plans.
- 17 percent is the average coinsurance payment

INCREASE GENERIC DRUG UTILIZATION

- “MESSA is, however, moving from a \$5/\$10 generic/brand co-payment plan to a \$10/\$20 co-payment plan, and is adding the requirement that the beneficiary pay the difference between the brand-name and generic price if a brand-name drug is purchased when a medically acceptable generic equivalent is available.”

Report by Hay Group to The Michigan Legislative Council July 13, 2005; Report on the Feasibility and Cost-Effectiveness of a Consolidated State-Wide Health Benefits System for Michigan Public School Employees

INCREASE GENERIC DRUG UTILIZATION

TABLE 2.7	
Plan Administrator	Percentage of Scripts Filled with Generic Drugs (Retail)
MESSA	40%
MCBSM	48%
DPS	50%
MPSERS	50.7%

Report by Hay Group to The Michigan Legislative Council July 13, 2005; Report on the Feasibility and Cost-Effectiveness of a Consolidated State-Wide Health Benefits System for Michigan Public School Employees

MANAGEMENT INTERESTS

- Goal: Reduce rate of future cost increases; consistent with other strategic plans
- Components:
 - Wellness – can we help employees get healthier and stay healthy
 - Consumerism – incentives to seek out lower costs, maintain health
 - Education and Information – to promote wellness and consumerism
 - Data Orientation – use utilization data to offer targeted prevention programs