



Tuesday, October 15, 2002

Benefits under microscope as costs soar

By **Mary E. Iorio**, OU Writer

It's a part of life. The well-baby checkup at a pediatrician's office. The sigh-of-relief "no cavities" decree at a dentist's office. The new eyeglass frames every two years after a visit to the ophthalmologist. It's a part of life, because health insurance makes it affordable.

Over the past decade, though, health insurance costs began to surge. In 2002, employers nationally saw an 11 percent increase in health benefit costs, according to an August 2002 report in the "New York Times." Increases are expected to hit an average of 13 percent in 2003, the Times reported. Health Maintenance Organizations, however, project premium increases of 22 percent and up, according to a national study by the business research firm Hewitt Associates.

At Oakland University, where nearly 1,400 employees qualify for health and other benefits, costs rose 10.7 percent for 2002. And they will rise as much or more in 2003, said Ron Watson, assistant vice president for University Human Resources (UHR). Examining health benefits alone, however, provides a bleaker picture.

Watson projects health benefit costs for OU will rise 16 percent in 2003 under current plans. To compound the issue, Michigan universities will see no increase in state funding this year. Watson along with other members of the campus' Health Benefits Council are looking for ways to decrease costs without shifting an enormous burden onto employees. The council includes representation from every employee group.

"We want to educate people on the state of Oakland's benefits and determine what makes sense from a university-wide perspective," Watson said. "We are dealing with increasing medical inflation, but we want to continue to offer competitive benefits at minimal cost to employees."

While many employers nationally have asked employees to pay a monthly fee for health insurance coverage, OU's menu of health benefit providers offers at least one plan at no monthly cost to employees. That's something the university would like to continue doing, Watson said, but it's a challenge.

Over the past year, the Health Benefits Council has examined everything from life insurance policies to HMO offerings to dental plans in an effort to understand the complexities. UHR has asked its current and a handful of new health benefit providers to supply updated bids and to design changes that would lower costs without significantly changing benefits. The department also has looked into the possibility of switching to more cost-effective providers for benefits such as life insurance and long-term disability, while maintaining the same level of coverage.

In addition, OU's Benefit and Compensation Services Manager Barbara McGuire joined a coalition of Michigan colleges and universities to examine health care costs and find ways to streamline them.

"We're all offering very rich programs to our faculty and staff, and all of us are facing the exact same challenges as far as a flat budget year," she said. "We all have a very keen interest in seeing what we can do individually at our schools and collectively as a group to help contain costs."

The Health Benefits Council also is developing ways to educate employees on how to use their health benefits wisely.

"People often go to the emergency room for minor treatments when really they should have contacted their own doctor or used a 24-hour ambulatory-care facility," said HBC member Rhonda Saunders, assistant to the general counsel and secretary to the Board of Trustees. "That's a lot more expensive than a trip to your doctor's office, and it ultimately affects future coverage costs because health providers base fees on historic usage."

Currently, each of OU's employee groups – from faculty to clerical/technical to police and administrative professionals to maintenance and custodial staffers – have slight differences in their health benefit plans. Some employees qualify for benefits the day they start work; others have a waiting period. Some employees have multiple vision-care options, others just one option. "Some of the differences are nuances," Watson said, "but some are major."

Those variances, said Watson, make it difficult to reap the benefits of economies of scale. "We're trying to determine if it makes sense to have more of a universal plan." The university is considering it, he said, because both the need and interest are there.

"The university got quotes for the upcoming year based on each individual group getting its own plan and also (based on) a blended plan," said Dean Corsi, staff electrician and treasurer for the OUUPSA/MEA bargaining unit. "The blended quote was substantially lower (overall), so there is the possibility that if we can come up with a single plan that the whole university can agree on, there would be significant savings there."

The choices are still being considered. It's something the Health Benefits Council hopes to finalize before the November open-enrollment period. At this point, though, it's unclear if consensus will be reached in time.

Look for more information on health care benefits in the coming weeks.

SUMMARY

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Created by CareTech Administrator (webservices@caretechsolutions.com) on Tuesday, October 15, 2002

Modified by CareTech Administrator (webservices@caretechsolutions.com) on Tuesday, October 15, 2002

Article Start Date: Monday, January 23, 2006