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What is Going on with the ACA? Do Universities Really Care About Your Wellness?

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What is Going on with the ACA?
Do Universities Really Care About Your Wellness?

Howard Bunsis
Professor of Accounting, Eastern Michigan University
Chair, AAUP Collective Bargaining Congress
April 7, 2014
Health Care Inflation Trends
Wall Street Journal 9/17/2013

On the Mend
Health-care inflation has slowed to its lowest rate in more than 50 years...
Prices in July of each year, change from a year earlier

14%
12%
10%
8%
6%
4%
2%
0%
-2%
-4%
1960 '70 '80 '90 '00 '10
All consumer products: 1.4%

July, 2013 Health care: 1.0%

Cardiac perfusion imaging
Denver Low: $819 High: $5,376
Oklahoma City $705 $4,753
Chicago $814 $5,939

Spine MRI (noncontrast type)
Denver $463 $3,520
Oklahoma City $406 $2,280
Chicago $438 $3,153

Notes: The inflation chart measures prices paid by consumers and on their behalf by employers and the government; procedure prices represent the high and low in-network allowed amount for the service in each market.
Sources: Commerce Department (PCE inflation); Healthcare Bluebook (procedures)

The Wall Street Journal
Medical Care Inflation Index per the Bureau of Labor Statistics; 1990 to 2014

http://data.bls.gov/pdq/SurveyOutputServlet
Cumulative Increases in Health Insurance Premiums, Workers’ Contributions to Premiums, Inflation, and Workers’ Earnings, 1999-2013

Exhibit 1.11
Average Annual Premiums for Single and Family Coverage, 1999-2013

* Estimate is statistically different from estimate for the previous year shown (p<.05).
 Millions of Americans signing up for coverage

The Congressional Budget Office projects:

• **6 million** enrollees in the new exchanges by March 31, 2014

4 million selected an exchange plan (Oct 2013 – late Feb 2014)

### Exchanges

- **15** State-run
- **7** Partnership
- **7** Plan management
- **22** Federally facilitated

### Medicaid

- **26** States and D.C. expanding in 2014
- **6** Considering expansion
- **19** Not expanding in 2014

Sources: HRI analysis, Congressional Budget Office, Kaiser Family Foundation, HHS, state exchange websites, Centers for Medicare & Medicaid Services, Assistant Secretary for Planning and Education

*As of Feb 25, 2014
President Obama Takes Victory Lap After Health Care Sign-Ups
Top 7 Million: April 1, 2014

Older Age Groups Enrolled in Greater Numbers

- 55-64: 33%
- 45-54: 22%
- 35-44: 15%
- 26-34: 15%
- 18-25: 9%
- <18: 6%

This chart is from Bloomberg Business Week, January 14, 2014
## Marketplace Plans: The Metal Levels

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>Plan Pays % of Total Covered Expenses (on Avg) = Actuarial Value</th>
<th>Consumer Pays for Deductibles, Co-pays &amp; Coinsurance (on Average)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Platinum</strong></td>
<td>90%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Gold</strong></td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Silver</strong></td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Bronze</strong></td>
<td>60%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Max out-of-pocket annual limit of $6,350 individual / $12,700 family (excluding premiums). Lower for households < 200% FPL.

100% to 250% FPL also Eligible for Cost-Sharing Subsidies to Reduce Out-of-Pocket Costs. Must enroll in Silver plan for cost-sharing subsidies.

Higher Premiums & Lower Consumer Cost-Sharing

Lower Premiums & Higher Consumer Cost-Sharing
What types of plans can I buy on the exchanges?

<table>
<thead>
<tr>
<th>Catastrophic</th>
<th>Bronze</th>
<th>Silver</th>
<th>Gold</th>
<th>Platinum</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Minimal coverage plan&lt;br&gt; • Only available to people age 30 and under</td>
<td>• 60% AV*</td>
<td>• 70% AV*&lt;br&gt; • Every insurer must offer a silver plan&lt;br&gt; • Subsidies based on second lowest silver</td>
<td>• 80% AV*</td>
<td>• 90% AV*</td>
</tr>
</tbody>
</table>

Sample FULL PRICED monthly premiums

- Qualified health plans (QHP) are offered by an issuer that is licensed by the state and in good standing
- QHPs must cover **essential health benefits**
- QHPs agree to charge the same premium rate whether offered directly through the exchanges or outside of the exchanges
- Typical employer-sponsored plan is around 85% AV

AV= Actuarial value. In simple terms, this is the percent of health costs paid for by the plan. The higher the AV, the more the consumer pays in premiums.
Plan premiums on ACA exchanges are competitive, often lower than those offered by employers

Exchange premiums vs employer-based plans

Source: HRI Health insurance premiums: comparing ACA exchange rates to the employer-based market

www.pwc.com/hri
States chose from three exchange marketplace types

1. Federally Facilitated Marketplaces (FFM)
2. Partnership
3. State-Based Marketplaces (SBM)
Where the **States** Stand on Medicaid Expansion

26 states, DC, Expanding Medicaid—March 28, 2014

**Notes:** Based on literature review as of 3/28/14. All policies subject to change without notice.

HHS has announced that states can obtain a waiver to use federal funds to shift Medicaid-eligible residents into private health plans. The District of Columbia plans to participate in Medicaid expansion and will operate its own exchange.

Learn more about ACA implementation at [advisory.com/daily-briefing](http://advisory.com/daily-briefing)
Map of Right to Work for Low Wages States and Pro-Labor States

Last Updated: Dec. 12, 2012

24 RTW STATES
26 PRO-LABOR STATES
Louisiana sues MoveOn.org over Bobby Jindal billboard

Lauren McGaughy, NOLA.com | The Times Picayune  March 16, 2014
Obamacare May Be Causing a Shift To Part-Time Workers in Illinois

Forbes, 2/24/2014

Average work hours for Illinois’ lowest-paid sectors, 2011-2013

What is Really Behind Corporate Wellness Initiatives:
Eviscerating the Concept of Insurance

Do you want health insurance?

Yes! But the sicker, fatter, and older you are, the more you pay.

Is public education seen as a public good?

NO! If you want an education, you pay for it
What Wellness is really about: getting the percentage paid by employees higher (and lowering that paid by the employer)
Penn State Wellness – “Take Care of Your Health”
On Campus, a Faculty Uprising Over Personal Data;
New York Times, 9/13/2013

1. Regular Checkup
2. Undergo several biometric tests

3. Questionnaire
   - Have you had problems with a co-worker or with a supervisor? Do you fear for your job?
   - For women: Do you plan on getting pregnant in the next year?
   - Have you recently had a separation or divorce?
   - Have you had recent problems with your personal finances?

If you refuse to answer the questions, you pay $1,200 ($100 per month)
President Erickson’s email and letter to Penn State Faculty and Staff Members refers to possible ways to provide cost effective health care such as health reimbursement accounts, changes to deductibles and co-pays. He also refers to differential rates for employees who continue to engage in health risk behaviors. We are very concerned that “health risk behaviors” are not clearly defined.

There is considerable confusion and are conflicting instructions for completing the process to avoid the $1200/year penalty. We are concerned that the “Take Care of Your Health” initiative approaches wellness through punitive measures, namely a penalty of $100 per month for not complying, rather than an incentivizing structure that rewards healthy efforts through the reduction of premiums.
Penn State Backed Down, But Do Wellness Programs Work?
Sources: http://www.rand.org/pubs/research_reports/RR254.html
http://www.workplacewellness.com/images/Workplace_Wellness_Programs_can_generate_savings.pdf

Rand Corporation study
• Good: Improvements in exercise frequency, smoking behavior, and weight control,
• Bad: No improvement in cholesterol control.
• Mixed: Participation in a wellness program over five years is associated with lower health care costs and decreasing health care use: $157, but the change is not statistically significant.

Harvard Study
• We found that medical costs fall by about $3.27 for every dollar spent on wellness programs
• Absenteeism costs fall by about $2.73 for every dollar spent.

What is Penn State doing to their grad students? See next slide
Contact us at psugradhealth@gmail.com for more information and to get involved!

Twitter: @PennStateHUGS

**Details of Proposed Plan and Current Plan for Comparison: (As of March 17th)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Student</td>
<td>Spouse</td>
</tr>
<tr>
<td><strong>Premiums</strong></td>
<td>$2,348</td>
<td>$5,825</td>
</tr>
<tr>
<td><strong>Coverage</strong></td>
<td>100% In-Net, 80% Out-of-Net</td>
<td>90% In-Net, 70% Out-of-Net</td>
</tr>
<tr>
<td><strong>Annual Deductible</strong></td>
<td>$75 (individual)</td>
<td>$225 (family)</td>
</tr>
<tr>
<td><strong>In-Network Out of Pocket Maximums</strong></td>
<td>Presently None</td>
<td>$1,350 (individual)</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>Emergency Room Copay: $0</td>
<td>Generic Prescriptions: $0 at UHS or 50% outside of UHS</td>
</tr>
</tbody>
</table>

**Notes:**
- University Health Services visits will still be at 100% coverage (with allergies as the only exception).
- Benchmarking against presently available plans on the exchanges results in costs per benefits gained being comparable or superior on this plan.
- Mental Health must be treated the same as any other health concern under the ACA, so any counseling or psychological services would fall under the coverage above.

_We are Penn State, too!_
How Much Will Penn State Save with Their “Wellness” “Plan”

Source: Audited Financial Statements

<table>
<thead>
<tr>
<th>Generous estimate of wellness savings</th>
<th>Annual Operating Cash Flows, 2013</th>
<th>Unrestricted Reserves, 6/30/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20,000,000</td>
<td>$665,808,000</td>
<td>$2,757,846,000</td>
</tr>
</tbody>
</table>

Bunisi: What is Going on with the ACA? Do Universities Really Care About
Is Penn State Hurting Financially?

Moody’s Rating: Aa2
S&P Rating: AA
3rd Best of 24
## Typical Health/Wellness Targets

**Source:** Blue Cross PPO Plans, Michigan

<table>
<thead>
<tr>
<th>Health Measure</th>
<th>Wellness Target</th>
<th>If I do not meet the target – how can I work to qualify for the enhanced plan?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tobacco</td>
<td>Non-tobacco user</td>
<td>Enroll in Quit the Nic tobacco cessation program Actively participate until you</td>
</tr>
<tr>
<td>Weight</td>
<td>Body mass index below 30</td>
<td>Participate in Weight Watchers or WalkingSpree program until BMI falls</td>
</tr>
<tr>
<td>Blood Pressure</td>
<td>Below 140/90</td>
<td>Commit to and follow doctor’s treatment plan</td>
</tr>
<tr>
<td>Cholesterol</td>
<td>LDL below target based on risk factors: &lt;100, &lt;130 and &lt;160</td>
<td>Commit to and follow doctor’s treatment plan</td>
</tr>
<tr>
<td>Blood sugar</td>
<td>At or below target (Fasting Blood Sugar or A1C)</td>
<td>Commit to and follow doctor’s treatment plan</td>
</tr>
<tr>
<td>Depression</td>
<td>Any depression in full remission</td>
<td>Commit to and follow doctor’s treatment plan</td>
</tr>
</tbody>
</table>
## Blue Cross HMOs in Michigan
### Thin vs. FAT Plans

<table>
<thead>
<tr>
<th></th>
<th>Enhanced</th>
<th>Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Family Premium</strong></td>
<td>$400</td>
<td>$400</td>
</tr>
<tr>
<td><strong>Deductible</strong></td>
<td>$1,000</td>
<td>$3,000</td>
</tr>
<tr>
<td><strong>Maximum Co-Insurance</strong></td>
<td>$2,000</td>
<td>$3,000</td>
</tr>
<tr>
<td><strong>Office Co-Pays</strong></td>
<td>$20</td>
<td>$45</td>
</tr>
<tr>
<td><strong>Urgent Care Visit</strong></td>
<td>$20</td>
<td>$50</td>
</tr>
<tr>
<td><strong>X-Ray/MRI</strong></td>
<td>20% Co-Ins</td>
<td>30% Co-Ins</td>
</tr>
<tr>
<td><strong>Hospital Care</strong></td>
<td>20% Co-Ins</td>
<td>30% Co-Ins</td>
</tr>
<tr>
<td><strong>Prescription Drugs</strong></td>
<td>$5/$25/$40</td>
<td>$10/$40/$80</td>
</tr>
</tbody>
</table>