

Email from Emily Schorer to Employees enrolled in Access Blue Plan dated April 25, 2013

To: Employee Subscribers of Access Blue

The Human Resources (HR) Office has invited you to attend one of multiple meetings being held this week and next week regarding upcoming changes to the Institution's medical plan offerings and, specifically, elimination of the Access Blue Plan for 2014. I would like to take this opportunity to provide some more context and information related to the rationale for this decision.

For several years now, the Institution, along with other organizations nationwide, has been struggling with the rising cost of healthcare. For the past few years, the Access Blue Plan has presented a particularly significant challenge in trying to negotiate favorable rates across all of our plans due to the performance of that plan. This is best illustrated by looking at the loss ratio. The loss ratio is a comparison of the cost of claims paid out by the insurance carrier versus the amount of premiums that are paid to the insurance carrier for healthcare coverage. In 2010, the loss ratio for Access Blue was 106%, in 2011, 114%, and in 2012, 116%. In other words, more money is being paid out for claims than the premiums that are being charged to cover claims. Each year, when establishing premium rates, the insurance carrier sets targeted loss ratios based on projected claims experience and the cost of administering each of our specific plans. For 2012, the targeted loss ratio was 88.7% for the High Deductible Health Plan (HDHP), 91.5% for the HMO, 92.5% for Access Blue, and 91.4% for the PPO. The only plan that met or outperformed these targets was the HDHP.

The Institution medical plan is a *group* medical plan, which currently has four (4) plan offerings. Even though the plan offerings have different premiums, our insurance carrier, Blue Cross Blue Shield (BCBS), establishes one composite rate increase each year across all plans. For 2013, our negotiations with BCBS resulted in a premium rate increase of 7.4% for all plan offerings. If the plans were instead valued on their own individual merit, claims experience, and BCBS's targeted loss ratio for each plan, the following rate adjustments would have applied – 10.1% decrease for the HDHP, 16.2% increase for the HMO, 36% increase for Access Blue, and 59.6% increase for the PPO. Because we have a group plan, BCBS spreads the risk across all plans and assigns a composite rate.

While the Access Blue Plan provides flexibility in choice of providers and services sought, that freedom of choice without the need for referrals or other controls such as deductibles, makes it difficult to control costs. Some employees have inquired as to whether or not the Institution could just increase the amount of the premium for those who elect the Access Blue Plan. While the Institution could shift more costs to employees, that approach would not change how subscribers use the plan and incur costs, which ultimately ends up impacting the pricing of all of our plans. Further, with the trend of increasing healthcare costs, continued cost-shifting is not sustainable and it is not a cost effective approach. For illustrative purposes only, consider what a 36% increase to Access Blue Plan premiums (annual employee share) looks like compared to current HDHP premiums (annual employee share):

	Access – 36% Inc	HDHP	Annual Premium Savings if enrolled in HDHP
Individual	\$3,665	\$1,498	(\$2,167)
Employee + Child	\$6,597	\$2,696	(\$3,901)
Employee + Spouse	\$7,330	\$2,996	(\$4,334)
Family	\$10,383	\$4,244	(\$6,139)

In addition to plan performance, new provisions under healthcare reform have created additional financial challenges in mitigating costs. Some of these provisions are already in place (e.g. expansion of dependent coverage to age 26, expansion of free preventive coverage, patient centered outcomes research fees) and have had a direct impact to the cost of our group medical plan of approximately 2%. For 2014, we are expecting additional fees that will have an added cost impact of 2% - 2.5%. For 2018, an excise tax will be imposed on high cost plans. All of these impact the cost of our plan offerings. Another unique challenge associated with our HMO and Access Blue Plans has to do with 'Alternative Quality Contracting' (AQC). AQC is contracting that Cape Cod Physicians enlists with BCBS that applies to HMO contracts only (the Access Blue Plan is an HMO). Under an AQC, a fixed per-patient payment is issued from the health plan to the provider with performance incentives based on measures of quality, effectiveness, and patient experience. This contracting has increased premiums by 4%. While the concept of AQC seems admirable, the Institution does not have any influence on the incentive plan or the measurements used and there is no flexibility in our negotiations with regard to this contracting.

For all these reasons and with the long-term strategy of our healthcare benefits in mind, the decision has been made to consolidate our plan offerings to two (2) – the HDHP and, likely, a Low-Deductible HMO. These issues were reviewed by Institution leadership after consultation with our benefits consultants and brokers and our insurance carrier, and in light of what we know about trending healthcare issues and the impact of healthcare reform. There were discussions with the Directorate and the Science Department Chairs, but the decision was made by the Directorate. In the coming months, HR will be working with our benefits consultants and brokers and meeting with multiple carriers – BCBS, Tufts, and Harvard-Pilgrim – about the plan offerings for 2014. The meetings they have scheduled with you will help in gathering information about plan design provisions that are of particular importance to you and will be useful in our discussions with potential carriers. The Institution's intent for 2014 is to provide an overall medical benefit that is cost-neutral, while implementing changes that will help in curbing future increases in healthcare costs and to enable the Institution to continue providing quality and affordable healthcare for all. Our negotiations on 2014 rates will begin this summer.

Although the HDHP will not be the only plan offered in 2014, many of the questions and comments we have received from current Access Blue subscribers has to do with the plan design of the HDHP. HR will review the HDHP design in the meetings with you but you may also want to refer to the FAQs that are on the HR website, which might help in clearing up some of the confusion and misconceptions with this plan offering: <https://www.who.edu/HR/page.do?pid=39817>

Should you have any questions, please do not hesitate to contact me, Tina Betti, or Denise Cabral.

Best regards,

Emily

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