

Date: July 18, 2013
Subject: 2014 Health Insurance Benefit Program Changes

To Benefits-Eligible Employees,

The Institution is committed to providing affordable and comprehensive medical coverage to benefits-eligible employees and their eligible dependents. In 2013, the Institution will spend approximately \$6.0M to provide health insurance benefits while employees will contribute an additional \$2.5M in premium cost share. A combination of factors, including the rising cost of healthcare, new costs associated with healthcare reform mandates, and the record of past claims associated with some of our current plan offerings has made it increasingly challenging to maintain an affordable program without making substantive changes.

As Susan Avery communicated in a June update, some significant changes with the Institution's health insurance benefit program will go into effect for 2014. These changes include the elimination of the Access Blue and PPO plans from the enrollment options offered to benefits-eligible employees and their eligible dependents. Effective January 1, 2014, the Institution will offer three (3) medical plan options:

1. **HMO Low Deductible Plan** – this plan will have an annual deductible of \$500 for employee-only coverage and \$1,000 for employee-plus coverageⁱ. While the HMO Low Deductible Plan limits participants to use only 'in network' providers and facilities (with the exception of emergency situations when urgent care is needed), we are pleased to inform you that based on feedback received from employees and discussions with the carriers, no primary care physicians or referrals will be required when seeking care under this new plan.
2. **High Deductible Health Plan with Health Reimbursement Account (HDHP-HRA)** – this plan will have an annual deductible of \$2,000 for employee-only coverage and \$4,000 for employee-plus coverage. The Institution will reimburse up to the first 50% of the deductible through a Health Reimbursement Account (HRA) for enrolled participants to assist with out-of-pocket expenses. *(This is the same HDHP Plan that has been offered since 2010. Over 50% of those employees currently participating in the Institution's health insurance benefit program are enrolled in this plan.)*
3. **High Deductible Health Plan with Health Savings Account (HDHP-HSA)** – this plan will have an annual deductible of \$1,500 for employee-only coverage and \$3,000 for employee-plus coverage. The Institution will contribute an amount equivalent to 50% of the deductible to a Health Savings Account (HSA) for enrolled participants to assist with out-of-pocket expenses.

Health Insurance Carrier Review

Although the Institution's group health insurance renews each year on January 1, renewal planning and negotiations start much earlier so that everything is concluded by late summer/early fall. This timing coincides with the Institution's budget process and our annual Open Enrollment period, when employees can elect, re-elect, or change their benefit elections.

As part of the renewal process, every 3 to 5 years the Institution puts the group health insurance plan out to bid. This is an important exercise that fosters positive plan performance and

competitive pricing. This year, the Institution has gone to market to request bids from three (3) potential health insurance carriers:

1. **Blue Cross Blue Shield of Massachusetts** – the incumbent carrier;
2. **United Health Care** – a national network carrier, which has a local network partnership with Harvard Pilgrim;
3. **Cigna** – a national network carrier, which has a local network partnership with Tufts.

We evaluate carriers based on the following criteria:

- size and geographic coverage of provider and facility network, including an analysis that takes into account those providers and facilities that employees and their dependents are seeing today or have seen in the recent past;
- level and quality of coverage provided compared to that currently provided by Blue Cross Blue Shield;
- tools and resources to assist employees and their families to manage health care costs under a consumer-driven health plan (e.g., tools that help to quickly determine out-of-pocket costs for various medical services from specific providers and facilities, help to track deductible balances, facilitate payment for medical services, etc.); and
- cost

For the most part, the plan design among carriers is the same. However, there are instances in which United Health Care or Cigna offer more favorable design components than Blue Cross Blue Shield. We are working with Blue Cross Blue Shield to see if they will offer comparable design components. Once the Institution has gathered more data from the carriers, we will share information with the WHOI community to show how the plan designs compare.

What You Can Do Now

As you await more information, here are actions you can take now to start preparing for the upcoming 2014 Open Enrollment:

1. **Review the Frequently Asked Questions (FAQs) on the HR website** at <http://www.whoi.edu/HR/page.do?pid=122736>. If you have a specific question that is not included in the FAQs, please arrange to speak with someone in Human Resources at hr@whoi.edu or x2253.
2. **Consider your health care needs and what type of plan makes the most sense for you and your family.** Here are just a few things to consider:
 - With the HMO Low Deductible Plan, more routine services involve a co-pay and do not apply toward the deductible, but out-of-pocket expenses are generally lower. The HMO Low Deductible Plan may be a good option for those who are comfortable with some restrictions on choice of doctors and hospitals within the Plan (e.g., limited to ‘in network’ coverage only). The HMO Low Deductible Plan will come at a higher premium than the High Deductible Health Plan options.

- With the High Deductible Health Plan options, there is more freedom to choose providers and facilities, even if they are ‘out of network.’ However, ‘out of network’ providers and facilities involve greater out-of-pocket expenses than ‘in network’ services. In general, the higher the deductible, the lower the premium usually is, but the savings over the HMO Low Deductible Plan can vary significantly depending on your medical circumstances.
3. **Understand the differences between a Health Reimbursement Account and a Health Savings Account.** Human Resources will hold open Institution meetings to explain these programs and how they differ, but, in the meantime, more information is available at <http://www.whoi.edu/HR/page.do?pid=122717>.
 4. **Speak with your current providers** to see if they accept insurance from Blue Cross Blue Shield of Massachusetts, United Health Care (*Choice Plus* network), or Cigna (*Open Access Plus Carelink* network).
 5. **If you have questions or feedback, please contact Human Resources at hr@whoi.edu or x2253** and be sure to attend the open Institution meetings that will be scheduled to review the 2014 medical plan options.

Institution Transitions to Self-Insured Program

As a final note, effective January 1, 2014, the Institution will transition from a fully-insured health insurance program to a self-insured program. Under a self-insured program (or a ‘self-funded’ program as it is also called), the Institution assumes the financial risk for providing health care benefits. In practical terms, self-insured employers pay for claims as they are incurred instead of paying a fixed premium to an insurance carrier, which is known as a fully-insured plan. Self-insuring health care benefits is a common approach used by large employers with plans comparable to our size (we already self-insure dental benefits). Working closely with our benefits consultants and the WHOI Finance Team, cost projections under a self-insured model indicate the potential for cost savings of about 4–5% to the Institution and employees over the *long-term*. ***This change is an alternative for financing a group medical plan that will be seamless to employees and their enrolled family members.*** The Institution will still enlist one of the carriers named above to provide administrative services to process our claims and provide access to networks of physicians and hospitals. Employees will continue to share in the cost of health care through premiums charged and will carry an insurance card associated with the selected carrier.

Resources for More Information

2014 Medical Plan Changes: <http://www.whoi.edu/HR/2014-medical-plan-changes>
Frequently Asked Questions (FAQs): <http://www.whoi.edu/HR/page.do?pid=122736>
Health Savings Account Information: <http://www.whoi.edu/HR/page.do?pid=122717>
Glossary of Medical Plan Terms: <http://www.whoi.edu/HR/page.do?pid=122737>
Questions? Contact Human Resources: hr@whoi.edu or x2253

ⁱ The designation of ‘employee-plus coverage’ includes employee + spouse, employee + child(ren), and family coverage.