

SENATE COMMITTEE ON FACULTY BENEFITS

Faculty Benefits Programs, Academic Year 2004-2005

(Informational)

Executive Summary: The following conclusions can be made after comparing the Penn State health care benefits program with those offered at 30 peer institutions.

- Penn State's health care benefits eligibility criteria for full-time employees are very similar to other institutions. However, Penn State is the only institution that requires a waiting period for part-time employees.
- Penn State offers more types of medical coverage plans than typically offered at peer institutions.
- Among those plans having a deductible and maximum lifetime benefit, Penn State's indemnity plan, Plan A, has the lowest deductible and the lowest maximum lifetime benefit. While the same was true of the University's Healthpass PPO, that plan was integrated into the Penn State Choice effective January 2005. Penn State Choice deductibles are higher than the Healthpass PPO and apply only to out-of-network services. The lifetime maximum of the Penn State Choice plan is \$1,000,000 for services provided within the network.
- The percentage of medical plan premium paid by Penn State faculty and staff for individual and family medical coverage is about 1 to 4% lower than the average of peer institutions.
- Penn State's dental and vision plans are similar to peer institutions.
- Penn State's short- and long-term disability benefits are typically less than those provided at peer institutions.
- Penn State's contribution to an employee's retirement plan is the same as one institution. Contributions are higher at 13 institutions and lower at another 13 peer institutions.

Introduction: The goal of the Penn State health care benefits program is to provide high quality wellness programs and health care at affordable costs to both Penn State employees and the University. The Employee Benefits Division administers Penn State's wellness and health care plans.

The University's health care benefits are an integral part of an employee's total compensation. As such, the benefits within and the cost of each type of health care program must be competitive and have the flexibility to meet the diverse needs of the Penn State community and to attract and retain high quality faculty and staff. This is a challenging task considering that health care costs are escalating at rates well above inflation. However, Penn State remains committed to providing several types of high quality benefit programs that are affordable to both faculty and staff and to the University.

It is not the purpose of this Informational Report to provide a detailed description of each of Penn State's benefit programs. That information can be found at www.ohr.psu.edu.htm. Rather, the purpose is to provide the Faculty Senate with a comparison of Penn State's health care benefits with benefit programs at other universities. Information for this report was compiled on September 1, 2004, using available information from 30 universities¹, including several from the Big 10. Penn

State information reflects the 2004 benefits plan year. These 30 universities participate in the Association of American Universities Data Exchange (AAUDE) which provides benefit information or are benchmark universities identified by the University's Budget Office. This information will be updated annually and provided to the Senate Committee on Faculty Benefits.

This report is organized to present general comparisons between Penn State's health care benefits and costs with other universities relative to: (a) eligibility, (b) medical plans, (c) prescription drug benefits, (d) health care premiums, (e) dental coverage, (f) vision coverage, (g) life insurance, (h) disability, and (i) retirement. It is important to understand that some comparisons with other universities are difficult if not impossible to make. This occurs because several universities withhold some information and health care benefits and costs are compounded by several factors including but not limited to geographic location, number and age of participants, participating medical facilities and health care providers, insurance carriers, and wellness programs.

Eligibility: Full-time faculty and staff members at Penn State may elect individual or family health plan participation (medical, dental, and/or vision). Coverage is effective on the first day of employment provided that the employee completes the enrollment form within 31 days of the appointment date. This is very similar to the vast majority of institutions surveyed. Penn State part-time employees are eligible for retirement plan participation following 750 hours of work in a calendar. Part-time employees become eligible for individual or family medical insurance following a two-year waiting period, if they have worked at least 750 hours per year. Of the 30 institutions surveyed, Penn State is the only one requiring a waiting period. Three institutions provide coverage to only full-time employees while the majority of institutions offer most benefits to part-time employees at the start of their employment. Penn State faculty and staff may qualify for a continuation of medical and several other benefits upon retirement. All of the 30 institutions surveyed provide medical and other benefits after retirement.

Medical Plans: Penn State employees can elect to choose from several different types of medical plans called Indemnity and/or Comprehensive, Preferred Provider Organizations (PPO), Health Maintenance Organizations (HMOs), and Point of Service (POS).

Indemnity and/or Comprehensive: These plans are also called "fee-for-service plans" and are those that primarily existed before the advent of HMOs and PPOs. After meeting a deductible, the individual pays a pre-determined percentage of the cost of the service and the insurance company pays the other percentage until a maximum is reached. It is important to note that many health insurance companies no longer offer these plans.

- Penn State and 19 of the 30 institutions surveyed are still providing an Indemnity and/or Comprehensive plan.
- The \$100 deductible for Penn State's individual plan and \$200 for the family plan were among the lowest of all institutions surveyed. The deductibles at other institutions ranged from \$100 to \$2,000 for an individual and from \$200 to \$4,000 for a family plan.
- The lifetime maximum benefit for the Penn State plan is \$500,000, which was the second lowest of all institutions surveyed. Lifetime benefit maximums at 19 other universities ranged from \$250,000 to \$2,000,000. The Penn State Choice plan, effective in January 2005, provides a \$1,000,000 lifetime maximum for in-network services. Services outside of the network have a lifetime maximum of \$500,000.

Preferred Provider Organization (PPO): In this plan, members can use health care providers within or outside of a network and do not need a referral to see a specialist. Members pay an annual deductible, more for service from out-of-network providers, and there is a lifetime maximum. Typically, a PPO is more flexible than a HMO plan, but the total out of pocket costs are likely to be higher.

- Penn State and 23 of the 30 institutions surveyed offer a PPO benefit program.
- Penn State has one of the lowest in-network individual (\$50) and family (\$100) deductible. In-network individual and family deductibles at 23 other institutions ranged from \$50 to \$1,250.
- In the Penn State PPO, individuals pay 40% of outpatient and non-emergency services when utilizing an out of network provider. The non-network coinsurance rates (member responsibility) ranged from 20 to 50% for the 23 institutions offering a PPO.
- The lifetime maximum benefit for the Penn State Healthpass PPO is \$500,000, which was one of the lowest compared with 23 institutions where the lifetime benefit maximums ranged from \$250,000 to \$2,000,000. The Penn State Choice plan, effective in January 2005, combined the Healthpass PPO and HealthAmerica POS and provides a \$1,000,000 lifetime maximum for in-network services. Services outside of the network have a lifetime maximum of \$500,000.

Health Maintenance Organizations (HMO): HMOs provide prepaid individual and family care. There are no deductibles or claim forms and most services are 100% covered. However, some services, such as office visits, have modest co-payments. Coverage also includes preventive (wellness) services and screenings. In an HMO a primary care physician (PCP) is selected from a list of participating physicians and is the first contact when care is needed. In the event that there is a need for a specialist, the PCP makes the referral to the appropriate provider within the HMO's network.

- Penn State and 23 of the 30 institutions surveyed offer an HMO.
- Penn State co-payment to the PCP is \$10 and to a specialist is \$15. The co-payment at the 23 other institutions ranged from \$5 to \$25.
- Penn State HMOs, like the majority of institutions surveyed, have no lifetime benefits maximum. Only 3 universities surveyed have a \$2,000,000 lifetime benefit maximum. It should be noted that laws in many states specify that HMO plans may not set a maximum benefit limit.

Point of Service (POS): This plan combines features of PPO and HMO plans. Participants must select a PCP and will receive HMO-style benefits if they secure a referral from their PCP before seeing a specialist. However, the plan provides alternatives to those who seek care outside of the network or who do not receive a referral from their PCP. In other words, the POS plan combines low out-of-pocket charges and preventive coverage associated with HMOs with the complete freedom to choose outside of network providers.

- Penn State and 14 of the 30 institutions surveyed offer a POS benefit program.
- The Penn State non-network individual (\$100) and family (\$200) deductible are among the lowest. Among the 14 other institutions, deductibles ranged from \$100 to \$5,000 for an individual and to \$200 to \$10,000 for a family.
- The Penn State out of pocket, non-network maximum amounts were among the lowest being \$1,250 for an individual and \$2,500 for a family compared with maximum amounts at the 14

institutions that ranged from \$1,000 to \$5,000 for an individual and from \$2,000 to \$12,000 for a family plan.

- The Penn State Choice plan, effective in January 2005, combined the Healthpass PPO and HealthAmerica POS and provides non network deductible of individual (\$500) and family (\$1,000) as well as out non network maximum amounts of \$1,500 for an individual and \$3,000 for a family.

Prescription Drug Benefits

- All 30 institutions surveyed offered prescription drug benefits, either as a component of the medical coverage or as a separate benefit. The majority offer a flat fee co-pay per prescription, ranging from \$1 to \$10.50 for generic and from \$2 to \$27 for brand names. Penn State's offers a 50% co-pay for both generic and brand names in the HMO benefit program.
- Of the 30 institutions surveyed, 24 utilize a formulary, which is a list of prescription drugs that are covered under a specific plan.
- All but one institution offers reduced coverage for drugs not listed on the formulary, with fixed dollar co-payments ranging from \$4 - \$50 and percentage based co-payments ranging from 35 to 50% of the cost of the drug.
- Penn State is the only institution that does not provide coverage for non-formulary drugs under the HMO benefit plan.
- Penn State offers 80% coverage of acute and maintenance prescription drugs for employees in the PPO and Indemnity plans. Formularies were implemented for these plans effective with the 2005 plan year.
- Of the 30 universities surveyed 21 offer a mail order prescription plan in which the cost for generic drugs ranges from \$1 to \$100. Penn State offers the Penn State Maintenance Prescription Drug Plan (MPDP), which covers 80% of maintenance prescriptions. HMO members choose between the 50% retail prescription plan, which covers both maintenance drugs and those for acute conditions, or the MPDP program. Members of the PPO and Indemnity plans have access to MPDP in addition to 80% coverage for acute drugs, as outlined above.
- Effective January 1, 2005, HMO participants will have both the 50/50 coverage available at local retail pharmacies and the 20/80 coverage available for maintenance drugs. HealthAmerica HMO participants access the mail-order maintenance drug plan through EnvisionRx Services in association with Walgreen's mail order pharmacy. All other HMO participants may utilize the MPDP program through University Health Services Pharmacy.
- Penn State Choice plan participants have the 50/50 prescription drug coverage at local participating pharmacies and also have the option to use the MPDP program for maintenance drugs. Penn State Choice also provides an annual out-of-pocket maximum for prescription drug costs of \$1,000 per participant.

Health Care Premium Contributions: Health care premium data were available for 21 of the 30 institutions surveyed. Penn State's premiums are competitive in reference to both the amount of the employee contribution and the amount Penn State pays to its carriers. Based on the 2004-05 AAUDE survey average results (in which 21 institutions participated), Penn State compares as follows:

- For Penn State HMO family coverage, Penn State employees contributed 23% of the total premium (taking into account the 7-year premium phase-in strategy) compared the AAUDE average of 27%.
- For Penn State PPO family coverage, Penn State employees contributed 26% of the total premium compared to the AAUDE average of 27%.
- For the 2005 benefit year, Penn State University Park employees contribute the following of their total premium: HMO individual 18% monthly, HMO family 23% monthly, PPO individual 20% monthly, and PPO family 26% monthly.
- For comparison, the Pennsylvania State System of Higher Education employee premium contribution is 10% of the premium cost for medical and prescription coverage for full-time employees (effective January 1, 2005) and employees in the Commonwealth of Pennsylvania will begin paying .5% of their salary effective July 1, 2005 and 1% of salary effective January 1, 2007.

Dental Coverage: Of the 30 institutions surveyed, 29 offer dental coverage, of which 21 offer a dental HMO or PPO. The majority of institutions' plan coverage provides preventive services that are covered at 100%, basic services are covered at 80%, and major services are covered at 50%. Deductibles for major services (i.e. crowns, bridges, dentures) range from \$20 to \$50 for an individual and \$50 to \$225 for a family. The Penn State dental plan is in line with the institutions surveyed who offer a dental PPO.

- Based on the 2004-2005 AAUDE survey the average amount paid on behalf of the employee is 71% for single and 62% for family coverage. Penn State pays 80% of the premium on behalf of the employee for single-basic and 74% for family-basic coverage. For the new dental plan (for 2005 called Dental Enhanced), Penn State pays 57% of the premium for single and 54% for family coverage.
- The maximum benefit for orthodontics for the AAUDE institutions surveyed ranged from \$1,000 - \$1,500 per lifetime. Penn State's orthodontics lifetime benefit is \$1,250 (\$2500 under the dental enhanced plan, effective January 1, 2005).

Vision Coverage: Penn State, like 22 of the 30 institutions surveyed, offers vision coverage. Due to the variability (costs and benefits) of these plans it was impossible to draw comparisons with Penn State's plan.

Life Insurance: All 30 institutions surveyed offer life insurance coverage where the employer-provided some coverage, ranging from flat dollar amounts of \$5,000 to \$75,000, or a salary based coverage amount ranging from 1 to 3 times the employees salary. Penn State is 1 of 2 institutions offering only an employer-provided coverage of \$5,000. Of the 30 institutions surveyed, 3 have the option for an employee to purchase additional life insurance up to \$1,000,000. Others offer additional amounts in multiples of the employee's salary with a maximum of 6 times the salary or \$1,000,000. Penn State employees have the option to purchase additional life insurance to a maximum of \$500,000.

Disability: 15 of the 30 institutions surveyed offer short-term disability coverage beyond sick leave. Maximum benefits typically range from 33.3% to 65% of the employees salary. Several institutions offer a higher percentage of salary, but have a maximum dollar amount per month or week. Penn State offers the lowest percentage of short-term salary replacement at 33.3% compared

with all of the 30 institutions. Of those surveyed, 28 offer long-term disability coverage where the maximum benefits range from 50% of the employee's salary up to \$10,000 per month to 70% of the employee's salary with no monthly or weekly maximum. Penn State offers 60% of the employee's salary up to \$5,000 per month. This is the second lowest of the 30 institutions surveyed; however, 60% is in line with those surveyed, but the \$5,000 per month is the lowest monthly maximum benefit compared with all of the 30 institutions.

Retirement Plans: All 30 institutions surveyed offer a retirement plan. 24 offer defined benefit plans (employee and employer contributions are irrelevant with these plans) and 28 offer defined contribution plans, which significantly impacts the value of the plan. Under the defined contribution plan, 13 institutions contribute a greater rate than Penn State, one institution (PA State System of Higher Education) contributes the same, and 13 institutions contribute less than Penn State.

¹Institutions

University of Chicago	University of Pittsburgh
University of Arizona	Purdue University
University of Florida	Rutgers
Indiana University	SUNY
University of Iowa	University of Texas
University of Kansas	Texas A&M
MIT	PA State System of Higher Education
University of Michigan	University of Virginia
Michigan State University	University of Washington
University of Minnesota	University of Wisconsin
University of Missouri	University of Illinois
University of North Carolina	University of Colorado
Ohio State University	University of Maryland
University of Oregon	University of Nebraska
Penn State University	Commonwealth of Pennsylvania

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