



Columbia University Benefits for Officers: 2011
TRANSCRIPT

Hi, this is Linda Nilsen, head of benefits at Columbia University. I'm happy to talk with you today about the benefits at Columbia University for 2011. Today we'll talk about open enrollment, healthcare reform, changes in the benefits for 2011, and the taskforce formed regarding fringe benefits.

Open Enrollment

Benefits Open Enrollment will occur between October 25th and November 12th. It's during that time you make your elections to choose benefits for 2011. We will be conducting benefit expos this year at CUMC, Morningside, and Lamont during the first two weeks of Open Enrollment.

At those expos, we will be promoting Know Your Numbers, which is where we will do blood tests for you that will provide to you HDL, LDL results, triglycerides, glucose, etc., so you can understand how your health status is. We will have health coaches available to you to discuss your results.

If you'd like to sign up for this, please go to our website, www.hr.columbia.edu/benefits. If not, feel free to attend. We can do the tests when you walk in the door. We will also conduct benefits presentations at CUMC, Morningside, and Lamont, as well as provide them for large departments and schools. *[Note: This presentation mirrors the in-person presentations.]*

Healthcare Reform

As you may know, healthcare reform was passed during 2010 with certain provisions that affect us for 2011, so I just wanted to walk through those for you.

First is dependent coverage to age 26. If you have a child who is not age 26 at this time, you may cover them up until the end of the month in which they turn age 26, as a result of healthcare reform. This coverage is permitted now, regardless of whether they're a student or if they live at home or if they're a dependent of you at this time.

Over-the-counter drugs and supplies. These will no longer be eligible expenses under the Healthcare Flexible Spending Account unless they're prescribed by a physician. No lifetime or annual dollar limit will be permitted in the medical plans for essential benefits. At this time, essential benefits have not yet been defined.

Finally, you may have heard about healthcare plan value being reported on your pay statements, as well as the W-2 for 2011. That has now been deferred to 2012.

Now what's new for 2011? Proof of dependent eligibility is now required. If you are adding a dependent during Open Enrollment or during a life event, for that matter, you now need to provide documentation validating they are a dependent. You will fax or scan that documentation to the Benefits Service Center for approval. When you do this online, all the instructions will be provided to you.



Changes in the Medical Plans for 2011

Changes in 2011 are focused specifically in the areas that are out of network within the Point-of-Service 90 and 100 plans, as well as in the Indemnity Plan. So let me please walk these through.

First, the deductible. The deductible is increasing to \$575 for an individual, \$1,725 for family. Now what is a deductible? The deductible is the amount of money you pay before the University starts sharing in the cost of healthcare in the out-of-network area of the plan. So you will see here, on the out-of-network side, the change noted with a red circle.

Once you've met your deductible, the University pays 70% of coverage and you pay 30%. That continues until you reach the out-of-pocket maximum of \$3,500 per individual or \$7,000 per family. This is also a change from last year. Finally, in the Indemnity Plan, you'll see that the deductible has increased to \$3,500 for individual, \$7,000 for family.

Now because I'm talking about out-of-network charges and the CIGNA indemnity plan, reasonable and customary limits apply. If you have any question about reasonable and customary, please contact your insurance carrier or certainly call the Benefits Service Center.

Prescription benefits. Our prescription plan is changing as well. Retail, that's a 30-day supply when you go directly to the pharmacy, for generic products will not change. A \$10 copay, just as today, will exist in 2011. What is changing is what you pay for brand products. Brand today, we pay \$20 as a copay. Starting in 2011, if you're taking a brand product where there's no generic available, you will pay \$25. In cases where there is a generic available and you choose to have the brand product, you will pay \$45.

Now in New York and New Jersey, it's important to know that, when you bring a prescription to a pharmacy, they will automatically give you the generic product, so you should expect to pay either \$10 or \$25 when you walk in a pharmacy. The only time you'll pay \$45 is if you or your doctor has specifically written on the prescription, do not substitute, or dispensed as written. These are common terms known by your physician, and may be known by yourself, so please pay attention to that when you're filling a prescription.

Mail order is a 90-day supply, and this is an opportunity to save money if you're taking a product over an extended period of time. Generic products, right now you pay \$15 for a 90-day supply. In 2011, it will still be \$15. Brand, right now you pay \$40 for a 90-day supply. In 2011, that will go up to \$50 for a single-source brand, which, again, means that there's no generic available. In a case where generic is available and you're taking that through mail order, the price will be \$90.

Now just to be clear, if your doctor informs you that you cannot take a generic product, there is an appeal form you may fill out, and that appeal form is available on the benefits website under [Forms](#). You may also call Medco and they will mail the form to you, and you can have your physician fill it out.



If you have any questions about what product you're taking and whether it is a single-source brand or multi-source brand, you may visit the [Medco website](#), you may call Medco, or you may speak with your physician.

Healthcare Flexible Spending Accounts. We will be increasing the annual limit in the Healthcare Flexible Spending Account for Officers from \$5,000 to \$10,000. We are doing this in recognition of the changes we made in the out-of-network plans. Please do keep in mind, this is a use-it-or-lose-it plan, which means money you put in, you need to take out for expenses incurred during the plan year. If you do not use that money during that year, you will lose it. So please do plan carefully.

Medical contributions will be increasing in 2011, just as they did in 2010. One question I've received is, "Are these costs being borne by the employees and Columbia or is it more the employees?" And I can tell you that Columbia is continuing to subsidize the same amount as it did in past years at 78% of total cost. We as employees are absorbing 22% of the cost, and it is spread across all salary tiers, and across plans.

You will see in this chart the illustration of the major plans we all enroll in, about 90% of us are enrolled in one of these five plans and the increases we will see this coming year. If you are in Salary Tiers 1 through 4, your increase will be anywhere between 10% and 20%. If you're in Salary Tier 5, the highest salary tier, your increase will be anywhere between 10% and 26%.

The largest driver of our costs is high-cost claimants. Now high-cost claimants are patients who incur over \$50,000 worth of cost in a 12-month period. And what we've been running into at Columbia University is an increasing number of patients within our plan who are exceeding \$50,000 per year. And this chart illustrates that, you will see in 2008, we had approximately 150 patients at this mark. By April 2009, we were close to 200, and we are now in excess of 250 patients. These increasing costs are flowing through into the premiums that we pay

Now the reason that people are experiencing \$50,000 or more of cost are on various conditions and slide 11 illustrates the top three for you. Cancer is by far the top condition of our high-cost claimants coming in at \$6.2 million in year 2009. Next is osteoarthritis and then followed by coronary artery disease and hypertension

So, what can we do? Well, Columbia's formed a task force to look at healthcare design and cost, as well as all other benefits, and I will speak to that in a moment. But what can employees and their families do? Well, first, we can participate in care-management programs that help us take better care of ourselves, not only when we're healthy, to stay healthy, but also when we're sick, to get the right care the first time. We can also try to use in-network coverage whenever possible. And finally, use the Flexible Spending Account. All of these things will help us manage our healthcare costs.

Now regarding the Point-of-Service 90 plans, I've heard a lot about confusion on how this plan works, so I have a few slides to illustrate how the plan works. If you're in a Point-of-Service 90 plan and just go for a regular doctor's office visit, it operates just like the Point-of-Service 100 plans today. That is,



you have an office visit, for example, that costs \$100. You pay a copay of \$20. There's a balance due of \$80, and that balance is paid by Columbia, and therefore, there's no additional money due from you.

In Example 2, however, you see where the difference of the 90 plan starts to come into play. Let's suppose that doctor suggested you get an MRI. You go to get your MRI, and the charge is \$800. First, there is a deductible, and a deductible means that you're going to pay money out of pocket before Columbia starts sharing in the cost of healthcare. In this particular example, you'll see the full deductible is met of \$150. Now please keep in mind, this is an amount you pay once a year. You don't pay it every time you go to the doctor or every time you have an experience during the year. So, it's \$150 paid for the year, and now you have a balance, in this case, of \$650.

Once that happens, Columbia pays 90% of the cost. That's why it's called a Point-of-Service 90 plan, and you pay 10%. So you can see your coinsurance, 10%, is \$65. The balance is then paid by Columbia. So, your total out-of-pocket in this experience is the \$150 deductible, plus the \$65, which then equals \$215.

Now in Example 3, let's add on another test. You'll have an EKG for \$400. The individual deductible has already been met for the year, so you don't need to pay the deductible again, and the balance is \$400. Your coinsurance is 10%. Columbia is paying 90%. So, 10% of \$400 is \$40, so your cost is \$40, and then Columbia is paying the balance.

Now in the Point-of-Service 90 plan, there is a value called the out-of-pocket maximum, which is \$1,000. Once you meet this out-of-pocket maximum, you will no longer have to pay coinsurance. You are at 100% coverage. So \$1,000 is the most you will pay for this plan.

Now let's talk about the Healthcare Flexible Spending Account and how that can work with the Point-of-Service 90 plan. In that example I just walked through, that patient has healthcare expenses of \$275. Now if that same person were to use the Healthcare Flexible Spending Account and is in a 30% tax bracket, the actual cost is \$192.50, because that is paid with pre-tax money. So essentially, you save \$82.50.

We also note on here that, not only do you save, but Columbia University saves. Whenever you put money aside in a Healthcare Flexible Spending Account to reduce your taxes, Columbia University also has reduced tax expense.

Now let's talk about the Retirement Plan. The Retirement Plan is one that a lot of people also don't understand. That's why I'm spending a few minutes on it. First, there are two retirement plans, one that the University makes contributions to, and a second that you, the employee, make contributions to.

So this slide is about the first, where the University makes contributions. And this is the schedule for those contributions, so, depending on your years of service or tenure and your age, there is a contribution formula applied to your wages. And your wages, you'll see 5% of salary, I'm looking at the first line, up to Social Security wage base. Social Security wage base this year is \$106,800. So, up to that amount, 5% is put aside for you in an account. After that amount of salary, 10% will be put aside.



Now the Voluntary Retirement Savings Plan is where you put money aside. Now, contributions are from employees only in this plan. There is no match in this plan. And what this is, is where you put money aside on a pre-tax basis to save for retirement. And there's an IRS limit that's set each year, and for 2010, the limit is \$16,500. If you are age 50 or older during the year, you may contribute an additional \$5,500 to this account on a pre-tax basis.

This slide is here to illustrate the value of saving and saving early. If you start saving early in this example, \$30,000 being put aside over a period of 20 years, you would accumulate \$133,520, assuming a growth rate of 5% per year. Now if that same person instead started saving late, still putting aside \$30,000, they would accumulate only \$50,322. So you can see, there's quite a difference there in the difference between saving early or saving late. The catch-up for that person who started late, that catch-up amount would have to be an additional \$4,500 per year saved to reach the target of \$133,520.

And the illustration below of the pennies is just to show how saving early, and when we say early, we mean ages 25 to 44, during that period, versus someone starting late, 45 through 64. Now this doesn't mean it's ever too late to start saving. It's never too late to start saving. But certainly, if you're younger, it doesn't hurt to start now and will certainly help you later if you do.

This is a picture of the Enrollment System. For those of you who have seen it before, it's quite familiar, but for those who are new, I just wanted to make sure you knew how to review this page. The first section, Elect Your Benefits, is where you actually choose your benefits for the new year. And you'll see, we have choosing your benefits, which is all the standard benefits of medical and dental insurance and so forth; separately choosing your retirement elections. I just spoke about the importance of saving. You need to elect to save. We don't automatically save for you [in the VRSP]. So, you need to go into this election section and choose how much to take out of your check to start saving for retirement.

Any elections you make in this section will be effective 1/1/2011. The second section, the middle, is where you review what you have today, so, you can review your current benefits. You may also review what Tuition Exemption Benefits you're eligible for. If you want to take advantage of those benefits, this is where you would also print your eligibility form. You would go to this page, print off the Tuition Exemption form, and bring it to Student Services.

The third section, the bottom, is where we put Decision Support Tools. These tools are provided to help you make decisions. There is a Medical Plan Comparison chart there, Flexible Spending Account tool, transit and parking, as well as a Life Insurance needs-assessment tool.

This next page is just showing you how to navigate through the Decision Support Tool. In the Decision Support Tool, you pick which year you're looking at, which you will choose 2011 for the coming year, and then it will bring you to a chart that you can see on the bottom right that can compare all the different plans you're interested in looking at. And you'll see a column on the left where there's checkmarks. You just check off the plans you want to look at and what you essentially are doing is creating a customized comparison chart for you to look at.



Fringe Benefits Task Force

Now regarding the Task Force on Fringe Benefits: first, why did we form a task force? Well, essentially, the costs of benefits are continuing to increase more rapidly than the fringe pool is growing. As a result, we need to review all our benefit offerings, and this needs to be done in a community effort. The University needed input from a very broad spectrum of disciplines to address the challenges and opportunities in front of us. That is why we formed the task force.

The task force has three charters. First is a thorough and comprehensive review of our benefit offerings. So, I mentioned earlier about healthcare, and this group is certainly looking at healthcare, but they are also looking at all the other benefits we offer at the University. Secondly, they must preserve the quality of the benefit programs while making recommendations on how to reduce costs. And lastly, the objective is to help the University remain competitive and attractive for our faculty and staff.

The membership of the task force consists of the following. First, we have three co-chairs, Claude Steele, Dr. Lee Goldman, and Robert Kasdin. The task force includes membership from faculty, officers of research, and officers of administration, across all three campuses, Morningside, Medical Center, and Lamont. The University has engaged McKinsey as a consultant to provide analytical support to the task force.

Here is the timeline for the task force. The task force was formed in September and is currently reviewing the benefit programs. This will continue for some time. ... A survey will be issued to all benefit-eligible officers, asking for their feedback regarding the current benefit programs and preferences of benefits.

By December, preliminary recommendations are due from the task force. In January, we will reconvene to discuss those preliminary recommendations and next steps. During February, we will be seeking feedback from the community regarding those recommendations. Finally, in March, the task force will present to the co-chairs the recommendations based on this process.

So, what can you expect regarding the task force? Well, first, we will continue to provide you updates throughout the process, but certainly, during this time, please do not hesitate to contact us if you have questions or ideas by e-mailing us at fringe-review@columbia.edu.

Thank you for your time today. If you have any questions, please feel free to call the [Benefits Service Center](#) at (212) 851-7000, between 9:00 and 4:00, Monday through Friday. Thank you again.