

Important Information About 2023 Health Plan Premiums

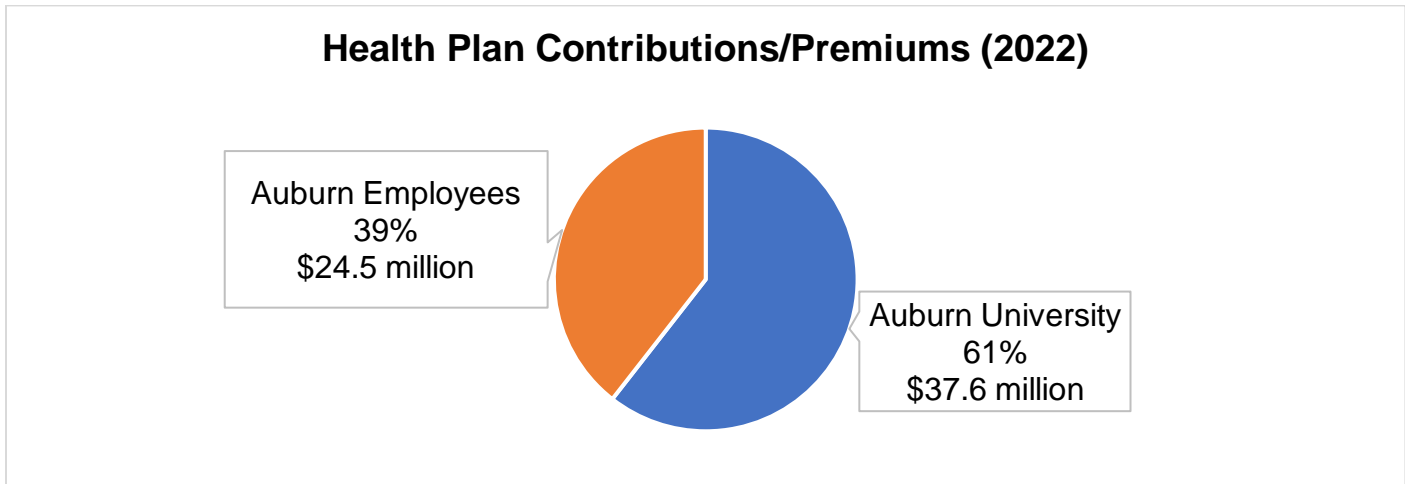
AU Employee,

Auburn University’s annual health insurance open enrollment period will begin on Oct. 24. Please take a few minutes to review this communication. It includes vital information about our university health insurance plan, including premium rate increases for 2023.

How Our Plan is Funded

Auburn University offers a self-insured group health insurance program to full-time, benefit-eligible employees. The plan is solely funded through employer contributions and employee premiums.

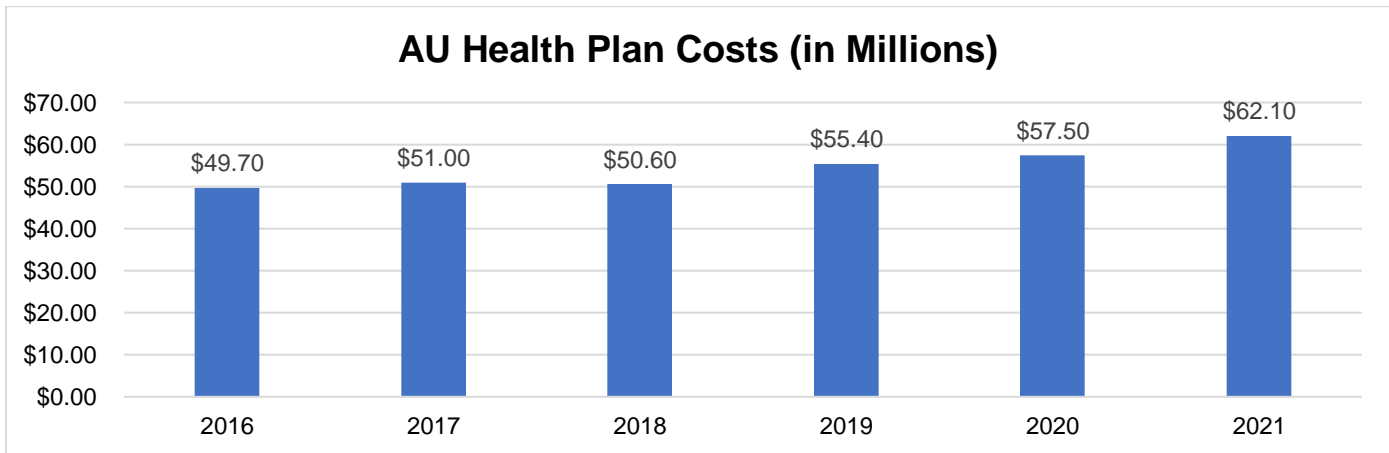
In 2022, Auburn University contributed 61% of plan funds, or \$37.6 million. Auburn employees contributed 39%, or \$24.5 million:



Increasing Costs

Health care costs are increasing across America, often outpacing inflation. Unfortunately, Auburn’s plan is not exempt from this trend.

From 2016 to 2021, our plan’s annual costs increased by over \$12 million – from \$50 million to \$62 million. That is a 25% increase.



While employer and employee contributions have steadily increased, plan costs are increasing at an even higher clip. In 2023, our plan costs are projected to increase another \$7 million, to \$69 million. While the University will cover most of the increase in 2023, senior leadership has directed costs

measures be implemented to ensure the plan remains sustainable and the university is fiscally prudent.

Explaining the Increase

We can attribute the increase in our plan costs to several factors. A few of them include an aging population, health care reform and cost increases for medical technology, services and prescriptions:

In 2022, here are some examples that are specific to Auburn:

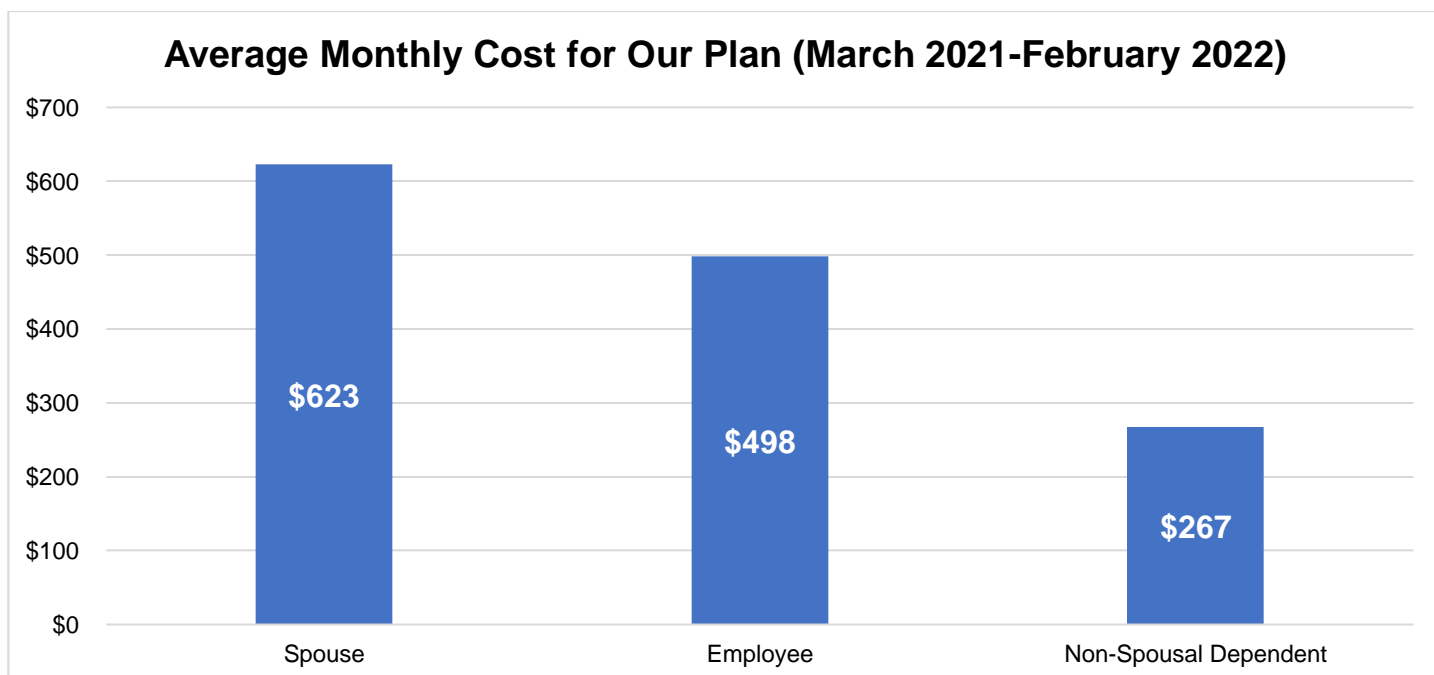
- Over 40 high-cost claimants have already surpassed \$100,000 in claims. (As an example, cumulative costs for many types of cancer can approach \$200,000 or more.) For a handful of claimants, costs have already approached or topped \$1 million.
- Prescription costs continue to increase. The top 10 retail drugs utilized by plan members have already cost the plan \$6 million. Specialty medications, which often have monthly costs of several thousand dollars, have also significantly impacted our plan.
- Many employees and their spouses/dependents who delayed check-ups, exams and medical treatment due to COVID-19 are scheduling those appointments again, resulting in increased costs.
- More plan members are utilizing mental health and substance abuse services.

After plan renewal meetings with both Blue Cross BlueShield and our benefit consultants, a 13% rate increase is recommended just to keep our plan financially sustainable. This is the largest recommendation in several years and reflects the increased costs our plan has incurred. Most years, we have been able to keep annual rate increases below 5%.

Spousal Costs

As of 2022, our plan covered over 12,000 employees and dependents. Of those, 23% are spouses.

In 2022, half of our plan members are in the two categories with spousal coverage – “Employee + Spouse” or “Family”. However, they currently account for two-thirds of our claim costs. And as of June 2022, over one-third of our high-cost claimants are spouses. As a result, we must implement a sustainable spousal strategy that proportionately aligns premiums to more evenly distribute costs where claims are incurred.



What We Have Already Done

For several years, Auburn has taken numerous steps to keep premium costs reasonable – from implementing plan design changes (deductible/co-pay adjustments) to encouraging the use of generics and lower cost prescriptions that are just as effective and much less expensive. Collectively, our efforts have saved the plan millions of dollars.

We have worked to minimize premium rate increases – especially in the last two years as we dealt with the pandemic. However, Auburn can no longer reduce costs without significantly slashing health plan benefits. This is not a surprise, as we knew there would be a day when we would have to make some tough decisions to sustain our rich PPO plan. While we had hoped to implement a High Deductible Health Plan in 2023, we were not able to do so due to the significantly negative impact it would have on affordability for Tier 2 plan members.

What We Are Doing in 2023

Our benefits are funded through a fringe rate that is capped based on the approved university budget. As a result, we must make tough decisions on funding our health care plan in 2023.

We looked at multiple ways to address this. Across America, many employers require employees to pay a monthly surcharge if their spouses participate in their plan – especially if the spouse can obtain insurance from their respective employer. In fact, some employers will not allow spousal coverage if other insurance options are available. However, we understand that many spouses want to be on our health insurance plan. While we want to give them the opportunity to stay on our plan, premium rates for spousal categories must increase significantly to evenly distribute the costs where claims are being incurred. This will help our plan remain viable.

We also want to ensure that the rates for those who do not have spouses on our plan remain competitive. (Plan costs for those individuals are significantly less.) As a result, premium rates for the new plan year will most impact employees whose spouses are covered on our plan.

Summarizing the Changes

The following rate adjustments will be implemented in plan year 2023. These changes will be effective Jan. 1, 2023.

Salary Tier 2 (Salary below \$40,800)	Enrolled	Employee Monthly Contribution	Dollar Change per Month	Percentage Change
Employee	547	\$177.32	\$3.36	2%
Employee + Spouse	151	\$496.49	\$103.98	26%
Employee + Child(ren)	63	\$336.90	\$6.38	2%
Family	209	\$531.95	\$76.75	17%

Salary Tier 3 (Salary greater than \$40,800)	Enrolled	Employee Monthly Contribution	Dollar Change	Percentage Change
Employee	1,462	\$233.61	\$1.65	1%
Employee + Spouse	649	\$654.10	\$130.76	25%
Employee + Child(ren)	281	\$443.86	\$3.15	1%
Family	1,567	\$700.83	\$93.91	15%

IMPORTANT: These benefits deductions are made on a pre-tax basis, thus lowering an employee’s taxable income.

While these changes are much more significant than in previous years, the only other option would have been increasing rates for all Tier 2 members by as much as 50% (even non-spousal categories), and by as much as 15% for Tier 3 members.

What Options Do I Have?

We understand this may be disappointing news if you have a spouse on our health insurance plan. However, we want to share the rates with you now and advise you of other options that may be available to you.

- **Your spouse’s health insurance:** Your spouse’s employer may be holding Open Enrollment now or in the next few weeks. (Many large employers in our region hold Open Enrollment in October). If Open Enrollment has already occurred, some employer plans may consider another employer’s rate increase as a “Qualifying Event”, allowing a short window of opportunity to enroll for insurance – even if their Open Enrollment has already ended.
- **Health Insurance Marketplace:** You can research the Health Insurance Marketplace to review the options for your spouse. Open Enrollment for the Marketplace begins on Nov. 1. Check out [healthcare.gov](https://www.healthcare.gov) or call 1-800-318-2596 for additional information on the Marketplace.
- If you and your spouse/sponsored adult dependent both work at Auburn, you can also save money by both choosing “Employee Only” coverage, or split family coverage and elect “Employee Only” and “Employee + Child(ren)” if you have at least one child/eligible dependent.

Please note that Open Enrollment at Auburn University will begin one week earlier this year, on Oct. 24. This will give employees extra time to make the best decisions for their family. Additional information on Open Enrollment will be shared soon at aub.ie/oe2023.

Plan Design Change

The only plan design change for 2023 is that the 2023 ACA out-of-pocket maximum will increase to the following:

- Individual: \$9,100 (+\$400)
- Family: \$18,200 (+\$600)

Positive News

- There will be no cost increases to dental or vision insurance. Superior Vision will remain our vision insurance carrier, but our plan will now be administered by Met Life.
- Annual full-time student certification is no longer required for verification of dependent children ages 19-24 covered on dental and/or vision coverage.
- We will be offering whole life insurance policies through Mass Mutual to Auburn University employees and their eligible family members. As a result, effective Jan. 1, 2023, whole life insurance policies from Colonial Life will no longer be payroll deducted. Employees that currently have Colonial whole life policies will be able to continue these policies by changing the mode of payment to bank draft. Employees currently insured with the Colonial whole life policies will be communicated with directly via email.

In Closing

Enrollment materials and educational sessions will be available to employees in the upcoming days. You should carefully review the enrollment options to ensure your health insurance selection meets your needs and your budget.

We will continue to research the impact of a High Deductible Health Care plan for our campus, and whether that is a viable option for next year or beyond.

Please do not hesitate to email benefit@auburn.edu if you have any questions on the new rates or on our insurance plan.