MONTANA UNIVERSITY SYSTEM
OFFICE OF THE COMMISSIONER OF HIGHER EDUCATION
Benefits Department

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To: Montana University System Benefit Plan Members

From: Montana University System Employee Benefits

Subject: IMPORTANT: Mid-Year 2016 Benefit Plan Changes

The Montana University System (MUS) Benefit Plan is your self-insured employer plan covering over 18,000 MUS employees, retirees, and their family members. As a self-insured plan we are funded by a combination of contributions as determined by the Montana Legislature and plan member premiums. We are responsible for providing health care coverage for you and your family members in accordance with state and federal laws and provisions.

During 2015 the MUS Benefit Plan saw a number of adverse factors converge, resulting in a drop in our financial reserves that are used to pay claims. Prior to 2015 we had very favorable claims experience in our benefit plan and built excess financial reserves. We chose to return that excess to you, our plan members, in the form of lowered premiums beginning in July 2015. In addition, we worked with the 2015 Legislature and the Governor to increase funding for employee pay in lieu of increasing revenue to the plan through the employer contribution for health insurance for FY2016. As a result, our employer contribution has been set at $887 per month from July 1, 2014 through June 30, 2016.

After those changes were implemented, we saw an increase in our health care costs, including some of the highest cost claims in our history. Since inception the MUS Benefit Plan has only had four claims exceeding $1M per year - three of those claims happened during the 2015 plan year. We are also seeing increases in other cost areas, such as hospital care, as well as increases in health care utilization.

This “perfect storm” combination of higher costs and lower revenues mean that we need to make some changes in order to ensure that the plan remains healthy and able to serve MUS members well into the future. Therefore we will be taking steps beginning December 31, 2015 to restore the plan finances, including implementing the following mid-year benefit adjustments:

Benefit Description	Benefit through December 30, 2015	Change as of December 31, 2015
Copayments		
Office Visits (non-specialty)	$15	$25
Specialty Visits	$15	$40
Emergency Room Facility Visits	$125	$250
Urgent Care Visits	$50	$75

Benefit Description	**Benefit through December 30, 2015**	**Change as of December 31, 2015**
	Copayments (cont.)	
URx Copays	Tier A (retail/mail) $0/$0 Tier B (retail/mail) $15/$30 Tier C (retail/mail) $40/$80 Tier D (retail/mail) 50 % Tier F (retail/mail) 100%	Tier A (retail/mail) $0/$0 Tier B (retail/mail) $25/$50 Tier C (retail/mail) $60/$120 Tier D (retail/mail) 50 % Tier F (retail/mail) 100%
URx Specialty Copays	Specialty $50/ Specialty $200	Specialty $150/ Specialty $300
	Deductible	
Increase In-Network Deductible	$500 (individual)/$1,000 (family)	$750 (individual)/ $1,500 (family)
	Out-of-Pocket Maximums	
Increase In-Network Medical OOP	$3,500 (individual)/$7,000 (family)	$4,000 (individual)/$8,000 (family)
Increase Rx Out-of-Pocket	$1,650 (individual)/$3,300 (family)	$2,150 (individual)/$4,300 (family)
	Other Benefit Adjustments	
Infertility Treatment	Covered – see Summary Plan Description for details	Not covered – plan exclusion
Vision Hardware Benefit	See full description at www.choices.mus.edu/Vision.asp (frames, lenses and contacts subject to copayments)	$300 frames and lenses maximum annual allowance / $150 contacts maximum annual allowance, in lieu of frames and lenses

However, mid-year benefit changes alone are not sufficient to restore financial stability to the plan. We have sent a letter to our **non-Medicare and Medicare retiree** *Choices* **members** detailing an increase to their premiums which will go into effect January 1, 2016. There will be **no increases to active employee premiums prior to July 1, 2016**. However, we anticipate that there will be premium increases for active employees as well as additional premium increases for retirees beginning July 1, 2016.

We will continue to monitor the plan and review benefits with a potential to make further benefit adjustments July 1, 2016.

FY2017 decisions will be made and communicated in the spring of 2016.

Frequently Asked Questions – FAQs

1. **Can I make new benefit plan elections beginning December 31, 2015?** – No. These changes do not meet the IRS definition of a “qualifying event” required for an employee to modify their benefit election mid-year.

2. **Can I change my medical flexible spending account election December 31, 2015?** – No. The same rules apply to medical flexible spending accounts; these changes do not constitute qualifying events for purposes of permitting mid-year plan changes or elections.

3. **How will my deductible and in-network out-of-pocket maximum work with this mid-year change?** – The increase in your out-of-pocket responsibility will be tied to services you receive after December 30, 2015. If you think of two "buckets", those services received on or before December 30, 2015 and those received on or after December 31, 2015, you can calculate your costs. Below are some examples:

   - Alice has employee only medical coverage. She had surgery in September 2015 and has satisfied her medical deductible of $500 and met her in-network out-of-pocket maximum of $3,500. In February she breaks her wrist and has costs of $810. She will have to satisfy an additional $250 to meet her mid-year deductible of $750. The remaining $560 ($810 - $250) will apply to her mid-year in-network out-of-pocket increase. Under the MUS *Choices* plan she pays 25% coinsurance on that $560 or $140. The increase to the mid-year in-network out-of-pocket is $500 ($4,000 - $3,500), and Alice will satisfy $140 of that amount from her coinsurance; she will still have $360 remaining toward satisfying her out-of-pocket maximum through June 30, 2016.

   - Barb covers her husband and a son on her plan. They were in a fender bender in October 2015 and all of them had claims. Barb had $300 in claims, her husband had $500 in claims, and her son had $1,000 in claims for a family total of $1,800. Their family deductible was $1,000 so they met that amount and had $800 in claims that went toward their in-network out-of-pocket maximum. They were responsible for 25% of that amount or $200. They do not have any additional claims for the remainder of the year, so the $1,200 from the October accident will be all they owe for the year.

   - Charles has a planned back surgery. He covers only himself as a single employee. He began working with his doctor to schedule it in November and the surgery takes place in February. He had $500 worth of lab work and tests done in December in preparation for the surgery. The surgery cost $5,050. Since Charles had $500 of services in December, that applies to his deductible. However, the next services he has are in February so those apply to the mid-year deductible of $750, so he needs an additional $250 to satisfy his deductible for the year. He is responsible for 25% of the remaining $4,800 ($5,050 - $250) or $1,200 which will apply toward his mid-year in-network out-of-pocket maximum of $4,000.

   - Dan has a monthly prescription for rheumatoid arthritis medication. It is a specialty drug and he currently gets a monthly supply with a $200 specialty copayment. For July – December 2015 he got six-months at $200 per month and paid $1,200 toward his $1,650 Rx out-of-pocket maximum. When he goes to fill his prescription in January 2016, his copayment will be $300 per month for the specialty drug and his Rx out-of-pocket maximum will increase to $2,150. During January, February, and March he will have a monthly copayment of $300. Then in April he fills his prescription and he only has $50 remaining before he hits the mid-year Rx out-of-pocket maximum of $2,150 (i.e. six months of $200 copayment + three months of $300 copayment + $50 in April = $2,150). The remainder of the year he will have no additional cost for covered in-network prescriptions.

4. **What will happen to my Tax-Advantaged Account (TAA)?** – Your TAA will remain intact. New employees hired up through December 31, 2015 will have an employer contribution of $750 made to their TAA. Beginning January 1, 2016, only financial wellness incentives earned through participating in the MUS Wellness Program will be made as contributions to the TAA.

5. **Why did we get a TAA last year and now we are seeing benefits changes made?** – At the time we made the decision to fund the TAA, the MUS had excess funds in our flexible spending forfeiture account. This account is not allowed to be co-mingled with the account that we use to pay claims. We opted to return the excess funds to employees in the TAA and then determine from year-to-year whether funds were available for additional employer contributions. Since the decision to fund the TAA was made, we have experienced the financial downturn in our health care plan.

6. **Why aren't these benefit changes being made July 1, 2016?** – Waiting to reduce costs and increase revenue means that we will incur even bigger losses by June 30, 2016; those in turn need to be funded in order for us to maintain sufficient funds to pay claims. In order to lessen the ultimate impact of the premium costs on our employees, we are starting to make smaller program changes earlier in lieu of even larger adjustments in July.

7. **Aren't there any other benefit cuts you can make to help reduce our premiums? For example, suppose I am a man and don't need mammograms, why am I charged for them?** – The Affordable Care Act substantially limits the amounts and types of benefit changes we can make while complying with the Essential Benefit provisions of the law. In general, insurance coverage is provided for all plan members with the understanding that you may use certain services and your co-worker may have different needs. However, you jointly participate in helping to fund the benefits that you respectively use as MUS Plan members.

If you have questions or need additional information, we encourage you to contact the MUS Employee Benefits office at 1-(877) 501-1722 or email us at www.musbenefits.edu.

Sincerely,

Connie Welsh

Connie Welsh,
Director of Benefits
Montana University System Employee Benefits