



EASTERN KENTUCKY UNIVERSITY

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Office of Human Resources

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MEMORANDUM

DATE: February 7, 2006

TO: Eastern Kentucky University Employees

FROM: Wally Skiba, Manager, Benefits & Compensation

RE: Employee Benefits

I wanted to take this opportunity to bring you up to date on the continuing work of Human Resources and the Benefits Committee in our review and planning related to EKU's health plan. Your health insurance plan is our number one priority.

At its December 6th meeting, the Benefits Committee decided to go to the market with a Request for Proposal (RFP) for the administration of the health plan. The primary reason to request the RFP is to ensure that we have secured the most effective plan administration to include excellent customer service, a large network of health care providers, health plan administrator responsiveness to the needs of our employees and the University, and favorable provider discounts while keeping administrative cost competitive.

Medical Provider discounts are the negotiated rates that are paid to a healthcare provider within the administrator's network. The larger, the discount the more savings realized in our health plan. The savings from provider discounts, pharmacy rebates, and administrative fees will result in a lower total cost for EKU's health plan and smaller increases in premium costs for both employees and the University.

On December 12, 2005, we submitted the bid specifics to six insurance carriers and/or third party administrators and asked for proposals to be returned to Neace Lukens, our benefits consultant and broker by mid-January 2006.

The Benefits Committee met again on Thursday, January 26, 2006 to review with representatives of Neace Lukens the proposals that had been received in response to the RFP and to narrow the field to the most competitive bids. The criteria used to judge the proposals included the following:

- Administrative cost
- Mental Health and Chemical Dependency cost
- Pharmacy rebates from the plan administrator

- Financial ratings of the plan administrator
- Provider Discounts
- Disruption Analysis (This is an indicator of how many health care providers currently used by our employees are included with the network.) No administrator with less than a 95% match of current providers is being considered.

The committee also requested that customer service be included as an additional criterion for comparison of the three vendors. We have requested that each vendor be prepared to share this information with the committee when the respective vendors make their presentations to the committee on February 9, 2006. The committee is interested in customer service satisfaction not only from the administrative services but also from the healthcare providers within the vendors' networks.

Following the committee's review of the responses to the RFP, the committee elected to invite the following three vendors back for a presentation to the Benefits Committee on February 9, 2006:

- Anthem
- Humana
- FiServe (Formerly known as Commonwealth Administrators), which uses the CHA network of healthcare providers).

I also wish to share with you the following information. Healthcare costs on a regional basis are rising at a rate of 12 to 15 % each year. This trend is projected to continue for many years to come. The EKU health plan is expected to experience a 10% increase in claims and administrative fees during the 2006-07 fiscal year. The Committee's goal is to minimize the increasing cost of healthcare without making changes to the current plan design such as deductibles or co-payments.

The University is a self-funded plan, which means that each healthcare dollar is paid by the University and is not covered by an insurance company. Currently, the University contributes 66.3% of the total cost of the health plan. Employee contributions provide the remaining 33.6% of the total costs of the plan. The University contributions allow for the PPO low single coverage to be made available to employees at no cost to the employee.

Since claim expense drives the cost of health care, it is important for each of us to use the health plan wisely and to do all we can to stay healthy.

I will keep you updated on further developments regarding our healthcare plan as they become available. Should you have any questions, please feel free to contact me at 622-5094 or wally.skiba@eku.edu.

