

**Harvard University
University Benefits Committee
Medical Program Fact Sheet**

The University Benefits Committee (UBC) is sharing key statistics on the University’s Health Insurance Program (“Medical Program”) to deepen the Community’s understanding of the plan and its related costs. With the UBC’s support, Harvard regularly evaluates its insurance offerings to manage expenses for members and the University, and balance those expenses with the need to offer comprehensive, quality health plans under the Program.

This Fact Sheet provides some key health insurance spending, enrollment, and utilization statistics for each of the last four years, 2013-2016. For each statistic, please note:

- Medical cost, utilization, enrollment, and payroll contributions data are from the Truven data warehouse and are not audited, but have been checked for reasonableness.
- Enrolled Employees includes all active union and non-union employees, pre-65 retirees, and COBRA participants.
- Data are based on claims incurred in each calendar year shown and paid through 3/31/2017.

Table I – Total Medical Spend (in millions)

	2013	2014	2015	2016
1 Total Medical Spend ¹ (1a + 1b + 1c)	\$203.1	\$213.9	\$221.8	\$226.0
a. Spending Paid by the Health Plan	\$183.5	\$193.9	\$197.9	\$203.1
b. Employee Out-of-Pocket Costs	\$11.0	\$11.0	\$14.7	\$13.7
c. Plan Administration	\$8.6	\$9.0	\$9.2	\$9.2
2 Employee Payroll Contributions	\$44.7	\$46.8	\$46.1	\$49.3
3 Total Employee Spend (Payroll Contributions + Out-of-Pocket Costs)	\$55.7	\$57.8	\$60.8	\$63.0
4 Total Harvard Spend (Total Medical Spend - Employee Spend)	\$147.4	\$156.1	\$161.0	\$163.1

¹ Total Medical Spend includes HUGHP Premiums per accounting ledger, unaudited and may not represent full accrual per GAAP. Spending Paid by the Health Plan also includes annual surplus/deficit from HUGHP premiums.

Total Medical Spend (1) includes Spending Paid by the Health Plan (1a), Employee Out-of-Pocket Costs (1b) for care when receiving services, and Plan Administration expenses (1c) related to the administration of the program by Harvard Pilgrim Health Care (HPHC) and Harvard University Group Health Plan (HUGHP). *Total Medical Spend* increased 11.3 percent from 2013 to 2016, which reflects a compound annual growth rate of 3.6 percent. This result reflects modest growth in plan enrollment (see below).

In 2015, the University implemented changes to the Medical Program which included increased cost sharing at the point of care for some services. As a result, Employee Out-of-Pocket Costs increased from 2014 to 2015 (from \$11 million to \$14.7 million) and then went down in 2016 as the University eliminated cost sharing for some services and introduced a new Point-of-Service (POS) plan with lower out-of-pocket costs.

Harvard employees contribute a share of the premium cost of the Medical Program through payroll deductions, referred to as *Employee Payroll Contributions* (2). These contributions differ depending upon which plan an employee chooses and whether they enroll in Individual or Family coverage.

The chart below (Table II) provides additional cost information on a “per employee” and “per member” basis. Enrolled members include the employee plus any dependents covered (e.g., spouse or child).

Table II – Total Spend Per Employee

	2013	2014	2015	2016
Enrolled Employees	15,739	15,971	16,056	16,227
Enrolled Members (Employees + Dependents)	33,278	33,798	33,814	33,988
5 Grand Total Spend per Employee (5a + 5b)	\$12,904	\$13,393	\$13,815	\$13,927
<i>Year-Over-Year Trend</i>	—	3.8%	3.1%	0.8%
a. Total Employee Spend Per Employee	\$3,539	\$3,619	\$3,787	\$3,882
<i>Year-Over-Year Trend</i>	—	2.3%	4.6%	2.5%
b. Total Harvard Spend Per Employee	\$9,365	\$9,774	\$10,028	\$10,045
<i>Year-Over-Year Trend</i>	—	4.4%	2.6%	0.2%

From 2013 to 2016, enrollment in the Medical Program increased slightly: 3.1 percent for *Enrolled Employees* and 2.1 percent for *Enrolled Members*. Over the same period, Total Employee Spend per Employee (5a) increased 9.7 percent while Total Harvard Spend per Employee (5b) increased 7.3 percent.

Table III – Actuarial Value of the Medical Program

	2013	2014	2015	2016
6 Actuarial Value of Plans (1a / (1a + 1b))²	94.3%	94.6%	93.1%	93.7%

² Does not include the impact of the copay reimbursement programs used to offset employee Out-of-pocket Costs.

The *Actuarial Value* (6) of the plan, shown in the chart above, is a way to express the share of Total Medical Spend *minus* Administration paid by the plan. From 2013 to 2014, the Actuarial Value of the Plan increased from 94.3 percent to 94.6 percent as the Plan paid an increasing percentage of the Total Medical Spend. In 2015, the Actuarial Value of the Plan decreased as a result of the plan changes noted earlier, and then rose again in 2016 reflecting the removal of cost sharing for some services and the addition of a new POS plan with lower out-of-pocket costs.

Table IV – Key Annual Utilization Statistics

	2013	2014	2015	2016
Office Visits per 1,000 Members	4,677	4,704	4,551	4,623
Emergency Room Visits per 1,000 Members	159.0	154.0	159.2	156.6
Hospital Admissions per 1,000 Members	70.0	66.9	67.1	60.8
Total Drug Spend per Member	\$958	\$1,144	\$1,099	\$1,229
Specialty Drug Spend per Member	\$234	\$261	\$262	\$319

These data provide information on how members used the plan and is expressed on a “per 1,000 members” basis. In 2016, for example, there were approximately 4.6 doctor visits per member per year. Over the period shown, *Office Visits per 1,000 Members* (both specialist and primary care visits) have remained relatively flat.

Similarly, *Emergency Room (ER) Visits* have fluctuated little from year to year. Harvard's ER utilization is lower than national benchmarks which is a positive indicator that members are seeking non-emergency care in more appropriate settings (e.g., through their primary care physician or an urgent care center).

The number of *Hospital Admissions per 1,000 Members* was consistent from 2013 to 2015, but dropped substantially in 2016. Hospitalizations are relatively infrequent across the entire population, so it is not unusual to see variances from year to year. Further analysis is underway to better understand this change.

Total Drug Spend Per Member showed a 19 percent increase from 2013 to 2014, which reflects a national trend in rising drug costs driven by price inflation as well as an influx of new and expensive drugs to treat a growing variety of diseases. The University re-negotiated its drug program contract for 2015, reducing costs relative to the previous year by 4 percent. It is anticipated, however, that drug prices will continue to rise at 12 – 13 percent annually, with specialty drugs (for oncology, diabetes, and autoimmune diseases, among others) growing at over 19 percent annually—making it the fastest growing component of overall medical costs. At Harvard, Specialty Drug Spend increased 22 percent from 2015 to 2016.

* Express Scripts 2016 Drug Trend Report