

**The Ohio State University  
Faculty Senate Fiscal Committee  
Updated February 23, 2023**

**TOPIC:**

Composite Benefit Rates for September 1, 2023 through August 31, 2024

**CONTEXT:**

This is the annual calculation of rates charged to university departments for faculty/staff benefits, such as retirement, health care, tuition benefits, etc.

**RECOMMENDATION:**

Recommended composite benefit rates for 2023-2024 (as a percentage of salaries) are as follows:

*Assumes 3% AMCP, 8% Medical Trend*

<b>General University</b>					
	<b>Current Rates (22-23)</b>	<b>Proposed Rates (23-24)</b>	<b>% Change</b>	<b>Projected Benefit Costs</b>	<b>Projected Benefit Costs (22-23)</b>
Faculty	27.1%	<b>28.0%</b>	3.3%	\$ 145,788,969	\$ 138,980,035
Combined Staff	35.4%	<b>36.7%</b>	3.7%	306,770,120	279,903,214
Specials	15.9%	<b>15.8%</b>	-0.6%	22,321,148	14,998,411
Students	0.4%	<b>0.3%</b>	-25.0%	150,213	135,002
Graduate Associates	11.5%	<b>11.7%</b>	1.7%	16,641,312	15,320,643
<b>OSU Health System</b>					
Faculty*	35.7%	<b>37.0%</b>	3.6%	\$ 21,299,010	\$ 19,085,638
Combined Staff	34.3%	<b>35.7%</b>	4.1%	348,388,399	345,002,480
Specials	16.1%	<b>16.1%</b>	0.0%	36,227,625	22,937,964
Students	0.6%	<b>0.6%</b>	0.0%	20,724	16,648
Graduate Associates	11.8%	<b>11.9%</b>	0.8%	59,230	66,680
<b>Faculty Group Practice</b>					
Clinical Appointments**	4.4%	<b>4.8%</b>	9.1%	\$ 18,684,926	\$ 17,599,318

\* Faculty rate group for the Health System consists primarily of medical residents.

\*\* Excludes retirement contributions

**ADDITIONAL DETAIL:**

- Summary of Actual and Projected Benefit Costs by Component
- Methodology for Benefit Rate Calculations and Definitions for Rate Groups
- Trends in Actual Benefit Costs and Charges
- Ten-Year Trends in Composite Benefit Rates
- Target vs Actual Cash Balances in Benefits Funds
- Additional Detail on Medical Costs – FY2021 and FY2022
- Additional Detail on Benefit Administration Costs – FY2021 and FY2022

**The Ohio State University  
Summary of Key Assumptions  
Used in Benefit Rate Calculations**

**Global Assumptions:**

<b>Headcount</b>	Assume stable benefit-eligible FTE (AU2021 actual)
<b>Average Pay Increase</b>	Assume guideline increases of 3% in FY2023 and 3% in FY2024.
<b>Structure of Benefit Rate Groups</b>	Assume same rate groups as prior year
<b>Composition of Benefit Package</b>	Assume same components as prior year
<b>Target for Benefit Cash Balances</b>	Cash equal to fully funded benefit liabilities, plus \$28 million Medical Plan Reserves

**Summary of Actual and Projected Costs by Component:**

		FY22		FY23		FY24		
	Primary Cost Driver	FY22 Total Actual Cost	Actual Rate/ Cost per FTE	FY23 Total Projected Cost	Projected Rate/ Cost per FTE	FY24 Total Projected Cost	Projected Rate/ Cost per FTE	Notes
STRS	Salary \$	129,290,357	16.20%	138,579,128	14.05%	142,736,502	14.05%	(1)
OPERS	Salary \$	313,589,519	14.50%	315,618,773	14.05%	325,087,336	14.05%	(2)
Medicare	Salary \$	45,431,901	1.53%	46,369,014	1.38%	47,760,085	1.43%	(3)
Group Life	Salary \$	6,414,866	0.24%	6,456,826	0.24%	6,650,531	0.23%	
Disability	Salary \$	7,036,922	0.26%	7,110,642	0.25%	7,323,961	0.25%	
Unemployment Comp	Salary \$	481,607	0.02%	525,810	0.06%	541,584	0.02%	
Workers Comp-UNIV/OSP	Salary \$	2,943,277	0.14%	3,031,575	0.16%	3,122,523	0.14%	
Workers Comp-Health System	Salary \$	4,414,915	0.37%	4,301,832	0.44%	4,430,887	0.35%	
Benefits Administration	Salary \$	6,810,174	0.21%	7,014,479	0.21%	7,224,913	0.21%	
Graduate Associate Health Insurance	Salary \$	12,883,911	10.47%	13,270,428	10.93%	16,207,123	11.31%	(4)
Medical Plans	Headcount	345,981,569	10,427	366,740,463	11,053	403,504,253	12,162	(5)
Affordable Care Act Fees	Headcount	163,019	5	164,000	5	163,980	5	
Lifestyle Benefit	Headcount	-	0	11,000,000	332	10,998,674	332	
Vision	Headcount	1,242,716	37	1,459,949	44	1,343,960	41	
Dental	Headcount	14,468,504	436	14,599,492	440	15,347,786	463	
Employee Tuition	Headcount	23,551,934	710	30,658,933	924	23,549,094	710	
Dependent Tuition	Headcount	10,780,658	325	11,347,787	342	11,214,844	338	
<b>Totals</b>		<b>925,485,848</b>		<b>978,249,131</b>		<b>1,027,208,036</b>		

**NOTES:**

(1) - STRS rate to be applied to all Faculty and Specials salaries. Projected cost increases are primarily due to guideline salary increases.

(2) - OPERS rate to be applied to all Unclassified and CCS salaries. Projected cost increases are primarily due to guideline salary increases.

(3) - Medicare 1.45% statutory rate applied to all salaries.

(4) - Includes increase in subsidy for student health insurance from 85% to 100% (\$2,400,000) and subsidy for grad students with 25% FTE appointments (\$412,000)

(5) - Reflects projected cost increases of 8% per year.

### **Methodology for Composite Rate Calculations:**

- Cost projections are based on the actual costs of the last full fiscal year, incremented for known and/or anticipated changes in costs.
- A primary cost driver is identified for each component of the rate and is used consistently for allocation of actual and projected cost to benefit rate groups. There are two primary cost drivers – salary dollars and benefit-eligible headcounts, which are expressed in terms of full-time equivalents (FTEs). OPERS, STRS and most of the smaller benefit components are allocated to benefit-eligible rate groups based on salary dollars; health care costs and employee/dependent tuition are allocated based on benefit-eligible FTEs.
- To ensure consistency in the calculation of composite rates, we use FY2022 actual FTEs and FY2022 actual salaries, incremented across all rate groups for guideline wage increases. The costs to be recovered are variable costs (as covered salary dollars and benefit-eligible FTEs go up or down, the benefit costs and associated composite rate charges to the departments go up or down accordingly).
- Employee contribution rates for health coverage will not be set until Autumn Semester and are effective January 1, 2024. The current composite-rate calculations assume that the employee's share of projected costs will equal employee contributions. To the extent that employee contributions are set below their projected share of health care costs, the additional costs would need to be recovered via the composite rates charged to the departments.
- A complicating factor in the rate-setting process is the multiple “years” associated with employee benefits. University budgets and Office of Sponsored Programs rates are on a July-June fiscal year, salary increases and University/Health System composite benefit rates are on a September-August year, and medical benefit plan designs and employee contribution levels are on a calendar (January-December) year. We need to predict, by February 2023, what rates will be required to cover costs and provide sufficient benefit cash balances for the benefit “year” ending August 31, 2024.

### **University/Health System Rates vs. OSP Sponsored Program Rates:**

- University/Health System rates are determined by OSU; OSP rates are proposed by OSU and are subject to negotiation with the federal government (DHHS).
- For University/Health System rates, OSU has discretion to pursue rate stability, particularly related to maintaining targeted cash balances and amortizing over/under-recoveries over multiple periods. For OSP rates, the federal government requires full amortization of over/under-recovery in next even/odd year (for example, all over/under-recoveries for FY2022 must be incorporated in the FY2024 rate calculation).
- The lock-step amortization of under/over-recoveries under the federal rate-setting rules increases the likelihood of abrupt increases or decreases in OSP benefit rates.

## **Definitions for Rate Groups:**

University faculty and staff are divided into the following groups for benefit rates:

**Faculty** – Includes nine-month, 12-month and clinical faculty members eligible for full benefit package, including retirement, subsidized health care, life insurance, disability and tuition benefits. For Health System, the faculty rate group consists primarily of medical residents.

**Combined Staff** – Includes administrative and professional (Unclassified) staff, non-exempt (Classified Civil Service) staff and post-doctoral researchers eligible for full benefit package, including retirement, subsidized health care, life insurance, disability and tuition benefits.

**Non-Student Specials** – Includes lecturers and part-time staff who are not eligible for full benefit package (rate consists primarily of retirement contributions). This rate is also applied to overtime pay for unclassified and CCS staff, supplemental compensation and off-duty quarter support.

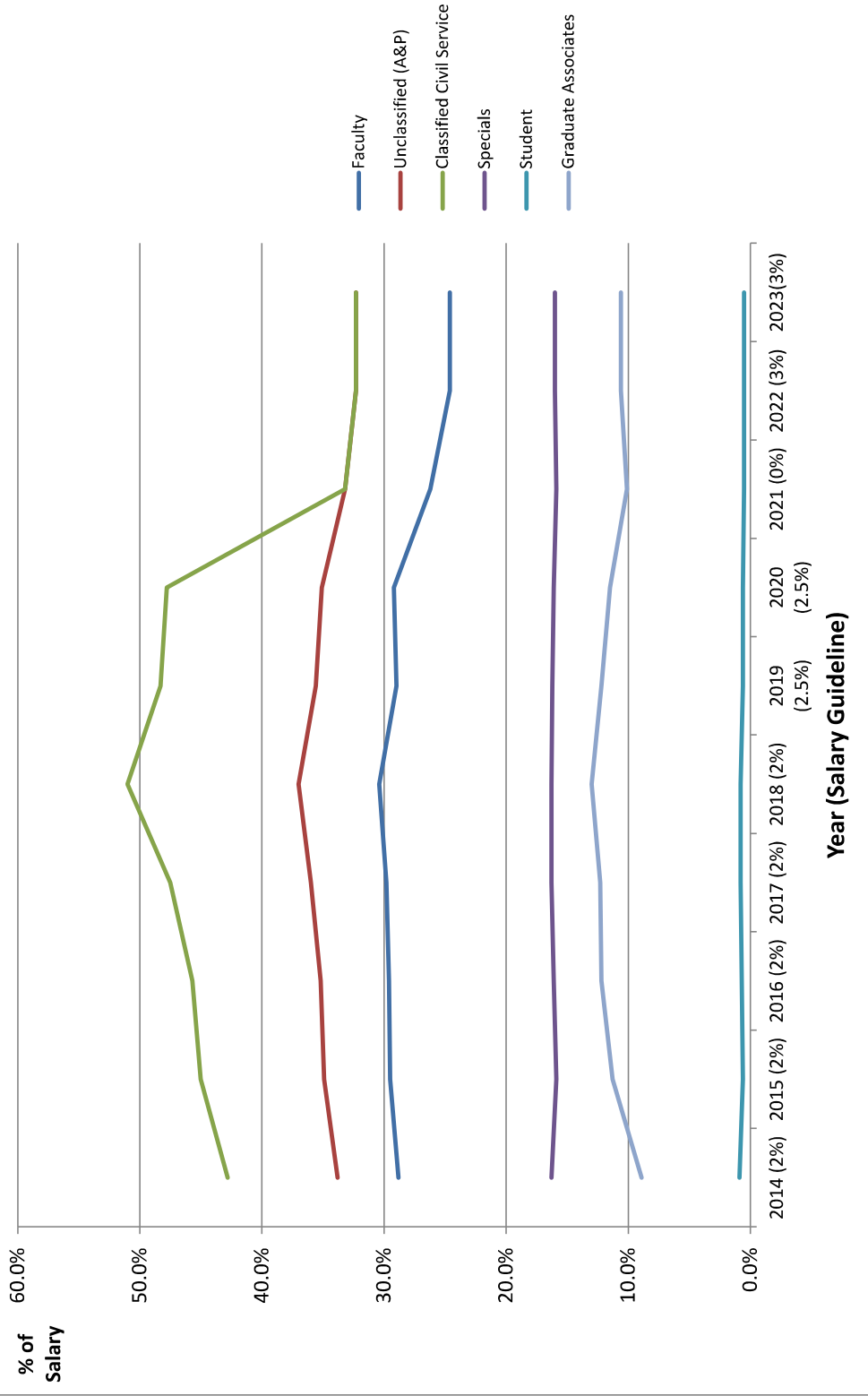
**Students** – Includes hourly student employees who are not eligible for benefits (rate consists primarily of required Medicare, workers compensation and unemployment contributions). This rate is also applied to additional pay that is not eligible compensation for retirement contributions.

**Graduate Associates** – Includes graduate teaching, research and administrative associates eligible for an employer subsidy for student health insurance coverage (full-time students have the option to choose to be exempt from retirement contributions, and most choose to be exempt). The proposed rates for 2023-2024 reflect an increase in the employer subsidy from 85% to 100% and an extension of the subsidy to graduate associates with 25% FTE appointments. Tuition benefits are provided to graduate associates through separate fee authorization charges to the departments.

The Ohio State University  
Trends in Actual Benefit Costs  
FY2018 - FY2022

Primary Cost Driver	FY2018		FY2019		FY2020		FY2021		FY2022	
	Total Cost	Rate/Cost per FTE	Total Cost	Rate/Cost per FTE	Total Cost	Rate/Cost per FTE	Total Cost	Rate/Cost per FTE	Total Cost	Rate/Cost per FTE
STRS	102,994,649	14.62%	108,639,693	14.79%	116,576,522	15.17%	110,855,249	13.89%	129,290,357	16.20%
OPERS	250,367,406	13.80%	266,755,555	13.75%	285,353,911	13.85%	300,523,350	13.89%	313,589,519	14.50%
Medicare	35,544,765	1.41%	37,772,416	1.41%	40,204,257	1.42%	40,741,166	1.38%	45,431,901	1.53%
Group Life	4,529,164	0.20%	4,805,454	0.20%	5,805,932	0.22%	6,482,539	0.24%	6,414,866	0.24%
Disability	6,310,555	0.27%	6,837,666	0.28%	7,796,116	0.30%	6,842,486	0.25%	7,036,922	0.26%
Unemployment Comp	786,023	0.03%	697,025	0.03%	1,095,529	0.04%	1,762,002	0.06%	481,607	0.02%
Workers Comp-UNIV/OSP	3,960,062	0.22%	3,231,108	0.17%	3,424,205	0.17%	3,308,816	0.16%	2,943,277	0.14%
Workers Comp-Health System	5,940,093	0.63%	4,846,662	0.47%	5,136,307	0.49%	4,963,225	0.44%	4,414,915	0.37%
Benefits Administration	7,085,029	0.26%	7,164,191	0.25%	6,902,132	0.23%	6,710,363	0.21%	6,810,174	0.21%
Graduate Associate Health Insurance	11,745,320	10.56%	12,994,344	11.16%	13,518,319	10.93%	13,311,950	10.82%	12,883,911	10.47%
Medical Plans	263,165,296	8.718	269,325,989	8,621	305,920,922	9,424	326,663,150	10,000	345,981,569	10,427
Affordable Care Act Fees	110,360	4	150,617	5	156,549	5	155,797	5	163,019	5
Vision	1,714,950	57	1,788,013	57	894,964	28	1,374,929	42	1,242,716	37
Dental	13,788,643	457	14,417,251	461	11,629,246	358	13,944,520	427	14,468,504	436
Employee Tuition	21,699,053	719	23,831,012	763	26,343,404	812	27,890,009	854	23,551,934	710
Dependent Tuition	9,539,301	316	9,751,633	312	10,348,807	319	10,973,252	336	10,780,658	325
<b>Totals</b>	<b>739,280,670</b>		<b>773,008,628</b>		<b>841,107,121</b>		<b>876,502,801</b>		<b>925,485,848</b>	
<b>Benefit Over (Under) Recoveries:</b>										
Amounts Charged to Departments	807,471,741		789,008,712		805,763,931		828,741,384		905,933,330	
Actual Costs	739,280,670		773,008,628		841,107,121		876,502,801		925,485,848	
<b>Over (Under) Recoveries</b>	<b>68,191,071</b>		<b>16,000,084</b>		<b>(35,343,190)</b>		<b>(47,761,417)</b>		<b>(19,552,518)</b>	

## The Ohio State University Trends in General University Composite Benefit Rates



### Notes on Trends in Benefits Rates:

- Rate increases in 2012 through 2016 relate primarily to medical costs, which were increasing at higher rates than Faculty, Unclassified and CCS salaries. Decreases in the 2017 and 2018 rates reflect reductions in projected medical costs.
- Unclassified and CCS rates were combined into a single Combined Staff rate in 2018-2019 salary year to simplify the rate structure and to facilitate classification and compensation redesign.

## Target vs Actual Cash Balances in Benefits Funds:

Cash Balances at 12/31/2022	Actual	Target/Reserve	Difference	Target/Reserve Methodology
Retirement	\$ 80,161,854	\$ 55,920,000	\$ 24,241,854	Employer contributions paid 1-2 months in arrears; current balance includes 2 months of OPERS.
Medical	40,255,088	33,900,000	6,355,088	6/30/22 IBNR calculated by external actuarial consultant for year end financials.
Medical Plan Reserve	28,000,000	28,000,000	-	Medical plan reserves are based on one month of average total claims, per external benefit consultant.
Dental	3,309,318	2,000,000	1,309,318	One month estimated expenses based on historical trend.
Vision	2,255,248	480,000	1,775,248	One month estimated expenses based on historical trend.
Workers Comp	1,242,192	4,000,000	(2,757,808)	Current portion of 6/30/22 IBNR calculated by external actuarial consultant.
Life	3,693,704	4,387,738	(694,034)	Estimated claims liability
Other	16,607,242	15,457,265	1,149,977	
Subtotal (before accruals)	175,524,646	144,145,003	31,379,644	
Less: Cash balances for salary/wage accruals*			(26,098,656)	
<b>Total Surplus (including accruals)</b>			<b>\$ 5,280,987</b>	

\* The cash balances in the benefits funds include amounts collected on salary and wage accruals. Accrued benefit amounts are not reflected in the target balances.

## Targets for Benefit Cash Balances:

- Benefit rate calculations are tied into an analysis of benefit cash balances.
- The absolute minimum/floor for benefit cash balances is an amount equal to the full-accrual liabilities for each component of the benefit rate.
- At December 31, 2022, the University's benefit plans had cash balances of \$176 million, which is approximately \$5 million higher than our target cash balances, adjusted for accrued benefits.



## Additional Information on Medical Costs:

Additional detail on university medical plan costs for FY2021 and FY2022 are provided below:

	<u>FY21 Actual</u>	<u>FY22 Actual</u>
<b>Medical Plans Detail:</b>		
Claims, net of employee premiums	\$ 299,097,057	\$ 316,049,977
OSU Health Plan (including Care Coordination, Health Coaching, etc.)	10,755,952	11,478,140
Equifax/Talx (ACA Administration and Consulting)	254,543	244,877
OPPOC (Network Access)	164,330	163,655
Impact (Employee Asst Provider)	904,355	795,329
Trustmark - formerly NGS (claims processing)	5,666,051	5,343,864
ESI (pharmacy benefit manager)	3,731,380	4,369,324
Zelis (former Global Care out-of state claims and medical evacuation)	1,571,233	2,450,491
Aon/Hewitt (Benefits consulting)	710,608	662,688
Alight (Dependent Certification)	79,803	80,432
TASC (HRA Admin)	601,408	640,301
HRA payments	1,882,036	1,755,765
Virgin Pulse (YP4H Fees)	767,604	1,021,741
Virgin Pulse (YP4H Incentives)	431,817	909,646
Design Agency (OE Design)	7,625	-
Mercer (Medical IBNR)	6,312	5,000
Other medical admin costs	31,036	10,340
<b>Total Medical Costs</b>	<b><u>\$ 326,663,150</u></b>	<b><u>\$ 345,981,569</u></b>
<b>Medical Costs per FTE</b>	<b><u>\$ 10,000</u></b>	<b><u>\$ 10,427</u></b>

**Additional Information on Benefits Administration Costs:**

The composite benefit rates provide funding for certain salary, benefit, IT system and purchased services costs that are related to the provision of University employee benefit programs. Salaries, benefits, IT costs and other general expenses are allocated broadly to all rate groups based on salary dollars. Actual benefits administration costs are summarized below:

	<u>FY21 Actual</u>	<u>FY22 Actual</u>
<b>Benefits Administration Detail:</b>		
Salaries	\$ 4,085,670	\$ 4,158,218
Benefits	1,260,984	1,427,560
HR System & Ben Admin	977,235	977,235
Adoption	40,348	55,373
Appligent (Accessibility Services)	11,160	5,725
Design Agency (Forms Design)	4,650	3,975
Talx (EE verification)	13,756	21,263
Otterbase (Temporary Hire IT)	108,000	-
Legal Fees (OLA)	105,360	82,080
Other Expenses	103,201	78,745
	<u>                    </u>	<u>                    </u>
<b>Total</b>	<b><u>\$ 6,710,363</u></b>	<b><u>\$ 6,810,174</u></b>