

HUCTW Open Letter
to
HUCTW Members and the Harvard Community



March 31, 2011

Health Care: Big Challenges and New Ideas

Health care is a difficult subject, at every level of policy and current experience. Our national health care system is deeply troubled and under severe pressure. Federal health care reform legislation passed last year will solve some of the system's problems but leave others largely untouched, and it is not clear if health care reform will survive current attempts at repeal. The rapidly increasing costs of health care are setting off policy debates and angry battles across the country and in all industries, from state and municipal workplaces to private employers including small businesses and large workplaces with thousands of workers and correspondingly huge health care bills.

For our University community, the health care conversation has been somewhat less loud and contentious, but the pressures can be felt on the Harvard campus. The cost of providing health care coverage for current active employees and eligible retirees has risen at a worrisome rate, every year for more than 15 years. Because the cost of health insurance is shared between the University and employees, increasing health care cost is a rapidly growing burden on both institutional budgets and family finances. Innovative efforts to control health care cost at Harvard, many of them developed by our Union, Harvard faculty, and administrators in partnership, have provided some relief, but the problem persists and grows more urgent each year.

Health care issues are technically complex, and the policy landscape is changing rapidly. New ideas and proposed solutions emerge on a monthly basis. Many of our Harvard co-workers have deep concerns about health care policy questions and about the impact of plan changes on their families. For all of these reasons, leaders of the Harvard Union of Clerical and Technical Workers have identified an important initiative for 2011: intensive research and health care education through broad discussion among members of our Union. In this letter we will outline key questions and point to resources for further consideration as well as ideas worthy of more intensive discussion. In lunchtime HUCTW meetings throughout the spring we will continue learning from each other and developing ideas to be pursued in the years to come. We hope that many Union members will join in the conversation however they can. Like so many other complex and important issues, the health care problem, in our society and in our University, will be addressed most effectively with broad, informed, and creative citizen engagement.

Our national health care system is under tremendous pressure.

As an extremely serious national policy problem, the U.S. health care crisis has been extensively studied, reported, and discussed in recent years. The painful consequences of our troubled

system are easy to see and feel: unacceptably high numbers of uninsured or under-served Americans and steeply rising health care costs for patients and employers.

Although there is some disagreement among health policy experts about the causes of steeply-increasing health care costs, most are in general agreement that the important contributing factors include high consumer expectations about access to new medical technology and prescription drugs; an aging population and longer life expectancy; and high administrative costs and conflicting incentives in a disjointed, multi-payer system.

As costs increase rapidly, employers across the country and in all sectors are asking HMOs and insurers to find ways to control costs. The search for strategies that will contain health care costs or redistribute them between employers, the government, and workers has become increasingly urgent in the past few years. Arguments about who should bear the greater share of increasing costs have grown steadily more strident.

Resources for further reading:

The Kaiser Family Foundation on trends in health care cost:

http://www.kff.org/insurance/upload/7692_02.pdf

The Kaiser Family Foundation on causes of increasing health care cost:

<http://www.kaiseredu.org/Issue-Modules/US-Health-Care-Costs/Background-Brief.aspx>

New York Times editorial on causes of increasing health care cost:

<http://www.nytimes.com/2007/11/25/opinion/25sun1.html>

Resource on trends in cost-sharing:

<http://www.healthreform.gov/reports/hiddencosts/hiddencosts.pdf>

Our Harvard health care program is relatively strong and stable.

Health care coverage for Harvard's active employees (staff and faculty) and retirees has not changed significantly in the years since HUCTW was formed in 1989. The important program details and arrangements for cost-sharing make the University's program a demonstrably strong and generous one for employees.

- In the active employee program, Harvard pays 85% of the premium cost for everyone earning under \$70,000 per year. The University contribution is smaller for higher-paid staff.
- Employees can choose individual or family coverage, and can also choose between an HMO (Health Maintenance Organization) and a POS (Point of Service) plan. The POS plan has a somewhat higher premium and covers treatment outside of the HMO network after payment of a deductible. HMO and POS plans are offered by the Harvard University Group Health Plan (HUGHP) and Harvard Pilgrim Health Care. A staff member choosing the Harvard Pilgrim HMO individual plan would pay \$87 per month, which is 15% of the total annual premium of approximately \$6,960.

- Co-payments for medical visits are currently set at \$15. Prescription drug co-payments range from \$5 to \$40 for a one-month supply, depending on whether the prescription is for a generic drug or a name brand. Office visit and prescription co-payments have an annual maximum to limit out-of-pocket cost. The Emergency Room co-payment is \$40.
- For retirees, Harvard offers a supplementary program to the federal Medicare health insurance, for which all Americans over 65 years old are eligible. The supplement, sometimes called a “MediGap” plan is made available to University employees when they have accrued at least 10 years of service, are at least 55 years old, and the combination of their age and service is at least 75 years. The University pays 80% of a Medex premium for those with at least 20 years of service, and there are no co-payments for medical treatment in the Medex plan. For a retiree with 20 or more years of service, the retiree share of a Medex premium is \$84 per month

In all of the aspects described above, our Harvard health plans offer a favorable arrangement for University employees compared with national or regional averages. In the cases of co-payments and retiree health, the Harvard plan is among the most generous.

HUCTW and the University have worked together effectively over many years to maintain high-quality and affordable health care programs. Although our Union and Harvard do not always agree perfectly on the fairest and most promising approaches, we have been able to evaluate complex policy ideas collaboratively, and to develop new and innovative programs such as the Copayment Assistance Program, which reimburses staff earning less than \$70,000 per year for all office visit copayments over \$135 per year for an individual.

Most of our Union-University work on health care issues happens in the University Benefits Committee (UBC), a group formed in the 1990s when health care cost emerged as a critical policy question. The UBC is composed of Harvard administrators, faculty experts in health care policy, and HUCTW representatives. Several of the policy ideas the UBC has studied, discussed, and eventually recommended in recent years have resulted in significant health care cost reductions for the University and employees:

- A shift from a fully-insured health insurance model to self-insurance allows the University and employees to participate in the financial gains associated with a healthy workforce and better health outcomes.
- The consolidation of health plan offerings from a wider range of HMO options to a narrower choice between HUGHP and Harvard Pilgrim resulted in a reduction in administrative fees from plans enjoying a larger share of the Harvard market.
- A “carve-out” of prescription drug benefits and retention of a large national “Pharmacy Benefit Manager” (Medco) led to reduced prices for drugs based on favorable bulk purchasing arrangements and other economies of scale.
- The combination of gradual, incremental increases in co-payments and the creation and broadening of the Copay Assistance Program yielded important cost reductions without placing a burden on patients with chronic health issues.

Some of those changes have caused moments of disruption as employees were required to change plans or adapt to new administrative systems. However, the changes also yielded significant savings, shared by employees and the University. If the new policies outlined above

had not been implemented, the employee share of health care premiums would be about \$350 per year higher for a family plan than it is at present, and \$125 higher for an individual plan.

Overall, collaborative Union-University work and expert faculty advice in the UBC have produced good results for Harvard employees and the University, maintaining all of the important features of a strong health care program and moderating cost increases without shifting costs onto staff members to any significant degree. In this respect, our experience as Harvard employees has been much better than in many other workplaces and in the economy as a whole. Still, new ideas and careful, balanced policy decisions will be necessary to contend with further cost increases expected in the coming years.

Resources for further reading:

Premium rate structure for Harvard health plans in 2011 (HARVie log-in required):

http://harvie.harvard.edu:80/Compensation_Benefits/Health_Benefits/Health_Plan_Rates.html

The Copayment Assistance Plan at Harvard (HARVie log-in required):

http://harvie.harvard.edu:80/Compensation_Benefits/Health_Benefits/Copay_reimbursement.html

Harvard Retiree Medical Program Details (HARVie log-in required):

http://harvie.harvard.edu:80/Compensation_Benefits/Retirement_Benefits/Retiree_Medical_Dental.html

Kaiser Family Foundation on rise in average copayment amounts:

<http://ehbs.kff.org/?page=charts&id=1&sn=13&p=2>

The future is challenging and uncertain, but there are some hopeful ideas.

In the short term, cost pressures on our Harvard health care program will continue to weigh heavily. We should expect to hear additional University proposals to rearrange the sharing of health care costs, especially in the retiree health program and in active employee medical copayments, and those ideas should be thoughtfully considered. At the same time, HUCTW is strongly committed to supporting full, high-quality, affordable health care coverage for all of our members and eligible retirees.

We are equally committed to vigorous exploration of ideas and programs that would slow health care cost increases in more basic and affirmative ways. This could be accomplished by making the workforce healthier and improving health outcomes broadly or by implementing governmental policy changes in the health care system that constrain hospitals and pharmaceutical companies in increasing fees and administrative charges.

Of all the innovative ideas gaining currency in health policy circles, at least three have emerged that we are eager to research more deeply and discuss with our University partners in the UBC.

- A number of innovations and experiments in redesigning the delivery model for health care services suggest that significant improvements in health outcomes can be gained, with corresponding cost reductions. These new models involve expanded use of health

coaches and community health workers, with an emphasis on accessible, continuous, and coordinated care.

- In Massachusetts, Governor Deval Patrick has introduced legislation that would give state government more authority to limit rate increases, based on a state Attorney General's report showing significant cost differences that are not related to differences in quality.
- There is a rapid increase in the popularity of "limited-network" plans which control costs and offer lower premiums by limiting coverage to hospitals and doctors that do not exceed an established standard for reasonable cost.

All of these concepts are described in more detail in the links below. HUCTW leaders and members will be discussing the plusses and minuses in the coming months and years.

Resources for further reading:

Harvard Medical School faculty member Dr. Atul Gawande on alternatives in the delivery system:

http://www.newyorker.com/reporting/2011/01/24/110124fa_fact_gawande

Journal article comparing results from different models of disease management:

http://www.ajmc.com/articles/AJMC_11jan_Motheral_WebX_e10

WBUR on Governor Patrick's legislative effort to regulate rate increases:

<http://www.wbur.org/2011/02/17/global-payments-3>

Report of the Massachusetts Attorney General on unexplained price differences:

http://www.mass.gov/Cago/docs/healthcare/Investigation_HCCT&CD.pdf

New "Limited Network" Plans for Massachusetts state employees:

http://www.huctw.org/readings/OL/2011_MassLimitedNetworkPlan.mht

Details on Tufts Limited Network Plan:

http://www.tuftshealthplan.com/GIC/PDF/gic_spirit_benefit_summary.pdf?WT.mc_id=gic_spirit_benefit_summary&WT.mc_ev=click

Details on Harvard Pilgrim Limited Network Plan from www.harvardpilgrim.org:

http://www.huctw.org/readings/OL/2011_HarvardPilgrim_PrimaryChoiceHospitals.pdf

The health care problem will be with us for a long time.

As noted at the beginning of this letter, health care issues are technically challenging and politically controversial, and the human consequences of health policy decisions are great. The looming questions and deepening problems will not be resolved quickly or simply. HUCTW leaders expect that health care will be on our Union's agenda as a high priority for many years to come.

As with so many difficult issues where HUCTW has made a powerfully positive contribution over the years, we will be most likely to succeed when large numbers of Union members engage, learn, listen, and join the discussion. The strongest contribution we can make to our University workplace and to the broader community is when we give thoughtful expression to our hopes and concerns, and join actively in a creative, energetic search for better solutions.

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