



Ball State University Budget Reductions

Campus Forum

March 16, 2010

*Ball State University
Education Redefined*



Our Strategy

- Three primary goals
 1. **Preserve the educational experience of our students**
 2. **Maintain the momentum of the Strategic Plan**
 3. **Recognize that people are key to these goals**
- Look at growth in revenue and reductions in expenses
- Avoid across the board cuts – be strategic
- Use existing University governance structures
- Seek input and offer a transparent process



Timeline

- Feb 17 – First Campus Forum: Identified Categories
- Feb 18 through Mar 15 – Internal Deliberations
 - Discussions with various governance committees, union, etc.
- Mar 16 – Second Campus Forum: Discuss proposed recommendations
- Mar 19 – Board of Trustees Meeting
 - Recommend plan to Board - action on certain individual items



The Way Ahead

- From the initial list of 20 categories, we will propose 11 specific areas for reductions in expenses and/or increases in revenue

- Other categories were eliminated for various reasons:
 - Savings do not out-weigh negative impact
 - Pursue - but significant risk in achieving savings or revenue
 - Negligible impact on budget at this time



Implementation

- Many of the items will be implemented on July 1st or another specific date; others will take time to implement and realize savings
 - Numbers shown are for current biennium, over time many will result in even greater savings
- Will use reserve funding or one-time reductions in supply and expense budgets to bridge the gap



Proposed Recommendations

1. Employee salary and benefits
2. Energy Management Policy
3. Miscellaneous fees
4. Enterprise Print Management Policy
5. Efficiencies in non-instructional missions
6. Wellness program
7. Increased summer usage of campus
8. Computer hardware and software – licensing/renewal
9. Hiring slowdown/freeze
10. Academic initiatives (protecting educational experience)
11. Reduced athletic expenditures



Salary and Benefits - \$7.8M

- Looked at benefits in conjunction with salaries – focused primarily on **current** health care costs and **future** pension contributions for **new** employees
 - Compared our plans to the state and other state universities
 - Other studies are underway at state level
 - Observations:
 - Low Deductible Plan has very low deductibles, etc.
 - Many entities moving to a flat rate contribution
 - Looked for “fair” approaches that share the burden



Salary

- Last year we had no pay raises
- **Approach – balance cuts in benefits with modest pay increase**
 - Proposing 2% salary pool plus \$400 across the board in most areas
 - Helps employees with rising costs in health-care (like some Indiana universities did last year)
 - Minimize further disparity in pay compared to peers



Changes in Health Care Benefits

1. Actions that, without significantly degrading the benefit relative to other plans, reduced cost for the employee and the employer
 - Encore network – already underway
 - Encircle network for in-patient hospital
 - Prescription drug benefits
 - Marginal changes in future retiree health care
3. Actions that addressed the cost of the Low Deductible plan
 - Deductibles and maximum out-of-pockets
 - University share of total premium
5. Actions that addressed specific needs



Encircle Hospital Network

- For in-patient hospital claims
 - Encircle in network – plan will pay 80% (was 80%)
 - Non-encircle, but in network – plan will pay 70% (was 80%)
 - Out-of-network – plan pays 50% (was 60%)
- Similar to current concept of endorsed physicians
 - Endorsed in network – plan pays 80%
 - Non-endorsed, but in network – plan pays 70%
 - Out-of-network – plan pays 60%

Protection Mechanisms: over 88% of last year's network claims were in Encircle and out-of-pocket maximums



Prescription Drug Benefits

Current

All Plans

- Generic drugs paid at 90%
- Branded drugs paid at 80%

All Plans except High Deductible HSA

- Prescription drug deductibles of \$25 per member, \$50 per family
- \$1,000 out-of-pocket maximum
 - Applies to **all** drugs

Proposed

All Plans

- Generic drugs paid at 80%
- Branded drugs paid at 70%

All Plans except High Deductible HSA

- No prescription drug deductibles
- \$1,500 out-of-pocket maximum
 - Applies **only** to mail order drugs
- No out-of-pocket maximum for retail purchases

Protection Mechanisms: out-of-pocket maximums and mail order pharmacy



Retiree Health Care

Proposed Changes

- Effective July 1, 2012, new retirees who are not yet age 62 will pay an additional 10% of the total premium until they reach age 62.
- Effective July 1, 2014, new retirees who are not yet age 62 will pay an additional 20% of the total premium until they reach age 62.

Protection Mechanisms: future dates to allow for planning, reverts at age 62



Approximate Cost Of Plans

<u>University/Entity</u>	<u>Total Annual Premium</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>	<u>Notes</u>
Ivy Tech University Select Plan	\$21,163	\$16,139	\$5,024	Dental added \$1,145
Ball State University Low Deductible PPO Plan	\$20,960	\$15,720	\$5,240	Includes dental
State of Indiana Traditional PPO	\$19,838	\$13,758	\$6,080	Dental added \$697
University of Southern Indiana Anthem Blue Access 300 Plan	\$18,062	\$13,546	\$4,516	Includes dental
Purdue University Incentive Plan	\$17,315	\$14,113	\$3,202	Dental added \$1,230 for employee
Indiana State University CIGNA Health Care Plan	\$16,367	\$11,747	\$4,620	Includes dental
Indiana University PPO Blue Access Plan	\$15,178	\$13,989	\$1,189	Dental added \$983
Vincennes University Blue Access PPO Plan	\$11,593	\$8,810	\$2,783	Dental added \$510

Plan most similar to BSU Low Deductible. Source: various institution's websites - some estimated based on limited data



Individual Deductibles and Out-of-Pockets

<u>University/Entity</u>	<u>Network Deductible</u>	<u>Out-of-network Deductible</u>	<u>Maximum Network OOP</u>	<u>Maximum Out-Of-Network OOP</u>
Ivy Tech University Select Plan	\$750	\$1,500	\$1,500	\$4,500
Ball State University Low Deductible PPO Plan	\$200	\$200	\$1,000 to \$1,500	\$2,000 + \$2,000 per admission
State of Indiana Traditional PPO	\$500	\$1,000	\$2,000	\$4,000
University of Southern Indiana Anthem Blue Access 300 Plan	\$300	\$600	\$1,500	\$3,000
Purdue University Incentive Plan	\$400	\$800	\$1,800	\$1,800
Indiana State University CIGNA Health Care Plan	\$250	\$250	\$2,500	\$7,500
Indiana University PPO Blue Access Plan	\$0	\$900	\$2,400	\$2,400
Vincennes University Blue Access PPO Plan	\$750	\$1,500	\$2,500	\$6,250

Plan most similar to BSU Low Deductible

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Changes to Plans

Current

Low Deductible Plan

- \$200 Individual Deductible
- \$500 Family Deductible
- \$1,000 - \$1,500 max network out-of-pocket
 - \$2,000 max out-of network + \$2,000 per admission
- Routine office visits **not subject** to deductible

High Deductible Plan

- \$2,000 - \$3,000 max network out-of-pocket
 - \$4,000 max out-of network + \$2,000 per admission

Proposed

Low Deductible Plan

- \$300 Individual Deductible
- \$750 Family Deductible
- \$1,500 - \$2,250 max network out-of-pocket
 - \$3,000 max out-of network + \$2,000 per admission
- Routine office visits **subject** to deductible (like other BSU plans)

High Deductible Plan

- \$2,500 - \$3,750 max network out-of-pocket
 - \$6,000 max out-of network + \$2,000 per admission



University Cost Share

- University will pay a variable percentage of total premium based on plan chosen:
 - Retiree Medicare Carve-out: **75%**
 - Low Deductible PPO: **70%**
 - High Deductible PPO: **80%**
 - HSA Qualified PPO: **90%**

BSU contribution for employees who select the Low Deductible PPO will still be greater than the contribution for those choosing one of the more cost-effective plans



Other Changes

- New tier for employee and child or children
 - Lower premium than family
 - Same deductibles and out-of-pocket maximums as family (or two individuals if more advantageous)
- Employee and spouse remain in family tier
- Mental health and substance abuse benefits will be same as any other medical benefit



Proposed Premiums for 2010-11

Monthly Premium for Ball State University's Employee Health Care Plan

Regular Group

Active employees, spouses and dependents, retired personnel under age 65, spouses under age 65, and dependents.

	Present Rates			Total Increase / (Decrease)	Rates Effective July 1, 2010		
	Total	Employee *	University		Total	Employee *	University
	25% - 75% Sharing				30% - 70% Sharing		
<u>PPO Plans:</u>							
Low Deductible Option:							
Employee	\$ 672.87	\$ 168.22	\$ 504.65	\$ (30.28)	\$ 642.59	\$ 192.78	\$ 449.81
Employee + Child(ren)	\$ -	\$ -	\$ -	\$ -	\$ 1,220.92	\$ 366.28	\$ 854.65
Family	\$ 1746.67	\$ 436.68	\$ 1309.99	\$ (78.60)	\$ 1,668.07	\$ 500.42	\$ 1,167.65
HD Wellness Option:							
Employee	\$ 402.78	\$ 100.70	\$ 302.08	\$ 14.10	\$ 416.88	\$ 83.38	\$ 333.50
Employee + Child(ren)	\$ -	\$ -	\$ -	\$ -	\$ 792.07	\$ 158.42	\$ 633.65
Family	\$ 1045.56	\$ 261.40	\$ 784.16	\$ 36.59	\$ 1,082.15	\$ 216.42	\$ 865.73
HD HSA Qualified Option:							
Employee	\$ 268.09	\$ 67.00	\$ 201.09	\$ 17.43	\$ 285.52	\$ 28.56	\$ 256.96
Employee + Child(ren)	\$ -	\$ -	\$ -	\$ -	\$ 542.48	\$ 54.24	\$ 488.24
Family	\$ 695.94	\$ 173.98	\$ 521.96	\$ 45.24	\$ 741.18	\$ 74.12	\$ 667.06

* Assumes 12-month deduction



Proposed Premiums for 2010-11

Medicare Group (Medicare and Medicare Carve-out)
Retired personnel age 65 and over and spouses age 65 and over.

	Present Rates			Total Increase / (Decrease)	Rates Effective July 1, 2010		
	Total	University	Retiree		Total	University	Retiree
<u>With Dental Coverage:</u>							
Medicare Carve-out	\$ 310.11	\$ 232.61	\$ 77.50	\$ 25.72	\$ 335.83	\$ 251.87	\$ 83.96
Optional Dental Coverage	30.41	22.81	7.60	1.52	31.93	23.95	7.98
Total University Provided Plan	<u>\$ 340.52</u>	<u>\$ 255.42</u>	<u>\$ 85.10</u>	<u>\$ 27.24</u>	<u>\$ 367.76</u>	<u>\$ 255.42</u>	<u>\$ 91.94</u>
<u>Without Dental Coverage:</u>							
Medicare Carve-out	<u>\$ 310.11</u>	<u>\$ 232.61</u>	<u>\$ 77.50</u>	<u>\$ 25.72</u>	<u>\$ 335.83</u>	<u>\$ 251.87</u>	<u>\$ 83.96</u>

Note: Medicare Group also pays Medicare Part B premium, currently \$96.40, representing approximately 25% of total cost of Medicare Part B. This amount may change January 1, 2011. Medicare Part B premium is higher for new enrollees in 2010 and for taxpayers above certain income thresholds.

Pension Plans

- **No** changes to:
 - Current employees or retirees
 - Previous contributions to APP or annuity portion of TRF and PERF
 - State run TRF and PERF plans

- For **new** employees electing:
 - The Alternate Pension Plan: University contribution will be 5% for first three years; 10.5% thereafter
 - The Indiana Teachers' Retirement Fund Plan: University will no longer offer our own TRF Supplement (BSU will continue to pick-up the 3% contribution to the annuity portion)



Energy Efficiency - \$0.2M

- A 2009 *Advisory Board Company* report looked at average energy cost per square foot at colleges and universities:
 - Average: \$2.58
 - Best-in-Class: \$1.49 (42% below average)
 - Ball State: \$1.85 (partially due to low prices in Indiana)
- Environmental benefits
- Look at buildings and consumer behavior
- Initial target: reduce cost by \$0.10 per square foot (\$700K annually; before investment)
 - Temperature controls, automatic shut-down mechanisms (lights, computers, etc.), education/behavior



Miscellaneous Fees - \$1.8M

- Undergraduate Application Fee – Existing Fee
 - Has been \$25 since 1995, propose raising it to \$50
- Graduate Credit Hour Fee – Existing Fee
 - From \$8 per hour to \$30 per hour – will remain below peers in terms of cost of graduate courses relative to undergraduate
- Graduation Application Fee – New Fee
 - Propose new fee of \$25 – many universities have this fee - typically ranges from \$25 to \$50
- Auxiliary Fee – New Fee
 - Not a “student fee” – housing and dining system will pay 1% of revenue to the general fund for partial reimbursement of overhead



Print Management - \$0.2M

- Reduce the overall price of printing - look at cost of:
 - Printers
 - Operating Costs/Supplies
 - Support

- Solutions – studies show savings up to 30%
 - Single-source vendors, print management software, focus on total operating cost (desktop inkjet versus centrally located multifunction), use of on-site printing services



Non-instructional Missions - \$1.1M

- Non-instructional does not mean not essential!
- Reorganize computer labs
- Savings in University Computing Services and Library acquisitions
- Reduced budgets for service functions – landscaping services, custodial, housing and dining, etc.



Wellness Program - \$0.4M

- Goal: self-sufficient by 2011-12
 - Savings in health care costs more than annual cost
- Already realizing significant savings
 - Reducing health care budget by an additional \$200K
- Primary savings come from use of Quick Clinic and chronic care management



Increasing Summer Campus Usage - \$0.1M

- Conservative number, but recognizes this is an important area to pursue:
 - Aids in recruitment – significant benefit to budget
 - Supports housing and dining system
 - Benefits those living in facilities during academic year
 - Promotes use of state-supported facilities



Computer Technology - \$0.3M

- Promote use of free, open-source productivity software
- Reduce cost of Microsoft and other license agreements
 - Voluntary migration
 - Manage free downloads
 - Leverage actions during negotiations
- Savings will continue to grow



Staffing Levels

- Some institutions have focused on eliminating positions:
 - April '09 article in *Chronicle of Higher Education* highlighted a report on labor force trends in higher education – using their methodology:

Average FTE Employees Per 100 FTE Students in 2007

	<u>Instructional</u>	<u>Professional</u>	<u>Service/Staff</u>	<u>Total</u>
Ball State University	5.77	3.76	7.45	16.98
Average Indiana 4-year Public (main-campus and not-weighted)	5.73	5.70	7.93	19.36
Average Public University	8.50	7.50	7.00	23.00

- Need to look at base-line before comparing cuts in personnel



Hiring Slowdown/Freeze - \$0.8M

- Many areas have eliminated positions over the past several years
- Lean manning makes it harder to go without critical positions
- Have slowed down the hiring process
 - Each position is reviewed
 - Will continue to do so until budget picture improves
- In some areas (both academic and administrative) we will consider consolidation



Academic Initiatives - \$0.7M

- Provost's area developing final plan
- Will include things like:
 - Moving to 126 credit hours in all programs
 - Combining small classes
 - Looking at course utilization
 - Consolidating options
 - Combining departments
 - Realigning resources, etc.
 - Finding efficiencies in academic support
 - Finding efficiencies at Indiana Academy and Burris



Athletics - \$0.2M

- Athletics has identified several opportunities that will reduce their overall budget
 - Consolidate administrative functions
 - Televisе fewer or no home games
 - Increased revenue generating opportunities
 - Reduce travel expenses



One Time Funding - \$1.6M

- One-year use of:
 - Nominal reduction in Supplies and Expense budgets - \$0.4M
 - Reserve Funding - \$1.2M

- Many institutions having to bridge the gap with furloughs





Questions

