BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
FEBRUARY 17, 2011

[In these minutes: RFP Committee Update, Privacy and Security Office Concern from John Jensen, Administrative Working Group (AWG) Update, Retirement Incentive Option (RIO), MEDEX Report, Continued Discussion on Possible Health Care Benefit Changes]

[These minutes reflect discussion and debate at a meeting of a committee of the University Senate; none of the comments, conclusions, or actions reported in these minutes represent the view of, nor are they binding on the Senate, the Administration, or the Board of Regents.]

PRESENT: Gavin Watt (chair), Pam Enrici, William Roberts, Dale Swanson, Sara Parcells, Jennifer Schultz, Sandi Sherman, Nancy Fulton, Joseph Jameson, Michael Marotteck, Carl Anderson, Amos Deinard, Richard McGehee, Fred Morrison, Theodor Litman, Rodney Loper, Dann Chapman

REGRETS: Tina Falkner, Jody Ebert, Karen Lovro, Michael O'Reilly

ABSENT: Sharon Binek, Carol Carrier, Aaron Friedman, George Green, Judith Garrard, Keith Dunder

OTHERS ATTENDING: Bob Altman, Linda Blake, Karen Chapin, Jason Iversen, Shirley Kuehn, Kathy Pouliot, Kelly Schrotberger, Jackie Singer, Sheri Stone, Jill Thielan, Curt Swenson, Laurie Warner

I). Gavin Watt called the meeting to order and welcomed all those present.

II). Mr. Watt reported that the RFP Committee has been reviewing the health plan proposals it received. He went on to acknowledge the contributions made by BAC members who serve on the RFP Committee – Tina Falkner, Dick McGehee, and Fred Morrison. Mr. Watt also recognized Dave Golden from Boynton Health Service for his involvement in the RFP process as well as Employee Benefits' staff who support the committee – Ryan Gourde, Kathy Pouliot, Kelly Schrotberger, and Jill Thielen.

Mr. Watt noted that as in previous years, plan reviews will take place in April and May. The announcement inviting members of the University community to comment on their health plans was sent out earlier this week. Mr. Watt thanked BAC members who volunteered to organize and categorize the comments:

- Pam Enrici – Medica Elect & Essential
- Jennifer Schultz – Medica Choice Regional, Medica Choice National, Insights by Medica, and Medica HSA
- Michael Marotteck – HealthPartners
- Nancy Fulton – Prime Therapeutics and Fairview Specialty Pharmacy

- Karen Lovro – Healthways

Regarding the health plan comments that are collected, Mr. Watt reported receiving a message from John Jensen, assistant director, Privacy and Security Office, reminding the committee to be mindful of privacy and security issues associated with collecting this type of information. Mr. Watt noted that the process for collecting UPlan members' comments has been refined over the years, and he thanked Becky Hippert and Renee Dempsey in the Senate Office for improving this process. Starting this year, in an effort to further protect people who leave personal and protected health information when sending their comments, Employee Benefits' staff will be redacting this information before the comments are sent to the BAC volunteers to organize and categorize the comments.

Professor McGehee asked whether people are able to leave their comments anonymously. Yes, stated Dann Chapman, director, Employees Benefits, who explained that personal information is not being captured. The email address field is an optional field giving people the option to self-identify if they so choose.

Mr. Chapman stated that Mr. Jensen wants it made clear that the Privacy and Security Office is available to anyone who wants to consult about privacy. Mr. Jensen also requested his email message about his concerns be included in the minutes as part of the official BAC record (message is at the bottom of this document). Mr. Chapman also asked Ms. Dempsey to forward Mr. Jensen's email message to all BAC members.

Ms. Chapin added that in the rare event one of the health plan administrators has a security issue, they are required to contact the University's Privacy and Security Office as well as Employee Benefits. The Privacy and Security Office, in conjunction with the plan administrator, will decide on the appropriate course of action for resolving the security breach.

Moving on, Mr. Watt noted that the Administrative Working Group (AWG) did not meet last week because several AWG members were busy reviewing health plan proposals that were received as part of the RFP process. When the AWG met two weeks ago, it worked through proposed changes to the UPlan, which will be shared later in this meeting.

II). Employee Benefits' Announcements: Mr. Chapman reported that the Board of Regents recently approved the Retirement Incentive Option (RIO) at its meeting on February 11. RIO is an opportunity for voluntary retirement for eligible employees. The program will be administered differently than in the past. Under the current program, employees will be provided a lump-sum contribution to the State of Minnesota Health Care Savings Plan (HCSP), following the last day of their employment. The amount of the contribution will be roughly equivalent to 24 months (52 pay periods) of University subsidy, depending upon the employee's UPlan coverage level, permanent residence, and work location as of the last day of employment. Additional information on the HCSP can be found at www.msrs.state.mn.us/hcsp. Participants in the program may continue medical and/or dental coverage as retirees, subject to the terms of the program in which they participate (either UPlan or federal). More information about RIO is available at www.umn.edu/ohr/benefits/rio. Enrollment in RIO will be open to eligible employees through May 15, 2011.

III). Ms. Chapin distributed the 2010 MEDEX report. Before walking members through the report she reminded members about the services offered by MEDEX, a worldwide emergency medical assistance and other travel assistance program. This program covers UPlan members who are 100 or more miles away from home. Employees are automatically enrolled in the program when they enroll in one of the University's medical plan options. More information about MEDEX is available at http://www1.umn.edu/ohr/benefits/medical/medex/index.html.

Ms. Chapin highlighted the following from the MEDEX report:

- 127 cases were opened by MEDEX in 2010, 68 of these cases were categorized as inquiries which were able to be resolved in a single call. The 59 remaining cases required more than one call to resolve.
- There were six hospitalizations in 2010 as compared to 10 hospitalizations in 2009.
- In addition to the fairly standard cases handled by MEDEX, there were a wide range of other kinds of cases, e.g., animal bite, trauma/grief counseling, Meningitis, kidney issues, heart issues.
- In 2009, four people had to be medically evacuated and there was one repatriation of remains case. In 2010, only one person had to be medically evacuated.
- The distribution of overseas, Canadian and U.S. cases were highlighted as were the type of calls that MEDEX received.

Ms. Chapin concluded by saying that in her opinion, in a University setting where a lot of faculty, staff and students travel, it is extremely important for the University to offer a program such as MEDEX.

IV). Mr. Watt introduced the next agenda item, a continuing discussion of possible changes to health care benefits, and turned to Mr. Chapman for his introductory remarks.

Mr. Chapman began by noting that the AWG has put together UPlan cost saving recommendations, which it has presented to President Bruininks. As a reminder, Mr. Chapman stated that President Bruininks and CFO Pfutzenreuter attended the committee's last meeting and talked about the fiscal challenge facing the University. In light of these financial problems, President Bruininks requested the UPlan be cut by 5% ($10 - $12 million/year) and charged the AWG with making recommendations for accomplishing this. The AWG has put together a number of recommendations to reach this goal, one of which involves shifting more medical costs on to employees. The last time the AWG conducted this exercise it was able to find areas of efficiencies that had minimal impact on employees. Unfortunately, similar efficiencies could not be found this time around. The AWG, however, is committed to continuing to look for these kinds of efficiencies.

In addition to a cost shift, there is a component of the recommendation that would protect lower paid employees. This has been an on-going concern that has received a lot of conversation, and is in keeping with the UPlan principle to make health care available at an affordable price without sacrificing quality. This recommendation is also in keeping with the intent of the Affordable Care Act (ACA), the legislation, which is at the heart of health care reform. The AWG is proposing that the University implement the cost protection feature of the ACA two years before it is legislatively required to do so.

A third component of the recommendation is to build on the success of the University's Wellness Program by increasing incentives in an attempt to achieve more health promotion across the University community. Increasing wellness participation has the potential to achieve significant savings. The goal is twofold, to have UPlan participants become healthier and to reduce UPlan costs.

In terms of how the recommendations relate to health care reform, Mr. Chapman stated that the AWG was very careful in coming up with recommendations that would allow the University to retain its grandfathered status under the ACA. Grandfathered status, explained Mr. Chapman, is the provision that allows employers to continue to offer the coverage they have within certain parameters, which are quite restrictive. This status is not as advantageous to the University as it is for small employers because the University has already adopted some of these provisions, e.g., 100% coverage for most preventive care, coverage for adult dependents to age 26. Maintaining grandfathered status, however, would advantage the University when it comes to:

- Relieving the University of a significant amount of administrative burden, which would typically be required by the federal government.
- Retaining the University's current appeals process.

The administration believes it is in the University's best interest to retain its grandfathered status as long as it is reasonably feasible to do so.

The document that will be distributed momentarily to members outlining the AWG's recommendations, noted Mr. Chapman, is marked 'Draft – Not for Publication' because it was created for the purpose of facilitating the BAC's discussion on this topic. Mr. Chapman emphasized that the document is still preliminary, and no final decisions have been made about these recommendations. While members are free to discuss the recommendations with their colleagues to gather their input, this document should not be published in any fashion. He added that it is also important to remember that any changes to the UPlan are subject to collective bargaining. Copies of the UPlan cost saving recommendations document were then distributed. Next, Mr. Chapman gave members a high level summary of the document.

Mr. Chapman outlined the AWG's recommendations for UPlan cost savings:

1. Premium shift from the University to employees of 5% for family tiered coverage and 3.5% for the employee only coverage. Put differently, this is a reduction in the employer's percentage contribution to the cost of the plan. This shift would result in a $12.35 million savings in 2012 and a $13.23 million savings in 2013.

The savings difference between 2012 and 2013 is due to medical trend/inflation, which was assumed to be 7½% for each year.

2. Protect lower paid employees by placing an 8% cap on premiums based on annual salary. There is a cost associated with this recommendation – $1.95 million in 2012 and $2.45 million in 2013.
3. Increase co-pays and out-of-network deductibles. This change would save the University $2.29 million in 2012 and $2.29 in 2013, and keeps the University within the parameters to continue its grandfathered status. The reason the savings are the same for 2012 and 2013 is because co-pays, which are not subject to an inflationary adjustment, remain constant in dollars and so lose value over time.
4. Eliminate the current $65 wellness reward starting in 2013. This plan change is projected to save the University $1.09 million in 2013.
5. A reduction of $400 in employee's premium contribution each year wellness achievement goals are met. Savings from the elimination of the $65 wellness rewards would be put towards this premium reduction, which is projected to cost the University $3.60 million in 2013.

The savings from this proposal total $12.69 million in 2012 and $10.56 in 2013, noted Mr. Chapman.

Moving on, Mr. Chapman explained that the 5% premium shift from the University to employees with family coverage and the 3.5% premium shift for employees with employee only coverage totals an overall employer premium reduction of 4.6%. He then explained the rationale for the differential in the premium shift for employees with family coverage and employees with employee only coverage. Mr. Chapman stated that if the premium shift were 5% across the board for all employees, it would disproportionately impact those with employee only coverage because they would be paying a higher percentage increase in their premium than employees with family coverage. He reminded members that there is already a 5% differential built into the employer contribution amounts (90% employee only coverage/85% family coverage). Put slightly differently, if the premium shift were 5% across all the tiers, employees with employee only coverage would see a larger increase in their premium rate than employees with family coverage. Using the 5% reduction for family coverage and 3.5% reduction for employee only coverage makes the premium increase the same across all the tiers of coverage, which equates to 42%.

A member asked if the AWG factored into its discussions whether the proposed recommendations will encourage or discourage employees from covering their dependents who might have access to coverage elsewhere. Most definitely, stated Chapman. He noted that two alternative options were considered that would do more to incent employees to not cover their spouse/same sex domestic partner (SSDP) if they had other coverage available to them, but these were not included in the final recommendations that went to President Bruininks. These options, however, can still be up for further discussion if there is an interest.

Mr. Chapman then turned members' attention to examples of the projected impact the proposed premium shift from the University to employees would have on the UPlan's lowest cost plan (Medica Elect & Essential) and the highest cost plan (Medica Choice National). Ms. Chapin emphasized that the 2012 rates in these examples are for modeling purposes only, and are subject to change based on the UPlan's real experience and trend.

A member recalled that a few years back there was a discussion about significantly shifting employee premium costs on people who elected one of the buy-up plans; is this still on the table? Mr. Chapman stated that it is not one of the five recommendations outlined earlier, but it is still a possible option.

Have UPlan projections been fairly accurate in the past, asked a member? Yes, stated Mr. Chapman. The goal is for the actual UPlan cost to come within +/-2% of what was projected. The University has consistently stayed within its projections.

A member commented on the 42% proposed premium increase to employees. Mr. Chapman explained that the reduction of the percent of the employer contribution to premiums is not a strict 1:1 ratio. Therefore, when there is a 3.5% reduction, for example, in the employer's contribution to the premium for employee only coverage, this plays out to a 42% increase in the employee premium. Professor Morrison stated that another way to think about this is that the employee will see an increase of about 42% in their premiums, 35% is due to the premium shift to employees and 7% is due inflation.

Regarding the proposal to protect lower paid employees, Mr. Chapman walked members through a chart, which breaks down the 2012 income limits for employees in the various coverage tiers to qualify for the 8% cap. With only employee's University salary taken into account, about 2,500 employees could possibly qualify for the reduced premium. Employees who qualify for the cap would pay no more than 8% of their salary on health care premiums.

A question was asked about the calculation that will be used to determine whether an employee qualifies for the cap, particularly employees whose salaries vary throughout the course of a year. According to Mr. Chapman, no decisions have been made about how this cap will be calculated. The administration will continue to look into this and bring it back to the committee in the future. This health care reform provision will not legally be imposed on the University until 2014. With that said, the University will have time to figure out how to best calculate the cap, and, if necessary, it can adjust whatever it puts in place prior to 2014 to make sure it is in compliance with health care reform legislation.

In response to a member's suggestion about using income tiered contributions to premiums, Mr. Chapman stated that the University would actually prefer to implement the cap on household income rather than University employee income only. Under the ACA, the cap will be based on household income. The University is exploring whether it can do the same. Currently, it is unclear if the University can legally ask for household income information in order to determine eligibility for a health care benefit. With that said, the University would also need to decide whether it would be worth the administrative costs to implement the cap using household income. There are a lot of unanswered questions around how the cap will be executed. Another way to think about the cap, stated Professor Morrison, is that it is the maximum cost to the University for implementing this protective measure; it is the highest subsidy the University would be expected to pay.

Before moving on, Mr. Chapman clarified that the salary limits for this subsidy are computed on the base plan rate only. Employees will not get a higher subsidy if they decide to purchase a buy-up plan. The subsidy cap applies to the base plan only.

Next, Mr. Chapman turned members' attention to the proposed co-pay and deductible changes for 2012 and the corresponding savings from these changes. Details about the changes were shared with the committee. Total UPlan savings for implementing these changes are projected to be $2.29 million in 2012.

Regarding the wellness component of this proposal, Mr. Chapman shared financial information and walked members through a chart containing 2013 wellness incentive biweekly premium detail. If implemented, UPlan members earning enough wellness incentive points in 2012 (300 points employee only coverage and 400 points for employee plus spouse/SSDP coverage) would earn a $400 premium reduction in 2013. Mr. Chapman explained that the $65 Wellness Rewards will continue through 2012, but be eliminated in 2013. During the transition year of 2012, besides being eligible to earn $65 Wellness Rewards, members will also be accumulating points towards a $400 premium reduction in 2013. Once this program is up and running, members who earn enough points during a year will receive a premium reduction of $15.38 per pay period for the following year. For employees with employee only coverage in the base plan, this premium reduction equates to a lower premium than they paid in 2010.

Noticing that the same $15.38 was applied to each tier of premium, a member asked why it was applied that way. Mr. Chapman stated that while not included in the current proposal, he would suggest looking at whether the premium incentive should be proportional to the tiers. Having said this, the University has gotten a significant amount of advice from consultants, etc., encouraging it not to make the program too complicated, particularly in the first year or two.

A member asked about the assumption that was used when calculating the $3.60 million cost to the University for implementing the $400 premium reduction. Mr. Chapman stated that the assumption was 50% of employees would qualify for the reduction, a relatively conservative assumption. He added that the University would ideally like this number to be larger. The University has somewhat plateaued in terms of its ability to incent people to be more involved in wellness programming, which is why this proposal is included.

Next, Ms. Chapin shared information on the Wellness Program Achievement Model that is being proposed. She then highlighted the four changes that are being proposed concerning how wellness program incentives will be handled:

1. Wellness incentives will be linked to medical plan premiums.

2. UPlan participants will accumulate wellness incentive points during a year, and participants who earn the required number of points will receive a premium reduction for the following year.
3. Wellness incentives will be larger, currently proposed at $400.
4. Importance of health outcomes will be incorporated into the program. For example, biometric screenings will be included in the program, and, as a result, health outcomes will be increasingly important over time.

Ms. Chapin stated that this proposal raises the stakes in the Wellness Program for both plan participants and the University; expectations for plan participants will increase as will the amount of money the University will pay to encourage members to accomplish their wellness achievement goals.

Ms. Chapin highlighted the wellness program achievement model that is being proposed. The expectation is that employees with employee only coverage will need to earn a minimum of 300 points, and employees with spouse/SSDP coverage will need to earn a minimum of 400 points. If spouses/SSDPs are not interested in participating, the employee could earn the entire 400 points in order to qualify for the $400 premium reduction. However, because the University has a vested interest in the health of its employees, spouses/SSDPs would not be eligible to earn the entire 400 points in order to qualify for the $400 premium reduction.

A sample of how the program might look for 2012, 2013 and 2014 were shared with members. Ms. Chapin noted:

- Points for biometric screenings in the first year will be earned for simply participating in the screenings. However, in subsequent years, the point structure will change and points will be earned for each of the biometric screenings, e.g., body mass index (BMI), systolic and diastolic blood pressure, fasting blood glucose, fasting total cholesterol that fall within a recommended range. (Some employers are currently using only a health outcomes based program, but the University has chosen to phase in this type programming.)
- Point accumulations for the different wellness activities and screenings can be and will likely be changed from year to year. For example, biometric screening results that fall within a recommended range will be increased to recognize improved/maintained health outcomes over time.
- Regarding the weight loss programs, people will still be reimbursed for the cost of the program. Therefore, earning points will be an additional benefit for participating in one of the weight loss programs. This same philosophy applies to the Fitness Rewards Program where the University will continue to pay $20/month in addition to the employee earning points.

A member asked if the University plans to have a website where people can monitor how many points they have accumulated. Ms. Chapin stated that whichever vendor(s) the University selects as part of the current RFP process, it wants the vendor(s) to have a point calculator on their website so people can easily see how many points they have accumulated.

How will the health screenings be implemented, asked a member. Ms. Chapin stated that health screenings are already in place on the Twin Cities campus. UMD participants can have their health screening done at QuickCare. Other options may include having Boynton Health Service (BHS) nurses travel to the coordinate campuses and conduct screenings, or, alternatively, through the RFP process, the University may identify vendors who could provide this service.

Will people be expected to have their screenings done at BHS rather than their doctor's office, asked a member? The expectation will be to use BHS whenever possible, noted Ms. Chapin; however, specific screening details are still in the process of being worked out. More information about the program details will be forthcoming.

A member voiced concern about being forced to use WeightWatchers at Work in order to earn points when there are other weight loss programs available, e.g., Jenny Craig. Ms. Chapin explained how the decision to use WeightWatchers at Work came about. Mr. Chapman added that people who participate in other weight loss programs and who lose weight would qualify to earn BMI points. In response, another member stated that conversely people who do not need to lose weight would not be eligible to earn the WeightWatchers at Work points so the concern is relative.

Mr. Chapman highlighted the other options that were looked at for saving the UPlan money:

- Extend the waiting period to require two full months of employment for UPlan eligibility. (Projected savings $2.70 million.)
- Reduce the University subsidy for employees with less than two years of service. The subsidy would increase to the normal level after that period. (Projected savings $2.20 million.)
- Spousal surcharge of $25 biweekly if spouse's employer offers a medical plan with an annual premium of under $900. (Projected savings $1.5 million.)
- Increase spouse contribution to premium – 5% premium shift for spouses/SSDP coverage. (Projected savings $5.6 million.)
- Additional increased co-pays. (Projected savings $4.05 million.)
- Additional co-pay for all specialist physician office visits - increase 2011 co-pay by 50%. (Projected savings $0.42 million.)

Mr. Watt stated that earlier in the meeting he heard the suggestion that income tiered contributions to premiums should be considered as well.

In light of time, Mr. Watt encouraged members to discuss these recommendations/proposals with their colleagues. Members who have suggestions for other possible money saving options should email or call him.

Due to a scheduling conflict with the RFP Committee, Mr. Watt announced that the March 3 BAC meeting will be cancelled. The next meeting will be March 24th.

V). Hearing no other business, Mr. Watt adjourned the meeting.

Renee Dempsey
University Senate

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From: John Jensen <jense100@umn.edu>
To: demps005@umn.edu
Date: Thu, Feb 17, 2011 at 9:22 AM
Subject: BAC Question/Concern
Mailed-by: umn.edu

Renee:

I wanted to touch base with you regarding the Benefits Advisory Committee.

After receiving the email today requesting comments re: the benefits plans, I reviewed the comments that were submitted in previous years. While I sincerely applaud the Committee's work, privacy concerns were highlighted and/or noted as some of the comments received by UPlan Members. While my office was made aware of concerns, we've never received any information of specific reports made. As the responsible University office for ensuring compliance with HIPAA – we are obligated to provide resources for patients and individuals to file a complaint, if necessary, or to address any questions regarding how their information is used and shared as described in the Notice of Privacy Practices. Therefore, I want to make sure that the Committee knows that UPlan members can be directed to my office as a resource and to not hesitate to contact us if something comes up.

Ross Janssen or myself can also attend an upcoming meeting to answer questions, etc.

Thanks
John Jensen

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