BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
MARCH 24, 2011

[In these minutes: Administrative Working Group (AWG) Update, Wellness Programming Update, Retirement Incentive Option (RIO) Update, 2010 Flexible Spending Account (FSA) Deadline, Continued Discussion on Proposed UPlan 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, Tina Falkner, William Roberts, Dale Swanson, Sharon Binek, Jody Ebert, Sara Parcells, Jennifer Schultz, Sandi Sherman, Nancy Fulton, Joseph Jameson, Karen Lovro, Michael Marotteck, Carl Anderson, Amos Deinard, George Green, Judith Garrard, Richard McGehee, Michael O'Reilly, Theodor Litman, Rodney Loper, Dann Chapman

REGRETS: Fred Morrison

ABSENT: Carol Carrier, Aaron Friedman, Keith Dunder

OTHERS ATTENDING: Linda Blake, Karen Chapin, Betty Gilchrist, Ryan Gourde, Cherrene Horazuk, Joe Kelly, Shirley Kuehn, Kathy Pouliot, Kelly Schrotberger, Sheri Stone, Jill Thielen, Curt Swenson, Laurie Warner

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

II). Mr. Watt provided an Administrative Working Group (AWG) update. He thanked everyone who is serving on the Medical/Wellness RFP Committee of Selection, and acknowledged the support provided by Employee Benefits' staff. The RFP Committee of Selection has reviewed all the proposals it received, and interviewed finalists. To date, no decision has been made about which vendor(s) will be selected. At the next BAC meeting on April 7, the RFP results will likely be announced as well as any decisions concerning benefit changes, including possible Faculty Retirement Plan (FRP) changes.

III). Employee Benefits' announcements:

a). Regarding wellness programming, Jill Thielen reported that the Farmer's Market will open on July 13, 2011. In addition, two new programs have been launched, Group Strength Express (GSX) and Mindful Based Stress Reduction (MBSR) through the Center for Spirituality and Healing.

b). Kathy Pouliot reported that Employee Benefits is busy with the current Retirement Incentive Option (RIO). The deadline to elect RIO is May 15, 2011. People who elect the program must retire by January 11, 2012.

c). Shirley Kuehn announced that the deadline to submit 2010 Flexible Spending Account (FSA) expenses is March 31, 2011. Expenses for 2010 can be incurred through March 15, 2011.

IV). Mr. Watt stated that the remainder of today's meeting would be spent continuing to discuss proposed changes to UPlan health benefits. He called on Ryan Gourde, health programs financial manager, to walk members through a revised draft of the AWG's proposed UPlan cost saving recommendations. Mr. Gourde proceeded to provide those present with a high level summary of the proposed changes. He noted that the proposed benefit changes are estimated to save the UPlan $12.69 million in 2012 and another $10.56 million in 2013. A majority of the 2012 savings will come from shifting 4.6% of the University's contribution to health care premiums to employees. Currently, employees with employee-only coverage pay 10% of the total cost of the plan and employees with family coverage pay 15%. Under this proposal, the employee-only contribution would increase to 13.5% and the family coverage contribution would increase to 20%.

Mr. Gourde then took a few minutes to walk members through a hypothetical example to illustrate the reason for the difference in the employee-only percentage increase and family percentage increase. He noted that in order to achieve the same percentage rate increase for all employees, there needs to be a differential in the employee-only and family coverage contribution increases from the University. To equitably accomplish this, the employer contribution for employee-only coverage would need to be reduced by 3.5%, and 5% for family coverage. To be clear, the University could do a 5% across the board reduction for employee-only and family coverage; however, this would result in a much higher percentage change for employees with employee-only coverage versus those with family coverage.

Professor O'Reilly stated that using percentages is very misleading and that dollars should be used instead. In his opinion, the proposal is much more punitive on families than employees with employee-only coverage. With that said, he suggested basing the reduction on salaries or family income. The large increase for family coverage that is being proposed is excessive. Mr. Watt acknowledged Professor O'Reilly's concerns. To exemplify the concern about excessive increases to employees with family coverage, Mr. Watt asked Mr. Gourde to highlight the 2012 projected bi-weekly premium increases for Medica Elect Essential and Medica Choice National (rates include the projected medical inflation for 2012 and the proposed premium shift to employees).

Moving on, Mr. Gourde stated that as part of this proposal, the AWG is recommending there be a premium cap of 8% of an employee's annual salary. He turned members' attention to a chart that outlined the income limits for the various coverage tiers in order for employees to qualify for the cap. While the University is proposing a cap based on salary, an alternative approach would be to use a cap based on household income, which is what the health care exchanges will use. For the University to administer a program based on household income would be extraordinarily difficult not to mention there is also a question about the legality of collecting this information.

Mr. Jameson stated that he feels strongly that any cap needs to be based on household income and that in order for people to apply for the cap, they should be required to provide Employee Benefits with household income information to determine their eligibility. Employees need to take responsibility for proving they qualify for the cap. Providing a financial subsidy without requiring documentation to prove eligibility only serves to create abuses in the system. To make his point, Mr. Jameson used the example of a married or same sex domestic partner couple who both work at the University, one with a low salary and the other a high salary. In this scenario, the lowered salaried employee could carry the health benefits for the entire family and be eligible to receive the 8% cap despite the fact that his/her spouse or partner has a much higher salary. Basing a cap on an employee's salary incents abuse, according to Mr. Jameson.

In response to Mr. Jameson's comment, Mr. Chapman stated that the University is continuing to look into whether it will use salary or household income in determining eligibility for the cap. The question of whether the University has the legal right to access household income information in the name of health care reform is unclear. There are a lot of questions that need to be explored.

In response to a question about assumptions that were used to calculate the income limits to qualify for the cap, Mr. Gourde explained the methodology he used. He noted that based on these assumptions, the total number of people who would qualify under a University salary driven program would be almost 2,600 while the number of people who would qualify under a household income driven program would be just under 700. Mr. Chapman noted that the income limits that have been identified are a rough estimate, and will serve as a guideline.

What is the cost impact to the plan if almost 2,600 employees qualify for the cap versus just under 700 employees, asked Mr. Jameson? Who would incur these costs, the University or employees? Mr. Gourde explained that while he does not have the figures with him, it is clear that the more people who qualify for the cap would cost the University more. Regarding who would incur these costs, Mr. Chapman noted that both the University and employees would share the cost because anything related to premiums would be spread across the entire UPlan, which is paid for primarily by the University, but a percentage would also be paid for by employees. Because employees with family coverage will be more likely to qualify for the 8% salary cap, and transfer their costs back to the plan for redistribution, noted Mr. Jameson, raises the question of whether this is the best way to distribute these costs. Looking at it from a different perspective, noted Mr. Swanson, employees who have the largest premium increase will also be the ones who are more likely to benefit from the 8% cap.

Moving on, Mr. Gourde pointed out the proposed changes to co-pays and deductibles, which, if implemented, the UPlan would remain a grandfathered plan. In response to a question about why the University wants to maintain its grandfathered status, Mr. Chapman explained that there are some advantages to the University from a cost benefit analysis perspective to maintaining this status.

Next, Mr. Gourde turned members' attention to the 2013 Wellness Incentive Model bi-weekly premium detail that is being proposed as well as the additional recommendations for saving the UPlan money. A new recommendation previously not raised with the BAC, noted Mr. Gourde, is the proposal for changing the dental benefit. Mr. Chapman highlighted the three options that are being considered:

1. Reduce the employer contribution from 10% to 13.5% for employee-only dental coverage and from 40% to 54% for family coverage, which is the same reduction that is being proposed for medical coverage. The savings under this proposal would be $1.9 million in 2012.
2. Reduce the employer contribution even further from 10% to 17.5% for employee-only coverage and from 40% to 70% for family coverage. The savings under this proposal would be $4 million in 2012.
3. No employer contribution to the dental plan. Instead, the University would simply make the plan available for employees to purchase, but there would be no employer contribution to the plan. Under this proposal, the University would save $8.1 million in 2012.

In Mr. Chapman's opinion, he is not in favor of the second and third options given that dental health is important and contributes to medical health. By implementing the first option, however, noted Mr. Chapman, would mean the previously proposed medical reductions could be remodeled so that the cost shifts (e.g., co-pays) would not be as great, but still allow the University to achieve its savings goal.

Professor Schultz asked whether the AWG has considered basing the medical insurance rate on the number of children employees cover, e.g., a flat per child rate. Mr. Chapman stated that the AWG has discussed this option in the past, but decided against it. This idea was also discussed with the BAC several years ago, and it was not looked on favorably. In addition, administration of the program would be much more complex. Professor Schultz suggested reconsidering this option. In Ms. Sherman's opinion, this is an outrageous proposal and only serves to penalize people with children. Professor Schultz stated that setting the rate based on the number of children people have would benefit people that do not have a lot of children and who are low-income. She stated that the UMD faculty and staff that she has consulted with feel it is unfair for employees with only one or two children to pay the same rate as employees with several children. Several members voiced their opposition to charging based on a flat rate per child. Mr. Watt reminded members that, on average, children are significantly less expensive to cover than adults on the UPlan.

Jody Ebert requested getting a breakdown of the UPlan's expenses because there may be areas where cuts can be made in lieu of increasing premiums, co-pays, etc. As the price of health care continues to go up, the likelihood that people will decide to waive their coverage increases. Mr. Chapman explained that the UPlan is run essentially like an insurance company and its funds are used exclusively for health care and related administrative fees. Every year Employee Benefits presents the UPlan Annual Report to the BAC. Regarding the UPlan's Wellness Program, based on the return on investment (ROI) study that is being conducted, it has been proven that the Wellness Program returns more from the Disease Management Program alone than the entire Wellness Program costs. The study also uncovered that the number of people participating in the program has plateaued. Therefore, the reason that the University is proposing a further investment in wellness programming is because this is one area where additional savings can still be realized. As people get healthier, their medical claims and costs are reduced as are the University's claims and costs. There is a demonstrable return on money spent on wellness programming.

In response to a comment that there are no wellness programming opportunities for people in Outstate Minnesota, Mr. Chapman stated that this is simply not true. There are programs available to every person that works for the University, including people in Greater Minnesota. To illustrate, stated Mr. Chapman, Greater Minnesota employees can do the Wellness Assessment, the on-line learning programs, 10,000 Steps, join a fitness club and earn the $20/month Fitness Reward, etc.

Ms. Sherman stated that she would be interested in having the administration explore a sliding scale approach to paying health care premiums based on a person's ability to pay. Under this scenario, higher paid employees would pay more for their coverage than lower paid employees. For the record, Ms. Sherman stated that she is not satisfied with the increases that are being proposed and would like the administration to model a sliding scale paradigm. In response, Mr. Jameson stated that he does not believe there is a correlation between income and health care costs, and went on to cite an example.

Moving on, Ms. Chapin distributed a draft 2012 Wellness Achievement Model. The new wellness model will:

- Change the current Wellness Program incentive from a cash-based program to a program where people can get a reduction in their medical premiums for earning points by doing wellness-related activities.
- Change to a point-based system, giving people an opportunity to earn points in order to get a premium reduction.
- Increase the focus on health outcomes and health improvement.

Ms. Sherman stated that she is concerned about people who for a variety of reasons have health conditions that will not allow them to improve their health, and, as a result, will not be able to earn the necessary points to qualify for a premium reduction. Ms. Chapin stated that if for some reason an individual could not meet the BMI requirements, for example, there will be a system in place to address this concern so that these people are not penalized. Mr. Chapman stated that there is absolutely no intention for the Wellness Achievement Model to be punitive, it is intended to be incentive-based. The program as it is proposed will work for the vast majority of employees, and for people it will not, the

University will figure out alternative options to make sure the program is not punitive. Professor Green stated that under the new Wellness Achievement Model, the University is going by the assumption that if it will be paying more out in premium reductions, it is expecting to get a return on its investment in the form of health improvement and reduced medical costs. Mr. Chapman stated that the University will continue to monitor its Wellness Program ROI over time.

Professor McGehee stated that based on what he learned during the wellness vendor interviews about what incentives work, it is clear that the wellness incentives need to be constantly re-evaluated and redesigned over time. With that said, once a wellness vendor is selected, he suggested inviting the vendor to a BAC meeting to talk about incentives. Mr. Chapman agreed and added that what he took away from the wellness vendor interviews was that the $400 premium reduction the University had initially proposed may actually be too high. The vendors indicated that health improvement can be achieved for less than what was initially thought. The wellness incentive structure has not yet been finalized.

Ms. Ebert stated that education will be particularly important once this new program is rolled out. In addition, because stress at work can be hazardous to one's health, more should be done on the part of the University and supervisors to try to reduce stress. Mr. Chapman acknowledged Ms. Ebert's point and noted that there is a new wellness program that deals with stress. Ms. Ebert suggested offering more wellness initiatives that can be done during work hours.

In response to a request for information about the Wellness Program's wellness advocates, Ms. Chapin explained that currently a group of 116 volunteer wellness advocates have been recruited on a grassroots basis from different departments across the University. These individuals deliver wellness programming that Employee Benefits develops to employees in their departments and also do additional events on their own for their departments. The goal is to have a wellness advocate in every department. Anyone interested in becoming a wellness advocate should contact Jill Thielen. Professor Schultz noted that one of the hospitals in Duluth is doing something similar and they call their wellness advocates "influentials." The Duluth hospital study is looking at wellness from a social networking perspective in terms of whether your friends are making you fat. The study is looking at whether the "influentials" are able to help people with their eating behavior and physical activity.

Ms. Binek stated that she has heard concerns from members of the University community who are hesitant to take the wellness assessment, for example, because they believe the University will use this information to target less healthy employees. Mr. Chapman stated that the University is not allowed to use any of the information collected in the wellness assessment to target groups of employees or individuals. Along with federal legislation that protects privacy (HIPAA), the University has a Board of Regents' policy that specifically deals with this issue. Legally, the UPlan, as a self-insured entity, owns UPlan claims data information. However, by policy, the University has made a conscious decision to not collect this information. The University instructs its vendors and data warehouse to protect and blind this information from the University. The University only gets aggregate, de-identified information, and avoids to the full extent possible knowing any individual employee's data.

How often will employees and spouses be able to re-compute the points they earn in order to get the premium reduction, asked Ms. Enrici? This remains open for negotiation, stated Mr. Chapman. Ms. Chapin stated that the University will work with its wellness vendor to determine how often the points can be re-computed.

Ms. Sherman asked about how Body Mass Index (BMI) figures are calculated. Mr. Chapman explained that BMI is calculated based on a person's height and weight. Ms. Sherman expressed concern over use of this calculation and questioned its accuracy in diagnosing obesity. Mr. Chapman stated that the BMI measurement is widely used in health-related studies, and will be used as one of several options for employees to earn incentive points in order to qualify for a premium reduction.

Professor McGehee, serving now as chair pro-tem, noted that the AWG will meet tomorrow to discuss the comments it heard at today's BAC meeting. With that said, does the committee agree with the AWG proposal to use the same premium percentage increase for individuals with employee-only and family coverage, asked Professor McGehee? While some members agreed with this proposal, others felt that using the same percentage increase would be a hardship for families because the dollar increase for family coverage would be substantially higher. There was no consensus on this proposal.

As a point of information, noted Mr. Chapman, the $12 million UPlan savings in 2012 could be dealt with by an across the board increase to all UPlan participants of approximately a $26 - $27 per pay period on top of their premiums. Using this approach would evenly distribute the shortfall across all UPlan members; however, percentage-wise it would impact those with employee-only coverage to a greater degree.

Regarding the 8% cap, noted Professor McGehee, based on today's discussion, there was no agreement that a salary driven approach should be used. Some members felt strongly that household income should be used instead to determine eligibility for the cap.

Professor Green proposed taking the dental savings that were discussed earlier today, and applying this money to lessen or buy down the proposed co-pay increases, particularly in the base plan. A vast majority of members endorsed this suggestion; however, Ms. Sherman requested that the minutes reflect that AFSCME 3800 does not support any of proposed benefit cuts. Instead, the University should re-budget and find the $12 million from somewhere other than employee benefits. While most people would be delighted if benefit cuts were not necessary, stated Professor McGehee, the reality is that the administration has respectfully asked the BAC to help it find savings from within the UPlan.

Ms. Fulton stated that she thinks it is important to keep the UPlan in line with benefits in the market. There is a perception at the legislature and amongst the general public that the University's benefit set is too rich. Mr. Chapman stated that the additional monetary burden that UPlan participants will be asked to pick up will be heard loud and clear by the legislature and by the public.

Getting back to the 8% cap, there was no consensus on using a salary driven approach versus a household income approach in determining eligibility for the 8% cap. In response to concerns by Mr. Jameson who supports using a household income approach, Mr. Chapman stated that because this aspect of health care reform will not be implemented until 2014, there are currently no federal guidelines/interpretations for how employers should implement it. The University is proposing implementing the cap early, in 2012, in an effort to protect lower-paid employees. When the federal guidelines become available, the University can modify how it handles the cap once the parameters are clear. Under health care reform, the exchanges will use household income to determine eligibility for the cap; however, the legislation does not stipulate whether employers will also be allowed to use this measure. Professor McGehee stated that based on the discussion he believes there was general interest on the part of most members in relieving the burden of the benefit increases on lower-income employees.

Professor Schultz asked whether there will be changes to the Faculty Retirement Plan (FRP). Mr. Chapman stated that the FRP is not part of the BAC's purview. The Senate Committee on Faculty Affairs (SCFA) Retirement Subcommittee deals with any proposed FRP changes. Currently, discussions are taking place about possible changes to the FRP. It is Mr. Chapman's understanding that while no decisions have been made, the preference is to have any changes impact only new employees. Professor Schultz recommended the BAC and the Retirement Subcommittee coordinate their efforts because if these two committees operate independently, there is a very real possibility that employee's overall compensation could be reduced even further. Mr. Chapman stated that, assuming it can be arranged, information on all proposed benefit changes that are being considered will be shared with members at the next BAC meeting on April 7.

V). In light of time, Professor McGehee adjourned the meeting.

Renee Dempsey
University Senate