BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
SEPTEMBER 1, 2011

[In these minutes: Administrative Working Group Update, HealthPartners' Medical Group Update, Rate Development for UPlan 2012, Supplemental Communication Plan for HealthPartners Members and General Open Enrollment Communication Plan, Proposal for Wellness Program Incentive Points for New Employees, Convenience/Walk In Clinics Update, Insights by Medica Tiers, Disability Insurance Update]

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

PRESENT: Gavin Watt (chair), Pam Enrici, William Roberts, Tatyana Shamliyan, Dale Swanson, Jody Ebert, Patricia Miller, Sara Parcells, Jennifer Schultz, Nancy Fulton, Joseph Jameson, Karen Lovro, Michael Marotteck, Roger Feldman, Richard McGehee, Fred Morrison, Theodor Litman, Rodney Loper, Dann Chapman

REGRETS: Sandi Sherman, Kurt Errickson

ABSENT: Carl Anderson, Kathryn Brown, Amos Deinard, Aaron Friedman, Judith Garrard, Keith Dunder

OTHERS ATTENDING: Karen Chapin, Betty Gilchrist, Ryan Gourde, Shirley Kuehn, Kathy Pouliot, Kelly Schrotberger, Jackie Singer, Sheri Stone, Curt Swenson, Jill Thielen

I). Gavin Watt called the meeting to order and welcomed all those present. He then took a minute to welcome two new members, Tatyana Shamliyan (P&A) and Patricia Miller (AFSCME 3260).

II). Mr. Watt reported that over the summer the Administrative Working Group (AWG) spent quite a bit of time discussing the 2012 health care rates. He added that Employee Benefits is currently engaged in contract negotiations with the University's various bargaining units. To be clear, noted Mr. Watt, many of the issues the BAC discusses are subject to bargaining, and health insurance rates, which will be discussed today, is an example of such an issue.

Mr. Watt also reported that the AWG met yesterday with Prime Therapeutics, the University's pharmacy benefit manager, to go over business and financial reports that Prime Therapeutics prepared for the University. According to Mr. Watt, the University, up to this point, has been very happy with Prime Therapeutics performance.

III). Moving on, Dann Chapman provided members with a HealthPartners Medical Group update. He reported that all HealthPartners' clinics that were available this year will be available next year through Insights by Medica in tier one, the provider tier with the lowest co-pay. The Insights by Medica plan tiers its provider groups into three co-pay levels, which are based on cost, quality and efficiency. The 2012 tier one co-pay rate will remain the same as the 2011 co-pay rate, $15. The goal throughout the HealthPartners' negotiation process was to make it as easy as possible for UPlan members to continue with HealthPartners if they so choose. After lengthy negotiations, HealthPartners agreed to price themselves at the tier one level within Insights by Medica. As a result, the 2012 Insights' rates will not go up as significantly as the other plans in the UPlan.

Beginning in 2012, noted Mr. Chapman, every indication is that HealthPartners will be well positioned within the UPlan and that their clinics will be available at a price that makes sense. With that said, however, how the actual pricing plays out in the long run will depend on what plan HealthPartners' members actually elect. Predictive modeling was used determine the 2012 price point for the HealthPartners' product, but this could change in the future depending on what happens with the migration of HealthPartners' members over time.

In response to a couple pricing questions, Mr. Chapman explained in a fair amount of detail how Medica, who owns the Insights product, tiers the various provider groups in the plan.

Responding to a question about the number of UPlan members who are projected to continue with HealthPartners, Ryan Gourde, health programs financial manager, noted that the University estimated that 50% of employees who currently use HealthPartners Medical Group clinics would move to Insights and the remaining 50% would be split between the other plans. Mr. Chapman added that this 50% estimate is a projection, and reiterated that depending on how this plays out in future years could have either a positive or negative effect on Insights pricing. With that said, the University achieved what it wanted to achieve this first year, which was to get HealthPartners Medical Group clinics available in a Medica plan at an affordable price.

Karen Chapin, health programs manager, stated that HealthPartners was not willing to bid at the Medica Elect & Essential level, despite the University's encouragement to do so. Mr. Chapman noted that the University was definitely open to HealthPartners being a provider group within Medica Elect & Essential, but HealthPartners was not interested in doing so.

Mr. Watt stated that the reason a lot of people choose HealthPartners is because of their very liberal referral policy, which has very few restrictions. How will HealthPartners' referral policy change, if at all, now that they are in Insights? Ms. Chapin explained that while Insights does not require referrals, being referred to another provider within the plan could mean that the member would be required to pay a higher co-pay if he/she is referred to a physician who is in one of the higher tiers.

What is the length of the contract, asked Ms. Enrici? Ms. Chapin explained that the University's contract with Medica is for two years with four one-year renewal options. The University is optimistic that the contract with HealthPartners will also be for two years, but this has not yet been finalized. Mr. Chapman stated that the University's two-year contract with Medica with four extension options does not have any impact on how the plan offerings within the UPlan are priced from one year to the next.

IV). Mr. Watt introduced the next agenda item, rate development for UPlan 2012, and called on Mr. Gourde to explain the process. To supplement his presentation, Mr. Gourde distributed a PowerPoint presentation, which he walked members through. Salient highlights from Mr. Gourde's presentation included:

- 2012 medical benefit plan changes (subject to bargaining):
    - Increase prescription co-pays (generic plus from $8 to $10, formulary brand from $25 to $30, and non-formulary from $50 to $60).
    - Increase office visit copays (base plans from $11 to $15 and national from $25 to $30).
    - Increase emergency room copay ($75 to $90).
    - Increase walk-in clinic co-pay ($5 to $10).
    - Increase MRI/CT scan co-pay ($25 to $30).
    - Increase out-of-network deductible (individual from $500 to $600, family from $1,000 to $1,200).
- UPlan rates are made up of many factors with medical and pharmacy claims making up 93.8% of the total. Other factors include HSA contributions (0.2% of total), external administrative fees (2.5% of total), stop loss and medical conversion insurance (0.5% of total), internal plan administration (1.3% of total), and wellness programming (1.7% of total). By moving to a single health care administrator for 2012, the University's external administrative fees will be reduced from 3.4% of the total plan cost in 2011 to 2.5% of the 2012 total plan cost.
- For rate setting purposes, the UPlan is considered a single plan, taking into account the experience of the entire plan. Rates for the individual UPlan options are set by using three differentiating factors:
    - Plan design (co-pays, coinsurance and deductibles).
    - Provider pricing.
    - Care and utilization management.
- The University relies on Towers Watson actuaries for a lot of the data it uses for calculating rates. According to the actuaries, the University needs to increase its 2012 rates by 6.5% across all plans in order to cover medical claims. The University then takes this information and internally adjusts the rates to account for other expenses, e.g., administrative fees, wellness expenses. Without employee/University contribution changes (cost shift), medical rates across all the plans would have increased by 5.9% (medical trend). While 5.9% may sound high, this trend is quite reasonable, and actually better than the 2011 trend. The total 2012 UPlan medical costs are projected to be $239.1 million, an increase of 5.9% from the 2011 budget.

- Due to the continued reduction in funding from the State of Minnesota, a shift of premium costs from the University to employees is necessary. The employee premium changes after the cost shift will be a 25% increase for Insights by Medica and a 34.6% increase across the remaining plans. As mentioned earlier, the lower premium increase in Insights is due to a lower than expected cost increase for that plan.
- The medical premium contribution change (cost shift) will save the University $10.06 million in 2012 and the dental premium change will save $1.11 million by increasing dental premiums by 19% across the board. In addition, the co-pay and out-of-network deductible increases will save the University $1.50 million in 2012. The total savings for 2012 are projected to be $12.67 million and $11.39 million in 2013.
- To set the dental rates, the University reaches out to its two carriers, Delta and HealthPartners, to find out projected increases. In 2012, it is estimated that dental claims will increase an average of 2.9%. Beginning in 2012, employee premium contributions will increase by 19% across all plans.
- Medical premium relief for lower income employees continues to be part of the UPlan design changes for 2012. The University has established a one-year grant program for 2012 to help employees who may be struggling financially due to rising medical premiums. Unlike the lump sum relief programs the University has instituted in the past, employees will need to apply and qualify for this grant program, which is based on household income and not salary. Details of the grant program were shared with members. Mr. Chapman made it clear that the premium relief program is a needs-based program.

Members' questions/comments included:

- When the State of Minnesota increased its funding to the University during the special session, were the 2012 health care rates adjusted accordingly? The premium cost shift to employees, particularly in a year with no salary increases, is extremely difficult. No, stated Mr. Chapman. The University is taking a very conservative approach to the $25 million that was allocated to the University during the special session. The University's State support continues to be significantly lower than what it had been in the past. There is good reason for the University to be cautious with this money because the $25 million has only been promised for the first year of the biennium, and not the second year; therefore, this dilutes the value of the $25 million. Secondly, it is also possible that the University may not actually receive the money it was promised. In Mr. Chapman's opinion, the University is wisely proceeding with caution when it comes to this money. Professor Morrison added that the State's tax collections have been below the estimates on which the additional funding was granted. Mr. Chapman acknowledged the concern about cost shifts during a year with no salary increases. Mr. Watt also acknowledged the UEA Duluth statement that was sent to President Kaler, which eloquently and forcefully objected to the cost shift and highlighted the BAC resolution that had been sent to Presidents Bruininks and Kaler and brought to the attention of the Vice President for Human Resources Kathy Brown as well.

- If the pricing of Insights is based on the assumption that HealthPartners Classic Plus members will migrate to Insights, why does the migration level matter? Mr. Chapman explained that pricing Insights as if all members will migrate is a theoretical exercise. The actual number and who will migrate into the plan are real and will result in real cost differences. How this plays out within the Insights' product as opposed to the HealthPartners' product will make a difference in terms of the overall costs for the UPlan. Ms. Chapin stated that the reason for making the assumption that the UPlan is a single plan when setting rates is to make sure that no one plan is penalized for the risk of the people who are in each plan. The 2012 Insights' rate adjustment has nothing to do with the risk of the people in the plan, but has everything to do with the fact HealthPartners gave better pricing than they had initially. Mr. Chapman added that even actuarial science has an element of art and is not pure science. The actuaries cannot predict with 100% certainty how this will end up within a significantly different provider payment structure.
- What percentage of the premium increase is medical versus a cost shift to employees? Will Insights' members pay less towards the cost shift? All employees should realize the better pricing of the Insights plan and not just those people in Insights by Medica. This is the problem with the notion of artificially increasing premiums because of a budget problem. Mr. Gourde noted that the 5.9% increase represents the medical trend and the remaining increase is the cost shift. He added that only a relatively small number of UPlan members who are currently in Insights and who stay in Insights will pay less of the cost shift. The pricing of Insights changed considerably when HealthPartners came in at the tier one level, and dramatically improved the pricing of the plan. Professor Morrison stated that the 2012 Insights plan will be a very different product than it has been. The 2012 Insights plan will be much more economical than previous years, and the reason it will be so economical is because a large percentage of people who elect the plan will be in tier one. It would not be fair to replicate last year's pricing and apply an across the board increase for Insights' members. Mr. Chapman noted that the 2012 Insights product was re-priced to reflect the significant change made to the plan, and then the same cost shift that all UPlan members are being assessed will be applied afterwards. As a result, all UPlan members will pay the same share of the cost shift. Mr. Chapman added that it is also worth noting that UPlan members who are currently in one of the buy-up plans have the option in 2012 to significantly reduce the impact of the cost shift by electing a less expensive plan.
- The materials do no make it clear that the people who are moving from HealthPartners Classic Plus to Insights are going to have a 46% increase; it looks like the increase will be 25% rather than the 46%. Please make sure all communication materials clearly represent the actual increase HealthPartners' members will be faced with if they elect Insights by Medica.
- Is the University self-insured for dental? Yes, stated Mr. Gourde, the University's dental plan is self-insured.
- Does the University still intend to institute a premium cap of 8% of total annual salary as a mechanism to protect lower paid employees due to the rising medical

premiums? Mr. Gourde stated that given a number of BAC members were opposed to employees funding the relief plan, the University has established a one-year grant program to help lower paid employees. Under the revised plan, the University will be paying for the relief for lower paid employees, and not employees. Mr. Chapman added that the initial proposal to institute a premium cap of 8% was driven by health care reform, but this provision within the law has since been repealed. Despite the fact this provision was repealed, the University still intends to provide relief for lower income employees in 2012, and has created a grant program based on household income.

- Can the University legally ask for income tax returns from employees applying for the medical premium relief program? Wouldn't asking for this information violate HIPPA? No, stated Mr. Chapman, it is within the University's legal right to ask for tax returns from employees who are applying for this program, and really has nothing to do with HIPAA, which prohibits the inappropriate release of protected health information held by Employee Benefits.
- Will the premium relief program continue if the Affordable Care Act is implemented in 2014? Mr. Gourde explained that there is every expectation that the Affordable Care Act will be implemented in 2014, but the provision to cap premiums at 8% of a person's salary has been repealed. Mr. Chapman added that the cost shift is expected to be a one-time event, and is not intended to be an on-going event. He then took a couple minutes and talked about the principles the UPlan is based on. He reminded members that despite the challenging economic times, the University continues to provide high-quality, comprehensive health care at an affordable price while also providing financial premium relief for lower paid employees. In light of the fact that health coverage among many other employers is deteriorating significantly or being eliminated all together, it is a compelling accomplishment on the part of the University that it continues to offer one of the best employer-sponsored insurance plans in the region. The UPlan is something to be proud of despite the difficult messages coming in 2012.
- Will the University's contribution rate revert back in 2013 to what it was in 2011? No, stated Mr. Chapman. The intent, however, is not to regularly increase employee's contribution rates.

V). Mr. Watt called on Betty Gilchrist from Employee Benefits to provide information about the supplementary communications plan for HealthPartners' members as well as Employee Benefits' general, all inclusive communication open enrollment plan. Ms. Gilchrist distributed handouts to supplement her presentation. She noted that Employee Benefits purposefully sent out an early communication piece to HealthPartners members letting them know that HealthPartners will no longer be a plan administrator for the UPlan. Salient highlights from the Ms. Gilchrist's presentation included:

- HealthPartners members who wish to have medical coverage in 2012 must elect a Medica medical plan during Open Enrollment in November; there is no default plan.
- A transition of care process will be set up for HealthPartners members who are undergoing a course of treatment for an acute care situation, e.g., chemotherapy for a cancer diagnosis, pregnancy, or any other diagnosis requiring continuity of

care with a current provider. In these situations, members will need to work with Medica and HealthPartners care coordinators in order to make arrangements to stay with a particular provider for a specified period of time.

- Members currently enrolled in HealthPartners' fitness reward program, will need to re-enroll in January and show their new Medica identification card.
- Employee Benefits' communication pieces designed specifically for HealthPartners members included a special newsletter mailed to members' homes, Meetings with Medica in October prior to Open Enrollment, and a special email in mid-November to make sure HealthPartners members know they have to make a change to a Medica option.

Because there are HealthPartners members on some of the coordinate campuses, noted Ms. Enrici, it will be important to offer Meetings with Medica on the coordinate campuses as well. Ms. Chapin stated that Meetings with Medica will be offered on the Duluth campus, but will probably not be necessary for Morris or Crookston.

Moving on, Ms. Gilchrist highlighted information from the general communication plan for all UPlan members:

- Short-term disability will be open for enrollment.
- Prime Therapeutics will continue as the UPlan's pharmacy benefit manager for prescription medications.
- Medical plan changes will be communicated in newsletters as well as included in the Open Enrollment materials.
- Employee Health & Benefits Fair dates are:
    - November 2 – Duluth
    - November 8 – St. Paul
    - November 9 – Minneapolis
    - November 11 – Morris (tentative)
- Numerous communication formats will be used to reach out to people about Open Enrollment and the medical plan changes for 2012.

Mr. Watt thanked Ms. Gilchrist for her report.

VI). Mr. Watt called on Ms. Chapin to provide information about Wellness Program incentives for new employees. Ms. Chapin began by reminding members about the Wellness Program changes taking effect next year. Beginning in 2012, employees with employee-only coverage will need to earn 300 points in wellness activity points in order to get a $300 reduction in their medical premiums, and employees with a family coverage will need to earn 400 points (of which 100 points can be earned by the spouse or partner) in order to receive a $400 medical premium reduction. The current $65 wellness incentives will continue through 2012, a transition year, when people will be starting to earn points, but not yet be getting premium reductions.

Whenever new programs are implemented there is a lot of administrative detail that needs to be resolved, noted Ms. Chapin. With that said, for new employees with UPlan effective dates of June 2 - October 1, Employee Benefits is recommending that these employees be given a one-time chance to take the Wellness Assessment (only) by October 31 in order to qualify for the full premium reduction for the upcoming year. For subsequent years, these employees would need to earn the full points to qualify for the premium reduction. Ms. Chapin stated that Employee Benefits plans to move forward with this proposal unless there are objections from the committee.

Professor Morrison asked whether new employees with a spouse or same sex domestic partner will both need to take the Wellness Assessment or whether only the new employee would have to take it. Ms. Chapin stated that both the employee and the spouse/same sex domestic partner would need to take the Wellness Assessment in order to qualify for the premium reduction.

In response to a question about earning points by a certain time, Ms. Chapin explained that the first year the Wellness Program will operate on a calendar year basis, however, all points must be earned by the end of August 2012. Going forward, the program will operate on an academic year calendar, which will give employees a full year to earn their points.

Will the $20-a-month reimbursement for health club membership dues program be eliminated in 2012, asked Mr. Jameson? No, stated Ms. Chapin. Reimbursement rewards for such programs as Fitness Rewards, the weight management programs, etc. will continue.

Ms. Chapin thanked members for their input and encouraged anyone with concerns about the proposal she highlighted to contact her or Jill Thielen as soon as possible. If no objections are heard, Employee Benefits will plan on implementing the proposal shared today.

VII). Next, Ms. Chapin reminded members that the co-pays for convenience/walk-in clinics will increase from $5 to $10 beginning in 2012. Currently, the $5 co-pay for convenience clinics only applies to three types of clinics, MinuteClinic, Gopher Quick Care clinics and QuickCare in Duluth. Because there is no real price difference between the convenience clinics, beginning in 2012, the $10 co-pay will be extended to all convenience clinics listed in Medica's provider guide. Making this change will mean that Target Clinic, Fairview Express Care and other miscellaneous convenience clinics will also be available at a $10 co-pay.

VIII). Information about the Insights by Medica tiers were distributed to members. Ms. Chapin stated that all Insights members pay the same premium, but that the co-pays are tiered by cost of quality of providers. Changes to the UPlan Insights by Medica network for 2012 include:

- All clinics in HealthPartners Medical Group will be added to tier 1 for the University of Minnesota only.
- The Mayo Clinic will continue to be a tier 3 provider for 2012.
- Some HealthPartners providers may be in a higher tier. For example, University of Minnesota Physicians (UMP) will be a tier 3 provider.

To be clear, Mr. Chapman explained that while Insights by Medica does not require referrals to specialists, if members get a referral to a provider who is in tier 2 or 3, members will pay the tier 2 or 3 co-pay. Having a referral from a tier 1 provider in Insights to a tier 2 or 3 provider does not give members a break on the co-pay.

Mr. Marotteck pointed out that Insights by Medica does not appear to have any tier 1 hospitals in the northern Hennepin County area. Mr. Chapman acknowledged this point, and noted that this is something HealthPartners needs to be made aware of because the University cannot change this.

IX). Regarding disability insurance changes, Mr. Watt called on Jackie Singer, director, Retirement Programs, to provide information on the upcoming changes for 2012. Ms. Singer stated that since 2007, the University has worked with The Standard for disability coverage. Despite the fact the University's claims experience had been escalating over the years, The Standard's rates remained stable.

For the past few years, The Standard has been warning the University that it should expect to see double digit increases given its increasing claims experience. While the working relationship between the University and The Standard has been very good, the possibility of double-digit increases left the University with no choice but to go out to bid. Last May, the University went out to bid and selected CIGNA as the new disability insurance provider beginning January 1, 2012. Through the RFP process, the University was successful in reducing the double-digit across-the-board rate increases that The Standard had proposed. Voluntary long-term disability rates will remain flat. In light of an inevitable increase in short-term disability rates, the University worked hard to enhance the benefit so participants would see some value for the increased price. Short-term disability insurance benefit enhancements will include:

- Short-term disability open enrollment. Effective January 1, 2012, participants will be able to sign up for a maximum of $5,000 or 66 2/3% of their monthly salary with no medical underwriting; no evidence of insurability will be required.
- At each open enrollment, participants will be able to increase their benefit by $200/year (subject to the $5,000/66 2/3% maximums) without evidence of insurability.

Regarding the rates for short-term disability, while participants will see an increase in their rates, the increase per pay period are modest. For example, for a person with a $45,000/year salary who purchases the maximum benefit amount of $2,500, he/she would have a $2.60/per pay period increase or $67 for the year. For a person making $90,000 or more per year, he/she can purchase up to a $5,000 monthly benefit for an additional $5.15 per pay period or $134 for the year.

Ms. Singer stated that the University will work with CIGNA to make the transition from The Standard as easy as possible for people with disability insurance.

Mr. Jameson asked whether there will be long-term disability open enrollment too. No, stated Ms. Singer, there will be no open enrollment for long-term disability. People can increase their long-term disability coverage at each open enrollment. The maximum long-term disability coverage is 60% of pay, up to a maximum of $5,000/month, and will continue to be subject to the 12/24 pre-existing exclusion.

X). Before adjourning the meeting, Mr. Watt noted that the BAC work plan is in the process of being developed. He encouraged members to contact him with agenda topics.

Professor Schultz voiced her objection to the medical and dental rate increases being described as a one-time increase. For low-income employees, this will be a higher premium contribution that will continue well beyond 2012. Therefore, there is no valid argument for why this increase is being described as a one-time rate increase. Mr. Chapman stated that the relief for low-income employees is being done for the first year to help buffer low-income employees from the substantial premium increases, but will not provide permanent relief. Professor Schultz stated that communicating the cost shift as a one-time event is inaccurate because people are going to experience higher premiums starting in 2012 and going forward; this is not a one time event. The argument that relief for lower paid employees will help these employees is invalid because the premium cost shift is permanent and the relief program is not. Currently, stated Mr. Chapman, the University has not talked about future years of assistance for lower paid employees; however, it may or may not consider doing so, but this would depend on a number of factors including, but not limited to the likelihood of future salary increases, and what happens with health care in general. There remain a lot of unanswered questions as a result of health care reform.

Hearing no further business, Mr. Watt adjourned the meeting.

Renee Dempsey
University Senate