Minutes[*]

Special Meeting
Faculty Consultative Committee
to which the members of the
Senate Committee on Faculty Affairs and the
Senate Committee on Finance and Planning
were also invited
Monday, May 21, 2001
1:00 – 3:00
238A Morrill Hall

Present: (FCC): Fred Morrison (chair), Wilbert Ahern, Muriel Bebeau, Dan Feeney, Marti Hope Gonzales, Joseph Massey, Jeff Ratliff-Crain, Charles Speaks

(SCFA): Avner Ben-Ner, Carol Bland, John Fossum, Cleon Melsa, Sheila Warness, Carol Wells

(SCFP): Charles Speaks (chair), Brittny McCarthy Barnes, Jean Bauer, Charles Campbell, Stephen Gudeman, Elo Charity Oju, Terry Roe, Susan Carlson Weinberg

Absent: none counted for a special meeting called after the end of spring semester, on short notice

Guests: President Mark Yudof; Vice President Sandra Gardebring

Other: none

[In these minutes: (1) health care; (2) the budget and political situation, briefly]

1. Update on Health Care

[Note: on May 31, the Interim Health Benefits Advisory Committee voted 11-0 to recommend to the President and the Board of Regents that the University separate from the state for the purpose of providing health insurance to employees. These minutes provide context and explanation for the decision.]

Professor Morrison convened the meeting at 1:00 and began by reviewing the process that had led to the present situation with respect to health care options. A year ago, the Health Plan Task Force made a report and recommendations that would have required some changes in the provision of health care to employees. That report plus a predicted health care cost increase of 15-20% led to a two-track railroad.

One train was the development of a proposal by the Interim Health Benefits Advisory Committee (standing albeit interim successor to the Health Plan Task Force) proposal for a four-tiered system of health benefits system and the solicitation of bids through a Request for Proposals.

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

The four tiers consist of (A) staff model clinics, similar to the previous Group Health, (B) a broader HMO with many clinics, perhaps with different levels of cost and correspondingly more choice, (C) an open access model with self-referral, and (D) a new plan which includes a major medical policy, a $2000 deductible, and an account in which the University puts $1000 for employees which they can use to pay for care; the employees are at risk for the second $1000 in costs, and after that everything would be covered 100%. Preventive care would be covered 100%. There would be a national network associated with this plan; the funds in the account would roll over if there were an unused balance (so if one used only $500 in year one, there would be $1500 in the account in year two, because the University would annually deposit $1000 to the account) but the amounts could ONLY be used for health care. Models (A), (B), and (C) would include office co-pays of perhaps $5 with option A to perhaps $15 with option C. The University would continue to pay for single coverage for an employee from the low-cost provider, plan (A).

The University received six bids (on various or all parts of the plan). The selection committee has been appointed (Professor Morrison is a member) and has unanimously recommended four carriers, one for each of the four plan options.

His intent was to inform the Committees today who the bidders were, the coverage proposed, and so on. But the train on the second track came along. The University has also been consulting with the Department of Employee Relations (DOER), which operates the state health plan. Those discussions started in January and continued along; DOER kept saying it would be useful for the University to remain with the state plan.

Last Friday DOER offered the outline of a plan but asked that it be kept confidential for 10 days because it was not fully articulated.

So there are two trains on parallel tracks, the 4 plans elicited by the RFP and the DOER plan. The trains will be in the station on June 8: by no later than that date the Board of Regents must come to a final decision about health plans for 2002. If it does not decide by then it will not be possible to have open enrollment and have new operational health plans.

Professor Morrison expressed regret that he could say very little about either of the two trains except what has been provided in the document from the Administrative Working Group, which explains the process and the bidding rules. They are barred from identifying the companies, the premiums, the clinics, and so on. This is preposterous, he said; the Health Benefits Advisory Committee cannot make a recommendation without that information. He said he has told DOER that they must have the information by May 31, which will leave one or two days to prepare a recommendation for the President.

Professor Morrison then outlined a few more elements of the four plan options. Committee members then raised a number of questions.

-- What has changed at the state? Professor Morrison said he could say very little but said he would not be surprised to see the basic state plan as it is today but without the premium increase of 18%.

-- What about the coordinate campuses? Professor Morrison said it has become painfully evident that health care outside the Twin Cities is much more expensive than in the Twin Cities. 80% of the

University's employees live in the Twin Cities while only 40% of state employees do so; as a result, when the University is pooled with the state, the University is paying a lot to help subsidize the costs of health care for state employees in non-metropolitan Minnesota. If the University were out of the state plan, it could set up a plan that is sensible for the 80% who live in the Twin Cities and then recognize that costs are different outside the metropolitan area and set up a plan that provides benefits equivalent to those in Plan A.

-- If one gets a rare disease and discovers that the best treatment can be obtained at an East Coast university, will any plan cover such treatment? Plan D would do so, with the caveat that the deductible would have to be paid and there would be co-pays. It would also be possible under plan C, with a deductible and a 30% co-pay. (Such treatment is now an option under the State Health Plan.)

-- Has there been any profiling of the cost to modal employees to obtain the same coverage they have now? There are two parts to this, Professor Morrison said. There would be added cost, mostly in co-pays, estimated to be about $180 for a single employee on plan A. For plans B and C the number would be in the range of $300. For family coverage, the numbers roughly double for all three. For plan D it is difficult to answer because it a completely different kind of coverage.

-- How many employees does the University have? The RFP said about 15,000. Some of them are bargaining unit employees, however, and AFSCME has made it clear it intends to stay with the state. Professor Morrison said that matter will have to be resolved. Without the bargaining unit employees the University has approximately 10,000 - 11,000 employees. If there is a cost-saving of about $10 million in premium cost, that amounts to about $1000 per employee; how much of that is saved by shifting costs to employees and how much to getting a better deal? Professor Morrison noted that the state has not actually had BIDS for health coverage in over 10 years and has relied on managed competition. The fact the University has solicited bids may have led to the use of some sharper pencils in DOER, he said. If one adds up the co-pays and other items, it appears that about $4 million of the savings is a result of shifting costs to employees and the rest from "smart buying." Not all is a result of competitive bidding; some comes because the University takes itself out of the pool that provides health care to the many state employees in non-metropolitan areas. The University may have a slightly higher rate of doctor visits but a markedly lower cost per visit, so the total cost is lower. There is a much larger per-employee cost difference between the state and the University than was thought earlier.

-- It would be surprising if Blue Cross/Blue Shield were to offer the University the same product as it offers the state but at a lower price to the University; the state would jump all over them. The same is true for other providers. Some of the bidders are not state-wide organizations, Professor Morrison said; the state has always required that providers be state-wide. If the University segments the state and provides equivalent coverage in different parts, it can purchase health coverage at less expense. One can ask if the University should structure its entire health care system so it covers two employees in a far northern county of the state; it would be better to structure the system around the large majority who live in the Twin Cities and then provide equivalent plans for those who live outside the metropolitan area.

-- What would the state have to do to persuade the University to remain in the state plan? Professor Morrison said that if the state offered a plan with equivalent prices and nothing more, he would recommend that the University still separate. If the state plan were modified to meet University concerns, below the price the University currently pays, provides the University more control of the plans, provides coverage for domestic partners, and these issues were in writing, the offer would be worth considering. If not, it is not. The University is, however, duty-bound to listen to what the state has to say.

Does the state understand what is needed to make the University change its mind? Not in detail, Professor Morrison said, but they know the University has received highly competitive bids and some information is public.

-- In December it seems as if the state were making a lot of concessions to the University. In principle, they were, Professor Morrison said. The problem with the state is that it always says "we'll take care of you in September." Many on the task force remember that it said the same thing a year or two earlier--but didn't. The state is aware that "we will make our best effort" or "we will try to accommodate you" is not enough and that there must be a "we will" that is enforceable, a firm offer; a memo of understanding is not enough.

-- Is there anything the Committee on Faculty Affairs can do? Professor Morrison said he would have liked a resolution in general support of the plans but that is not reasonable until the Committee can be informed more fully about what plans A-D consist of. Perhaps a statement to the effect that if other things remain equal, the Committee would prefer to stay with the state, or would prefer the University go with its own plan, would be possible.

Committee members spoke about the choice. Professor Ratliff-Crain said his hesitation was based on the inability to tell what would happen two years down the road--are the proposals from the bidders to get in the door, with hidden costs down the road? Would there be more stability with the state plan because it does not change very quickly? Professor Morrison said there would be, except that the state was predicting a 16-20% premium increase a few months ago; when it discovered the University had competitive bids, the number dropped dramatically. In terms of Professor Ratliff-Crain's point, it is not clear where the risk is.

The University has been told that if it leaves the state, it could return later. If it stays with the state now, is again unhappy later, and again issues an RFP, is the University likely to get any enthusiastic responses? Professor Morrison said there was a register kept of bidder questions; one of them was "are you really serious? You have done this before." He said he did not know the extent to which providers would take seriously a third RFP from the University; if it takes bids twice and does not act on them, providers may say it is not worth the effort. There is a reasonable chance that is the position they would take, Professor Speaks surmised. Knowing what went into the process, Professor Morrison added, he said he doubted the University would have the ambition to do another RFP for at least five years. If the state offers about the same options as the ones provided by the bidders, the University should separate, Professor Speaks concluded.

Professor Morrison asked for a straw vote. There were 10 in favor of separating, 1 in favor of staying with the state.

-- What makes one nervous about separating from the state is who the "we" is that will control University plans and employee payments. The Health Benefits Advisory Committee has sent the President a letter saying there needs to be a strong employee benefits committee. Could it have legal power parallel to that which bargaining unit employees have through the bargaining process? Professor Morrison said that non-bargaining unit employees would not have that position. Right now, Professor

Bland said, the state, through the bargaining process, holds the University to a certain level of health care at a certain cost. That would not necessarily be true if the University separated.

2. The Budget and Political Situation

The President joined the meeting; he and the Committee agreed to a no-minutes session devoted to the political situation in St. Paul. The discussion included what the size of the appropriation to the University might be, the need for contingency plans in case the government shuts down on July 1, and the general subject of reconceptualizing the University's budget, along the lines laid out in the FCC statement approved at its meeting of May 17 and the President's statement to the Board of Regents earlier in the month.

One Committee member made the comment that "the system of financing first-rate public higher education in the country is broke."

Professor Morrison thanked the President for joining the meeting; he adjourned it at 2:45.

-- Gary Engstrand

University of Minnesota