

Minutes*

**Joint Meeting of the
Senate Faculty Affairs Committee and
Senate Finance and Planning Committee
Thursday, February 6, 1992
238 Morrill Hall (Regents Room)
3:15 p.m.**

Present: Faculty Affairs Committee Members--Avner Ben-Ner (chair), Carl Adams, Mary Dempsey, Daniel Feeney, Richard Goldstein, Audrey Grosch, Steve Laursen, Diane Mulvihill, Deeann Olsen (for Carol Carrier), Donald Rasmusson, Bernard Selzler, W. Donald Spring, Gayle Graham Yates

Finance and Planning Committee Members--Burton Shapiro (chair), David Biesboer, Virginia Gray, Michael Hoey, Thomas Hoffmann, Craig Kissock, Fred Morrison, Charles Speaks

Guests: Alfred Aeppli, Robert Dickler, Robert Erickson, Robert Fahnhorst, Geoff Gorvin (*Footnote*), Robert Hexter, Ken Janzen, Richard McGehee, Charlotte Striebel, Garrett Weber (*MN Daily*)

HEALTH PLANS TASK FORCE PROPOSAL

The Senate Finance and Planning Committee (SF&P) and Senate Faculty Affairs Committee (SCFA) held a joint meeting to discuss the Health Plans Task Force (HPTF) proposal. It began with a presentation by Senior Vice President Robert Erickson, followed by questions and answers. Prior to the February 20 University Senate meeting, each committee will meet separately to further discuss and vote on the proposal.

Professor Burton Shapiro served as chair. The following materials were distributed to committee members prior to the meeting and are included with these minutes:

1. Senior Vice President Robert Erickson's Summary of Health Plans Task Force Proposal
2. Letter from Professor Avner Ben-Ner, dated January 29, 1992
3. Letter from Professor Roger Feldman, dated January 30, 1992
4. Letter from Professor Richard McGehee, dated January 30, 1992
4. Letter from Professor Emeritus George Seltzer, dated January 30, 1992
5. Letter from Professor W. Donald Spring, dated January 30, 1992

Vice President Erickson began his presentation by thanking all those involved in the Health Plans Task Force, some of whom were present at the meeting. He reported that the Task Force voted 10-9 in

* 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.

favor of separating from the State and establishing a University-designed health plan.

Using an overhead projector, he went through his detailed handout. He briefly discussed the Board of Regents policy on faculty and staff insurance benefits outlining principles to be followed and authorizing "the establishment of fringe benefit insurance programs for the University faculty and staff apart from similar programs offered by the State of Minnesota" and "further development of flexible benefit and wellness programs for implementation in 1993 and beyond." He said the HPTF was established to respond to employee dissatisfaction with decisions made by the State for the University. These included removing Boynton Health Service from the Blue Cross/Blue Shield State Health Plan (SHP) network [one of the health plans offered by the State of Minnesota], reducing the number of providers in the SHP network, reducing the SHP out-of-network benefits to 70%, and increasing employee contributions. The mission of the HPTF was to review whether the current State program addresses concerns of employees and retirees, and if not, develop its own program, resulting in separation from the State.

Currently, on the Twin Cities campus approximately 50% of the employees are with Group Health, 19% with the State Health Plan, 18% with PHP, 8% with Med Centers, and 6% with Share. At Duluth, 75% are with the State Health Plan, 25% with First Plan HMO, and 1% with PHP. At Crookston, Morris, and Waseca, 100% are with the State Health Plan because that is the only available option. Vice President Erickson said insurance premiums remained relatively stable in the early-to-mid 1980s and then began to escalate rapidly beginning in about 1988, thus prompting some re-evaluation.

Under the current State Health Plan, the Boynton Health Service is not included as options for University employees. Vice President Erickson said the results of a survey of employees showed that 47% of those responding overall (and 67% of the Twin Cities respondents) were interested in adding those facilities back as health care options. [The committee discussed the accuracy of this statement and understands the impression from the survey was that employees would like to have access to University health care facilities.] Thirty-six percent wanted freedom to choose providers.

The HPTF proposal includes: 1) an HMO option, which would be Group Health; 2) a choice option, that would include in-network and out-of-network benefits; 3) a catastrophic or opt-out option; and possibly 4) an Aware Gold or PHP option. The choice option includes a primary care physician (or gatekeeper) concept, while the Aware Gold or PHP option would not.

The choice option allows the employee to use any provider, although the benefit levels are higher when using in-network providers rather than out-of-network providers. The out-of-network benefits would be increased from 70% (under the SHP) to 80%, and the out-of-pocket limit would be reduced from \$3,000 to \$1,500. Under the choice option, an employee can change his/her primary physician up to once a month during the year. Vice President Erickson outlined a number of in-network and out-of-network costs under the choice plan and cost comparisons for several hypothetical examples. These are listed in detail in Vice President Erickson's written summary. He said that if the University had had the choice plan in 1991, out-of-pocket expenses for employee only coverage would have been up to 35% lower than with the SHP and comparable to Physicians Health Plan (PHP); for family coverage, costs would have been up to 30% lower than the SHP and up to 35% lower than PHP.

As a basis for comparison, Vice President Erickson said the Blue network, plus Park Nicollet, include about 65% of the physicians in the Twin Cities area; Preferred One includes about 51%; MedCenters 25%; and PHP 70%.

He added that for the coordinate campuses, the plan would provide options at least as good as what is currently in place. It might include a choice plan, an indemnity plan, and possibly the Aware Gold/PHP option.

For retirees, the goal would be to retain the existing plan or create a mirror indemnity plan. Ms. Mulvihill said the HPTF spoke with the different vendors and the State about the retirees plan. Blue Cross, she said, is in the best position to address this issue because they are the vendor that currently provides the coordinated plan for retirees. Blue Cross has agreed to continue to sponsor the coordinated plan for retirees, if the University elects Blue Cross as the vendor for active employees. Because the coordinated plan includes 50% participation from the University and 50% from the State, the University also asked the State if they would agree to remain in the coordinated plan with the University in the event the University removed its active employees from the SHP. The State agreed to make that commitment for existing retirees (those retired as of 12/31/92). With regard to employees currently on disability leave, Ms. Mulvihill said she would need to check with the State to see if they would be included.

Vice President Erickson said final figures should be available within the next several weeks, at which time the design plan options can be finalized.

He concluded his presentation by saying that he supports the alternative plan and feels it meets all of the objectives of the HPTF.

The meeting was then opened for discussion.

One committee member asked about the possibility of the University experiencing an overage, as happened a number of years ago. Vice President Erickson said, the University obviously does not want to take that kind of risk and that he believes it is possible to implement the alternative plan without that happening. He added that all groups will be assessed for their own costs.

Vice President Erickson said one benefit of a University-designed plan is that it would allow the University to do some experimenting, by exploring more options for employees, perhaps including economical incentives.

When asked what the State system might look like in the future, Ms. Mulvihill said it appears it will be quite stable during 1992-93 because negotiations have already taken place for that period; however, beyond that is hard to predict.

Another question concerned unionized employees and what decisions had been made by them as a group. It was noted that both AFSCME and the Teamsters, totalling approximately 7,000 employees, have decided to stay with the State's plan.

With regard to the choice plan, one committee member asked what proportion of the primary care

physicians are in Hennepin County. Ms. Mulvihill said that was difficult to answer, but that the network being looked at most closely is the Blue Plus network (offered by Blue Cross/Blue Shield) because of the advantages for retirees and coordinate campus employees, and the Blue network includes, for the most part, the current SHP providers, Park Nicollet, and the Aspen group. In addition, U-Care [representing University facilities] would be available.

In answer to a question about his degree of enthusiasm for the new plan and arguments for adoption, Vice President Erickson said he believes very strongly in the long-term concepts of the plan. In terms of the design plan, he believes it meets the objectives outlined by the HPTF, that it will be beneficial to the University to be on its own in terms of cost, and that it will allow the University to explore further options.

One committee member questioned whether the University had enough political strength to create the kind of plan that is being proposed. Vice President Erickson said he believes it does.

Questions regarding the administrative costs of a University-designed plan were also brought up. Ms. Mulvihill said she believes the costs would be less than the costs of administering the SHP because the State has to negotiate with a number of insured plans while the University would be negotiating with only one. It is difficult to determine exactly what the SHP administrative costs to the University are now because they are built into the premium.

Professor Ben-Ner, member of the HPTF, encouraged those present to read his twelve-page letter (included in the packet) if they had not already had an opportunity to do so. Referring to his letter, he began his comments by saying he agreed with the basic advantages the University could have obtained with a University-designed plan. However, he believes the disadvantages of the proposed plan outweigh its advantages and, therefore, is opposed to separation from the State's plan. The proposed plan, he said, imposes losses on some employees currently enrolled in plans other than the Group Health HMO and SHP. These employees will have to switch plans and therefore some of them will have to change physicians (or go out of the network to see the same physicians at a greater expense). In addition, he said, employees on the coordinate campuses may be restricted in their choice of providers more than they currently are. Despite repeated requests, only very partial and tentative information has been provided so far. Professor Ben-Ner expressed concern that current and future retirees may lose in the future the benefit of being associated with the State's plan. Also, employees currently enrolled in the SHP and Medica Choice will have to contend with "gatekeepers," who have financial incentives to restrict usage of specialists (including obstetricians and gynecologists beyond one self-referred visit per year), in exchange for a savings of a couple of hundred dollars a year or less.

In addition to the concerns listed on pages 4-8 of his letter, Professor Ben-Ner said there was considerable frustration by a number of HPTF members as to the timeliness of issues addressed. He said that after two years of work by the HPTF, issues of major importance that should have been discussed long ago, were now just being brought to the table. Also, there are many missing details such as exclusions and restrictions of medical procedures and maximum benefits. He noted that it still has not been determined, if the University separates from the State, who will be responsible for making the important decisions associated with administering a University-designed plan, and questioned, on the basis of his experience with the work of the HPTF, whether the faculty, or other University employees,

will have a voice in that decision-making process.

Professor Ben-Ner further said it has taken an enormous amount of effort by faculty members on the HPTF to get across a number of important faculty issues. He cited, for example, the tentative addition of the 4th option (Aware Gold or PHP) in late December 1991 and only after "blood was almost shed." Moreover, issues for current retirees were just addressed at a meeting on January 24, 1992, and benefits for future retirees is still not clear. Given the limited commitment to these issues expressed by the HPTF leadership, Professor Ben-Ner expressed strong concern whether issues of importance to faculty and other groups of University employees will be addressed by those who control the process, if the alternative plan is adopted. In addition, he felt it would be very difficult for faculty or other University groups to have the necessary knowledge to monitor decisions made by those responsible for administering the plan.

One committee member asked whether there was evidence that the State's plan is being managed better than the University could manage its own plan. Some HPTF faculty members responded that they are not convinced the University can.

Professor Ben-Ner also expressed concern about the stability of a University-designed plan. For example, the bids from vendors were based on the assumption that all employees will be covered by the University plan, whereas, we know now that the unionized employees will be staying with the State's plan. This increases the riskiness of the plan, he said, and queried whether that risk will be built into premiums in the future. He said the HPTF had been warned, for example, that Blue Cross/Blue Shield uses introductory pricing tactics. In addition, he has heard that some physicians in the Blue Plus network would like to stay with the SHP network because of the way they are paid and because Blue Plus has a gatekeeper arrangement which adds administrative work for the physicians. This suggests the possibility that the Blue Plus network might shrink in the future. It also appears that the network of specialists with Blue Plus is smaller than with the SHP.

Lastly, Professor Ben-Ner brought up the political ramifications of separating from the State and said he does not feel separation would be prudent in this respect.

Another committee member noted that approximately one-quarter of the membership of the HPTF consisted of representatives of health care providers, suggesting a conflict-of-interest. While the vote on the proposal was by secret ballot, it appeared from the letters written by faculty members of the HPTF, that they generally did not favor the plan.

When asked whether there was a connection between the financial difficulties the University Hospital and Clinic are experiencing and the proposal for a University-designed health plan, one HPTF faculty member said, that at one of the meetings Vice President Erickson did make a suggestion that health care dollars that are currently going elsewhere, might be able to go to the University Hospital and Clinic.

Mr. Dickler, General Director of the University Hospital and Clinic, said the Hospital and Clinic has lost, through the first six months, \$2.7 million, but reminded those present that the Hospital and Clinic made \$12 million last year. He said it is his hope that the University community will always have the opportunity to utilize University health care facilities, and that it is his further hope, that University

facilities will provide service as good as, if not better than, service provided at other facilities. As a volume sensitive business, the Hospital and Clinic would benefit if the volume of usage increased. He pointed out that there is no requirement, however, under the HPTF proposal that employees must use University facilities. Therefore, there is no way to determine the financial benefits of being included under the plan.

One person suggested the potential for a conflict-of-interest if the people responsible for making the health care choices are the same people who are responsible for the University Hospital and Clinic.

Professor McGehee, referring to his letter of January 30 (included in the packet), clarified the "gatekeeper" concept. He used Blue Plus as an example, since it seems to be the front-runner under the choice option. Blue Plus has what is called "20% withhold," which means they determine, through contracts, how much each person should be paid and then withhold 20%. The physician is eligible to get the 20%, or some portion of it, back at the end of the year after the total accounting is complete. The total accounting includes all of the referrals to specialists, lab tests, hospital visits, etc. by the patient associated with the particular "gatekeeper." Therefore, all of the referrals are part of the disincentive that the gatekeeper has for sending the patient to a specialist.

To point out some of the ambiguities and frustrations experienced by some HPTF members, Professor McGehee cited a visit to Blue Cross/Blue Shield, at which he and other members of the Site-visit Subcommittee were told that the Blue Plus network was smaller than the SHP network in that, even though the primary care physicians were approximately the same, the specialist network was smaller. Furthermore, they were told that Blue Plus was in the process of shrinking the specialist network. At a subsequent HPTF meeting, the consultants informed members that Blue Plus must have misspoken and that the networks were the same size, as they apply to the Twin Cities. Professor McGehee, on his own, did some investigative work and found that what Blue Cross/Blue Shield said appeared to be true.

Professor McGehee further stated that under the gatekeeper system, an employee who self-refers him/herself to an in-network specialist, will have to pay out-of-network rates. He noted that PHP and the SHP do not have the gatekeeper system.

Speaking again to the management issue, Professor McGehee reiterated earlier sentiments regarding conflict-of-interest as it relates to the University Hospital and Clinic, with the conflict occurring at the presidential level. He then urged committee members who had not had an opportunity to read his letter, to do so.

Professor Spring, also a member of the HPTF and representing the coordinate campuses, said he voted against the HPTF proposal because he felt it jeopardizes the out-state campuses. He said HPTF members were told early on that something would have to be done to improve the health care options at the coordinate campuses; however, he said, this has not been accomplished. Professor Spring was assured that if the current plan could not be improved to their satisfaction, an indemnity plan would be offered. Two and one-half years have elapsed and the coordinate campuses still do not know what their health care options will be, nor what "to our satisfaction" means.

Due to the lateness of the hour, the meeting was adjourned with both committees agreeing to meet

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prior to the February 20 University Senate meeting to continue the discussion and vote on the HPTF proposal.

RECEIVERSHIP OF DEPARTMENTS

Committee members approved minor changes to the Receivership document that were suggested by the Faculty Consultative Committee. A motion to approve the policy will be on the Faculty Senate agenda on February 20.

-- Martha Kvanbeck

University of Minnesota