[In these minutes: 1. Presentation on Key Trends in Minnesota Health Markets and Benefits]

HEALTH PLAN TASK FORCE (HPTF)

MINUTES

THURSDAY, MAY 18, 2000
10:00 - 12:00
210 DONHOWE BUILDING

[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 view of, nor are they binding on the Senate or Assembly, the Administration, or the Board of Regents.]

PRESENT: Dick McGehee (Chair), Linda Aaker, Allan Baumgarten, Carol Carrier, Amos Deinard, Keith Dunder, Robert Fahnhorst, George Green, Bev Hall, Kathryn Pouliot, Anna Sommers, Robert Sonkowsky, Larry Thompson, Gavin Watt.

REGRETS: Bart Finzel, David Hamilton, Christopher Hulla, Ron Kubik, Priscilla Pope, Harlan Smith.

ABSENT: Avner Ben-Ner, Mavis Madden, Gailon Roen.

1. CHAIR'S REPORT

Dick McGehee stated that password protection had been placed on the internal HPTF website so that confidential e-mails could be viewed by the committee. He had brought copies of some that he had received before putting password protection on the web.

He then turned to the survey and stated that there are two problems: the mix-up in surveys and poor response rates even though civil service interest is high. Telemarketers are calling people who received the wrong surveys and the faculty deadline has been extended to improve the response rate.

Committee members suggested that department chairs might send a letter to receive a better response. It was also noted that another message would be sent to AFSCME employees through the local presidents.

Dick McGehee said that the HPTF is also behind schedule since it is not ready to issue an RFI. At the June 1 meeting, the committee will work on a plan design and wish list for the RFI. The committee will also need to continue down two tracks since there is no information from the state and a meeting has not been held with the new commissioner to discuss changes.

Members should think about what things they would like to change as well as what they would want if they could start from scratch. If the University separates, there are two paths: a single

vendor with everything employees want or a variety of plans but with many changes. He did note that the state is moving towards risk adjustment health coverage also.

2. KEY TRENDS IN MINNESOTA HEALTH MARKETS AND BENEFITS

Allan Baumgarten walked the committee through his PowerPoint presentation on Key trends in the Minnesota health markets and benefits. A link to the presentation is available from: http://www1.umn.edu/usenate/committees/hptf.html.

Committee members asked the following questions and made the following comments during the discussion.

Q: How many Minnesotans are covered by some type of HMO?

A: 2,500,00 people are covered by an HMO, either in an insured or self-funded arrangement. There are approximately 500,000 more people enrolled in Medicare or Medicaid but not in a managed care arrangement. Close to 500,000 are uninsured. The remaining 1,000,000 are in indemnity or PPO arrangements that are outside the HMO companies.

Q: Has the growth come from transfers from indemnity plans or adding people who were previously uninsured?

A: With the exception of Minnesota Care, there is no move of people from uninsured to insured.

Q: What type of presence does UCare have in the Twin Cities?

A: UCare is the biggest provider included in the other HMO area. They have grown to about 45,000 lives in public programs in the Twin Cities. UCare is now being expanded to most other counties in the state for MinnesotaCare and its new Medicare plan is in about ten counties in the Twin Cities and North of the metro area.

Q: What about Minnesota makes it hard for new HMOs to enter the state?

A: Minnesota is the only state that will not license a for-profit HMO. Instead, HMOs must be non-profit corporation or a government unit.

Q: What makes U Care so profitable?

A: On the PMAP side, everyone makes money because of the high rates that the state pays.

Q: What happens to the money that the HMOs make once they break even?

A: If necessary, surpluses are added to their reserves until the HMO meets the state standard. Some HMOs will contribute funds to provider groups for promises not to sell to competitors or to reserve future capacity with the provider groups.

Q: Does the state mandate parameters between profit and loss for non-profit groups?

A: Not directly. The state regulates net-worth and reserves by saying that an HMO must maintain net worth at least equal to one month of operating expenses and up to three months. The state also looks at adequacy of premiums instead of relying on reserves.

Q: Are HMOs required to keep all excess revenue in reserves or can HMOs make other investments?

A: HMOs are not required to keep revenues in reserves since they can invest in buildings also. The state has limits as to what percentage of an HMO's net worth buildings can amount to since the state wants some portion to remain as a liquid asset so the funds would be available.

Q: How is a non-profit HMO different from a for-profit HMO?

A: I am not convinced that there is a significant difference besides the name.

Q: Was the HealthPartners decision to move into the higher-cost tier a strategy or to recoup loses?

A: It could be all those things and something personal since for the first three years HealthPartners was providing administrative services to BHCAG. Then they decided to end that relationship. Health Partners might also be looking internally to decide what they want to be selling. Finally, by raising their prices to companies who participate in BHCAG, those companies might get better pricing if they made their own deals with HealthPartners.

Q: In the future, if the state chooses to go with the BHCAG model, would HealthPartners rethink their decision to be in the higher tier?

A: The University and the state are very important to HealthPartners so they might change tiers for those groups.

Q: How has the state done on cost containment?

A: The state did well during the mid 1990's and thought that the structure was doing so well that they did not pay attention to issues such as data. When plans were lost and costs increased, the state wanted to look at other alternatives but they found that their data was not adequate to evaluate other alternatives. In retrospect the state learned that just because things seem to be working, they still need to pay attention to how and why it is working.

Q: Is HMO enrollment peaking out or will it continue to increase?

A: The plateauing of HMO enrollment is happening everywhere because factors that drove growth have disappeared. Therefore, flattening of enrollment is the prediction for the future.

Q: You mentioned that BHCAG would be willing to talk to the University. Did you find any other groups that would also be willing?

A: I cannot point to any provider systems that were eager to do business on a direct contract basis. Some other health plans, such as Altru from the Grand Forks hospital and clinic, would want to talk to the University. In some cases, health plans might not want to 'ruffle feathers' with other health plans such as Blue Cross/Blue Shield. For smaller health plans, the payoffs would need to offset the complexity of requirements to participate.

Q: Is it possible for the state to offer a defined contribution plan? Would the legislature allow this?

A: There would be many people at all levels with questions that would need to be answered. The real issue is who is going to be better off once the plan is put into place. Just because this plan is a possibility does not mean that people will want to participate in it. HMOs have advantages, such as certification, experience, and qualification. Private, non-union employees in the private sector would be the first group to attempt this option.

Q: Is Health Partners phasing out the Classic Plan?

A: Health Partners will keep the Classic Plan but will phase out other options.

Professor McGehee thanked everyone for attending and adjourned the meeting.

Rebecca Hippert
University Senate