Minutes

HEALTH PLAN TASK FORCE

Wednesday, January 7, 1998
1:00-3:00
308 Coffman Memorial Union

Present: Richard McGehee (Chair), Avner Ben-Ner, Amos Deinard, Robert Fahnhorst, Judith Gaston, David Hamilton, Harlan Smith, Robert Sonkowsky

Absent: None

Regrets: Bart Finzel, Richard Purple, Mary Yamashita

Guests: Matt Maciejewski, Keith Dunder

Others: None

[Meeting topics: JLMC Meeting, AHC VP Meeting, Research Report]

Approval of Minutes

Minutes from the last two meetings will be approved at the next meeting.

Chair's Report

State Joint Labor Management Committee (JLMC)

Professor McGehee attended the JLMC, which consists of 25 people (eight representatives from the Department of Employee Relations (DOER) and 17 representatives of employee groups).

A set of issues that was rated for importance by each represented group indicated that DOER rated stability, predictability, and controlling of cost as their most important issues while the labor unions rated provider choice and stability as theirs. When the results were averaged, stable, predictable costs; provider stability; controlling costs; and provider choice were among the highest ranked issues. However, the major differences between the two groups still included provider choice; quality assessment; stable, predictable costs; and true price competition. Although both groups agreed that the balance between controlling costs providing choice, and provider stability were important issues, they disagreed on the degree of the relevant importance of these issues.

Although it appears that the State will be addressing major issues that are important to the University, there were some issues that were either ranked low or not included on the list. They include:

- Access to University physicians.
- The inability to opt out of a plan if a spouse can obtain better coverage.

- Domestic partners benefits.
- Simplicity of benefits and plans.

Discussion with Vice President Cerra

Information obtained from that meeting between Professor McGehee, Professor Hamilton, and Vice President Cerra include:

- A representative from the Academic Health Center (AHC) and the University of Minnesota Physicians (UMP) will be available to answer questions at the next meeting.
- University providers have consolidated into one organization and consider themselves as primary care providers as well as specialists, making them more competitive in the market place.
- Vice President Cerra has focused much attention on getting the University providers into the State Health Plan Select Option for 1999 which would allow University employees to chose that option.
- The State Health Plan may disappear in 1999, which would affect the cost of the State Health Plan Select.
- Vice President Cerra's Office, DOER, and Blue Cross/Blue Shield are working together to establish a University population base that would offer primary care providers, essentially developing the University's own HMO.
- It is not clear if the state will remain with the current managed competition set of options or move to a BHCAG model in 2000 so it is uncertain how University providers will fit into that.

Market Research

Report by Matt Maciejewski

The report includes an executive summary, the issues that led to the report, trends in the health care market of the Twin Cities, issues that must be considered in regards to alternative health plans, each alternative option, different employers and their premium experience, and charts that compare coverages and premiums of each employer.

The University offers better in-network care benefits that are still more affordable than other area employers or universities. Many of the other employers have a fairly expensive indemnity plan that requires significant employee premium contribution. The escalating premiums seen by the State have affected other employers as well. Other employers have responded to these problems by joining BHCAG or offering only one health plan.

If the University was independent from the State it is not clear if it would have been successful in keeping Medica Premier or avoiding the State Health Plan premium increase.

The State Health Plan is a self-insured product so the State must project yearly expenses and set a premium per person rate, which may increase the following year if there was an miscalculation the year before. By being self-insured, the State is not getting a premium quote from a health plan or responding with employer contribution the way other health plans do. And, as long as the State stays with the self-insured arrangement, the problem will continue and not improve until the University has strong representation at the State level.

At the University of Wisconsin, the total monthly premiums for families range from $505 to $752, with the higher rate being their State Health Plan which offers unlimited restriction on providers and generous coverage. The University's equivalent to that is only $550 so UW employees contribute $20 more per month than University employees, but employee contribution for three of their six plans is not required. Even though the University requires employee contribution for all of its plans, these figures still show that the University's health benefits are comparable and somewhat cheaper than nearby institutions. The only major difference among the two institutions is that the University of Wisconsin mental health coverage has a capped dollar amount.

Penn State University has a similar indemnity plan, but it has coverage for faculty who are on sabbatical or have dependents out of state.

The University pays higher premiums for HMO products than other local employers because it must insure three to five times the number of employees. However, the City of St. Paul has a much higher premium for their HealthPartners plan that is similar to the University's HealthPartners plan because they only offer one plan.

BHCAG's employee premium contributions are in the mid-range and coverage is comparable to the University's current plan, but employee co-payments are required in more instances to keep premiums down and their HealthPartners package is more expensive than the University because there is more freedom to move around networks. Also, the out-of-network care refers to receiving referrals outside of the care system so it would not be equivalent to the University's sabbatical needs.

The University will have more power with the State if both remain separate from BHCAG because the University makes up twenty-five percent of the State's pool of employees whereas in BHCAG, the University would only represent one-tenth of the pool. There would also be three out of twenty-seven votes at the State instead of one out of twenty-five votes in BHCAG.

Costs would increase if the University separated from the State because the University currently pays the State $1.70 per person per month to cover administrative costs. The University would pay far more being independent because new staff would have to be brought in to handle the administrative duties now handled by the State.

The University requires retirees to cover their own costs until they are eligible to receive Medicare, which is not uncommon in other institutions. Only the University of Michigan, University of Illinois, and Penn State University cover costs for retirees. However, although

these institutions are more generous with retirees, co-pays or premiums may be higher for regular employees.

The study that ranked Harvard and Tufts as having the best health plans only ranked those plans that provided information so it should not be seriously considered since not all health plans were included. However, the NCQA study ranked outcomes on mammogram rates, first trimester pregnancy, and immunization rates in children instead of patient satisfaction.

The increase in cost by switching to BHCAG would be less for a person already in the State Health Plan, but restrictions would occur with out-of-area coverage, direct access of primary care to UMP physicians, and mental health benefits. However, people moving from the low-cost plan to BHCAG would also see advantages because there would be a greater range of providers even though there may be a higher premium.

The BHCAG model offers flexibility of changing clinics within the same network, but the only way to change tiers is by paying higher premiums. However, care systems will not have radical fluctuations in cost like those found in the current plans offered to the University since they all move in similar patterns.

Comments from Committee Members:

- The report should include the total cost of moving to a BHCAG model.
- The State does not share information that would help determine the University's experience if it were part of the BHCAG model, but it could be obtained and reviewed by an actuary for that information.
- Information from more member companies should be gathered for the BHCAG model because currently there is only information from one member company.
- Due to separate experiences, the total premium for each cost group of each company might be the most complete information that can be provided for the BHCAG model.
- Out-of-area coverage is thirty percent more than in-area coverage, but the State is considering reducing that to twenty percent. However, it will never be covered in full because the State receives discounts from in-area networks, giving them control over costs, which would not be possible if everyone could go anywhere they wanted.
- The University should look into independently developing an out-of-area coverage package with an insurance company that would cover those in need of out-of area coverage only for the time they need it so premiums remain within reason.
- There is no health plan package available for domestic partners within the State.
- Riders that eliminate stipulations that do not allow pre-existing conditions should be considered.
- Insurance companies such as Prudential and Mutual of Omaha have nationwide health plans for their employees and there are companies that offer health plans on the national market level.
- Although the University cannot offer an option that would interfere with the State's package, a person is able to purchase insurance independently.
- No matter what, the University will pay health care insurance costs, regardless of what model it chooses to use.

- It is not a matter of saving the University money, but finding a better plan that offers better quality of care, co-payments, deductibles, choice, and flexibility, that are in the University's price range.
- High risk people will have to be covered by some company.
- A universal health plan would be most beneficial for the entire country, but cost must be regulated.
- There is a separate inflation index for the biomedical economy.

Open Discussion

Content of the report to the Faculty Senate

A report is due to the Senate Faculty Affairs Committee (SCFA) on January 15, but the Task Force is not in the position of advising the University to separate or stay with the State. It would not be politically sensible for the University to separate now because the State is reconsidering its options. Therefore, the University should have a parallel process to the State's so it can remain on the State's agenda while still being able to design its own RFP if the State's is not in line with what the University considers to be the most important issues.

The report should include improvements achieved by the task force (such as the addition of two representatives on the JLMC) as well as the fact that goals have not been reached because they need more deliberation.

Agenda for the next two meetings

Friday, January 9: UMP and AHC will present their concerns and plans, the pros and cons of the UMP system will be addressed, and an update will be given on the research report.

Wednesday, January 14: An outline will be drafted for the report due to SCFA.

General Comments

The Task Force has been invited to attend a State sponsored conference on April 29-30 that will review the options they have been considering, describe the final plan, and take feedback.

The majority of people who had to switch from Medica Premier to another plan moved to the State Health Plan Select which is the low-cost carrier.

Preliminary reports show that every option increased in the number of those covered except for the State Health Plan and Medica Premier.

Adjourn

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