

[In these minutes: Input, RFP, SEGIP, Benefit Costs]

## **HEALTH BENEFITS ADVISORY COMMITTEE (HBAC)**

### **MINUTES**

**THURSDAY, APRIL 12, 2001**

**10:00 - 12:00**

**510 MORRILL HALL**

[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:** Fred Morrison (Chair), Linda Aaker, Susan Brorson, Carol Carrier, Frank Cerra, Dann Chapman, Marjorie Cowmeadow, Amos Deinard, Keith Dunder, Robert Fahnhorst, Bart Finzel, George Green, David Hamilton, Christopher Hulla, Jason Reed, Gailon Roen, Harlan Smith, Anna Sommers, Robert Sonkowsky, Larry Thompson, Gavin Watt.

**REGRETS:** Mary Austin, Allan Baumgarten, Ron Kubik, Sue Mauren, Priscilla Pope, Pat Urquhart.

**GUESTS:** Kathy Ernest, Pete Benner.

#### **1. INPUT**

Committee members have been provided with all the e-mail messages that have been received to date. Professor Morrison noted that he is responding individually to each e-mail.

#### **2. RFP**

RFP responses were due March 16. Eight proposals were received, and interviews have been conducted with six of them. The remaining two proposals only deal with limited aspects, such as Medicare and CAM.

The bidding law does not permit disclosure of any specifics, but general information and average costs will be circulated today. This meeting is to discuss the general cost trade-offs. Following this meeting, members can share the general information with their constituents to gauge their reactions. Definite answers will then be needed next week.

#### **3. SEGIP**

With the HPTF recommendation that the University remain with SEGIP if possible, the University will be attending a meeting of the JLMC next Friday at which time SEGIP's proposed plan should be available for review. The deadline for the University's decision to remain or leave

will need to be made by June 1, which is before SEGIP's plans will be finalized with the bargaining units.

The state has two health plans, one for all bargaining units employees and a commissioner's plan for all other employees. Presently these two plans are the same, but it is possible that the commissioner's plan could be modified to provide the University with the additional benefits that it is requesting.

Q: If domestic partner benefits are in one plan and not the other, then would only certain employees have this option?

A: This is a potential problem, although the legislature might have input on this subject. The bargaining units want to negotiate on this benefit, but a DOER funding rider is being considered to prohibit funding for domestic partner benefits.

Q: What is the role of the legislature in the commissioner's plan?

A: The legislature ultimately approves the contracts for bargaining units employees and the commissioner's plan. Most times, the legislature is more interested in the cost, but they could look at the details of the plan and have an issue with domestic partner benefits.

It was then noted that more civil service employees than faculty and academic professionals are taking advantage of domestic partner benefits.

#### **4. BENEFIT COSTS**

Professor Morrison then distributed a sheet detailing costs for alternatives for each plan. The price listed is an average of the costs received from all bids. He then noted that the definition for a low-paid employee has been considered to be anyone making \$30,000 per year or less. Even at \$30,000, a 3% pay increase will only amount to \$34.60 per pay period before taxes. Members need to keep these figures in mind when considering additional costs.

Q: What will the premium be per pay period for each plan?

A: This is not certain yet since it depends in part on the legislative funding. A reasonable projection would be: Plan A - Individual, \$0, Family \$15 - 30; Plan B - Individual, \$0 - 15, Family \$20 - 45; Plan C - Individual, \$40 - 50, Family \$75 - 95; Plan D - Individual, \$0, Family \$15 - 30. This compares to current premiums that range from \$0 Individual/\$18 Family for Health Partners Classic to \$44 Individual/\$129 Family for State Health Plan.

Q: What will the network look like on Plan A?

A: It will be like Group Health Classic, at least.

Q: Some of the alternatives might provide one-time savings without having an effect on trends. What can the University do to avoid death spirals on health plans?

A: Two current trends the University might want to consider, to avoid a death spiral, are office visit co-pays and multi-tiered pharmacy benefits.

Professor Morrison noted that there are two principles guiding the committee's work. The first is the me versus us mentality. The second is to promote different utilization by providing incentives for employees to see their doctor before a hospital visit is needed.

A members said that the trade-offs on Plans B and C are that Plan B people will pay to keep their doctors while Plan C will see premium savings in return for higher OOP. He then asked if this increased amount will be a one-time expense or a biennial expense.

Professor Morrison said that the costs were created by putting all employees in one plan and seeing what the cost would be. When discussing options, members can keep or reject options by plan. The committee then turned to discussing the 10 alternate plan costs listed on the handout.

#### ALTERNATES 1 AND 2 (OUTPATIENT/INPATIENT)

- Reducing or eliminating co-pays by increasing premiums

#### ALTERNATES 9 AND 10 (OFFICE VISIT CO-PAYS)

- Reducing or eliminating office visit co-pays by raising premiums

Q: Is the co-pay per occurrence or per a course of treatment?

A: The general response was a one-time co-pay for a series of treatment.

Q: Will there be an annual cap on co-pays?

A: Many HMO's do not want a cap since new developments will soon be available, such as genetic profiling for assessment and future care.

#### ALTERNATES 6 AND 7 (PRESCRIPTIONS)

- Prescription OOP max alternative is lower, but this amount will need to rise in the future
- Prescription OOP max from \$250 to \$500 is too big of a jump for one year
- 4-tier prescriptions can be combined with a \$350 max
- Lifestyle drug distinction should be made now before more drugs are created
- A change now might modify behavior
- Lifestyle is defined by the drug company, not the doctor
- Lifestyle drugs should be raised to \$50 and not count towards to cap
- Generic drugs might be restricted from a formulary, therefore forcing an employee to pay more
- 4-tier structure will be hard for employees to understand

Q: Will all drugs apply to the max?

A: This is unclear since lifestyle drug prices are still in their early phase

Q: Who determines what drugs are included on a formulary?

A: The pharmacy has a committee that determines its formulary, although the University could request others be added.

#### ALTERNATES 8 (CAM)

- CAM had the highest response on the survey and is the biggest topic at the forums
- This proposal is not perfect but it is a cost reduction
- More information is needed on the breadth of the network
- CAM did not survive AFSCME bargaining
- What would be the cost for only those who opt for this service?

Q: How is the credibility of the discount measured?

A: The network is built by providers at the level of discount that they want to provide. Since inclusion is voluntary, credibility is high. Another control is secret shoppers who perform an audit function.

Q: What does the premium cover?

A: The administrative cost for setting up the network. No money is distributed to providers since the network is self-financed.

#### ALTERNATES 3, 4, AND 5 (OON/OOA)

- True guesting is the same as being here in that there are no deductibles or co-pays since a partner HMO is being paid for their services
- Biggest users of this service might be pre-65 retirees who are going to high cost areas
- University could reassess this option once it has actual costs
- For areas that do not have HMOs, employees will still pay 70/30 even if they have paid for this option
- Variance between plans needs to be examined
- This option is feasible for Plans A and B

Professor Morrison then asked everyone to consider what would be their top two options to add to plans if the University had an extra \$2 to put towards health benefits. He noted that these costs can be considered public, and therefore should be shared with constituents for their input. He then thanked everyone for attending and adjourned the meeting.

Rebecca Hippert  
University Senate