BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
OCTOBER 3, 2002

[In these minutes: Open Enrollment Update, Patient Choice Plan Review]

[These minutes reflect discussion and debate at a meeting of a committee of the University Senate or Twin Cities 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, Gavin Watt, Pam Wilson, Karen Wolterstorff, Jody Ebert, Ronald Enger, Nancy Wilson, Joseph Jameson, Carla Volkman-Lien, Wendy Williamson, George Green, Susan Brorson, Steve Chilton, Amos Deinard, Richard McGehee, Peh Ng, Theodor Litman, Dann Chapman

REGRETS: Gailon Roen, Marjorie Cowmeadow, Keith Dunder

ABSENT: Don Cavalier, Carol Carrier, Frank Cerra

GUESTS: Tina Frontera-Adson, Vice President, Account Implementation & Management, Patient Choice

OTHERS: Kathy Pouliot, Pat Yozamp, Jackie Singer, Tonya Hill-Soli, Linda Blake, Nan Kalke

I). Professor Morrison called the meeting to order and welcomed those present.

II). Director of Employee Benefits, Dann Chapman, provided members with an update on open enrollment and related issues. Highlights of the update included:

- Informational forums have now been conducted at Morris, Crookston and Duluth. These forums were well attended.
- In addition to the UPlan offering an increased level of reimbursement to dentists and not being subject to Rule 101, Delta and HealthPartners have encouraged dentists in Crookston even further to participate in the UPlan by offering to reimburse for full-bill charges. Despite these efforts only one new dentist has agreed to contract with Delta in Crookston. According to Mr. Chapman, one dentist should be adequate access for the number of employees in the area and reminded members of the University Choice Program that has no network restrictions.
- Trends indicate that the number of dentists statewide is decreasing and this is something that is completely out of the University's control.
- Informational forums with retirees are continuing to be held.
- Open enrollment materials will be distributed within approximately one week.

Professor Morrison announced that in his report before the University Senate this afternoon he will remind everyone that all employees must re-enroll this year and encouraged BAC members to remind those they come in contact with as well. Re-enrollment this year is required primarily due to dental insurance changes but there also a few other changes that may impact individuals such as:

1. A relatively small number of Patient Choice care systems are changing from one cost tier to another.
2. Two different Definity options will be offered in 2003 so those enrolling must decide which option they want to participate in.
3. The cost of optional life insurance is decreasing.
4. For retirees, enrollment forms should be completed and returned to Employee Benefits rather than sending them directly to the plan administrator. This new procedure was put in place in order for the University to have a better, more active relationship with its retiree population than how the state operated in the past.

In closing, Mr. Chapman announced that there will no longer be a two year lock-in for dental insurance but rather dental will be open every year.

III). To facilitate today's plan review process, Professor Ted Litman summarized for the committee concerns garnered from enrollees of Patient Choice and distributed a handout that outlined this information. A majority of the concerns expressed fell into one of five categories:

1. Billing concerns
2. Application of co-pays
3. Access and referral to specialists both between networks and out-of-network
4. Formulary drugs lists
5. Communication problems between the plan and the enrollee and the plan and the provider

Next, Professor Litman introduced Patient Choice Vice President of Account Implementation & Management, Tina Frontera-Adson. Ms. Frontera-Adson distributed a PowerPoint handout and outlined the topics she would cover today:

I). Enrollment and Financial Performance
II). Service
III). Miscellaneous

Presentation highlights include:

- Statistical data confirms the higher trend in terms of health care costs (medical, pharmacy and administrative costs) with the State of Minnesota employees and HMOs as opposed to the Patient Choice product. Between 2000-2001 the Patient

Choice medical trend was only 8.3% compared to other plans that are trending at around 15%.

- The Patient Choice product is made up of care systems and the care systems are divided into cost tiers. By analyzing each care system and its respective risk-adjusted enrollment data (membership population and utilization on an annual basis) Patient Choice places each care system into a cost tier. A typical plan bases its' pricing off the discounts it receives from a provider. Patient Choice, however, is not a discount program. Providers and Patient Choice meet on a monthly basis and discuss cost tier placement calculations and rationale. Providers have access and input to the formulas Patient Choice uses when calculating which cost tier a particular provider is placed in. This product is not negotiated because each provider submits bids for what they want to be paid and Patient Choice with this data places its providers into corresponding cost tiers. If providers bid too high they are put into a high cost tier and potentially lose membership. This is how the Patient Choice business model promotes competition amongst its providers. A premise of the model is to force efficiencies and better quality of care through competition.
- Patient Choice/University of Minnesota statistics for the period January 1, 2002 – June 30, 2002 are as follows:

    - Enrollment of slightly over 11,000 members.
    - The University has a relatively large 2.23 covered lives per employee ratio.
    - More individuals are enrolled in the high cost care systems than the other care systems.
    - Based on industry averages, a typical population has 3.5 transplants per 10,000 members; to date, the University has 9.
    - There have been 32 individuals with claims over $25,000 and of those 32 people 13 have had claims over $50,000. These numbers represent high utilization.
    - Average age of catastrophic claims is 52 years old and the youngest has been 19.
    - Out-of-Care System utilization is 13%.
    - Total claims paid for the first half of 2002 is $11.6 million.
    - Highest used facilities are the Fairview University Medical Center, St. Mary's and St. Lukes.
    - Highest used clinics are Duluth, Park Nicollet and University of Minnesota Physicians.
    - The University is using 20,000 services per 1,000 members compared to a benchmark of 13,000 services per 1,000 members. The areas used the most are: diagnostic testing, immunizations, pathology/ laboratory services.

- Ms. Frontera-Adson prefaced her summary of the above data by noting that most actuaries dislike talk about conclusions without at least four years of data but based on very preliminary data the following conclusions can be drawn:

- Patient Choice is estimating a 3.4% total impact on cost increase is due to higher enrollment in cost tier III.
- Approximately 6.5% of the University's cost increase is due to the fact that the University is paying 100% benefit and 100% billed charges for the 13% of the population that are going outside of their care system. (Patient Choice recommends the University consider adding in out-of-network benefits to help reduce the University's cost increase).
- The number of transplants and catastrophic cases indicate a very high-risk population.

- Patient Choice Recommendations:

  - Add out-of-network coverage.
  - Understand plan-to-plan risk selection for 2004.
  - Adjust for selection in 2004 rates to make sure the pricing is good and reflects the actual activity and takes risk into account. Patient Choice does not want to penalize the well people by having a higher premium for this plan if only a select group of individuals that are high cost.
  - Analyze age/sex mix versus diagnosis mix across all plans.
  - Work closely with Buck Consultants and/or any other data vendor to identify any other issues.
  - Analyze the Duluth experience.
  - Track catastrophic claims closely (Patient Choice) and analyze data and case management activity.

To conclude, Patient Choice is not a health plan model but a business model. The rationale behind the plan is to let the market forces of price and quality be the dynamics that drive the plan.

Next, Ms. Frontera-Adson referred members to the 'Patient Choice Medical Claim Performance Results – 2002' chart that outlines performance standards by which Patient Choice is measured. Based on these results, Patient Choice is performing above expectations.

The following service issues were raised and discussed:

- Each family member should be issued an insurance identification card rather than only two cards issued per household. Ms. Frontera-Adson will take this issue back and have it discussed at a future all administrators meeting.
- Identification cards being sent out to members without a letter of explanation. Effective January 1, 2003, the letters Patient Choice sends out with its identification cards will offer more of an explanation as to why a new card is being issued.

- Frustration on the part of members in trying to find a physician and in determining what care system, if any, a physician participates in. Two enhancements have been made to alleviate this problem per Ms. Frontera-Adson:
    - A more concise, clear directory and website that includes a description of each care system, information on how to access providers and who to call if a member has questions on a particular care system. Members were encouraged to use the Patient Choice website for the most accurate and up-to-date information because paper directories are literally out of date the minute they are printed.
    - Revisions to the Summary of Benefits to include language about referrals, staying within a particular care system, etc.
- Inability to get claims paid also known as the 'bouncing back of claims'. To resolve this issue, Ms. Frontera-Adson announced that Patient Choice will have all BHCAG employers' claims processed out of the Wausau claims administration office.
- The improper assessment of co-pays has been of great concern to a significant number of members. Ms. Frontera-Adson explained that under the Patient Choice plan, self-insured employers design how they want co-pays paid. Theoretically, the purpose of a co-pay is to make members aware that there is a cost to the system. In setting up the University's co-pay philosophy in its claims payment computer system, a misinterpretation of the University's co-pay philosophy was made which resulted in the misapplication of co-pays for certain types of claims. Since this issue was brought to the attention of Patient Choice, programming changes were made to correct the problem. Unless the University adopts a philosophy whereby anytime the University receives a bill for a service the member is charged a co-pay, this issue potentially could come up again in the future. According to Ms. Frontera-Adson as new and creative billing and coding practices occur Patient Choice will need to reprogram its system.
- Coordination of benefits as it relates to pharmacy issues. To preface her reply, Ms. Frontera-Adson noted that in the industry, coordination of benefits on pharmacy is very uncommon especially when the pharmacy vendor is separate from the health plan administrator. However, to meet the University's directive Express Scripts developed a means to handle the coordination of pharmacy benefits for the University. In order for the procedure to work properly, however, a member must submit information to Express Scripts so they know to do a coordination of benefits; a report is not automatically generated indicating this needs to be done.

Additional presentation highlights based on questions from members:

- Based on six-months of claims data, the University's pharmacy utilization costs are approximately 25% higher than other Patient Choice employer groups.
- Overall (risk-adjusted) cost projections are expected to increase by 11% across the board.
- The biggest issue that Patient Choice has when dealing with the University account is its deviation from the norm. This deviation makes administration of

benefits somewhat more difficult, but, on the positive side, makes working with the University account enjoyable and challenging and also provides Patient Choice with an on-going opportunity to improve their services.

- Both Patient Choice as well as the University can develop and improve upon communication materials to plan members. The University compared to other organizations, for example, has very rich benefits and this should be communicated to its employee population.
- Adverse selection appears to be playing a role in the number of transplants seen to date by Patient Choice.

Professor Morrison thanked Ms. Frontera-Adson for her presentation.

IV). With no further business Professor Morrison adjourned the meeting.

Renee Dempsey
University Senate