

BENEFITS ADVISORY COMMITTEE  
MINUTES OF MEETING  
FEBRUARY 20, 2003

[In these minutes: Welcome, Benefits Annual Report, Wellness]

[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, Jody Ebert, Ronald Enger, Nancy Wilson, Don Cavalier, Joseph Jameson, Carla Volkman-Lien, Wendy Williamson, Carol Carrier, George Green, Gailon Roen, Susan Brorson, Steve Chilton, Richard McGehee, Peh Ng, Marjorie Cowmeadow, Theodor Litman, Dann Chapman,

REGRETS: Karen Wolterstorff, Amos Deinard

ABSENT: Frank Cerra, Keith Dunder

OTHERS: Kathy Pouliot, Phyllis Walker, Karen Chapin, Pat Yozamp, Linda Blake, Jackie Singer

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

II). Dann Chapman provided members with a condensed version of the annual report given to the Board of Regents at their February 13, 2003 meeting. Highlights from Mr. Chapman's PowerPoint presentation included:

- The Benefits Advisory Committee (BAC) has met 3 of the 4 goals set forth by the Board of Regents as part of the establishment of the UPlan:
  1. The BAC gained control of the University's benefits program after separating from the state.
  2. A positive impact was made on the cost of health care for both the University and its employees.
  3. Benefits were tailored to meet the unique needs of the University population.
  4. Significant headway has been made in meeting the 4<sup>th</sup> goal, establishment of a wellness program.
- Challenges:
  1. Dealing with the rising costs of health care.
  2. Continuing to tailor health care benefits to meet the needs of the University community. The BAC continues to work on issues such as disability coverage, disease management and wellness.

3. Promoting wellness and improvements in the health status of University employees.
  4. Providing quality cost effective benefits.
- Open enrollment 2002 results indicate that there was not a significant change among the three larger players, HealthPartners, PatientChoice and PreferredOne. However, each of these plans did give up a small amount of their marketshare to Definity, which grew by almost 30%.
  - Actual to Budget Performance for 2002:
    - Financial and procedural accuracy and claims turnaround performance was better than expected.
    - The University paid out 7.5% more in claims than expected.
    - Reserves (IBNR) were established at a rate 16.3% above projections.
    - Administrative costs were lower than projected.
    - To conclude, the UPlan performed 6.5% better than projected.
  - Cost change projections from 2002 to 2003 indicate a 9.7% growth in expenses for the University. The proportional rate paid by employees increased at about the same rate as that of the University. It is important to keep in mind that the overall cost increases the plan will be experiencing is quite low compared to the market. On average, the Twin Cities market is experiencing a 14% trend increase. The reason the University is not realizing a 14% trend increase from 2002 to 2003 is because the University was able to successfully fund its IBNR. As a result, the University was able to back that amount out as a portion of the University's premium equivalent for 2003. Mr. Chapman wanted it noted that this is a one-time realization. Mr. Chapman stated that 2003 will be the year that the University realizes the benefits of separating from the state and the University's better experience rating.
  - PowerPoint slides provided comparison data to illustrate where the University fits into the marketplace and other Big 10 institutions in terms of health care premiums, pharmacy co-pays, and office co-pays.
  - Health and Wellness Improvement Project Update:
    - Flu shots – 3,661 employees on the Twin Cities campus received flu shots. By providing this service on campus, the number of employees that received flu shots basically doubled. Additionally, it was cheaper for the University to administer the shots versus having a member go to their clinic for this service.
    - Johnson & Johnson was retained to conduct a wellness assessment.
    - All health data is going to the data warehouse and will be available for population health status analysis in the very near future.

- UPlan 2002 – 2005 trend/cost increase projections assuming there are no plan design changes and if nothing is done to impact wellness and make health status improvements at the University:
  - 2003 – 9.7% (actuarial projection)
  - 2004 – 14.7% (actuarial projection)
  - 2005 – 16.3% (percentage trend projection based on 2004)
  
- UPlan Guiding Principles:
  - Provide quality cost effective health benefits.
  - Offer a basic basket of benefits in coverage and eligibility over time.
  - Continue to offer several choices of health plans.
  - Examine various mechanisms to try to reduce the rate of rise in the premium costs.
  - Keep health care affordable to both the employee and the University.
  - Devote resources to promote wellness and improvements in health status.
  
- Medical Benefits Policy Questions:
  - Will there be a need to propose changes to covered services?
  - To what extent will there be a greater cost shift to employees?
  - What are the benefits to moving to a single Pharmacy Benefits Manager (PBM) across the four plan administrators? Professor Morrison noted that pharmacy costs are the fastest rising portion of all health care expenses.
  - What is the best balance of health benefit changes compared to other benefit changes the administration would propose for its employee groups?
  - What is the most effective model for further managing utilization?

Members spent time discussing the impacts of rising health care costs, especially in light of budgetary concerns. Mr. Chapman noted that President Bruininks and the University's senior administration are looking at a variety of ways to cut expenses. The administration is not just focusing on health care options but they are obtaining information about comparisons for total compensation.

Professor Morrison commented that he is not sure when the BAC will receive a proposal from the administration regarding this issue but he is confident it is forthcoming. Efforts are underway to arrange for Dr. Frank Cerra and President Bruininks to attend an upcoming BAC meeting to discuss proposed benefit changes and other measures to save money for the University. Before the committee takes action on this matter, relevant data would need to be obtained and reviewed and the committee would need time to discuss the pros and cons of any such proposal(s). Only after this process is carried out, could the committee, in good conscience, make an informed recommendation. A comment was made that the BAC would be abdicating its responsibility if the committee does not participate thoughtfully in this process. Likewise, the University would be abdicating its responsibility if it does not come forward with more than one proposal.

Professor Morrison provided members with information concerning Governor Pawlenty's budget document. The document contains several provisions about benefits for state, local, school and university employees. The constant theme running through these provisions is "bringing these (entities) into relationship with the market." Despite the fact that many public employees would argue their salaries are not market, Professor Morrison asked what are the University's options? Basically, the options include co-pays, premiums and benefit reductions. Some members were agreeable with the notion of shifting costs to employees on the health plans in the context of total compensation and comparisons to other groups. Additionally, it was noted that approximately 3/4 of the committee are governed by University policy as opposed to University contract. While the unions will be negotiating this issue separately, Professor Morrison believes that efforts should be coordinated so there is a unified front and two different positions do not develop.

III). Professor Morrison introduced the topic of wellness by stating that it needs to be thought of in terms of an investment for the future. The wellness discussion was structured around the following questions:

- What is the BAC's basic concept or principle of a wellness program? What facet is most important – controlling costs, employee satisfaction or a desire to make the employee population healthier?

Of the members that voiced their opinions on the issue, cost and employee health reasons dominated the conversation as being the foundation on which to build a wellness program. One member noted that employee satisfaction seemed like a 'slippery' concept to aim at.

Professor Morrison asked the Employee Benefits staff to devise an implementation plan for a wellness program. Once complete, the plan will be brought back to the committee for their input and further discussion.

A member requested that copies of the Johnson & Johnson Wellness Report be distributed to the committee before this issue is brought back to the committee for further debate. Karen Chapin agreed to provide members with copies of the report once it has been received from Johnson and Johnson.

- What approach should the University pursue in establishing a wellness program?
  - Disease Management
  - Wellness/Health Promotion (pre-disease)
  - Health Education/Demand Management

In light of time, Professor Morrison recommended that the HIPAA agenda item be postponed until the March 6, 2003 BAC meeting. Additionally, Karen Chapin encouraged members to take the HIPAA training as soon as it becomes available.

Hearing no further business, Professor Morrison adjourned the meeting.

Renee Dempsey  
University Senate