BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
APRIL 10, 2003

[In these minutes: Call to Order, Itemized Review of Plan Proposals and Discussion]

[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, Brenda Peltzer, Don Cavalier, Joseph Jameson, Carla Volkman-Lien, Wendy Williamson, George Green, Gailon Roen, Susan Brorson, Steve Chilton, Amos Deinard, Richard McGehee, Peh Ng, Theodor Litman, Dann Chapman, Keith Dunder

REGRETS: Marjorie Cowmeadow

ABSENT: Carol Carrier, Frank Cerra

OTHERS: Kathy Pouliot, Phyllis Walker, Linda Blake, Karen Chapin, Pat Yozamp, Monica DeGraff

I). Professor Morrison called the meeting to order.

II). To begin, Professor Morrison outlined the agenda for today's meeting.

Next, he noted that the proposed changes to the UPlan health care plan were posted last week to the Employee Benefits website and can be found at the following URL: http://www1.umn.edu/ohr/eb/proposedchanges/index.html
To date, approximately 500+ email responses have been received at benefits.feedback@tc.umn.edu related to the proposed UPlan changes, the Civil Service Committee has also received approximately 500 comments, CAPA has received input and Professor Litman noted that he received 40 comments from The School of Public Health and the Carlson School of Management.

III). Professor Morrison began by asking members their opinion on how the committee should respond to the administration's proposed changes to the UPlan in its final report. Comments and recommendations from members included:

- The committee needs to decide how strongly it wants to word its position.
- The union's position on the proposal was solicited. While the union is not ready to propose a strike it also is not ready to rule it out.

- A member noted that central administration's UPlan proposal needs to be viewed in context of all other proposed increased costs to employees such as parking etc.
- Another member recommended that the opening statement of the BAC report to the administration contain a statement that explicitly states targeting health benefits disproportionately affects low-income employees.
- There is concern that on-going benefit reductions will become a "slippery slope". Professor Morrison suggested that the committee's report include a statement that the BAC expects any necessary changes to the UPlan be a relatively permanent and coherent part of the health care plan structure in the future.
- The committee in its report should address the administration's "Move To Benchmarks" approach.
- Professor Morrison noted that while AFSCME and Teamsters benefits are bargained, it is hoped that in the end there will be no differentiation in benefit packages between the various employee groups at the University. Differentiation in benefits amongst employee groups would add to administrative costs as well as cause other potential problems. The plan will not be set until the bargaining is done.

IV): Itemized review of plan proposals: Handouts were distributed to members describing the issues to be addressed and the estimated dollar value impact of these changes. Dann Chapman of Employee Benefits noted that PreferredOne's rates are not increasing dramatically, and, in fact, are actually decreasing for family coverage for a couple reasons:

1. Office visit co-pays are proposed to increase to $30. This makes a substantial impact on the overall premium.
2. For the first time, PreferredOne's rates are taking into account the University's actual experience rating.

A member asked if Definity's increases are attributable to their experience rating. Professor Morrison stated that Definity has a fixed deductible that will need to be adjusted inline with the other plans that are instituting higher co-pays and deductibles. As Definity's deductible is increased its premium will be reduced.

Moving on, the committee addressed the following issues:

1. **University of Minnesota Physicians (UMP):** The UMP health system is currently part of HealthPartners and includes University of Minnesota Physicians (UMP), Family Practice Clinic, Boynton and CUHCC. Experience data indicates that the UMP care system costs more per member per month than the blended average of HealthPartners clinics. This cost represents a function of charges and usage.

Under the administration's proposal to remove UMP from HealthPartners Classic, the University expects to realize $1.34 million/year in savings.

**Committee Discussion Highlights:**

If UMP is not factored into the equation, Boynton will need to be aligned with a care system for in-patient referrals because they do not do in-patient referrals.

A member asked if it has definitely been determined that UMP will not come in with a lower charge table. It is believed that this is unlikely and to exemplify it was noted that UMP falls at the top of Patient Choice tier 3 in terms of cost. Therefore, it is doubtful UMP will lower its charge table enough to be inclusive in lower cost plans.

Should the University prod UMP to become more cost effective for their own good? It was noted that it up to UMP to respond now. For years UMP has been aware of where they fall in terms of price structure and little has been done to change it.

Can participants be assured that once changes are made to the UPlan they will have a reasonable amount of stability and not have to constantly switch doctors? Professor Morrison reiterated a point stated earlier by Professor Litman noting that many former Blue Cross/Blue Shield (BCBS) participants were able to enroll in HealthPartners at a much lower premium and access the same group of UMP doctors when the UPlan was instituted. These individuals were the big winners with the UPlan movement.

Boynton has initiated initial discussions with HealthPartners (HP) regarding keeping Boynton in the base plan with HP controlling access to specialists. Under such a proposed plan, Boynton would be its own care system. It is unclear whether HP is going to propose to Boynton a discount fee for service or risk arrangement and how it would fit into other care systems. Discussions around this issue will be taking place over the next few weeks.

Based on committee consensus, the committee will pursue:

- Encouraging Boynton (and CUHCC) to pursue a establishing a contract with HP separate from UMP.
- Having HP investigate the feasibility of offering a separate/another plan that would include UMP but at a higher premium.

2. **Start Date:** Currently, coverage starts on the first day of the first pay period following 28 days if employment. The administration's proposal recommends that coverage begin on the first of the month following at

least one full month of employment. The budgetary impact of extending the waiting period would save the University $220,000. The committee agreed that as long as the University allows new employees to participate in the UPlan, at their own cost, before they are eligible under University rules, this would help to minimize the negative impact to new employees of extending the waiting period. The committee believes that this proposal is acceptable with the modification that purchased insurance be available.

3. **Office Visit Co-Pays:** The budgetary impact of increasing co-pays would save the University an estimated $2.1 million per year by doubling the office visit co-pays. Professor Morrison noted that according to actuarial data the 'average' person has 4 office visits per year but understandably this number can vary tremendously.

**Committee Discussion Highlights:**

A member with a chronic illness spoke up on behalf of raising office co-pays as a means to make people take going to the doctor more seriously. Under the current base plan, a $5 co-pay does not provide enough incentive. This member also recognized the fine line of not imposing co-pays that are too high so that individuals will not seek medical treatment when it is necessary.

Members were reminded that each plan has an out-of-pocket (OOP) maximum on office visits. The maximum OOP from 2003 to 2004 is NOT being changed. The current OOP maximums for office visit co-pays are $2,500 single and $4,000 family.

Those individuals most likely to be impacted by an increase in office co-pays are those that frequent the doctor but do not quite hit the maximum for OOP expenses.

Based on actuarial data, over 2/3s of the anticipated savings will be the result of reduced utilization ($1.54 million) and less than 1/3 will come from the cash co-payments. Savings will not be realized because participants are paying more but because they are making more prudent decisions about whether a doctor visit is really necessary.

Another member stated that data indicates that increasing office visit co-pays is one of the most inefficient ways of controlling utilization and costs. It hurts the individuals that need the services the most and has administrative cost implications as well.

The high cost plan's premiums are not anticipated to increase as much because participants will be paying more in office visit co-pays.

**Alternatives:**

Maintain co-pays at their present levels, $5, $10, $15. Cost to the University is $2.1 million.

Increase all plan co-pays by $5 e.g. $10, $15, $20. Cost to the University is minimal but higher.

Accept the administration's proposal to double co-pays to $10, $20, $30.

**Additional comments/suggestions:**

Keep the base plan as reasonable as possible so it is affordable for all members. It was recommended holding the base plan, HP, office co-pay at $5. By doing so, the administration's anticipated cost savings would be reduced by approximately $1.4 million; $700,000 in savings would not be realized because less money would be put towards the premium plus another $700,000 because there would be no lower utilization impact. Because these numbers are only rough estimates, Monica DeGraff, Buck Consultants, was asked to better define the cost impact of retaining a $5 co-pay for the low cost plan.

According to Monica DeGraff of Buck Consultants, average office co-pays in the market are $15 - $20. A $5 co-pay is very rare.

Professor Morrison noted because Buck Consultants will provide the committee with more data on which to base a more informed decision on this issue by next week, it will be held over and discussed at the April 17th meeting.

On a side note, Professor Morrison stated that the committee may want to rethink PreferredOne's $50 emergency room co-pay in light of the newly proposed office visit co-pay of $30. Because the ER co-pay would be only $20 more than an office co-pay, some individuals may be tempted to go to the ER in lieu of going to their doctor for primary care issues due to the minimal cost differential. Emergency room co-pays for all plans will be an issue that the committee will discuss at a future meeting.

4. **Uniform Co-Pays Across Zones:** Currently, Duluth employees participating in Patient Choice tier 3 pay only a $5 co-pay. Employees in other locations currently pay a $10 co-pay for the same tier. The administration proposes making the co-pay for non-base plans uniform across all locations. The University expects to save $35,000 by implementing this change. The committee agreed to this proposed change to make co-pays consistent across all zones.

5. **Prescription (Rx) Co-Pays and Out-Office-Pocket (OOP) Maximum:** The administration's proposal is to increase Rx co-pays from $10 (generic or formulary), $20 (brand name), $35 (life style drugs) to $15, $30, $50, respectively. As far as the OOP maximum, the proposal is to double it. Thus, the individual OOP maximum would increase from $500 to $1,000 and the family OOP maximum would increase from $1,000 to $2,000. Both proposals together would save the University $1.6 million.

   **Committee Discussion Highlights:**

   A member suggested phasing in the OOP maximum increase instead of doubling it in one year. The rationale for this recommendation is to cushion the impact that there will be no raises this year but there remains hope of increases in the following year.

   A member asked how many individuals on the UPlan reach their OOP maximum each year. Dann Chapman stated that Employee Benefits has been trying to obtain these figures but does not have them yet. As soon as that information is secured, it will be distributed to the committee.

   A member with a chronic illness passionately relayed a story to members concerning his condition and his need for prescription medications. This member believes that the Rx co-pay issue is very different from the office visit co-pay issue. The medications this member and others in similar situations take are not optional or frivolous. This member stressed that the proposed Rx increases will fall directly on the people that are paying the most already.

   Monica DeGraff substantiated the notion that by increasing the OOP maximum there is no deterrent effect and no change in utilization. Cost savings to the University are realized through this proposal because employees are being required to pay more.

   Monica DeGraff does not know of any research that directly correlates a health plan increasing its co-pays and plan participants not taking their medications based on the increased costs they are forced to incur. Ms. DeGraff will research this matter further to see what, if any, data can be found.

   Essentially, if the OOP maximum is not increased, the University will not receive the benefits of increasing the Rx co-pays. The people that are currently reaching the OOP maximum will meet it anyway. The University will not realize any increased savings by raising the Rx co-pays alone without adjusting the OOP maximum. Professor Morrison noted that the OOP maximum is being proposed to double while the Rx co-pay is "only" increasing by 50%.

A member noted that since 2001 the OOP maximum at the University has increased 500% from $200 to $500 and now $1,000.

A member proposed raising Rx co-pays to $15 and keep the single OOP maximum at $500 and the family OOP maximum at $1,000.

A member requested that Ms. DeGraff research whether raising the price of the brand drugs only would make a substantial impact on this proposal. This member proposed the following co-pay structure: $10 (generic), $30 (brand), $50 (lifestyle).

A member expressed the opinion that it is better to absorb higher costs in general through premiums versus forcing those unlucky individuals faced with already high medical expenses to bare the entire burden. For the University to take its savings at the expense of a few people is less fair than sharing the burden and putting it into premium costs for all to share. This is the principle behind insurance.

Dann Chapman noted he was surprised at Ms. DeGraff's comment that this proposal is basically a cost shift and has no utilization impact. Mr. Chapman noted that insurance companies continue to battle drug companies' advertising their products to consumers over the television and radio. Based on this it would seem that there would be an affect on utilization if people have higher amounts they need to pay.

To summarize, Professor Morrison stated the committee is actively considering two options for this proposal:

> Keeping the OOP maximum at $500 single/$1,000 family.
> Raising the OOP maximum to $750 single/$1,500 family.

The committee will revisit this issue at its next meeting after more data has been collected.

6. **Standarize Rx Dispensing:** The proposal is to use a 30-day month instead of a 34-day month.

**Committee Discussion Highlights:**

A member noted that while standardization is good the numbers are wrong. For example, there are several 31-day months and what happens if a pill is lost or dropped.

It was noted that even though the University's plan states a 34-day supply be dispensed many pharmacies only dispense a 30-day supply and most

people don't even realize it. This means that the University is paying for a benefit that it is not even receiving.

The committee agreed to recommend standardizing Rx dispensing amounts. Dann Chapman noted that by moving to the 30-day dispensing amount the University is standardizing this benefit inline with industry practice.

7. **Rx Coordination of Benefits:** If an employee has two policies and the UPlan is secondary, individuals can currently recover the entire cost of that pharmacy co-pay. The 2004 proposal is to reduce the individual's recovery by the UPlan deductible. By doing this, the University is expected to save approximately $75,000. Additionally, it will be cheaper to administer because the University's current plan is out of the ordinary.

   The committee agreed to support the 2004 proposal for Rx coordination of benefits.

8. **Premiums:** Currently, the University pays 100% of the base plan premium for individuals. For families, the University pays 100% of the employee portion and 90% of the dependent portion (averages about 94% of total premium). Under the 2004 proposal, the University would contribute 90% of the base plan premium for individuals and 85% for families. By changing the premium structure, the University is anticipated to realize a savings of $11,952,000.

   Dann Chapman cautioned members that the numbers currently under discussion are estimates. The rate setting process takes place after we have 6 – 7 months of experience with the present year and will not be finalized until late July. By waiting until late July allows both the plan administrators and Buck Consultants to develop the UPlan's experience rating so plans can be priced as accurately as possible. It was further noted that any changes that are made to plan design will also impact premium rates.

**Committee Discussion Highlights:**

The opt-out issue was raised as tying into the premium issue and they should be discussed in conjunction with one another. Professor Morrison noted that once the University imposes a premium, unless a decision is made to make coverage a "condition of employment", it appears that individuals will be able to opt out without evidence of insurance. If the University wants to do this it would have to write this requirement into its employment contracts, personnel rules, etc.

A member voiced the opinion that it is morally wrong for the University to expect its employees to cover a deficit on the backs of individuals who cannot afford it. There is a concern that by imposing a premium a lot of low income workers will opt out of insurance coverage.

The committee is discussing reducing health insurance benefits in a vacuum, separate from other benefits the University may be considering eliminating or reducing. Professor Morrison noted that although the committee may want to ask for this in writing, there are no proposals on the table for salary or retirement cuts. On the other hand, at the April 3rd BAC meeting, the administration clearly stated, "everything is on the table".

A member supports cutting programs over reducing benefits. According to President Bruininks, however, programs cannot be eliminated quickly enough to realize the savings necessary to fund next year's deficit.

The public perception is that University employees have it really good, and, in order to be more in sync with the market, its benefits structure should be changed in order to save money. For the administration to defend the University's benefits in these difficult economic times will be very challenging. If this committee does not make any recommendations on the administration's proposal, decisions will be made for the committee.

Because the committee will be discussing other issues next week that tie into the premium issue this discussion will be continued on April 17th.

9. **Three Tier System:** The committee has received a fair amount of feedback requesting the University offer a three-tier system: employee, employee plus spouse or partner and employee plus family (more than 2 people). The impact of this proposal would be to shift more of the cost to families and reduce costs for the two person couple.

   **Committee Discussion Highlights:**

   There is also a four-tier option: employee, employee plus spouse or partner, employee plus child or children and employee plus family.

   The committee received feedback that different families should be treated differently. Opinions on this issue range from no subsidies for families at all to instituting a tier system to represent the different coverage levels.

   Questions posed to the committee: Does the committee want to protect families? Does the committee want to be economically equitable with respect to this issue?

Actuarial data supports the notion that more people on a policy cost more.

Based on a survey conducted last fall by Buck Consultants, while many companies do have a two-tier system, many are moving towards a three-tier or four-tier system in an attempt to alleviate some of the premium issues. This survey data will be distributed to the committee.

V). Hearing no further business, Professor Morrison adjourned the meeting

Renee Dempsey
University Senate