

BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
MAY 1, 2003

[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, Carol Carrier, George Green, Gailon Roen, Susan Brorson, Steve Chilton, Amos Deinard, Richard McGehee, Peh Ng, Marjorie Cowmeadow, Theodor Litman, Dann Chapman, Keith Dunder

REGRETS: Pat Yozamp

ABSENT: Frank Cerra

OTHERS: Linda Blake, Karen Chapin, Chris Hulla, Kathy Pouliot, Jackie Singer, Nan Kalke, Cathy Marquardt

I). Professor Morrison called the meeting to order.

II). Karen Chapin of Human Resources provided members with an update on the wellness initiative. Currently, efforts are underway to recruit a Wellness Program Manager. A handout was distributed that included the job description, a list of Wellness Program Manager Search Committee members and a timetable for filling the vacancy. It is the intent of Employee Benefits to have a person on staff in this role by mid July 2003. In the meantime, Employee Benefits is reviewing and analyzing various pilot wellness programs at the University. Examples include:

- A Facilities Management wellness initiative based on walking. Details about this program can be found at the following URL:
http://www.facm.umn.edu/safety/Wellness/wellness_program.htm
- The School of Public Health is presenting a research project to Vice President of Human Resources, Dr. Carol Carrier, based on HealthPartners 10,000 Steps Program. This program would be heavily promoted within the School of Public Health. The project would also include a total campus walk.
- A disease management program offered through PreferredOne. PreferredOne solicited 40 volunteers to participate in the program based on diagnosis codes. According to Professor Morrison, this is not a scientific study but rather it is an operational study to determine whether such a disease management program can be delivered successfully.

Additionally, Employee Benefits is conducting a detailed review of each UPlan administrator's wellness program offerings.

III). A mailing is being sent to retirees on the TravMed Abroad program. Prior to finalizing this program, Employee Benefits met with the Retiree Association Board.

Based on a recommendation from this meeting, medical travel insurance for those 81 – 90 years old has been incorporated into the plan design.

IV). Professor Morrison distributed a printed final version of the BAC's Report to the administration on its proposed changes in health benefits. The report can also be found at the following URL: <http://www1.umn.edu/usenate/committees/bac.html>

A member asked whether the Committee could expect to hear a response from the administration to the report. Professor Morrison stated that probably within the next month the Committee could expect to get a further iteration, additional questions and/or a final decision by the administration on changes in health care benefits.

In his other role as legislative liaison, Professor Morrison expects that depending on whatever happens at the legislative level will impact the administration's position, and, therefore, the BAC may not get a response until after the legislative session ends.

Another handout was distributed that listed the BAC's major recommendations to the administration's proposed changes to health benefits. Later, the Committee will be asked to think about prioritizing these recommendations. The four major recommendations with cost implications are:

1. University contribution for medical insurance at least 90% for individuals and 90% for families.
2. Limit premium increases to 2% of base salary.
3. Limit pharmacy out-of-pocket maximum to \$500/\$1,000 in 2004 and \$750/\$1,500 in 2005.
4. University contribution for dental at least 90% for individuals and 60% for families.

V). The Committee reviewed a handout that addressed the estimated premium implications of retaining a two-tier system (single and family) or implementing a four-tier system (single, employee + partner, employee + child or children, family). The issue before the Committee is whether the University should differentiate among families. Professor Morrison framed the discussion by noting the arguments for and against implementing a four-tier system.

Arguments for implementing a four-tier system are:

- Equity – align the premium with the family structure it covers.
- Create a situation where the employer subsidy is tied more to the employee as opposed to dependents; especially when there are two working spouses each with access to health insurance through their own employers. For example, in a family situation with two working adults, each with access to health insurance through their own employers, the University employee could cover himself/herself and the child/children under the UPlan while the spouse can enroll in his/her employer's health care program. This would shift costs out of the University to the other employer who would be subsidizing their own employee's health care costs.

Argument against implementing a four-tier system:

- The family premium will be high; higher than it would otherwise be. This will be a significant increase especially in a year when there will be significant increases anyway.

Chris Hulla added that nationally employers are moving toward four and five-tier systems. He noted the same arguments that Professor Morrison noted above as the rationale many organizations are using for implementing multi-tier systems.

Discussion highlights included:

- Does the multi-tier system actually represent a shifting of the risk based on utilization or is it determined on a per capita basis under the assumption that the more people that are being covered by a plan, the more expenses they will incur? Chris Hulla stated that the multi-tier data is based on global experience as well as some University experience.
- The present University family ratio is approximately 1 to 2.7%. This ratio is independent of the number of individuals in the family. With a four-tier system the ratios would be:

Employee – 1
 Employee + Spouse – 2
 Employee + Child/Children – 1.8
 Employee + Family – 3.199

Chris Hulla explained the general underwriting factors used to calculate the tier ratios. As time goes on, the University will be able to calculate its tier ratios based on its own experience data as opposed to relying so heavily on underwriting factors. Mr. Hulla noted an organization's decision to implement a four-tier versus five-tier system is a balancing act between how complicated a system needs to be in order to accomplish an organization's objectives when trying to target the cost of care to the number and types of individuals covered by a contract.

- A member expressed the concern that the Employee + Child/Children category is unfair to an employee with only one child and, therefore, a five-tier system would be more equitable in this case. Mr. Hulla stated this is a consideration but noted that the cost of implementing a five-tier system, shifts an even greater percentage of the costs to the Employee + Family category. Professor Morrison added that if the University stays with its current two-tier system the single parent plus child category is much more expensive for those individuals in this category. The principle behind the Employee + Child/Children category is that although there will at times be only one child, there will be other instances of multiple children.
- In the past the University has always prided itself on its wonderful benefits set. In the future, will the Committee be forced annually to compare its benefits to benchmarks and make adjustments? Or, is the Move Toward Benchmarks (MTB) approach a one-time response to a University budget crisis? Dann Chapman believes the administration is looking at the MTB approach as a permanent shift. The administration believes politically that it is critical the University aligns its benefits with the competition. Professor Morrison concurred

and stated that more than likely the Committee will be pressed on the MTB issue on a regular basis. Both the administration and the legislature are asserting that the University's benefits should not be remarkable or unusual. And, as long as the University has remarkable benefits, the institution will continue to be put in the position of picking up the cost of insurance of individuals who are employed elsewhere because they have spouses employed at the University. If the University can encourage these individuals to take insurance through their own employer, rather than the University, it will make it possible to hold down the cost of premiums within the University.

- A member expressed distaste for the idea of forcing individuals currently covered by University benefits to take coverage through their own employers. This philosophy was likened to "a reserve arms race among employers". Dann Chapman stated that indeed this is reality and reminded members that the multi-tier strategy is a national movement. However, it is still fairly uncommon in Minnesota to offer more than just a two-tier system. If the University implements a multi-tier system, it would be putting itself ahead of the curve in this marketplace.
- A multi-tier system will put the premium burden on different groups of employees at different times in their life cycle.
- A member was unsure whether the multi-tier system would technically be fair because as an employee and his/her spouse/partner ages and their children have left home, this group will be paying less despite the fact that with age the likelihood of health care problems increases.
- A member noted that the BAC feedback survey conducted earlier this spring, resulted in a significant number of employees voicing their desire to have a tier structure implemented.
- Moving to a multi-tier system addresses the complaint that the coverage for two people currently costs 2.7 times the coverage for one person. Currently, two people households are subsidizing households where 3 or more individuals are covered.
- Shifting costs to families in a year where increases will be significant anyway is not a family-friendly strategy. The principle behind insurance is the spreading of risk and the Committee should think about this over the course of a lifecycle. Granted at any point, others may be subsidizing a family unit but this only fair. This member stated regardless of what other employers are doing, the University should set forth guiding principles that will not burden families. Dann Chapman noted that the University already differentiates between singles and families. Therefore, the current two-tier structure does not truly distribute risk because this structure allows a single employee to pay for their coverage only and not subsidize families. While, on the other hand, as noted earlier, a 2 person family under the current structure subsidizes families with 3 or more individuals.
- Another member noted that a multi-tier structure is more family-friendly than the current two-tier structure because it takes into account the different definitions of a family.
- Dann Chapman shared some relevant data to the discussion. Currently there are 3,346 family contracts with only two people covered and 5,074 family contracts with more than 2 individuals covered. The breakdown of who is covered in these contracts remains unknown, e.g. employee + spouse, employee + child/children, employee + spouse + child/children, etc. Grand total the University holds roughly 16,700 insurance contracts, single and family.

- What is the aversion to shifting the cost of health insurance premiums to other employers when a spouse or partner has coverage available elsewhere? A member stated that other employers will continue to reduce their benefits and, as a result, the University's MTB philosophy will continue to shift more and more health care costs on its employees as it tries to keep stride with marketplace benchmarks; it will be a vicious circle. Of particular concern was the large shift of costs to families during an already financially difficult year.
- Professor Morrison raised the notion of whether the Committee would be interested in considering a phased-in approach to a multi-tier system.
- Dann Chapman clarified for the Committee that the discussion around whether to institute a multi-tier system results out of concerns over equity and not as an attempt to save the University money. Tier structure premium estimates were compiled to be cost-neutral to the institution. The multi-tier system recognizes different types of family structures. This is not to say that the University will definitely not recognize costs savings simply because it is too early to know without actual experience data. Implementing a multi-tier system not only has the ability to take away bad risk but good risk as well; only time will tell. To reiterate, Mr. Chapman noted it is not the University's primary goal to save money by instituting a multi-tier structure.
- Dann Chapman believes it is not the University's responsibility to absorb the risk of other employers.
- In light of all the changes that will be happening related to health care costs a member recommended deferring any decision on implementing a multi-tier system until next year.
- Members were petitioned to think in terms of a lifecycle perspective rather than focusing on the particular situation they are in today when evaluating whether to move to a multi-tier structure.
- A member requested that detailed information be collected on the breakdown of who is being covered under the family contracts in order to determine if a 5-tier system should be considered. Dann Chapman stated that this data is available now needs to be compiled.
- Cash subsidies to employees are a prime example of other employers' attempts to eliminate risk.
- A member expressed two major concerns regarding the implementation of a 4-tier structure:
 1. The suddenness of moving forward with such a plan. If a slower approach were taken it would be much more tolerable.
 2. The unfairness to single employees of offering a better benefits package to families.
- A member emotionally expressed the opinion that the array of families in the 21st century is better represented in a multi-tier structure.
- Rather than changing the plan year to coincide with the University's fiscal year in an effort to phase in a multi-tier structure in conjunction with a pay increase, the idea of phasing in a premium change made more sense to the Committee.

After much discussion, members voted 11 – 2 to move forward with a multi-tier structure as long as there is some type of deferred implementation and the University contributes 90% toward single premiums and 90% of family premiums.

V). A recommendation came before the BAC to look into the feasibility of tying the percentage of premium paid by the University toward medical insurance to the percentage of an employee's appointment, 100%, 80%, etc. Currently, if an employee works 75% or more the University subsidizes an employee's health care coverage at 100%, if an employee works between 50% - 74% there is no University subsidy but the employee can purchase insurance at their own expense, and if an employee works less than 50%, coverage is not available. Discussion highlights included:

- Will the payroll system be able to handle these types of calculations or will it be an accounting nightmare?
- This proposal would negatively impact employee's who have voluntarily agreed to reduce their hours in light of budgetary concerns. This proposal would punish those individuals who have tried to make a contribution to the University.

After a very brief discussion, the Committee determined this was not an idea it wished to pursue at this time.

VI). The Committee turned its attention to the handout distributed earlier outlining the major recommendations the BAC made to the administration. Professor Morrison asked members which, if any, of the recommendations are more important than others. Are all of the recommendations equal?

A member stated the BAC spent a considerable amount of time and energy discussing what it was willing to surrender in terms of benefits. With this in mind, the Committee unanimously voted that all recommendations are equally important and there is no order of preference among them.

VII). Professor Morrison distributed an article from The Chronicle of Higher Education titled "More Colleges Turn to 'Self Insurance' to Deal with Rising Health-Care Costs by Audrey Williams June. This article illustrates that the University of Minnesota has taken the lead and is running ahead of the pack in dealing with self-insurance as a means to curb rising health care costs.

VIII). Future Meeting Dates: Professor Morrison asked members if anyone has business they want considered in this academic year. Items noted:

- The design of the Definity plan
- The administration's response to the BAC Report
- 4-Tier Configuration on Dental Insurance

Professor Morrison proposed that he be permitted to cancel future meetings as he sees fit unless there is substantial business that needs to be conducted.

Additionally, a BAC meeting has been scheduled for July 31st, 2003 at which time premium rates should be available. This meeting will give members one final opportunity to make arguments or comments concerning the rates for 2004.

Lastly, in the past the Committee has operated on a first and third Thursday of the month meeting schedule. Committee business in 2003 – 2004 may not be as heavy as it has been in prior years. Professor Morrison requested, however, that members keep their

first and third Thursdays open with the very real possibility that meetings will be reduced to once a month as opposed to twice a month.

IX). Other Business: A member asked whether anything was being done to remove social security numbers from medical identification cards and replace them with an employee's PeopleSoft identification number. According to Mr. Chapman, in 2004 all of the plans will have the option for members to request this be done on an individual basis. Some administrators continue to say they do not have the system capability to do a wholesale replacement but are only able to do it for individuals that make a special request. Neither HealthPartners or Definity use social security numbers for identification purposes. The other administrators are aware that there is pressure to do away with using social security numbers for identification.

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

Renee Dempsey
University Senate