BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
JUNE 5, 2003

[In these minutes: Lifetime Maximum, Dental Benefits, 2003 – 2004 Meeting Schedule and Work Plan]

[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, Joseph Jameson, Carla Volkman-Lien, George Green, Gailon Roen, Susan Brorson, Steve Chilton, Amos Deinard, Richard McGehee, Peh Ng, Marjorie Cowmeadow, Theodor Litman, Dann Chapman

REGRETS: Don Cavalier, Wendy Williamson, Frank Cerra

ABSENT: Carol Carrier, Keith Dunder

OTHERS: Linda Blake, Karen Chapin, Kathy Pouliot, Jackie Singer, Pat Yozamp, Jake Weyer from the Minnesota Daily

I). Professor Morrison called the meeting to order.

II). Announcement: The next BAC meeting will be Thursday, July 31, 2003 from 10:00 – 12:00 in room 238A Morrill Hall. At this meeting the Committee will have an opportunity to review and discuss 2004 rates and plan changes. Professor Morrison stated that all rates and plan changes are naturally subject to bargaining with respect to union represented employees.

III). Lifetime Maximum: A handout addressing the issue of UPlan benefits maximum was distributed. Dann Chapman provided members with background information on this issue. Accumulations toward lifetime maximums started with the inception of the UPlan in 2002. This issue needs to be thought of in terms of two simultaneous time periods, annually and lifetime.

Currently, the University has an unlimited amount of exposure/risk in terms of the amount of claims it can incur either in any given year or a lifetime period. The University has chosen to purchase stop loss coverage to provide protection from some of the risk the University carries as a self-insured plan.

Presently, only Definity has a 2 million lifetime maximum. Even though the Definity option has a 2 million maximum this does not reduce the University's exposure because there is nothing that would prohibit an individual from choosing another plan with an unlimited lifetime maximum once they have reached the 2 million maximum.

In 2002, the University's "specific" stop loss coverage was set at $200,000. "Specific" stop loss coverage means, for example, if an individual had $200,000 in claims in 2002, the stop loss insurance company would pay the University individual claims over $200,000 up to a cap of $2 million. In 2003, in order to achieve some savings for the University and the UPlan overall, the University increased its "specific" stop loss coverage to $350,000. With the $350,000 annual "specific" coverage limit, the University will pay more claims in some years than with the $200,000 limit. But, on the other hand, the University is paying less in premiums to the stop loss vendors for the $350,000 level of coverage. Due to this trade-off the University comes out ahead.

Employee Benefits recommends that the University place a uniform $5 million lifetime maximum on the UPlan regardless of which plan an individual participates in. An RFP could be issued to identify one or more stop loss vendors that would provide a uniform $5 lifetime maximum coverage level for each plan. This protects not only the University's liability but the UPlan and all of its members at the level of the lifetime accumulator.

Discussion highlights:

- How will the University protect against inflation in terms of the $5 million lifetime maximum? Dann Chapman proposed tying the lifetime maximum to the stop loss insurance the University is able to purchase in the marketplace at a reasonable cost. Until very recently, the highest amount any stop loss vendor would write was $2 million and a few years before that it was $1 million. Currently, the University spends just under $1 million annually to purchase stop loss coverage.

- Under the administration's proposal, once an individual reaches the $5 million maximum, costs incurred above this amount become the responsibility of the individual.

- The $5 million lifetime maximum is an individual maximum and not a family maximum.

- The administration's proposal is a very standard, fiscally responsible mechanism for protecting the UPlan and the University against unlimited risk. Although occurrences over $5 million are extremely rare, it can happen. For example, it is not uncommon for some hemophiliacs to incur $1 million in claims per year for many years in a row. This proposal acknowledges that it is reasonable for the University to carry a certain amount of risk, but it is also reasonable for the University to protect itself against unlimited risk. In cases where lifetime maximums are exceeded there are a couple of options:
    - The individual becomes a ward of the county or state. This kind of expense would need to be incurred by a larger population than just the employees and dependents of the University of Minnesota.
    - In cases where an individual hits the lifetime maximum due to an extraordinary circumstance and it is a one-time occasion, these cases can be reviewed on an individual basis and coverage for ordinary claims can be reinstated.

- What does the lifetime maximum have to do with the annualized “specific” insurance coverage? The $5 million represents the lifetime maximum and the $350,000, for example, is the deductible, which is annual.

- The University does not purchase annual aggregate stop loss insurance. The University is a large enough institution that it does not believe it is worth incurring this expense.

- The University has 3 stop loss carriers for the 4 UPlan administrators, Excess, Inc., United Health Care, Midwest Assurance.

- Not all stop loss vendors will write $5 million in stop loss coverage but it is attainable in the marketplace. Given 2003 rates and coverage levels, the University could increase all stop loss maximums to $5 million and save $95,000 by moving all stop loss coverage to United Health Care.

- Stop loss rates are extremely variable. These premium rates increase faster than medical inflation rates.

- Currently, the University self-insures the difference between the stop loss carrier maximum and the UPlan maximum. The rationale behind the administration’s recommendation is to eliminate or reduce the risk for claims that exceed the stop loss insurance maximum.

- Dann Chapman noted this proposal looks beyond protecting the interests of the University. He reminded members that the UPlan is a partnership between the University and its employees. All employees that are covered by the UPlan share in the risk. If there are cases that exceed the stop loss limit, this will mean an increase in premiums for the University and its employees.

- Stop loss insurance is only sold with a lifetime maximum and not an annual maximum.

- Karen Chapin led the Committee through an analysis of stop loss maximum options. The options include:

  Option #1 - $5 million flat UPlan lifetime maximum without index.
  Option #2 - $5 million UPlan lifetime maximum with general CPI index (assuming 3.5%).
  Option #3 - $5 million UPlan lifetime maximum with medical CPI index (assuming 14%).
  Option #4 - $5 million Uplan lifetime maximum with capped medical CPI index (assuming 10%).
  Option #5 – UPlan lifetime maximum set at the greater of $5 million or 1,000 times the total annual HealthPartners single base plan premium (beginning with the 2003 annual premium of $3,406 and assumed to increase at current medical CPI of 14%).

- As time goes on the stop loss vendor's exposure decreases as employees claims increase and approach the lifetime maximum, however, this does not mean stop loss insurance becomes less expensive because:
    - There will be new employees joining the UPlan all the time.
    - Medical inflation continues to increase.
    - As the medical community becomes better at extending life, especially in extreme circumstances, the more expensive stop loss insurance becomes because these procedures are very expensive.

  Professor Morrison recommended that the University consider raising the "specific" coverage from $350,000 to $500,000 and assume more of the bottom risk. Additionally, he noted that to assume that the insurance industry operates in a logic way is a misnomer. The insurance industry works on a profit-making system; charging whatever it believes it can get away with.

- In Professor Morrison's opinion an escalator should be built into the UPlan lifetime maximum and stop loss insurance analysis. He recalled the administration's promise in approximately 1990 to annually review and adjust disability insurance, which never happened on a regular basis. To avoid a similar scenario, Professor Morrison strongly suggests an escalator needs to be built into the lifetime maximum calculation.

- A member argued for no lifetime maximum on health insurance benefits. The reason for having insurance is to protect against a catastrophe. If a group incurs the risk, the premium may go up slightly for a specified period of time for the group as a whole, but if an individual had to absorb the risk it would be devastating. As a collective the University should accept this risk.

- Karen Chapin stated that the insurance industry does not currently sell a stop loss policy with a built-in accelerator. Although some vendors will write a $5 million stop loss policy many others are reluctant to do so. Professor Morrison noted that this puts pressure on Employee Benefits to constantly search the marketplace for a policy that keeps up with inflation.

- Would dependents still be able to be covered if an employee reached the lifetime maximum? Yes, only the employee would be excluded if a lifetime maximum were instated and reached. The lifetime maximum applies to individual members so the rest of the family would not be affected.

- A motion was made to oppose a lifetime maximum. The motion passed unanimously.

- Another motion was made stating that if the administration sets a lifetime maximum regardless of the BAC's recommendation not to do so, that any lifetime maximum must be indexed and that Option #5 be the mode of indexing. A friendly amendment was made and accepted which stated that whichever index is higher, Option #3 or Option #5, be used. The motion passed with vote of 7 to 6. Opposition to this motion was largely to make the first motion more powerful.

IV). DENTAL BENEFITS: The administration proposes:

- Replacing the DeltaCare network with DeltaPreferred network programs and benefits. This would make DeltaPreferred the new base plan for dental coverage in the Twin Cities and the Duluth zone. The DeltaPreferred plan has approximately 924 providers.
- Continue to offer DeltaPreferred Option/DeltaPremier.
- Continue to offer University Choice as well as the two HealthPartners dental plans.

Discussion highlights:

- What is the rationale for making this change? Cost. The DeltaPreferred Option network dentists accept a significantly lower reimbursement schedule than the DeltaPremier of DeltaCare dentists. By instituting the DeltaPreferred Option as the new base plan allows the University to make a 60% employer contribution to the cost of family dental care instead of 50% at a basis that is cost neutral to the University.
- HealthPartners cannot be the base plan because they do not have enough dentists in their network.
- If employees choose to 'buy-up' they can pay more for the large Delta plan or the University Choice plan and possibly the larger HealthPartners plan.
- DeltaPreferred network rates are 7.5% lower than DeltaCare rates.
- What is the rationale for retaining the DeltaPreferred Option in the larger Delta network, DeltaPreferred Option/DeltaPremier? A family member may choose to access a provider that is not in the DeltaPreferred Option plan. Also, the larger Delta plan has additional out-of-network benefits not available through the base plan.
- Explore tiering the dental options.
- Consider changing the names of the Delta plans to avoid confusion.
- The University made the same contribution for all dental plans in 2003 except for University Choice. One year ago, the BAC stated it would move towards a base plan. Today's recommendation by the administration defines the base plan, DeltaPreferred Option. Dann Chapman noted the same approach was used in establishing a dental base plan as the medical base plan. A base plan needs to provide adequate access within reasonable travel time or distance in a member's base zone or zones.
- Professor Morrison asked the Committee if it wanted to take a position on this proposal. A motion was made to endorse the recommendation brought forward by the administration for the new base plan for dental insurance. The Committee unanimously voted in favor of the motion.
- The administration is exploring the feasibility of self-insuring all or a portion of its dental plans. If the University chooses to self-insure, such a decision would be totally transparent to members. By self-insuring the University would save the risk fee it currently pays to the plan administrators.

V). BAC MEETING SCHEDULE AND PRELIMINARY 2003 – 2004 WORK PLAN: The next meeting will be Thursday, July 31st from 10:00 – 12:00 in #238A Morrill Hall. As in the past, the Committee will typically meet on the 1st and 3rd Thursdays of each month. In October the Committee will meet on the 1st and 4th Thursday of the month. Joe Jameson noted that the Civil Service Committee may have a conflict with the October

23rd date. He will review the Civil Service schedule and let Professor Morrison know of any conflicts exist.

Work Plan Topics:

- July 31st – Final review of plans for open enrollment.
- By early fall, the new Wellness Director will be hired, and the BAC will be focusing on implementing a wellness program.
- October – Election of chair and vice chair for the 2004 – 2006 term.
- By late fall, review the results from open enrollment.
- Revisit issues concerning the status of UMP and tiered premiums.
- Disability benefits.
- Begin planning and preparation for the next round of RFPs for 2005 – 2009 benefit plans.
- Review of existing administrator's performance and conduct financial reviews of the plans.
- Other issues as they arise.

Retiree benefits timeline will be conducted 'off-phase' or one year later.

VI). Professor Morrison recognized Marjorie Cowmeadow for the contributions she made to the Committee and for her many years of service. She was presented with a recognition gift and was given an ovation by Committee members.

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

Renee Dempsey
University Senate