[In these minutes: Rate for health insurance plans, Rate for the dental insurance plans, Rate and plan design issues for retirees' insurance, Lifetime maximum]

BENEFITS ADVISORY COMMITTEE (BAC)

MINUTES

THURSDAY, JULY 31, 2003
10:00 A.M.-12:00 P.M.
238A MORRILL HALL

PRESENT: Fred Morrison (Chair), Linda Aaker, Linda Blake, Sue Brorson, Don Cavalier, Karen Chapin, Dann Chapman, Steve Chilton, Amos Deinard, Keith Dunder, Ronald Enger, George Green, Christopher Hulla, Theodor Litman, Richard McGehee, Peh Ng, Brenda Peltzer, Kathy Pouliot, Jackie Singer, Carla Volkman-Lien, Phyllis Walker, Gavin Watt, Pam Wilson, Karen Wolterstorff, Pat Yozamp.

REGRETS: Carol Carrier, Jody Ebert, Joe Jameson, Gailon Roen, Wendy Williamson.

1. RATES FOR HEALTH INSURANCE PLANS

Dann Chapman began by providing the committee with some background on health insurance rates. The 2003 rates were set a year ago and were based on cost projections from Buck due to the limited amount of actual data, only 4 months, that the University had. Actuarial projections and trends from other groups were then applied evenly across the board to all rates.

The last set of rates that BAC were provided were based on 17 months of the University's own, credible experience data. Projections based on this data set were not as good in that 2003 costs were $4.5 million higher than the set rates. This lead to more dramatic changes than anticipated in the 2004 projections and rates.

Dann Chapman then said that there are two parts to this year's rates. One is the actual experience data from the University being used as the basis for projections. Second is an element of risk adjustment included in the rate structure. If the University only offered one plan, then all the risk would be in a single pool and adjustments would be made naturally to the pool. The same principle of a single risk pool across all the plans was then applied to the overall plan options.

To accomplish this, an assumption was made that everyone participated in the HealthPartners plan. The rate was then assessed for this option. The same assumption was then made for each plan being offered, and each rate was assessed. These rates assessments lead to an overall risk adjustment, which sets the rates at the right level to reflect real plan value and to remove any risk of plan loss.

Dann Chapman said that once this assessment was complete, some rates increased, others decreased, and some stayed the same. Some of the cost changes were shifted to the University's portion and other cost changes led to lower or higher prices for the employees. He does not expect these rates to change anymore prior to open enrollment.

Q: What percent did rates increase?

A: The increase was five to six percent, which is reasonable cost control?

Q: What percentage of 2004 rate increases are to make-up for low rates in 2003?

A: Nothing from the 2004 rates is being used to subsidize 2003 rates.

Q: How will the low rates in 2003 impact reserves?

A: The reserve balance will not be known until the end of the year, but 2003 rates did not include any funding for building reserves.

Q: What has happened with UMP in the HealthPartners plan?

A: UMP has been retained in the HealthPartners Classic plan for the short-term. Data analysis will be done through the fall to determine if the higher cost for UMP is due to acuity or efficiency problems. Once completed, the analysis will be shared with UMP and the University will work with them on ways to improve their costs to remain in the base plan.

A committee member said that they are happy that the risk adjustment was done since it avoids the death spirals for health plans after a few years of being offered.

Dann Chapman said that there is a long-term vision to maintain stability in all the plans.

He then turned to a discussion of the Definity plan design. For 2003, Option 1 will remain as is, with a rate increase to support its design. Option 2 however, will be changed to keep the premium lower. The change includes higher out-of-pocket risk for the employee. The PCA and deductibles will remain consistent between years, and the PCA amount will be the same between options to avoid problems with the IRS.

Q: These rates show an increase over rates provided on July 1, at which time the rates provided were supposed to be 99.5 percent accurate. Will more changes occur with the rates? There is a concern about how the University is projecting expenses when the rates keep changing. What was the final outcome for revenue and expenses for past plan years?

A: A balance sheet for 2002 can be presented by Dann Chapman at the September meeting.

Dann Chapman said that the plans performed 6.5 percent better than anticipated in 2002. While claims were higher than expected, the University also built reserves at a faster pace. There was also 10 percent better performance on plan administration costs from the vendors.

Q; Since bargaining processes set the rates for those employees, is it possible, in the timeline, for additional changes to be passed onto other employees?

A: It is possible that rates may change for this reason, but the University is also capable of administering two plan designs, although it would prefer one.

2. RATE FOR DENTAL INSURANCE PLANS

Fred Morrison began by noting that over a year ago, BAC agreed that dental plans should have a similar plan design to the health plans.

Karen Chapin then said that changes agreed to were that the University would pay 90 percent of the cost for single coverage and 60 percent of the cost for family coverage, that there would be a broader network available, that Delta Preferred would be the base plan for the Twin Cities and Duluth, while maintaining the benefits of the DeltaCare plan using the Delta Preferred/Delta Premier benefit levels, the Delta Preferred/Delta Premier would be retained as the base plan for the outer metro/greater Minnesota area, and that the University would be self-insured in 2004.

Q: While the new plan might have a broader network, that does not guarantee that more dentists are participating and that access has improved. Has Delta Preferred reported a gain or loss in its participating dentists?

A: Delta Preferred has reported stable numbers for the past year.

Q: Is there any out-of-network coverage in the base plans?

A: Only in the base plan for the outer metro/greater Minnesota, not the base plan for the Twin Cities/Duluth.

Q: In Morris, many of the providers joined HealthPartners, so the employees switched plans to retain their dentists. Will these dentists remain in the plan this year?

A: Employee Benefits had information on providers in networks, or employees can look on the web.

Q: Some providers will only accept new patients if they pay by cash. Has the University tested providers to see if they are taking new, insured patients?

A: The University has not tested, but plan administrators can check. A provider will not be allowed to remain in a network, however, if they do not take insured patients.

Karen Chapin said that another change made was in terms of emergency benefits between DeltaCare and HealthPartners. In 2003, there was a difference between plans for this benefit. In 2004, one model, of a $50 deductible, will be used for both plans for consistency. This will also be an improvement to one of the plans.

Q: How is emergency defined for dental care?

A: It is any treatment that occurs out-of-network, and can range from simple pain treatment to full correction of the problem.

3. RATES AND PLAN DESIGN ISSUES FOR RETIREES' INSURANCE

Karen Chapin distributed a comparison of 2003 and 2004 rates and plan designs. She said that this information was reviewed with Gavin Watt and Ted Litman, as well as a small group of retirees, who also seemed supportive of the direction being taken. She reminded members that these are fully-insured plans and that BCBS rates are based on the University's experience, along with that of the state.

Once the initial rates were received, Karen Chapin called BCBS and HealthPartners about the amount of their increases. She negotiated for a lower increase for BCBS and no increase for HealthPartners.

Plan designs were changed to slow the premium increase rates mainly through the use of co-pays. These changes include: a $10 co-pay for all office visits across all the plans, a $10 prescription co-pay on plans not currently charging co-pays, a difference in cost for generic versus brand drugs, and removing the preventive care package from the Medica offering for consistency reasons.

A committee member thanked Employee Benefits and Karen Chapin for the package availability and the lower costs. Co-pays changes will have long-term benefits for the plans and should be accepted by retirees if explained well.

Q: Do office visit co-pays actually keep costs low?

A: The University has had lower increases compared to the state and national trends through the use of co-pays.

Q; What are the actual savings with co-pays?

A: It is hard to estimate actual savings because it depends on what actual usage would be with and without co-pays in place. Actuarials can provide some figures on cost savings because of the shift to co-pays.

Q: Is BCBS the only plan that offers out-of-network coverage?

A: Medica also has some out-of-network coverage, but it is not at good and there are limits to how long someone can be out-of-network.

Q: From the figures it does not appear that introducing drug co-pays had a big impact on the retiree plan costs. What impact did these co-pays have on the costs for active employees?

A: There were not big changes in the retirees plan because most co-pays involved adjusting the amount being paid or splitting formulary into generic and brand name, not instituting first dollar co-pays as was done for the active employee plans which leads to greater savings.

4. LIFETIME MAXIMUM

Dann Chapman said that the administration decided to implement a $5 million maximum per employee across all plans and to purchase a $5 million stop-loss insurance plan. The maximum will be monitored on a regular schedule for increases and Employee Benefits is committed to continuing conversations with BAC on this topic.

Karen Chapin said that an RFP committee has been formed to purchase the stop-loss insurance and Gavin Watt and Gailon Roen will be serving from BAC. The RFP will be out by the end of August with responses due by the end of September.

5. OTHER ISSUES

Fred Morrison said that the next meeting is September 4. Agenda items for this year will include reviewing final data, 2003-04 work plan, reviewing plans and program changes, and starting work on the RFP for medical plans for 2006 which needs to be done by November 2004.

Karen Chapin said that from 70 applicants, 3 finalists for the position of wellness coordinator are being interviewed.

With no further business, Fred Morrison thanked the members for attending and adjourned the meeting.

Becky Hippert
University Senate