BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
SEPTEMBER 4, 2003

[In these minutes: Bargaining Units Update, Dental Plan, Stop Loss Insurance RFP, Wellness Program Manager Update, Flu Shots, Gopher Health Walk, Health and Benefits Fair Update, 2004 Retiree Medical Plan Update, Final Dental Rates for 2004, 2004 UPlan Employee Forum Presentation, RFP Process, 2003 – 2004 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, Don Cavalier, Joseph Jameson, Carla Volkman-Lien, Wendy Williamson, George Green, Susan Brorson, Steve Chilton, Richard McGehee, Peh Ng, Theodor Litman, Dann Chapman

REGRETS: Karen Wolterstorff, Jody Ebert, Gailon Roen, Amos Deinard, Pat Yozamp

ABSENT: Ronald Enger, Brenda Peltzer, Carol Carrier, Frank Cerra, Keith Dunder

OTHERS: Linda Blake, Karen Chapin, Kathy Pouliot

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

II). ANNOUNCEMENTS/UPDATES:

a) The Teamsters have reached a tentative contract agreement with the University, which is up for ratification. AFSCME and Duluth are currently in the bargaining process.
b) Karen Chapin distributed a summary outlining the dental plan designs. Employee Benefits is moving forward with a self-insured plan on the dental coverage.
c) Employee Benefits is working on a RFP for stop loss insurance. The RFP will request stop loss insurance quotes for two deductible levels, $350,000 and $500,000. Additionally, the RFP will request a quote for $5 million in lifetime maximum insurance and a request

for a lower denomination as well to be used for comparison purposes.

d) Karen Chapin announced that Ruth Rounds has been hired as the University's wellness program manager. Currently, Ms. Rounds works at Fairview-University Medical Center as the Health Promotions – Senior Program Specialist for Fairview University's wellness program, Fairview Alive. Committee members received a copy of Ms. Rounds resume outlining her work experience. Ms. Rounds will start her new position with the University in early October. Professor Morrison stated the Committee looks forward to meeting Ms. Rounds and plans to invite her to a fall meeting to share her ideas for a wellness program at the University.
e) Free flu shots will be offered for employees again this year.
f) As part of the wellness program kick-off there will be a 'Gopher Health Walk' on October 21st, 2003 around the noon hour. This is a two-mile walk starting at the Recreation Center. Ms. Chapin hopes that the BAC will be well represented on the walk. Information will be disseminated to the coordinate campuses regarding this initiative in the event they are interested in planning a similar event. Professor Morrison asked that Ms. Chapin look into flu shots being offered in conjunction with the 'Gopher Health Walk'.
g) The annual Health and Benefits Fair will be held October 28, 2003 on the St. Paul Campus and October 29th on the Minneapolis campus.
h) Ms. Chapin distributed a handout that summarized the University's retiree medical plan and 2004 retiree medical plan design changes. The following information was highlighted for the Committee:
    - HealthPartners has approached the University and requested that the Partners for Seniors plan be eliminated and that only the HealthPartners 65+ plan be offered going forward. The advantages to the HealthPartners 65+ plan include no need for a referral to see a physician in network and Medicare benefits are retained for out of network claims. Professor Morrison noted that Partners for Seniors required assignment of Medicare benefits. As part of a nationwide trend, many plan administrators are discontinuing assigned Medicare plans.
    - Blue Cross Blue Shield (BCBS) rates only increased by 2.5% and there will be nice rate reductions for those participating in the HealthPartners plans.
    - The only plan that saw a dramatic increase in rates over 2003 is the UCare for Seniors plan. This plan, however, remains the lowest priced plan despite this increase.
    - Overall the University of Minnesota over 65 retiree medical plans will only realize a 1.4% increase over 2003.

- Plan design changes include: $10 office co-pay for those participating in Medica, HealthPartners 65+ and UCare for Seniors; modest changes to the prescription drug benefits; elimination of the Medica eyeware and dental preventive package (hearing aid coverage will be retained); elimination of the HealthPartners for Seniors plan option; and the HealthPartners 65+ plan will include improved travel benefits to permit coverage for 9 months out of area, with benefits the same as in area benefits.
- Professor Morrison on behalf of the Committee congratulated the Retiree Subcommittee and particularly Ms. Chapin for a marvelous job of negotiating with the plan administrators and holding costs down on the retiree medical plans.

i) Ms. Chapin distributed a handout with the final dental rates for 2004. These rates can be found on the web at: http://www1.umn.edu/ohr/eb/uplan/04openenroll/dentrates04.htm

III). Next, Professor Morrison called on Director of Employee Benefits Dann Chapman to present to members information from the 2004 UPlan Employee Forums. To date, four forums have been held on the Twin Cities campus, each of which was well attended, and arrangements are being made to conduct coordinate campus forums as well.

To frame the context of his presentation Mr. Chapman noted that the State of Minnesota is facing a projected $4.2 billion budget deficit for the current biennium. The State's budget deficit translates into a $235 million budget problem for the University during the 2004 – 2005 biennium. This is a burden that needs to be shared across the board by all groups; students, faculty and staff.

The UPlan has performed very well since its inception in 2002. The University's risk pool and experience rating is better than when it was with the State. If the University had stayed with the State it is likely that it would be faced with higher increases than have been proposed. If it were not for the University's reduction in its State allocation and the increased costs for health care, the administration would have been reluctant to propose the changes it has been forced to suggest.

Mr. Chapman made a special point of noting that the University is still in the bargaining process and all of the proposed changes are subject to bargaining. He added that it is the intention of the administration to have only one UPlan. If changes occur as a result of the bargaining process, it is likely that these changes would be made across the board.

The UPlan continues to offer the same four medical plan options as when it was launched in 2002. As of 2003, there are 5 new options for dental benefits, improvements were made to employee life insurance coverage and all the remaining University benefits previously purchased through the State are now under the UPlan umbrella.

Major UPlan challenges include:

- Rising costs of health care. The Centers for Medicaid and Medicare Services recently released a report projecting double-digit trend increases in health care costs for at least the next decade.
- Tailoring health benefits, with input from the Benefits Advisory Committee, to better meet the needs of University employees. The University offers a very broad choice of medical plan offerings.
- Promoting wellness and improvements in the health status of University employees.
- Providing quality, cost-effective health benefits during a major budget challenge.

The UPlan in 2004 will continue to offer the same four medical plan options, HealthPartners Classic, Patient Choice, PreferredOne, Definity Health. The same administrators will remain base plan administrators in each of the zones. The term base plan means this is the plan on which the employer's contribution toward the cost of health care is based.

2004 UPlan changes (*denotes no change from 2003):

- The employer share of medical coverage for employee-only will be reduced from 100% to 90% of the cost of the base plan. For family coverage this ratio will be reduced from 94% to 90% of the cost of the base plan.
- The employer contribution for dental coverage for an employee-only will be reduced from 100% of the cost of the base plan to 90%. For family coverage the ratio will be reduced from 69% to 60% of the cost of the base plan.
- Office co-pays will increase.
- Subject to arbitration, it has been proposed that the office visit co-pay subsidy for Duluth would change from $5 to $20; this represents the same office co-pay that all employees pay for Patient Choice where it is not the base plan.
- Prescription co-pays are increasing.
- *Prescription out-of-pocket maximums will remain the same in 2004, $500 for employee-only coverage and $1,000 for family coverage.

- Standardization of prescription dispensing amounts. The reason for the change is that this benefit has been unevenly administered. The UPlan will recognize long term savings by going to an industry standard benefit amount.
- Change prescription coordination of benefits (COB) to pure carve-out. For 2004, this change applies only to prescription COB and not other types of coordination of benefits.
- Lab co-pays are being eliminated.
- Employees will have the option to waive coverage and opt out of the UPlan. At subsequent open enrollment periods, employees can enroll in the UPlan without pre-existing condition limitations or waiting period restrictions. This option makes sense if an employee has coverage elsewhere. However, Mr. Chapman stressed that if an employee does not have coverage through another means, please do not opt out of the UPlan. The University has made every attempt to hold the cost down on the base plan. An employee accepts a huge risk if he/she chooses to go without medical coverage. Because for the first time there is a cost for coverage, the University cannot require employees to purchase health care.
- Spouses or registered same-sex domestic partners, both working at the University, will, for the first time, be able to have one employee cover the other as a dependent.
- A longer waiting period is being introduced. Starting in 2004, coverage will become effective the first day of the month following a 30-day waiting period. In conjunction with this change, the University will now allow employees to purchase coverage from the first day of their employment at full cost until they have satisfied the waiting period and become eligible for the employer contribution.
- Starting in 2004, the plan year is the calendar year and all coverage will start at the beginning of a month not at the beginning of a pay period. Currently, plan years start on the beginning of a pay periods and this means that only very rarely does this coincide with a start date of January 1st. The University administration is adding 3 extra days to the 2003 plan year so there will be no break in coverage.
- Implement an across-the-board lifetime maximum coverage policy for the UPlan. Currently, Definity Health has a $2 million lifetime maximum and the other 3 plans have no lifetime maximum. To be fiscally responsible and to protect the mission of the University, a $5 million per person lifetime maximum will be put in place across all UPlan offerings. Individuals started accumulating experience towards this maximum when the UPlan was created in January 2001. Mr. Chapman stressed two points:

    - It is extremely unlikely that an individual would ever reach a $5 million lifetime maximum.
    - The University administration has made a commitment in writing to employee groups through the Benefits Advisory Committee that this lifetime maximum will be reviewed and revised upward on a regular basis. The administration has tied the lifetime maximum amount to the largest amount of stop loss insurance it can purchase at a reasonable cost.
- The Definity Health Option 1 plan design will remain the same as in 2003 but the rates will increase to support this plan design. For Option 2, the administration held the rates to the base plan amount and made changes to the plan design. Mr. Chapman noted that for the first time with Definity Health Option 2 there is an introduction of co-insurance even in network once the deductible has been satisfied.
- Contributions to the medical and dental options are automatically taken on a pre-tax basis. Mr. Chapman emphasized because medical and dental plan contributions are already pre-tax, they cannot be deducted from a pre-tax account i.e. Health Care Reimbursement Account (HCRA).
- The maximum allowable contribution to an employee's HCRA will increase from $3,000 to $5,000. The IRS does not allow the University to roll an employees' HCRA election over from one year to the next. Therefore, to participate in the HCRA or the Dependent Care Reimbursement Account (DCRA), employees must re-enroll at each open enrollment. Professor Morrison suggested that Mr. Chapman spend more time addressing pre-tax benefits such as HCRA.
- DeltaCare will be eliminated and replaced with DeltaPreferred Option. DeltaPreferred Option will become the new base plan for the Twin Cities/Central Minnesota zone and Duluth zones. In the outer metropolitan and greater Minnesota zones DeltaPreferred Option/Delta Premier is the base plan.
- Beginning in 2004, open enrollment for dental will be every other year, or, in other words, there will be a two-year enrollment period. The rationale for doing this has to do with anti-selection. A member asked whether or not the cost remains the same for the two-year period. Mr. Chapman stated that the cost would definitely change the second year. Because the cost of dental does not increase nearly as rapidly as the cost for medical insurance and because the University will be self-insuring its dental program, it does not foresee a drastic rate increase in the second year. Mr. Chapman reminded members that because the University is self-insured it sets its own rates rather than the plan administrators.

- When making a dental plan selection for 2004, some things to consider are:
  - Cost.
  - Network.
  - Is out-of-network coverage available other than for emergency services?
  - Annual maximum benefit amount; this varies between $1,250 to $1,500 depending on which plan is chosen.
- Mr. Chapman is pleased that the University is able to offer the University Choice dental plan. An advantage to this plan is that if a dentist takes the position that he/she will no longer accept insurance but only cash or credit card, this plan still offers a high level of benefit with this dentist. However, because this provider is not in a network, and, therefore, not under contract, he/she may charge a higher rate for any given procedure than the allowed amounts that are paid under this plan. University Choice reimburses based on a usual and customary set fee schedule. Anything over and above this amount must be paid by the individual directly to the dentist; this is called balance billing. A second word of caution relayed by Mr. Chapman is that under this plan a dentist is not required to process the paperwork for reimbursement and if this happens it is left up to the patient.
- Open enrollment runs from October 16, 2003 – November 15, 2003. Employees need to fill out open enrollment paperwork:
  - To change medical or dental plan options for 2004.
  - To waive coverage.
  - If an employee is currently enrolled in DeltaCare.
  - If both employee and spouse/registered same-sex domestic partners work at the University and want to change from two separate coverages to family coverage.
  - To enroll in Flexible Spending Accounts.
  - If eligible for Long-Term Disability.
  - Short-Term Disability, Additional Life Insurance and Long-Term Care coverage are only open to change this year with completion of a personal health history (evidence of good health).

Upon conclusion of his presentation, Mr. Chapman solicited questions and/or comments. Highlights include:

- A member noted that the cost to Retirees for dental in 2004 would rise significantly.
- Can the University require employees to have health insurance coverage? According to Mr. Chapman, the University has received a legal opinion that it cannot require employees to have health

insurance once there will be a charge for coverage in 2004. Professor Morrison added that to do this would require the University to bargain this change in all its union contracts as well as amend the tenure code to require health insurance as a condition of a faculty appointment; all of which is not feasible at this time.

Professor Morrison congratulated Mr. Chapman on his presentation and all the hard work he has done to get the University to this point.

IV). RFP PROCESS: Professor Morrison noted that the 2003 - 2004 academic year would largely be a planning year. The Committee will need to plan for the next round of RFPs for the selection of plan administrations for the period 2006 – 2011. The present contracts run for 5 years. Because of the bargaining cycle, the contracts will need to be renegotiated during the 2004 – 2005 school year. Before RFPs are sent out in December 2004 or January 2005, the Committee needs to decide what it wants to incorporate in the RFPs. To facilitate this process, Professor Morrison suggested:

a) Conducting plan reviews for each of the four current plans.
b) Conducting an employee survey. Professor Morrison will take the lead on this initiative but asked for members' input on questions they would like to see incorporated into the survey. Professor Morrison asked should the survey be sent out to all employees or should it be a structured sample. This will be something the Committee needs to decide among other things.

Professor Morrison asked the Committee to think about whether they are happy overall with the offerings as they are now or is there an interest in new options e.g. a major medical plan, etc.

A member noted that some employers, in an attempt to contain their share of the costs of health care, are offering 'cafeteria' style plans with defined benefits. Should the administration come to the Committee and suggest this type of plan offering it behooves the Committee to educate itself in advance so it can respond intelligently. Professor Morrison reminded members of the administrations goal of "Moving Toward Benchmarks" and noted that if no one else in the academic world has a 'cafeteria' plan then clearly the University would not move in that direction. Also, he noted that MTB will prove useful when salary discussions arise next year because there are benchmarks that the University needs to be moving toward. Professor Morrison agreed that the Committee should educate itself at a fundamental level regarding 'cafeteria' style plans so it knows what to worry about.

At issue for the BAC in the face of projections of double-digit inflation in health care over the next 10 years, is the Committee's long-term response to this serious quandary. It is likely a long-term response is likely to go beyond the boundaries of the University, and would require national initiatives. In Professor Morrison's opinion, the University has a lot at stake when it comes to considering a tiered system. In many instances employees are subsidizing the health care costs for others. By instituting a tiered system, costs will be shifted to those incur the costs.

V). WORK PLAN AND SCHEDULE FOR 2003 – 2004: Professor Morrison noted that there does not appear to be any significant business for the September 18th meeting. Therefore, Professor Morrison tentatively cancelled the meeting unless something urgent arises. In part, reducing the number of meetings will help to hold down travel expenses and is a cost control devise like the elimination of pastries and beverages.

VI). Hearing no other business, Professor Morrison adjourned the meeting.

Renee Dempsey
University Senate