

BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
FEBRUARY 5, 2004

[In these minutes: Open Enrollment Update, Flu Shot Update, Tiered Premiums,]

[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, Peter Benner, Jody Ebert, Rita McCue, Don Cavalier, Joseph Jameson, Carla Volkman-Lien, George Green, Gailon Roen, Susan Brorson, Steve Chilton, Amos Deinard, Richard McGehee, Theodor Litman, Rodney Loper, Dann Chapman, Keith Dunder

REGRETS: Wendy Williamson, Peh Ng

ABSENT: Ronald Enger, Carol Carrier, Frank Cerra,

OTHERS: Linda Blake, Ted Butler, Karen Chapin, Kathy Pouliot, Ruth Rounds, Jackie Singer, Phyllis Walker

I). Professor Morrison called the meeting to order.

II). Professor Morrison welcomed AFSCME Council 6 representative Peter Benner who is replacing Pat Yozamp on the Committee and Mr. Ted Butler a financial analyst from Employee Benefits who will be sitting on BAC meetings.

III). Professor Morrison called on Karen Chapin to provide the Committee with final 2004 open enrollment information for active employees. Ms. Chapin distributed a handout, 'Final 2003 - 2004 Open Enrollment Comparison for UPlan Medical Coverage (active employees)' and highlighted the following:

- The Definity plan increased its participation from 929 in 2003 to 1,104 in 2004.
- HealthPartners increased its participation from 9,248 in 2003 to 9,412 in 2004.

- PatientChoice experienced almost a 20% reduction in participation from 2003 to 2004.
- PreferredOne participation stayed relatively the same.
- There were 580 individuals that waived medical coverage.

Next, Ms. Chapin referred members to the handout, which compares dental enrollment information between 2003 and 2004. Ms. Chapin noted the following:

- Delta participation decreased by approximately 400 participants.
- HealthPartners participation decreased by approximately 70 participants.
- A total of 512 individuals waived dental coverage.

The next chart provided information concerning medical and dental waivers. Highlights included:

- With respect to medical coverage, 507 individuals chose to waive medical coverage. However, of these 507 people, 217 had coverage through their spouse or ssdp (same sex domestic partner), who is also a University employee. Although the remaining 290 employees that waived coverage were not required to affirm that they had coverage elsewhere, a majority indicated that they did.
- Another 73 people were defaulted to 'no medical coverage' by the University. These individuals had never in their employment history signed a form that authorized payroll deductions for medical coverage. Employee Benefits conducted a special mailing to these individuals indicating that if they did not complete a form authorizing payroll deductions for medical insurance that they would be defaulted to 'no medical coverage'. An appeal process has been put in place for those employees that were defaulted to 'no medical coverage'. If reinstated, coverage would be retroactive to January 1, 2004 and require these individuals to pay all missed premiums dating back to January 1, 2004. Mr. Chapman stated that at the next BAC meeting Employee Benefits would bring copies of the letter sent to employees that were defaulted into 'no coverage' so members can see how specific Employee Benefits is in its communications with these individuals.
- Regarding dental insurance, 443 employees waived coverage. Of these 443 individuals, 195 had coverage through their spouse or ssdp, who is also a University employee.

- Another 69 were defaulted to 'no dental coverage' by the University because they never signed a form that authorized payroll deductions for dental coverage.

Questions/comments from members included:

- How did the number of people that waived coverage compare to what was anticipated? According to Mr. Chapman, these numbers were only slightly higher than expected. In addition, he noted that Employee Benefits monitored the waiver forms with considerable interest as they were received because there was a concern that people would choose to waive coverage. Employee Benefits believes with a high degree of certainty that those that opted out have coverage elsewhere and are not going without coverage.
- How was the letter that was sent to employees that were defaulted to 'no coverage' sent? It was sent first-class to their home address.
- What about an employee that disposes of University communications because they usually are not particularly relevant/important? Mr. Chapman stated it comes down to an issue of personal responsibility. Employee Benefits is sending this correspondence first-class mail in an envelope that clearly identifies the office it is coming from; employees have a responsibility to pay attention to this type of communication.
- Are departments being encouraged to make sure that employees complete their health insurance or waiver forms? Mr. Chapman stated that departments are encouraged to do so, however, he expects that the level to which a department gets involved is very uneven across the University.
- One member noted that some supervisors are not particularly good at communicating new hire information to employees. Some employees do not even know their employment classification e.g. Civil Service or Bargaining Unit.

Other information highlighted by Ms. Chapin included:

- Ms. Chapin referred members to the handouts that depicted what insurance plans employees moved from and where they went to.

- To date 2,249 people have completed the UPlan survey out of approximately 16,000 employees. A reminder was recently sent out asking employees to make sure they complete the survey before Friday's deadline.
- Since January 2004, two new-hires out of roughly 100 new-hires per month have enrolled in the interim employee medical coverage that covers them from their hire date to their effective date.

IV). Based on information received from Gailon Roen of Boynton Health Service, Professor Morrison reported that Boynton Health Service gave 4,299 free flu shots to employees on the Twin Cities campus. In addition, 6,027 students received flu shots from Boynton Health Service.

V). Professor Morrison called on Dann Chapman to lead the discussion on tiered premiums. Mr. Chapman began by noting that there are two variables that will definitely affect the UPlan's rates for 2005 and the possibility of a 3rd factor, which may come into play:

1. Rates will increase due to on-going/ever-increasing medical trends.
2. The employer contribution for family medical coverage, will drop from 90% of the base plan family rate to 85% of the base plan family rate.
3. The University may shift from a two-tiered rate structure to a multi-tiered structure e.g. employee only, employee plus spouse/ssdp, employee plus child or children, employee plus spouse/ssdp and child or children.

Next, Mr. Chapman directed members to the handout in front of them, which outlines the impacts on estimated 2005 UPlan rates incorporating the above three scenarios. With respect to the proposed shift from a 2-tiered system to a 4-tiered system, Mr. Chapman noted the following:

- There would be no impact to employee-only coverage as a result of implementing a tiered system.
- Employees in tiers 2 & 3, employee plus spouse/ssdp and employee plus child or children, would realize a mitigation in their insurance premiums.
- Tier 4 employees, employee plus spouse/ssdp and child or children would realize an increase in their insurance premiums as a result of instituting a 4-tier system.

Mr. Chapman added that moving to a 4-tiered structure would have a similar effect on retirees. An under 65 retiree covering only a spouse or ssdp, would realize a savings in his/her premiums. In addition, an under 65 retiree covering a child or children would also see a savings. However, there are a few retirees that are covering both a spouse/ssdp and a child or children and their rates would jump astronomically because their costs are not subsidized by an employer contribution.

Comments/questions from members included:

- Would it be cheaper for the under 65 retiree covering a spouse/ssdp and child or children to take out a separate policy on the child/children? Mr. Chapman stated for the most part yes, but this is difficult to answer universally because if there was a very sick child involved then the answer would be no.
- How many employees fall into each of the four proposed tiers? A handout with 2003 enrollment information was distributed (this information has not yet been updated for 2004).
- Will the post 65-retiree plan also be reconfigured if a 4-tiered system were introduced? No, the post 65-retiree plan is a fully insured product, which is rated and set by the insurance companies and not by the University. The post 65-retiree product is sold basically as individual policies.
- If a 4-tiered system is introduced, some spouses or same sex domestic partners of University employees, currently covered under the UPlan, may find it cheaper to get their insurance coverage through their own employer.
- What is the breakdown by employee group e.g. Faculty, P&A, Civil Service, Bargaining Unit for those in the proposed tier 4 category? Mr. Chapman stated that Employee Benefits has not yet broken this information out but that they can gather this information and report back to the Committee.
- How will introducing a tiered system impact employees with family coverage who currently cover their child/children in addition to their ex-spouse? Mr. Chapman noted that State law stipulates that an employee has a responsibility to provide coverage for an ex-spouse as long as there is no additional cost to the employee. Therefore, under the University's current structure because there is no additional cost to the employee to cover a former spouse if they are already purchasing family coverage for a child/children, the employee must do so. If the University adopted a tiered premium structure, Mr. Chapman does not believe that just because the

University offers a family rate, that this creates an obligation by the employee to provide coverage for a former spouse.

- A member noted that the reality is that healthy people pay for sick people and young people pay for old people when it comes to insurance coverage. He asked that as discussion continues around the proposed tiered premium issue that all "fairness factors" be taken into consideration and not just family size. Mr. Chapman added that if family premiums are tiered into different family structures and sizes, a decision must be made on where to draw the line. The logical extension of this fairness equation would be to have employees pay for the number of family members they are covering. Naturally, this type of rate structure would be complex to administer and it would penalize large families. On the other hand, there are a significant number of University employees that have contacted Employee Benefits and the BAC over the years, expressing frustration because employees with family coverage get a significantly larger subsidy from the University than single employees. Professor Morrison asked how should the University allocate its health care costs to its employees and is the University doing it in the most appropriate and efficient manner now?
- Professor Morrison noted that as the University's health insurance plan is currently structured, if an employee has family coverage, the University automatically covers health insurance for the spouse despite the fact that the spouse may be able to get insurance through his or her own employer. From an equity perspective shouldn't that spouse's employer provide health insurance for its own employee versus having the University absorb this cost? Instituting the tiered premium structure would be one way for the University to encourage working spouses of University employees to access the insurance plans of their own employer, assuming his or her own employer offers reasonable insurance. The University should not be in the position of absorbing the health care costs of many private employers. Mr. Chapman posed the following question: Should the University change its eligibility rules so that if an employee's spouse has access to reasonable coverage through his/her employer that they will not be an eligible dependent under the University's system?
- A member suggested that if a tiered premium structure is instituted that it be phased in or postponed until 2006. He reminded members that in 2005 the University's employer contribution for family medical coverage will drop from 90% of the base plan family rate to 85% of the base plan family rate. Therefore, the traditional family structure (2 spouses/ssdp with a

child/children) will be hit financially very hard if a multi-tiered structure is instituted in 2005.

- Is the administration considering reducing its contribution for family medical coverage from 85% of the base plan family rate in 2005 to 80% or less in 2006 or beyond? According to Mr. Chapman, there is nothing before the administration to change this percentage contribution, however, this remains open for discussion.
- Should the Committee consider a 3-tiered system instead of a 4-tiered system to reduce the impact to those that must purchase family coverage? According to Mr. Chapman there are a variety of tiered structures, all of which can be considered.
- The University should be trying to make its insurance plans as cost effective as possible. However, the reality is some employees will end up paying more than others for their health insurance.
- Under the University's current configuration small families subsidize larger families. Should the structure be changed so that the larger an employee's family is, the more he/she should pay?
- Professor Morrison asked members to think about yet another structure, the one-tiered system. Under this system, every employee pays the same rate regardless of family size. For example, a single employee pays the same rate as a large family. In addition, he noted the approach the State of Minnesota has taken whereby it covers its employees at 100% but that all dependents are covered at a lesser percentage.
- Mr. Chapman stated that the discussion to create a more distinct tiered rate system was motivated by an equity question. Employees approached both the BAC and Employee Benefits lodging their dissatisfaction with the current system. The intent behind discussing and possibly of instituting a tiered system was not to push dependents on to other employer's insurance. It ultimately, however, may have that effect. On the other hand, it may have the effect of bringing dependents over to the UPlan. For example, if an employee's spouse works for a company with a two-tiered structure similar to the University's current structure, a new 4-tiered structure may look very attractive if an employee's family structure consists of only two adults. If the University moves to a 4-tiered structure there will be lower rates for the two adult family and for the family structure with one adult and a child or children. It is hard to predict how this would fall out except to say that it will cause employees to think about their options and what other coverage they have available through their spouse's employer. For families where

there is a second adult and one or more children, they will need to seriously evaluate their options and consider picking up a piece of their coverage, if not all of it, elsewhere.

- In response to a question Professor Morrison reported that the stimulus for today's discussion was based on: calls received by Employee Benefits over the years from employees dissatisfied with the current two-tiered system, responses to last year's BAC web-based solicitation for comments regarding the UPlan and information from Buck Consultants indicating that most employers offer multi-tiered systems.
- Has the administration looked at the plan that the State has instituted to see if this is something the University should consider? According to Professor Morrison, the University has looked at the State's per capita charge to units per employee based on level of expenditure and it is much higher than the University's current plan.
- One member said that with this discussion the committee is trying to solve a national problem and made a pitch for Universal Health Care.

Professor Morrison noted that this discussion will continue through the spring and into early summer. A member requested that the next time this topic is discussed that the Committee be provided with the following information:

- Rates for a 3-tiered system.
- An example of a plan that would restrict access to the UPlan for spouses/ssdp of University employees with reasonable insurance from their own employer.

VI). Next, the Committee discussed the January 22, 2004 New York Times article, *A Nation of Second Guesses*, which had been distributed electronically to members prior to today's meeting. Professor Loper introduced this agenda item and noted that while it is thought that the more choices an individual has the better, this is not necessarily true. He posed the question; can individuals be given too many choices?

With regard to the UPlan, should the University continue to offer a basic plan, a HMO plan, a PPO plan and a consumer driven plan or should it offer a multitude of plans as long as they meet some basic qualifications/criteria? A member stated that in his opinion the BAC has done the University community a great service by

structuring the UPlan with a basic plan, a HMO plan, a PPO plan and a consumer driven plan and limiting employees choices. Another member stated that the Committee should continue to look at gaps in each of the plans and make adjustments as necessary.

VII). Professor Morrison announced the upcoming meeting schedule and major agenda items:

February 19, 2004 HealthPartners Plan Review

March 4, 2004 PreferredOne Plan Review

April 1, 2004 Definity Plan Review

April 15, 2004 PatientChoice Plan Review

A summary report with comments regarding each plan will be distributed to members prior to each of the respective plan reviews.

Additional agenda items for the spring will include:

- The State's new 'Canadian drug program'.
- The impact of the changes in the Medicare Law.
- Wellness.

It was noted that there will be no meeting on March 18th, 2004 due to spring break.

VIII). Next, a high claims report was distributed to the Committee. While no personal information was shared, the report contained information regarding the number of claimants who had incurred a \$100,000 or more in paid claims for plan years 2002 and 2003 (through May 31, 2003).

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

Renee Dempsey
University Senate