

BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
MARCH 4, 2004

[In these minutes: BAC Appointments, PreferredOne Plan Review, BAC Work Plan, UPlan Work Plan, UPlan Wellness Walking Program, CÆTrek Across the U¹]

[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, Ronald Enger, Don Cavalier, Joseph Jameson, Carla Volkman-Lien, Frank Cerra, Gailon Roen, Steve Chilton, Richard McGehee, Peh Ng, Theodor Litman, Rod Loper, Dann Chapman

REGRETS: Wendy Williamson, Susan Brorson, Amos Deinard

ABSENT: Carol Carrier, George Green, Keith Dunder

GUESTS: PreferredOne representatives: Elaine Anderson, Account Manager; Dr. John Frederick, Medical Director; Paul Geiwitz, Director of Marketing; Mark Herting, Underwriter; Kris Jackson, Director of Pharmacy

OTHERS: Linda Blake, Ted Butler Karen Chapin, Jennifer Durocher, Vic Fickling, Chris Hulla, Mayrunda Phimmavong, Kathy Pouliot, Ruth Rounds

I). Professor Morrison called the meeting to order.

II). Professor Morrison announced that he would be sending out notices to the various constituencies regarding the election of members to serve on the BAC.

III). Professor Morrison called on PreferredOne¹'s Account Manager Elaine Anderson to introduce the other PreferredOne representatives that will be presenting with her today. Upon completion of introductions, Ms. Anderson turned the meeting over to Mark Herting to provide members with the University¹'s utilization information including data on claims funding and experience analysis. Mr. Herting highlighted the following:

- Actual claims for 2002 were 9.9% below projected claims.
- For the first nine months of 2003, actual claims are running 5.1% below expectations.
- Comparing claims utilization data from 2002 to the first nine months of 2003, the University¹'s claims are up by 11.6%. On a PMPM basis (per member, per month), the University¹'s claims are on the high side of PreferredOne¹'s standard book of business. This is non uncommon, however, for organizations in the public sector to have claims that run higher than PreferredOne¹'s average block of business. Much of PreferredOne¹'s commercial business is moving towards instituting deductibles and higher co-pays; it is likely that this is a partial explanation for why PreferredOne¹'s commercial businesses¹ claims are lower than the University¹'s claims.

Next, PreferredOne shared information on the top 10 claims incurred in dollar amounts between January 1, 2002 and December 31, 2003. It was noted these top 10 claims represent approximately 20% of the University¹'s costs. Mr. Chapman noted that PreferredOne, particularly PreferredOne National, has a higher risk profile, compared to the other plans offered by the University.

Co-pay information was provided to the Committee. Not surprisingly, a majority of total co-pay dollars were spent on office visits and pharmacy services.

Kris Jackson presented PreferredOnes¹ pharmacy information and highlighted the following:

- When comparing 2002 pharmacy data against 2003, the University¹'s PMPM costs increased by 10.9%. Nationally, cost increases are averaging 16% - 20%.

- For 2003, the University¹'s prescription plan cost was approximately 87%, while members picked up about 13% of the cost. The nationwide trend is for member contributions to be between 20% - 35%.
- A vast majority of PreferredOne members are getting their prescriptions filled at retail locations versus through mail-order.
- When available and appropriate, the use of generics is preferable over the use of a single-source brand (SSB) drugs. In 2003, 58% of the University¹'s claims were for SSB drugs, and this is quite high compared to PreferredOne¹'s standard book of business, which averages 50% - 53%. Mr. Chapman suggested one way to reduce this percentage would be for a patient and his/her physician to explore a therapeutic equivalent. While a SSB has no generic equivalent, it may be possible to replace a SSB with a generic drug or a less expensive brand drug and still achieve the same results.
- The percentage of generic drugs dispensed from 2002 to 2003 increased from 37.9% to 41.2%. However, 41.2% is still lower than PreferredOne¹'s standard book of business.

Comments/questions from members:

- Is PreferredOne able to do provider profiling to determine which providers write more SSB scripts than others? According to Ms. Jackson, PreferredOne is able to do provider profiling. Some physicians write more SSB scripts than others, and this, in part, can be attributed to the type of diseases they treat e.g. MS, neurological disorders, etc. Mr. Chapman believes there is a lot more data analysis that needs to be done around this issue.
- How often does PreferredOne change its formulary list? PreferredOne aligns itself with Express Scripts National and they manage PreferredOne¹'s formulary list. Drugs are only removed from the formulary list once a year, but new drugs are added as needed throughout the year.

Next, information was shared on the member drug cost share distribution. It was noted, PreferredOne members, under the current co-pay structure, are bearing a greater percentage share of the cost when a generic drug is dispensed as opposed to a formulary brand or non-formulary brand drug.

Comments/questions from members included:

- When the only drug available is a SSB, why should the member have to pay more? Professor Morrison noted that the BAC has taken the position that the UPlan is an insurance plan and not a cost-sharing plan. There should be a price differential between brand and generic drugs as a way to encourage members to use generic drugs when appropriate and available. Mr. Chapman added that the University expects the different plan administrators to make suggestions for possible strategies that can be used to reduce costs. Then, the University needs to decide which ideas make sense for the UPlan and which do not.

Additional pharmacy related information shared by PreferredOne included:

- Therapeutic drug class rankings by total ingredient costs as well as overall drug rankings by total ingredient costs.
- Examples of different pharmacy network discounts and their corresponding savings if the University were to move from its current pharmacy network to a more aggressive network. Express Scripts contracts with pharmacies across the nation at different rates. These negotiations allow Express Scripts to get deeper discounts off wholesale drug prices and/or less expensive dispensing fees in exchange for having a smaller number of pharmacies included in a particular network. Mr. Chapman noted that before any decision were made to move away from the current pharmacy network; an analysis would need to be conducted to determine whether there would still be reasonable access for members under a more restrictive network. PreferredOne will send their analysis of this option to Karen Chapin in Employee Benefits for review.

Comments/questions from members:

- Is it safe to assume that if members used mail order to fill their prescriptions that it would save the University money? It was noted that there is a greater discount off of the average wholesale drug price when mail order is used. However, if mail order co-pays are net set appropriately, it could actually cost the University money to have its employees and their dependents use mail order. If the University decides it wants to launch a large campaign to encourage the use of mail order prescriptions services, an analysis should be conducted to make sure that co-pay amounts are appropriate. Typically mail order

prescriptions tend to be SSB drugs, therefore, the University needs to make sure in the long run promotion of this service will not cost the University money.

- If the pharmacy network were to be downsized, promotion of mail order prescription services might be one way to help off-set access concerns for some members.
- Regarding disease management, is PreferredOne able to track or connect a member¹'s pharmacy claims back to a clinical visit? Yes.

Next, Dr. Frederick spoke to the topic of disease management. He noted that disease management is a good way to control health care costs and to assure quality care is delivered to members. In addition, he noted that other employers in the University¹'s position, with multiple medical plan options for their employees, often choose to have one, consistent disease management program rather than multiple programs. This is something the University should seriously consider. Examples of disease management options available through PreferredOne include:

- PreferredOne/accordantCare - a national organization that focuses on managing low frequency but high impact diseases e.g. hemophilia, lupus, cystic fibrosis, etc. In Dr. Frederick¹'s opinion this option makes a lot of sense for the University to pursue because patients with these diseases contribute a lot to the bottom line and frequently are not getting the optimal care they should. This plan costs approximately \$92 per month per active member and the employer would determine who pays this fee.
- PreferredOne has aligned itself with McKesson Health Solutions to deal with chronic diseases e.g. diabetes, congestive heart failure, asthma, etc. These diseases have been shown to respond to disease management; usually the peak benefit is realized 5-7 years after a patient has been involved in a program. Dr. Frederick briefly described the program. Professor Morrison asked that the fee schedule for this program be sent to Karen Chapin in Employee Benefits.

Comments/questions from members:

- A member asked how patients are identified as potential candidates for these programs. According to Dr. Frederick, members are identified based on claims and pharmacy data.
- Does PreferredOne advise physicians in its network concerning care when a particular physician is not well versed in treating a particular disease? McKesson encourages members to be aware of what the expectation should be in terms of care from their physicians. Beyond that, PreferredOne does not instruct physicians in its network on how to treat a particular disease.
- What if members are not interested in participating in a disease management program? Introduction letters explain to members why they are being contacted and assure members that their privacy will be respected. Ultimately, it is the patient's decision whether they choose to participate or not.
- Is there data to support the efficacy of the disease management programs discussed today? PreferredOne's experience with each of these disease management programs has been very positive.

Professor Morrison stated that the BAC agrees that health risk assessments, wellness program initiatives, health coaching and disease management are all very important. However, the issue before the BAC is how should the University structure its program.

Finally, PreferredOne provided the Committee with information pertaining to its performance with respect to customer service and claims processing. Overall, PreferredOne has performed well.

Professor Morrison thanked the PreferredOne representatives for their presentation, which he stated was very informative.

IV). Professor Morrison introduced the next agenda item, the BAC's work plan for 2004 - 2005. The present set of health insurance contracts will be terminated at the end of 2005. Due to the nature of the bargaining cycle, the next round of contracts for health insurance will be for either 4 or 6

years, 2006 - 2009 or 2006 - 2011. The contract terms will be for one year, renewable, with rate and other adjustments annually.

During this time, the BAC will have the opportunity to:

- Redefine what features are important in terms of health care coverage.
- Obtain new prices from new proposals.
- Reduce administrative costs.

The schedule:

April - October 2004 Discuss the general plan designs for the next round of RFPs.

November - December 2004 Do the technical work on preparing the next RFP.

January - February 2005 Plan administrators/vendors prepare their proposals.

March - April 2005 Review proposals and make recommendations.

May 2005 Issue final recommendations.

October 2005 Open enrollment for 2006 begins.

Prior to issuing the RFP for health insurance, a RFP for consultant services must be issued. The RFP for consultant services will be open to all qualified consultant applicants. The schedule for issuing this RFP is as follows:

March 2004 Issue RFP for consultant services.

April 2004 Receive and evaluate proposals for consultant services.

May 2004 Issue final recommendation.

This RFP process in no way should call into question the consultant services the University currently receives from Buck Consultants. Professor Morrison reminded members that the University¹'s Purchasing Department requires a periodic bid process for these and other similar type services.

A consultant RFP review committee will review proposals and make a recommendation via the usual channels. The BAC will be represented on this review committee.

Issues the BAC needs to explore with regard to the next round of health benefits:

- Pharmacy services including the possibility of the University creating its own Pharmacy Benefits Manager or even its own pharmacy.
- Health education/disease management Should these services remain with each plan administrator or should they be provided uniformly? Can the University achieve cost savings via health education/disease management?
- Does the UPlan currently offer the right mix¹ of plans?
- What role will UMP play in the UPlan?
- Can one administrator offer multiple plans?
- Tiered premiums and tiered coverage.

Data warehouse statistics will allow the BAC to model effects of different options and directions.

The role the BAC will play in this entire process:

- BAC representatives will serve on the consultant selection committee in March April 2004.
- Review of existing plans.
- Begin discussions of alternatives for next RFP in May June 2004.
- Consultation regarding design of the next RFP.
- Representatives will serve on the RFP evaluation committee.
- Consultation regarding significant issues during the selection phase of the process.

Next, Professor Morrison called on Dr. Cerra to provide members with an overview of the proposed UPlan work plan. The Administrative Work Group (AWG) drafted this work plan at its recent retreat. Dr. Cerra is bringing the work plan forward today to the BAC for members input and approval.

Work plan highlights include:

- Develop a firm 3-year work plan but also have a 5-year plan that includes items to be explored further.
- Issue a RFP for consultant services for health benefits.
- Revisit current principles upon which the UPlan is based and redraft to include the evolving vision and work plan.
- Explore pharmacy services to determine whether a different approach would lead to cost savings.
- Develop an approach to manage chronic diseases and conditions.

- Re-evaluate the plan design and develop new plan designs that promote the UPlan principles.
- Issue a RFP for health services.
- Develop a vision and mission for the UPlan to guide its future evolution.
- Create a communications plan for all aspects of the UPlan e.g. wellness, prevention, disease management, etc.

Dr. Cerra stated that this work plan was created in order to promote collaboration between the AWG and the BAC in developing a vision and mission for the UPlan.

Comments/questions from BAC regarding the proposed work plan:

- A suggestion was made to expressly recognizing wellness as a critical part of the work plan.
- Can the materials reviewed by the AWG at their retreat in terms of what other employers across the country are doing with respect to health care be shared with the BAC? Dr. Cerra stated that the AWG would be happy to share these materials and noted that Gavin Watt has copies.
- How much cost is being added to health insurance premiums to cover the uninsured population? Dr. Cerra noted that Minnesota¹'s uninsured population runs around 5% - 5 1/2% which is roughly half of many other states. Currently, because of the way that the State of Minnesota has constructed Medicaid, providers are paying for much of the uninsured population. Chris Hulla added that Minnesota has a much more comprehensive safety net than many other states.
- A member expressed concern over locking into health plan choices or plan designs that would prohibit the University from changing directions. It was noted that while the contracts with the plan administrators will be for 4 - 6 years, they are renewable annually.
- It was noted that many large, private employers are seriously looking at how to pay providers for quality performance. Dr. Cerra concurred that this is happening and the University is looking into this as well. Professor Morrison stated that many employers that are banding together are not doing it on the purchasing side but in terms of the plan design.

- A suggestion was made to have more than just one or two BAC members serve on the various committees that are receiving information and making final recommendations with respect to the UPlan. The BAC needs to be better represented and their perspectives need to be heard at the table. Professor Morrison agreed that this is something that the Committee should discuss further.
- Who sits on the AWG? Dr. Cerra, Dr. Carol Carrier, CFO Richard Pfuzenreuter, Professor Morrison, Dann Chapman, Keith Dunder and Gavin Watt.
- A request was made that on future BAC agendas there be time allocated for an AWG update. Professor Morrison believes that virtually all the topics with policy implications that are raised at AWG meetings are brought to the BAC for discussion within a relatively timely manner.

V). Wellness Ms. Rounds distributed handouts depicting the UPlan wellness walking program, *ŒTrek Across the U¹*. Next, she briefly described the program and noted that the flavor of this program is fun, light-heartedness. *ŒTrek Across the U¹* is being championed by the leadership of the University. As part of this program, employees will be receiving pedometers that not only count steps but miles too.

Professor Morrison noted that wellness would be given more time on a future agenda once the plan reviews have been completed.

VI). Professor Morrison noted that 209 messages, which were stimulated by one of the bargaining units, were received by the BAC via its e-mail address: benefits.feedback@tc.umn.edu. A handout was distributed that contained the standard message along with any additional comments individuals chose to include. Professor Morrison noted that this handout is being distributed for members to review and think about as the Committee begins to contemplate plan designs, etc.

VII). Other Business - The next BAC meeting is April 1, 2004 and that there is no meeting in mid-March due to spring break. Professor Morrison announced that Gavin Watt would chair the April 1st meeting, as he will be out of town. Mr. Chapman also noted that he will also be out of town and unable to attend the April 1st meeting.

A member asked when the UPlan survey results would be available. Karen Chapin stated that they will probably be available in about one month, but she will keep the Committee informed.

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

Renee Dempsey
University Senate