

BENEFITS ADVISORY COMMITTEE  
MINUTES OF MEETING  
APRIL 1, 2004

[In these minutes: Presentation by Definity Health, Announcements]

[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: Gavin Watt (chair), Pam Wilson, Karen Wolterstorff, Jody Ebert, Carla Volkman-Lien, George Green, Gailon Roen, Susan Brorson, Steve Chilton, Amos Deinard, Richard McGehee, Peh Ng, Theodor Litman, Rodney Loper

REGRETS: Peter Benner, Dann Chapman, Joseph Jameson, Fred Morrison, Ruth Rounds, Wendy Williamson

ABSENT: Linda Aaker, Carol Carrier, Don Cavalier, Frank Cerra, Keith Dunder, Ronald Enger

GUESTS: Tomas Valdivia - Chief Medical Officer, Kurt Cegielski - Director of Underwriting, Barbara Flitsch - Sr. Account Executive, Lisa Sekely - Sr. Account Executive

OTHERS: Linda Blake, Karen Chapin, Kathy Pouliot, Ted Butler

## 1 DEFINITY HEALTH

Dick McGehee started by noting that results from the Definity survey he did are still on the web for members to access. From this survey, 63 percent of users are happy with the Definity plan and execution, 80 percent of users like the concept of Definity (PCA and high deductible PPO), and 14 percent of users expressed concern with execution of the plan relating to customer support and billing. He noted that some of the problems reported have been noted since the beginning, and while there has been a slight decrease in the frequency of reports this is still a serious issue.

Another comment expressed by many users was funds in a PCA and FSA and why funds from the FSA cannot be spent first. This is an area that the committee will need to explore, if legally feasible.

Dick McGehee noted that this is not a plan that suits everyone. Some users of the plan were relatively healthy and lower-income employees. If health problems did arise, the PCA was gone quickly and the rest of the expenses were the responsibility of the employee. This type of case was seen a few times last year.

Q: Are only younger, healthier employees enrolling in this plan?

A: No. Many employees with serious health problems are also enrolled. High users find great value in the flexibility and support offered by Definity. The employee cost is a function of plan design and employer contribution, not a cost shift to sicker members.

Barb Flitsch for Definity, said that she has been working with the University for the past two years and appreciates the patience and support that the University has shown. In the last two years, Definity's membership has grown from 5000 to 300,000 and it now enrolls 90 clients. Due to these increases exciting changes are taking place for users, and the company has been cash-flow positive for the last three quarters. She then distributed a series of slides that the other speakers would walk through with the committee.

Curt ??, Actuary for Definity, reviewed statistics on the almost 1200 employees enrolled in the plan, noting the number of single and family coverages as well as the older overall population from the University. He noted that most University employees are using their entire PCA each year. For 2004, Definity is projecting a 10 percent increase in costs, lower than the increases for other health insurance programs.

Q: Why does the University have a lower overall in-patient cost, compared to the Definity average?

A: This may be due to the small population that was enrolled the first year.

Q: Are other clients enrolled with Definity as their only options?

A: Some clients have other insurance options, although there has been a movement to just offering Definity.

Kurt Cegielski then said that the PMPM average for the University is higher than the Definity book of business (BOB), likely due to increased age of University enrollees. The PMPM showed a slight increase in 2002-03. Other trends for the University were an increase in generics drugs and substitution and less mail order of prescriptions, contrary to the BOB. Large claims for the University, which equates to an individual with over \$25,000 in claims in a year, accounted for one-third of the total claims in 2002 and one-fourth of the total claims in 2003. The highest claim payout over the two-year period was \$196,000.

A member noted that a Definity user used the mail order service for five prescriptions, and all five were filled incorrectly, forcing the user to go to a local pharmacy since they are prescriptions needed every day. Once this user had a bad experience with mail order, they said that they will not return to using it.

Dr. Tomas Valdivia for Definity, described the vision for Definity and how it plans to interact with members. In 2001-02, Definity was the first plan to put price information on the web to allow members to better manage their condition and resources. In 2002-03 web tools were enhanced to help users, and other companies started to adopt Definity<sup>1</sup>'s approach.

The results seen to-date have been good, such as reductions in employee costs, but they are not sufficient. The next step is to provide proactive personal information to users to create activated consumers who are prepared to interact with the care system and can find the best value for their dollars when interactions are not acute cases.

He stated that most users want information about health care, but do not want it from their providers since they feel that the provider always has an ulterior motive. Definity needs to engender the trust of its members so they can rely on the information being provided. An example is emails that Definity sends to select members when there is an opportunity to save money or improve the quality of care. If a member chooses to learn more, they click on the link and are taken to a secure site with information relevant to their condition. Members can also learn about these opportunities when they call Definity.

Q: Why do you think that members consider Definity<sup>1</sup>'s plan as different from other providers?

A: For fully-insured plans, there is a set fee PMPM. The plan bares the risk if a member exceeds to fee, but the plan also saves money for members who do not. In self-insured plans, the institution is just charged an administrative fee so employees are ultimately liable to their employer, not a plan. Unfortunately, even though all the University plans are now self-funded, employee still have perceptions of plans from past experience, where the health plan has a hidden agenda to make a profit. Also, other companies still offer fully-insured plans, which can create a conflict of interest for them. Definity only offers a self-insured plan.

Dr. Tom ?? then said that members are using the nurse line, for options and coaching, at two-times the national benchmark and the call times are twice the national standard. Employees on these lines are also instructed to give out their direct numbers so that members can call back, talk to the same person, and establish a relationship. Definity also has 40 percent of its call as outbound, with the goal being to be 50 percent outbound and 50 percent inbound. This increased interaction has been shown to lead to changes in behavior. Definity clinical employees are also offered special training to interact with members.

Q: How much email contact is their with members and does Definity sell its users information?

A: Definity does not sell member information. For its own members, Definity does not send spam, but only notifies members with relevant information.

Q: Is there an incentive for Definity to spend more on its programs?

A: Definity<sup>1</sup>'s goal is to make employees and employers happy, knowing that better results have require a higher expenditure.

Lisa ??, account manager for Definity??, repeated that 53 of the 84 comments received by Dick McGehee were positive for execution. For those with negative results, they related to claims and customer service. She showed the Definity flowchart when it started in 2002, noting the numerous touch points made at each step since most service were out-sourced. The process was sleeker in 2003. She then showed the refine process for 2004, noting Definity will add its own claim

system in May. This will allow Definity more control over the process. Additionally, 250 employees, who already work with the Definity account, will become permanent employees of Definity.

Q: How are members able to reduce their costs?

A: Several examples were relayed, noting that the key concepts are empowering users to ask questions regarding price and services before making decisions.

Q: How does the provider network differ for the Twin Cities versus greater Minnesota?

A: Definity uses the Araz network while Preferred One and Patient Choice use a different PPO; both have a similar discount in the Twin Cities area. Discounts with Araz in greater Minnesota are on par with other plans since no one in these areas offers great discounts. Araz does have an extensive network in the five state area.

Q: Do greater Minnesota members have good service?

A: There are few greater Minnesota Definity members. There has been a shift in Duluth to Definity from Patient Choice, without any negative comments.

Q: Will Definity be able to accommodate Health Savings Account (HSA) funds rather than PCA funds?

A: PCA is actually a health reimbursement account (HRA). HSA is the newest legislative tool from the Medicare reform act that allows employees to put money into it, with or without the employer contributing. The funds are owned by the employee and can be taken with them if they leave Definity. These funds can be used for health care expenses without taxation, but can also be used for other purposes, at which point the funds are subject to a 10 percent tax and treated as income. With an HSA a high deductible plan, with set minimums and maximums, is also legislated so the University would not be able to choose its own gap for employee coverage. The funding mechanism has not been fully explained since funds are added in one-twelfth increments. How would a claim, incurred on January 2, then be paid?

At this point there are more questions than answers. Definity will be working to offer HSA in 2005 at the earliest, but wants to make sure that it can be done right before it is done at all. The plan will be confusing for some employees and could create trust implications for Definity. Upcoming web sessions will be offered for all clients explaining the HSA.

## 2. ANNOUNCEMENTS

Karen Chapin noted that work is progressing on the following RFPs:

- Claims audit for third parties bidders must understand claims processing; committee is looking at five proposals; recommendation will be made to the AWG; it is estimated to be under \$250,000 so it will not need to be presented to the Regents
- Consulting Service committee, composed of Gavin Watt, Carla Lien, Fred Morrison, Dann Chapman, Karen Chapin, and Ted Butler are reviewing the seven proposals; finalist will be sent to the AWG next Friday and will likely need Regents approval
- Grad Assistant Plan committee, composed of George Green, Sue Jackson, two students, 3 insurance professors, and 3 benefits staff people, made the recommendation to the AWG on Tuesday; Regents approval is needed

She then noted that the walking program is moving forward with a target start in May.

Gavin Watt then said that once the consultant has been selected, the UPlan sequel will begin next year. The committee<sup>1</sup>'s recommendation will be made in April 2005, for Regents approval in May 2005. Work will begin this summer and the committee has an all-day retreat planned on August 27 with the consultants. At this time, members should plan on weekly meetings of BAC in September and October so that the RFP recommendations are ready by October/November.

Ted Litman distributed a summary of the responses on the Patient Choice plans, which will be discussed on April 15.

With no further business, Gavin Watt thanked the members for attending and adjourned the meeting.

Becky Hippert  
University Senate

