BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
AUGUST 5, 2004

[In these minutes: Wellness Update, MinuteClinic Update, UPlan RFP Update, 2005 Projected Retiree, Dental and Medical Rates, 2005 Benefit Design Changes]

[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), Linda Aaker, Pam Wilson, Karen Wolterstorff, Peter Benner, Jody Ebert, Ronald Enger, Rhonda Jennen for Rita McCue, Don Cavalier, Joseph Jameson, Carla Volkman-Lien, George Green, Susan Brorson, Steve Chilton, Fred Morrison, Peh Ng, Theodor Litman, Rodney Loper, Dann Chapman

REGRETS: Carol Carrier, Amos Deinard, Richard McGehee, Gladys McKenzie, Kathy Pouliot

ABSENT: Frank Cerra, Keith Dunder

OTHERS: Linda Blake, Ted Butler, Karen Chapin, Patti Dion, Jennifer Durocher, Shirley Kuehn, Ruth Rounds, Jackie Singer, Phyllis Walker

I). Gavin Watt called the meeting to order.

II). Ruth Rounds provided members with a fall 2004 UPlan Wellness Campaign update. The fall campaign will consist of:

- A medical self-care campaign
- Online physical activity tracking
- An employee baseline health survey
- Wellness coordinator recruiting
- Flu shots

A). In terms of the self-care campaign, the University plans to purchase and distribute to all employees, via campus mail, a hard-copy book, [3]Mayo Clinic Guide to Self-Care[2]. This book, however, will have a customized cover promoting the UPlan Wellness Program.

The purpose of this campaign is to encourage employee self-care and appropriate use of professional medical care. Ms. Rounds reported that prior to deciding to go ahead with this particular book, a cross section of the general employee population including some BAC members reviewed the book and rated it very favorably.

The book will be ready for distribution the week of August 16th. Rollout of the medical self-care campaign will include an educational component. Employees will be asked to complete a short educational survey, which will encourage employees to open the book and identify some key components. Employees who return their completed survey to Employee Benefits will receive a small gift.

Questions/comments from members included:

- The retail price of the book is $21.95. Will the University receive a discount off this retail price for purchasing in volume? The University has negotiated a significantly lower price; approximately $4.35 per copy.
- Will only UPlan participants receive the book? No, a decision has been made to distribute the book to all part-time and full-time employees, regardless of their participation in the UPlan. The administration plans to implement wellness initiatives as broadly as it can reasonably afford to do.
- Will the book at some point be extended to the retirees? Employee Benefits will look into this.

Ms. Rounds also noted that another component of the self-care campaign will involve Employee Benefits promoting the use of nurse lines, which are available within the different health plans.

B). Ms. Rounds announced that the fall campaign will continue to encourage physical activity for employees and their dependents through online physical activity tracking.

C). A baseline health survey will be conducted in October 2004. The purpose of the survey will be to assess University employees[1] health issues as a basis for future UPlan Wellness Program initiatives and to provide baseline population health information.

D). Efforts will be made in the fall to identify and train more wellness coordinators for work teams in colleges and departments on all campuses.

E). Ms. Rounds reported that, once again, flu shots will be offered in the fall.

III). Ms. Chapin provided a MinuteClinic update. She highlighted the following information:

- To date, slightly over 500 UPlan participants have visited a MinuteClinic facility. Each time a UPlan participant uses a MinuteClinic facility, it translates into savings for both the participant as well as the UPlan.
- On October 4, 2004 a MinuteClinic facility will open on the first floor of Coffman Memorial Union. The clinic will be open from October 4, 2004 – April 29, 2005.
- Unfortunately, negotiations with MinuteClinic to open a site in Duluth have been unsuccessful. Employee Benefits is working to see if there are other viable alternatives that would provide services similar to a to a MinuteClinic in the Duluth area.

IV). Gavin Watt reported that over the course of the next several months preparations for and the execution of the 2006 UPlan medical and dental RFPs will take place. He reminded members that on Friday, August 27 there will be an all day, joint BAC/AWG meeting in #101 Walter Library. This meeting will provide members with an overview of the RFP issues that need to be addressed. The top three issues to be discussed that day are:

1. The future of pharmacy programs.
2. Health improvement/wellness.
3. Changes that should be incorporated into plan designs.

Finally, Mr. Watt provided members with a timeline for the RFP process occurring over the next several months.

V). Next, Dann Chapman reported on 2005 projected retiree, dental and medical rates and 2005 benefit design changes. Highlights included:

- A handout with proposed retiree rates for 2005 was distributed. The rates presumed no changes to plan/benefit design. Projected rates for 2005, according to Mr. Chapman, were reasonable.
- Dental rates for the most part will remain flat for 2005 with the exception of University Choice, which will increase slightly. This can be attributed to the University[1]s decision to self-insure its dental plans in 2004. In order to build up the IBR (reserve), the 2004 dental rates were set at fully insured rates. This allowed the University in 2004 to build reserves and keep dental rates relatively flat for the 2005 plan year.
- Mr. Chapman reminded members of the benefit changes that will occur in 2005, and which were agreed to prior to 2004:
  - PreferredOne National office co-pays will increase from $25 to $30.
  - Prescription Out of Pocket Maximums will increase from $500 to $750 for employee only coverage, and from $1,000 to $1,500 for family coverage.
  - The University[1]s contribution toward family coverage will decrease from 90% to 85% of base plan rates.
- There will be a 2005 benefit design change impacting Definity. The employer contribution to Option 1 & 2 PCA accounts will be reduced from $750 to $600 for employee only, and from $1,500 to $1,200 for family coverage. The PCA reduction on Option 2 brings the plan pricing to the base plan level and the PCA reduction on Option 1 helps assure that the price does not become so high that it completely discourages participation by healthy employees. To comply with IRS regulations surrounding PCA accounts, the University had no choice but to make the PCA amount identical in both options.
- Effective fall 2004, open enrollment will be done on-line. Mr. Chapman recognized this change will create a problem for a small segment of the University[1]s population. Plans are underway to facilitate open enrollment for employees that do not have computer access at home or work.
- In 2005, St. Mary[1]s Duluth Clinic (SMDC) will move from PatientChoice Cost Group 2 to Cost Group 1. This means that Duluth employees and their dependents will be able to access both care systems, CareNorth and SMDC as part of the base plan for 2005. A Duluth member complimented Employee Benefits on this achievement.

    Mr. Chapman noted that this represents a significant reduction in SMDC[1]s pricing over the past two years, because they moved from Cost Group 3 to Cost Group 1. He went on to caution members, however, that there is always the potential for care systems to change cost groups in future years. Additional information shared by Mr. Chapman regarding this change included:
    - Employees in Cost Group 2 that wish to remain with SMDC need to change their election to Cost Group 1 during open enrollment.
    - Any employees currently with CareNorth that wish to transfer to SMDC will need to change their clinic election through PatientChoice in December so it is effective January 1, 2005.
    - Employees that wish to access out of network benefits through PHCS, for family members who are out of the area for 30 days or more, can do so by changing to PatientChoice Twin Cities Cost Group 1.
- There will be no open enrollment for dental insurance in 2005. The next opportunity to make changes to dental elections will be during open enrollment 2005 for plan year 2006.
- With respect to the proposed medical rates distributed to members, Mr. Chapman noted that while these numbers are not cut in stone, any changes would be small and not impact the relative ranking of the plan options.
- A factor that could impact the final UPlan medical rates is the possibility of instituting higher co-pays for UMP visits. Mr. Chapman noted that various employee groups have expressed concern that UMP is being subsidized by the base plan. Alternatively, there are employees who believe they should be able to access UMP. Employee Benefits spent a considerable amount of time and effort researching UMP costs in order to determine how much of the higher costs are due to the higher risk/poorer health of the individuals accessing UMP through HealthPartners, and how much of the cost can be attributed to the inefficiency of UMP. After much investigation it appears that only part of the extra cost can be attributed to the poorer health of its patients, but not all. Therefore, it is time to look for a mechanism to eliminate that subsidy. Options that were considered in determining how to handle this dilemma included:
    - Pull UMP out of the base plan.

    - Create another HealthPartners plan; one plan that would have access to UMP and another that would not. According to Mr. Chapman, to do this would create considerable administrative burden and cost. Additionally, creating two separate plans sets up the possibility for a huge anti-selection issue.
    - Implement a surcharge on the UMP care system through an increased co-pay amount e.g. $20 or $25 for UMP visits only. While HealthPartners is able to implement a differential co-pay for UMP visits, the University is requesting HealthPartners implement a differential co-pay arrangement for UMP visits with the exception of Boynton Health Service, which has been found to be an efficient provider within the UMP system.

  Mr. Chapman acknowledged the need to have a conversation with bargaining unit representatives to determine if there are bargaining implications associated removing the UMP subsidy from the base plan. He added that removing this subsidy reduces the HealthPartners rate because the cost that is unique to UMP gets isolated out and charged via the co-pay mechanism rather than through the premium rate. Mr. Chapman noted that UMP is concerned about their pricing and knows they need to become more efficient.
- Based on the University's experience, the trend for 2005 is expected to rise by approximately 8.25%, which is considerably better than the marketplace. As a result, premium increases for 2005 will be significantly less than that initially projected by Employee Benefits earlier this year.

Comments/questions from members in response to Mr. Chapman's presentation included:

- A member pointed out that the decrease from 90% to 85% in the University's contribution toward family coverage, will cost employees with family coverage approximately .24 cents per hour out of their salary to pay for this coverage. This member believes that this is a compensation issue, which needs to be addressed by the administration.
- If the UMP surcharge were not implemented, what would this mean for the HealthPartners premiums? According to Mr. Chapman premiums would increase by approximately $1.00 for single coverage per pay period and roughly $2.00 for family coverage per pay period.

- Why will the PreferredOne National premium go down? Mr. Chapman stated that based on experience the PreferredOne National rate should be priced between PatientChoice Tier 1 and Tier 2 because it has a significantly higher out of pocket exposure, and, also, because it is a blend of providers.
- A member requested Mr. Chapman describe the methodology of Œrisk adjustment[1]. Mr. Chapman noted that Œrisk adjustment[1] impacts rates by looking at the health conditions of the individuals that choose various plan options. Rates are then adjusted so individuals are not unduly penalized or benefited by choosing a plan that attracts a lot of bad risk or a significant amount of good risk. The rationale for using Œrisk adjustment[1] goes back to the UPlan principle, which states the University will maintain choice for its UPlan participants. The University does not want plans to go into a death spiral and collapse. Between 2002 and 2004, the cost gap between the low cost plan and the higher cost plans increased significantly. When this happens, there is a high risk for a death spiral for the more expensive plans. The logical conclusion to this scenario is that the University would eventually end up with only one plan option. If this would occur then the rate for the one plan would jump to the median price to support the costs of the entire University population.
- Have there been instances of plans going into a death spiral? Mr. Chapman stated that it happened a couple of times in the State plan.
- Concern was expressed over lower paid employees ability to pay ever-increasing premiums. The administration needs to be sensitive to this issue and address it. Mr. Chapman acknowledged these concerns and stated that the administration has taken steps to address this issue e.g. $12/hour minimum wage, lump sum payments to supplement rising health care costs for employees below a certain salary threshold.
- The administration should consider administering a UPlan that is based on an employee[1]s ability to pay.
- Because employees can opt out of insurance coverage there is the danger that the University could potentially have many uninsured employees. The University needs to adjust its compensation scale, if it plans to continue to put through ongoing, skyrocketing health care premiums. Mr. Chapman stated that the administration echoes these concerns and did not choose to implement the changes it was forced

to make to the UPlan; however, due to State funding cuts the University had no choice.

- Employees are not in the base (low cost) plan because they are healthy, but rather they cannot afford anything better. Twelve dollars per hour is not a living wage. Mr. Chapman challenged the assumption that the base plan is poor coverage, and emphatically stated that this is not true. He stated that the base plan is a better plan with a richer benefit set than the buy-up options. The difference between the base plan and the buy-up options is choice; the base plan has a more restrictive network.
- Is HealthPartners the only care system that offers a tightly managed HMO option? No, but based on the RFPs the University received in 2001, HealthPartners was chosen as the best option for this type of plan.
- Better health care coverage means patients should have a choice of physicians, and the University[1]s low cost carrier does not allow choice.
- Does the design of the UPlan influence plan usage? Mr. Chapman stated that this is a good question and Employee Benefits would need to evaluate it before he could respond.
- The University should support the UMP philosophy despite the fact that its clinical teaching and research functions are a part of its inefficiencies. Mr. Chapman stated that UMP needs to respond to the cost issue of their care philosophy. University employees should not have to absorb the cost of UMPs[1] inefficiencies in their premiums.
- When will the University have enough money in the IBR (reserve) to cover the University[1]s risk, and, as a result, have better control over premiums? Mr. Chapman stated that this question requires a very complicated answer. In theory, the University would never stop collecting some contribution toward IBR. He explained that IBR has to continually grow as a percentage of claim dollars since the reserve needs to keep up with trend and inflation. IBR reserves need to exist to pay all outstanding claims should the University ever choose to terminate the UPlan. Currently, the IBR is under-funded, but the administration does not look to employees to make up the shortfall; rather it has chosen to deal with the deficit in other ways e.g. the fringe rate charged to departments.

Mr. Chapman reminded members that the rate handouts distributed today are confidential because they are not final. He asked members who plan to share this information with their colleagues to speak about the rates in general terms and to not share specific numbers from the handouts.

VI). Hearing no further business, Gavin Watt adjourned the meeting.

Renee Dempsey
University Senate