BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
SEPTEMBER 9, 2004

[In these minutes: Welcome to New Member, Professor Don Harriss; Meeting Minutes; Proposed Changes to the Over 65 Retiree Health Plan for 2005; Introduction of Caroline Carlin; Error in Previous Handout; RFP Discussion]

[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, William Roberts, Pam Wilson, Karen Wolterstorff, Peter Benner, Jody Ebert, Ronald Enger, Rhonda Jennen for Rita McCue, Don Cavalier, Joseph Jameson, Michael Marotteck, Carla Volkman-Lien, Carol Carrier, George Green, Carl Anderson, Susan Brorson, Don Harriss, Fred Morrison, Peh Ng, Theodor Litman, Rodney Loper, Dann Chapman

REGRETS: Richard McGehee, Jennifer Durocher

ABSENT: Frank Cerra, Keith Dunder

GUESTS: Paul Wernick of Watson Wyatt

OTHERS: Linda Blake, Ted Butler, Caroline Carlin, Karen Chapin, Shirley Kuehn, Kathy Pouliot, Ruth Rounds

I). Gavin Watt called the meeting to order and welcomed the Committee¹s newest member, Professor Don Harriss, to the meeting. Professor Harriss replaces Professor Steve Chilton as the UEA (University Education Association) representative on the BAC. Gavin Watt noted that Professor Chilton and his insight into the issues discussed by this Committee will be missed.

Gavin Watt deferred a question regarding meeting minutes to Professor Morrison. At this stage in the RFP discussions, Professor Morrison advised that the meeting minutes include items discussed and any conclusions reached by the Committee. Mr. Watt reminded members that the Committee is charged with making recommendations to the administration on what should be included in the RFP. He encouraged members¹ participation in this process.

II). Employee Benefits Announcements:

A. Karen Chapin distributed a handout, which provided information on the proposed changes to the over 65 retiree health plan for 2005. Ms. Chapin highlighted the following:
    - UCare for Seniors premium will rise by 6.4% in 2005; however, this rate is still 1.4% lower than the January 1, 2004 UCare for Seniors rate. It was noted that as of March 1, 2004, UCare for Seniors reduced their premium based on a credit returned from Medicare.
    - For 2005, there will be a 5.6% rate increase for Medica Group Prime Solution. Medica had initially proposed between a 10% - 11% increase. By making only a minor plan design change, the rate increase was able to be held down to just over 5%. The plan design change involves increasing the brand prescription drug co-pay for Medica from $17 to $20. The generic co-pay for 2005 will remain the same as 2004, $11.
    - After some negotiations, Blue Cross Blue Shield (BCBS) agreed to a zero percent increase for 2005. BCBS has requested to sit down with the University to discuss modifying the plan design for 2006 and beyond to make it more competitive with the other retiree medical plans in terms of price. Currently, the BCBS plan has a much richer benefit set than the other plans, and, as a result, a significantly higher price tag.
    - HealthPartners reduced their 2005 premium rates by 8.4% after the University agreed to change the brand prescription drug co-pay from $10 to $20. The generic prescription drug co-pay will remain the same as 2004, $10.

Ted Litman complimented Ms. Chapin on her keen ability to negotiate these relatively minimal rate increases in light of skyrocketing medical costs.

The Committee unanimously endorsed the proposed changes to the over age 65 retiree health plan for 2005 brought forward by Karen Chapin.

B. Dann Chapman introduced Caroline Carlin, a graduate assistant in Employee Benefits. Ms. Carlin is doing data analysis for Employee Benefits and will be attending BAC meetings as her schedule permits.

C. There is a mistake on slide 46 from the handout distributed at the August 27, 2004 BAC/AWG Retreat. This slide does not accurately depict employees¹ share of contributions to the UPlan. In reality, employees pay less than what this slide indicates. A corrected copy of this slide will be distributed to members at a future meeting. The change to this slide may also have an impact on slide 47, and, if this is the case, this slide will also be corrected.

III). RFP discussion highlights around the issue of pharmacy management included:

A. Pharmacy Benefits Manager (PBM) issues considered:
   - Should the University Œcarve-out¹ its pharmacy services so there is one PBM across all health plans? If the University decides to Œcarve-out¹ its pharmacy services, what type of PBM should it go with: a traditional PBM, a customized PBM or a UPlan owned and operated PBM?
   - Should the Œcarve-in¹/¹carve-out¹ option also be included in the medical RFP?
   - Regardless of the type of PBM that is chosen, a critical question to ask is how extensive is the PBM¹s formulary. Besides a PBM¹s formulary, other possible disruption factors to consider include pharmacy availability for employees in rural areas and for retirees that have moved out of state.

Members concurred that issuing RFPs for the options above would be the best way to help determine which PBM approach would be the most feasible for the UPlan and its employees. Issuing an RFP is a way to collect information and by no means locks the University in to any decision at this point.

B. UPlan owned pharmacy issues which were discussed included:
   - The UPlan and its employees could likely realize substantial savings with an employer owned pharmacy, although there are no guarantees.
   - Privacy/confidentiality concerns.
   - Access.

- Should a University owned pharmacy be allowed to operate independently in the marketplace or should employees be incented or mandated to use an internal pharmacy?

There was no substantive objection on the part of the Committee for the University to not investigate further owning its own pharmacy or to incentivize its employees to use an internal pharmacy. Members were not keen on the idea of mandating employees to use an internal pharmacy. Regarding privacy/confidentiality, a decision was made to have a follow-up discussion around this issue in conjunction with the topic of wellness/health improvement within the next few weeks.

C. Pharmacy plan design considerations:
   - Co-pay versus co-insurance model. The rationale behind the co-insurance model is to educate customers about the price of their medications by having them pay a percentage of their prescriptions as opposed to a fixed co-pay rate. The co-insurance model incents patients to work with their physicians in prescribing the most cost effective drug within a therapeutic category. Physicians currently have no financial incentive to change their prescribing patterns; therefore, it is necessary to get the consumer involved in the process. Proposed alternatives to a strict co-pay or strict co-insurance model included:
     - A flat co-pay on generic prescriptions and co-insurance for brand prescriptions.
     - Use the co-pay model for the base plan and the co-insurance model for the other plans.
   - Investigate the logistics of facilitating UPlan participants to purchase their prescription drugs from Canada.

The issue of pharmacy plan design e.g. co-pay versus co-insurance will be continued at the next meeting on Thursday, September 16, 2004.

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

Renee Dempsey
University Senate