

BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
MAY 5, 2005

[In these minutes: Employee Benefits¹ Announcements, 4-Tiered Rate Structure, Pharmacy Co-Pays, Health Care Rates Based on Income]

[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, Karen Wolterstorff, Jody Ebert, Ronald Enger, Rhonda Jennen for Rita McCue, Penelope Morton, Don Cavalier, Joseph Jameson, Michael Marotteck, Carla Volkman-Lien, George Green, Carl Anderson, Fred Morrison, Richard McGehee, Peh Ng, Theodor Litman, Rodney Loper, Dann Chapman, Keith Dunder

REGRETS: Pam Wilson

ABSENT: Peter Benner, Carol Carrier, Frank Cerra

OTHERS: Bob Altman, Linda Blake, Ted Butler, Joyce Carlson, Karen Chapin, Amos Deinard, Jennifer Durocher, Nancy Fulton, Betty Gilchrist, Joe Kelly, Shirley Kuehn, Gladys McKenzie, Eric Miller, Kathy Pouliot, Ruth Rounds, Jackie Singer, Curt Swenson, Phyllis Walker

I). Gavin Watt called the meeting to order.

II). Employee Benefits¹ Announcements:

- On May 12, 2005 the Administrative Working Group (AWG) will provide the Board of Regents with an overview of its UPlan RFP, contracting and implementation efforts. Due to the vast interest in this topic, Employee Benefits will immediately communicate highlights of this presentation to the broader University community via a mass email. Additionally, the information will be posted to the Employee Benefits¹ website at: <http://www1.umn.edu/ohr/eb/>.
- In light of the significant number of changes that will occur to the 2006 UPlan, a ³positive enrollment² is being contemplated for this fall. ³Positive enrollment² means that all employees would be required to make an active election for their medical plan benefits versus being defaulted into a plan. Under the current practice, employees can roll their election forward from one year to the next without making an active election. From a legal perspective, it is unclear whether Employee Benefits has the proper documentation on record that would permit it to move an employee's election from one administrator to another without their permission.

- A brochure for QuickCare in Duluth was distributed to members for their review. This brochure serves as a reminder about the clinic and outlines the services that it offers. While both QuickCare and MinuteClinic will close for the summer, each will reopen in the fall, with QuickCare opening in September and MinuteClinic opening in October. A member stated that MinuteClinic should open in September too. This suggestion was duly noted. Karen Chapin volunteered to bring statistics about QuickCare usage to the May 19th BAC meeting. Also, at this meeting, Ms. Chapin will bring forward a recommendation on new hours for MinuteClinic.
- Vendors have been invited to participate in the University's Farmer's Market, which will be open July 13th and run through August 24th. This will be a mid-day market, located on Church Street.
- As part of its on-going commitment to wellness, the University is sponsoring 20-minute walks on the first Wednesday of each month at 1:03 p.m. These wellness walks started yesterday, Wednesday, May 4th and will continue through September. For more information visit the UPlan Wellness website at <http://www1.umn.edu/ohr/eb/wellness/resource.htm>.

III). A spreadsheet, "Effect on Employee Rates of 4-Tier Rate Structure¹", was distributed to members to facilitate the committee's discussion on whether the University should retain its two-tier rate structure or move to a four-tier structure. Based on information from the University's consultants, Watson Wyatt, moving from a two-tier structure to a four-tier structure would be cost neutral for the University.

Members spent a considerable amount of time debating the pros and cons of a two-tier versus four-tier structure. Reasons cited in support of moving to a four-tier structure included:

- A perception by the legislature that the University offers "too" generous of a health care plan for its employees.
- Additional cost increases for the UPlan as spouses/partners of University employees decline health care coverage with their employers because they can secure it through their spouse/partner at the University at a relatively low rate. Over the past 30 – 40 years, an increasing number of spouses/partners are employed outside the home and their employers offer health insurance coverage, which they should be accessing. The University needs to create a system that responds to these changing demographics.
- Primary and secondary insurance coverage issues would become much simpler to deal with under a four-tier structure.
- A majority of employers have moved to a multi-tiered structure, and only a handful of employers continue to use the two-tier structure.
- While those in the 4th-tier (2 adults and child/children) would face a rate increase, employees in tier 2 (two adults) and tier 3 (1 adult and child/children) would experience a rate decrease.
- If a four-tier structure were put in place, divorced couples with dependent children could purchase insurance at the tier 3 rate and no longer have to cover

their ex-spouse; thus saving money. In this instance, single parent families with children would save money.

Reasons cited in opposition to implementing a four-tier structure included:

- The cost increase to those in the 4th tier would be an unfair burden.
- Young couples starting families will incur health care costs above and beyond their senior counterparts who are likely earning more money.
- Employees in tier 4 may choose to go without coverage.
- University employees have increasingly had more and more of the financial burden of their health care costs shifted onto them with increased co-pays and a decrease in the University's contribution toward family coverage. Additionally, although not directly related to health care costs, employees endured a wage freeze in 2004, which has had obvious financial implications.

After much discussion the Committee put forward a recommendation that the AWG consider a phase-in pricing strategy for a four-tiered rate structure.

IV). Next, the Committee discussed pharmacy co-pay rates. The University's current pharmacy co-pay structure is:

- Formulary drugs - \$15
- Non-formulary drugs - \$25
- Lifestyle drugs - \$50

A handout was distributed that outlined other potential pharmacy co-pay options. The Committee discussed the following co-pay alternatives:

Option 1:

- Generic drugs - \$10
- Formulary brand drugs - \$20
- Non-formulary brand drugs- \$35

Option 2:

- Generic Plus drugs - \$10 (Includes generic drugs as well as certain low cost brand drugs with no generic therapeutic equivalent)
- Formulary brand drugs - \$20
- Non-formulary brand drugs- \$35

Option 3:

- Generic drugs - \$10 (possibly even lower)
- Preferred brand drugs - \$15 (Low cost brand drugs or brands with no generic therapeutic equivalent)
- Premium brand drugs – \$25
- Non-formulary brand drugs - \$40

After learning more about each option, and weighing the pros and cons of each, the Committee endorsed Option 2. Additionally, a recommendation was made to constitute a BAC Subcommittee to work with Employee Benefits in monitoring the construction and oversight of the UPlan's pharmacy benefits manager.

V). Gavin Watt introduced the last agenda item, health care rates based on income. He noted that should the University decide to move forward with this approach, it would require significant administrative overhead, and, therefore, lead-time. Does the Committee want to address this item today, at a future meeting(s) or never? Members agreed that in light of time, and without specific options to consider, it would not be prudent to pursue this discussion further today. Mr. Watt volunteered to pull together website links, which illustrate how other institutions have moved forward with this approach.

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

Renee Dempsey
University Senate