

BENEFITS ADVISORY COMMITTEE  
MINUTES OF MEETING  
MAY 19, 2005

[In these minutes: Announcements, RFP Subcommittee Presentation, Board of Regents Presentation]

[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), William Roberts, Pam Wilson, Karen Wolterstorff, Peter Benner, Jody Ebert, Ronald Enger, Rhonda Jennen for Rita McCue, Joseph Jameson, Michael Marotteck, Carla Volkman-Lien, George Green, Don Harriss, Fred Morrison, Richard McGehee, Peh Ng, Theodor Litman, Rodney Loper, Dann Chapman, Keith Dunder

REGRETS: Linda Aaker, Don Cavalier, Carl Anderson

ABSENT: Carol Carrier, Frank Cerra

OTHERS: Bob Altman, Linda Blake, Ted Butler, Karen Chapin, Amos Deinard, Jennifer Durocher, Nancy Fulton, Betty Gilchrist, Joe Kelly, Shirley Kuehn, Eric Miller, Kathy Pouliot, Ruth Rounds, Curtis Swenson

I). Gavin Watt called the meeting to order.

II). ANNOUNCEMENTS:

- Karen Chapin provided members with a MinuteClinic update. MinuteClinic reports were distributed, which contained activity and other relevant information. Total 2004 visits were 1,101. Clinic visits from January 1, 2005 – April 30, 2005 were 906, of which 385 visits occurred at Coffman Memorial Union (CMU). The nurse practitioner at the CMU MinuteClinic sees a lot of repeat patients who are very happy with the location, convenience, and level of service delivered. High volume treatments include bladder infections, bronchitis, ear infections, sore throat and strep retests.

MinuteClinic is putting more locations in Target Stores and plans to open clinics in CVS/pharmacy locations as well. In June, MinuteClinic will open in two locations in CVS/pharmacy stores, Eagan and Plymouth.

MinuteClinic plans to offer three new services – thyroid testing, memory assessments and Chlamydia testing. The University does not have control over which services MinuteClinic decides to offer.

Currently, the CMU MinuteClinic is open from 10:00 – 5:30. Based on usage patterns, a proposal was put forward to change the hours to 8:30 – 4:00. Members endorsed this proposal.

- Karen Chapin shared the February through April 2005 QuickCare (UMD) visit information. So far, there is not a particularly high number of people coming into the clinic, however, it is anticipated that the use of the clinic will increase over time. The high volume treatments at QuickCare tend to be very similar to those treated by MinuteClinic.
- Kathy Pouliot distributed an information piece, which provided information on Minnesota Life's decision to re-brand their financial products to make them more nationally acceptable. The Securian Retirement Services brand will replace the Minnesota Life name.

III). Using a PowerPoint presentation, Professor Morrison shared the report/recommendations of the RFP Subcommittee with the BAC. Currently, the University has four types of health plans:

1. Plan A – The base plan, a HMO.
2. Plan B – A tiered HMO.
3. Plan C – A PPO.
4. Plan D – Consumer driven plan.

This year the BAC recommended the following changes be made to the 2006 Uplan structure:

- Introduce competition in the base plan in the Twin Cities area.
- Eliminate the outer metro area by absorbing these participants into the Twin Cities, Duluth or greater Minnesota areas.
- Offer two types of consumer driven plans, a Health Savings Account (HSA) and a Health Reimbursement Account (HRA).
- Seek separate carve-out and carve-in proposals for pharmacy services as well as investigate the possibility of the University owning a pharmacy.
- Seek carve-out and carve-in proposals for health improvement services.
- Add out of network features to the base plan.
- Raise the emergency room co-pay for the PPO plan from \$50 to \$75.

Professor Morrison chaired the RFP Subcommittee. He thanked RFP Subcommittee members for their hard work as well as others who provided support and expertise to the Subcommittee.

Subject to the successful completion of negotiations with the vendors, the 2006 – 2009 UPlan structure will be as follows:

- Base Plan 1: The Twin Cities new base plan will be Medica Essential Elect. This is a combination of two Medica networks, Medica Elect and Medica Essential. Care systems within the Medica Elect network are Allina, Aspen, CareNorth (Duluth), Children's Physicians Network, Hennepin Faculty Associates,

Minnesota Healthcare Network, Park Nicollet Health Services, Riverway Clinics and the Stillwater Medical Group. Care systems within Medica Essential are Fairview Physician Associates, CareNorth, Dakota Clinic and HealthEast. This plan was chosen based on price, quality and other factors outlined in the RFP as being important. All members of a family must be in either Medica Essential or Medica Elect, but the entire family can move back and forth between networks on a monthly basis.

- Base Plan 2: The second Twin Cities base plan will be HealthPartners. HealthPartners did not present the Subcommittee with the most economical bid. HealthPartners will no longer be the lowest cost plan. Employees wishing to stay with HealthPartners will have to pay the cost differential between HealthPartners and Medica Essential Elect. Some clinics will be accessible through both plans. University of Minnesota Physicians (UMP) and Boynton will continue to be available through both base plans.
- PatientChoice Insights by Medica will be the tiered option. Most clinics and providers in the current PatientChoice plan will continue to be available under this plan. Unlike the present PatientChoice plan, there will be one premium level for all tiers. The rate differential will occur at the co-pay level. There will be different co-pays for different clinics and hospitals. All clinics in the network can be accessed and the patient will pay the co-pay for the specific provider that is chosen. A difference between the PatientChoice Insights plan and the current PatientChoice model is that the tiering will be done at the physician level rather than by an entire care system. This means that there will be more providers available at the lower tiers.

Before the PatientChoice Insight premium can be calculated a decision regarding the co-pay structure will need to be made. Members were asked if this plan should be somewhat competitive with the base plans in terms of premium equivalent or whether it should be competitive with the PPO plan.

Two co-pay options were discussed at length, as was the possibility of instituting uniform hospital charges, which was mentioned briefly. Before making a recommendation, members requested receiving premium estimates for each co-pay option discussed. Members also favored a differential especially between tiers 2 and tier 3. Discussion of this issue will be continued at the June 16<sup>th</sup> meeting.

- Medica Choice will be the new PPO plan. Virtually all of the providers in Minnesota are covered in this network. Mayo Clinic was specifically added for the University of Minnesota. Medica Choice will have a broader out of Minnesota network (United Healthcare network) than the current PPO plan. It will have the same plan design as present.

With respect to the PPO plan, members were asked whether the University should reduce office co-pays back down to \$25 (For 2005, office co-pays under the PPO plan were raised to \$30). Doing so would have only a very minor impact on premiums. Members recommended looking into reducing office co-pays to \$25.

- Medica Direct was chosen as the consumer driven plan. There will be two types of accounts under this plan, which employees must choose between, a Health Reimbursement Account (HRA) and a Health Savings Account (HSA) each having a similar deductible structure. Medica Direct uses the same network at Medica Choice. The Committee endorse the following plan design for the consumer driven plan:
  - With the HSA, until the deductible is reached, the doctor bills the plan and the plan sends a check to the participant who, in turn, pays the doctor. Similarly, plan participants pay for pharmacy charges and are reimbursed by the plan, assuming there is money in the participant's account.
  - Employee and University contributions into the HSA will be made in 26 equal installments as outlined by the IRS.
  - Balances from current Definity accounts can be carried forward into a HRA but not a HSA. Transfer of balances from Definity into Medica Direct HRA may take extra time to post to a participant's account, as Definity will need time to close out its books.
  - Medica Direct essentially replicates the present Definity Option 1 plan design with the University paying for preventive care and providing a contribution to the employees HRA or HSA account, \$600/\$1200 or \$550/\$1100 respectively. The reason for the difference in the University's contribution to each of these accounts is because occasionally HRAs are abandoned and the University gets this money back. Deductibles are \$1,500 for single coverage and \$3,000 for family coverage. This plan will not be competitive with the base plan.
  
- The greater Minnesota base plan will be Medica Choice Regional. Medica Choice Regional is basically Medica Choice with a few modifications. Plan subscribers in greater Minnesota will be able to access the same providers with very few exceptions:
  - Mayo Clinic will be out of network.
  - Out of state providers will be covered on the same basis as out of network providers.
  
- The Duluth base plan will be a Medica product, yet to be determined. The RFP Subcommittee, on a preliminary basis, has chosen PatientChoice Insights because it appears to be the most economical and provided good coverage in 2005. It is uncertain, however, whether the providers in Duluth will bid themselves into tier 1. If not, the PatientChoice Insights decision will need to be revisited by the RFP Subcommittee. Whatever plan is chosen will meet the UPlan's current base plan parameters:
  - Adequate access.

- Same co-pay structure as the Twin Cities plan.
- Same per pay period rate as the base plan.

Additional information shared by Professor Morrison regarding the 2006 UPlan plan design:

- There is a minor glitch in the elimination of the out of metro coverage area for UPlan participants residing in the western Wisconsin counties of Polk, St. Croix and Pierce, which is in the process of being resolved. Plan participants residing in this area have a commitment from the administration that they will have a base plan at the premium and co-pay equivalent as the Twin Cities base plan. As more information becomes available on how this matter will be resolved it will be shared with the Committee.
- The University was able to control overall costs by reducing the number of vendors it will work with. These savings will be applied to reduce the overall cost of the plans. In Professor Morrison's opinion, the savings are quite substantial.
- UMP will be included in all the plans without a surcharge. The AWG examined the cost differential of UMP and discovered that much of the cost differential was attributable to UMP's case mix. Additionally, the facilities fee charged by Fairview accounted for much of the remaining differential. The University has made its position perfectly clear to its current and future plan administrators, that facilities fees should not be billed or paid. It is therefore the University's understanding that UMP facilities charges will no longer be billed or paid. When these two elements are factored out, UMP charges are within a reasonable range. The AWG will continue to monitor UMP charges.
- Currently, each of the UPlan's four plan administrators has its own pharmacy benefits manager (PBM). The BAC rendered an opinion last fall that the University would be better served with a single PBM for all its health plans. RxAmerica has been chosen to be the University's PBM starting in 2006. While RxAmerica is a new entrant in the local market, it is an established firm on the west coast and in Hawaii and is headquartered in Salt Lake City, UT. As a result of the University contract, RxAmerica plans to open an office in the Twin Cities. Based on their presentation to the RFP Subcommittee, RxAmerica was most transparent in their pricing and willing to help the University control its pharmaceutical costs. RxAmerica will offer a very broad Minnesota network and a broad out-of-state network.
- The RFP requested health improvement plans covering three areas: health risk appraisal and lifestyle change, health decisions support and nurse line, and disease management. The consultants and others recommended these services be provided through one integrated vendor. Harris HealthTrends, Inc. based in Toledo, Ohio was selected to provide health improvement services to the University. Health improvement will help control premium costs in the short run and save all participants in terms of health care costs in the long run.

IV). Dann Chapman distributed the PowerPoint presentation presented to the Board of Regents on May 12, 2005. A summary of this presentation can be found on the

Employee Benefits<sup>1</sup> website at:

<http://www1.umn.edu/ohr/eb/uplaninfo/bor2005/index.html>. In light of time, Mr. Chapman highlighted information from two charts in the presentation related to UPlan total costs. These charts illustrate that the University is not purposefully shifting costs from the University, as the employer, onto its employees. Because it is difficult if not impossible to predict employee choice, the slide depicting total cost for the 2006 UPlan conservatively assumes that 60% of employees with employee only coverage will stay with HealthPartners, and 70% of employees with family coverage will remain with HealthPartners. The employer contribution to the plan will remain the same regardless of which plan an employee chooses. The total cost projections also do not assume that employees will move out of the buy-up plans into the new Medica base plan.

Projected outcomes for the 2006 UPlan benefiting employees:

- The cost impact of medical trend has been minimized for employees.
- There will be no reduction in the employer contribution formula.
- There will be no increase in out-of-pocket costs through co-payments.
- There will be more choice for the employee at the most affordable level (Plan A).
- There will be out-of-network coverage in the base plan.
- Many employees will be able to stay with their physician at the base rate, and many will be able to see their physician at the base rate for the first time.
- New health improvement programs will be put in place.
- There will be access to UMP and Boynton in all options.

Projected outcomes for the 2006 UPlan benefiting the University as the employer:

- Meets the University's goal to work in partnership with employees to realize purchasing gains.
- Lower than market trend increases.
- The Health Improvement Program and carve-out PBM aspects of the plan position the University to aggressively approach health cost inflation.

Limited downside implications to the 2006 UPlan changes include:

- Many employees will need to enroll in a different plan.
- Some HealthPartners members will have to pay slightly more if they want to stay with the plan or their physician.

Mr. Chapman stated that while the information shared today is technically not confidential, it would not be prudent to make this information widely public for two reasons:

- The University remains in the contracting phase with the vendors that have been chosen, and no agreements have been solidified. The University still holds the right to change its vendor selections.
- The University is unsure what plan names it will actually use for each plan. A discussion will need to occur regarding the naming of the various plans in order to avoid confusion.

In the future, Employee Benefits will no longer use the term "base plan". Instead, there will be two choices available at the Plan A level, the more affordable level with Medical Essential Elect and HealthPartners Classic being the two options. In terms of bargaining, the "base plan" has a certain connotation, the plan on which the employer contribution is based. There is only one base plan in any given zone and not a choice of health plans. HealthPartners under the configuration that is being proposed for 2006 becomes a buy-up plan.

V). Mr. Watt reminded members that the June 2<sup>nd</sup> BAC meeting was cancelled. The next BAC meeting is scheduled for June 16<sup>th</sup> from 10:00 – 12:00 in room #101 Walter Library. June 16th agenda items will include:

- Employee Benefits<sup>1</sup> announcements
- Lifetime Maximum Insurance Report/Update
- Health Insurance Waiver Report/Update
- Review of Committee Charge/Membership

Hearing no further business, Gavin Watt adjourned the meeting.

Renee Dempsey  
University Senate