

Minutes*

**Special Meeting of the
Senate Faculty Affairs Committee
Thursday, February 13, 1992
608 Campus Club
3:15 p.m.**

Present: Avner Ben-Ner (chair), Carl Adams, Mary Dempsey, Ann Fallon, Roger Feldman, Audrey Grosch, Diane Mulvihill, Donald Rasmusson, Bernard Selzler [five faculty members who were unable to attend the meeting submitted their votes on the Health Plans Task Force proposal in writing]

Guests: Roger Forrester, Robert Fahnhorst, Richard McGehee, Garrett Weber (*MN Daily*)

Professor Ben-Ner convened the special meeting of the Faculty Affairs Committee to continue the discussion of and to vote on the Health Plans Task Force proposal, which recommends separating from the State of Minnesota's health plan and creating a University-designed plan. He noted that a number of members who could not be present had submitted their votes in writing. He then asked Professor Adams to serve as chair so he could participate more fully in the discussion.

Approval of Minutes

The February 6 minutes were distributed and approved with the following amendments: Page 2, paragraph 3 should read: "Under the current State Health Plan, the Boynton Health Service is not included as an option for University employees. Vice President Erickson said the results of a survey of employees showed that 47% of those responding overall (and 67% of the Twin Cities respondents) were interested in adding University facilities back as health care options. [The committee discussed the accuracy of this statement and understands the impression from the survey was that employees would like to have access to University health care facilities.] Thirty-six percent wanted freedom to choose providers." Page 2, paragraph 4, should read: "The HPTF proposal . . . 3) a catastrophic or opt-out option;"

Health Plans Task Force Proposal

Continuing the discussion from February 6, Professor Rasmusson asked for clarification on issues of management, if the University separates from the State plan. In particular, he asked about the complexities of managing a University-designed plan and how it would affect costs. Ms. Mulvihill said she believes a plan managed by the University is perceived by some to be more complicated than it actually would be. The University is considering three plans and two vendors (a HMO plan, probably Group Health; a choice plan; and an Aware Gold type plan, probably Blue Cross/Blue Shield). The HMO plan is an insured plan while the other two are self-insured. She said Group Health, an insured plan, is very stable and probably would continue the same as it is now. The University would need to examine

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claims on a yearly basis and work with Group Health to determine an appropriate rate based on the claims experience. It would also need to review Group Health's administration of the plan and negotiate a fee for that service. Under the self-insured programs, the greatest expense is claims. Therefore, it would be very important for the University to insure that claims are being paid appropriately. This would most likely require periodic audits. On a yearly basis, the University would also need to review the managed care of the plans, both from the point of cost containment of the plan and also the impact on the employees, and an administrative fee would need to be determined. A consultant would be hired to assist with these tasks.

Professor Ben-Ner said a number of faculty are concerned about the University's ability to manage its own plan, and emphasized this is no reflection on the Employee Benefits Department, which he said is doing a fine job. Plans need to be re-negotiated periodically, he said, and sometimes vendors ask for changes in the terms of the contracts in the middle of the contract's term. The problem arises in negotiating a favorable contract which requires the services of a consultant, and which may prove costly. Moreover, managing a self-insured plan entails many choices that affect the quality of the plan. For example, the University may change coverage for various illnesses (something it cannot do with an insured plan). This offers opportunities which, in an era of financial stress, may be seized upon by the administration as an easier solution than alternatives which may face more vigilant or powerful opposition. This is the core of the problem of the University's managing its own plan.

Two HPTF faculty members expressed concern that if the process that was followed by the Task Force is indicative of how a University plan would be managed, they could not support it. Information that was critical to the evaluation of the plan and for determining what was best for faculty and staff, was either not made available or its analysis was incorrect. Professor McGehee said the site-visits were a turning point for several Task Force members in that they actually went out and saw how complicated the health care industry is. To illustrate his point, he talked about the poor incentives associated with first dollar coverage which allows physicians to treat patients without cost to the employee, but raises health care costs. Employers, faced with rising health care costs, seek managed-care methods, whereby vendors set up incentives for physicians to restrict access to medical care. As the University starts negotiating with the various vendors, Professor McGehee questioned who will be looking out for employee interests when the driving force seems to be bringing costs down.

When asked if an advisory group could serve this function, several committee members expressed a lack of confidence in a group being able to effectively serve in this capacity. Even if they could, one person asked, would central administration, given the University's numerous financial obligations, be able or willing to commit the necessary dollars to a health care plan?

Another committee member asked whether the University-designed plan addresses employee interest in having a health plan that responds to the diversity of the University population. Ms. Mulvihill said the plan is still in the final negotiation stage and that issues like domestic partners, part-time benefits, sabbaticals, etc. will need to be addressed. She further said, a University plan can allow for greater opportunities to meet University needs.

In response to a question about the AIDS epidemic, Ms. Mulvihill said it had not been specifically discussed by the Task Force. She said the primary thrust of the Task Force was to look at a plan design and to make recommendations on that. Once the plan is in place, then quality issues can be

addressed.

Faculty Task Force members were asked to identify what will be forfeited, if the University stays with the State's plan. First, Professor McGehee said, there are many things employees will not get, but it is questionable whether they would get them with a University plan. He said employees will not get anything resembling Aware Gold. The University also will not get a plan like the catastrophic or opt-out option plan, or control over questions like sabbaticals. He added that a number of faculty members on the Task Force tried to raise these issues but couldn't get them addressed, resulting in frustration and disappointment with the Task Force process.

Mr. Fahnhorst responded by saying that the choice plan really offers two plans: 1) the preferred provider, in-network coverage, and 2) an indemnity plan that in many ways does resemble Aware Gold. If you are enrolled in the choice plan, you will have a choice to stay within the network with a primary care physician or clinic or you can move into an indemnity plan. The advantage of this plan, he said, is the employee can have these choices at a lower premium than if s/he were enrolled in a stand-alone indemnity plan, like Aware Gold. This is especially advantageous to employees with lower salaries.

Professor Ben-Ner agreed there probably would be some cost savings with a University plan, but noted that employees will be trading off the ability to choose from among several plans that they have now, and will have managed care which has certain restrictions that perhaps make the savings less desirable than it appears. He also pointed out that the dollar figures that have been discussed are predicated on bids that included 17,000 employees, of which 7,000 have now chosen to stay with the State's plan. The consultant has indicated that the bids were closely linked to the size of the group.

Professor Selzler asked what decisions had been made with regard to the coordinate campuses. Ms. Mulvihill said, while it is a little premature, she believes there will be two programs offered on the coordinate campuses: 1) a choice plan without a "gatekeeper," and 2) an indemnity-type plan. A choice plan without a "gatekeeper" would allow coordinate campus employees to pursue physicians outside their area without having to change their primary care provider. This would be supplemented by an affordable indemnity plan.

One committee member cited an experience she had had where she was not allowed to select the gender of her primary care physician. Mr. Fahnhorst said that under the State Health Plan members are guaranteed access to a physician in the network, but they are not guaranteed to have access to a female, minority, etc. physician. Therefore, in a particular area, there may not be a female physician in the network. As a follow-up on this, Professor Ben-Ner noted that under the University plan, if an employee wanted to see a gynecologist, for example, there is only one self-referral per year, so any subsequent visits would require going through the employee's primary care physician, or paying out-of-network rates.

Another member from the Libraries, said she had had an opportunity to speak with a number of her colleagues about the HPTF proposal and found no support for leaving the State's plan. Her colleagues were concerned about the risk element as it relates to the size of the group, and about the ability of the University to be able to negotiate as well as or better than the unions. Unions, she said, have traditionally done very well in negotiating for benefits. In addition, she said, a number of her colleagues had expressed a general feeling of mistrust of the University administration.

At this point, the committee closed discussion and moved to vote whether or not to approve the Health Plans Task Force proposal to separate from the State of Minnesota health plan and design a University health plan. The chair noted that written ballots from five committee members had been received prior to the meeting. He then reminded the committee that only appointed faculty and academic professional, and not ex officio, members were eligible to vote.

The committee then voted 12 to 0 to oppose the Health Plans Task Force proposal to separate from the State of Minnesota's health plan.

A letter will be sent to the Faculty Consultative Committee conveying the committee's decision.

-- Martha Kvanbeck

University of Minnesota