

BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
JULY 27, 2006

[In these minutes: New Teamsters Local 320 Representative on BAC – Jeremy Mlenar, No BAC Meetings in August, Employee Benefits Announcements, 2007 UPlan Dental Rates, 2007 UPlan Medical Rates]

[These minutes reflect discussion and debate at a meeting of a committee of the University Senate; none of the comments, conclusions, or actions reported in these minutes represent the view of, nor are they binding on the Senate, the Administration, or the Board of Regents.]

PRESENT: Gavin Watt (chair), Linda Aaker, Tina Falkner, Jody Ebert, Jeremy Mlenar, Sandi Sherman, Eileen Zeitz, Joseph Jameson, Michael Marotteck, Richard McGehee, Fred Morrison, Peh Ng, Rodney Loper, Dann Chapman, Keith Dunder

REGRETS: William Roberts, Rhonda Jennen, Don Cavalier, Carl Anderson, George Green, Amos Deinard, Theodor Litman,

ABSENT: Karen Wolterstorff, Carla Volkman-Lien, Carol Carrier, Frank Cerra,

OTHERS: Ted Butler, Joyce Carlson, Karen Chapin, Ronald Enger, Nancy Fulton, Betty Gilchrist, Joe Kelly, Kathy Pouliot

I). Gavin Watt called the meeting to order.

II). Mr. Watt called on Ron Enger, who will be retiring soon, to introduce the new Teamsters Local 320 representative on the BAC, Jeremy Mlenar, a senior parking attendant at the University. Mr. Mlenar will replace Curt Swenson. Members welcomed Mr. Mlenar to his first meeting.

III). Mr. Watt polled the committee to see if members had any pressing business, which would require the committee to meet in August. Hearing none, Mr. Watt announced that the committee would not meet in August and that the next BAC meeting would be Thursday, September 7, 2006 from 10:00 – 12:00 in #101 Walter Library.

IV). Employee Benefits Announcements:

- a). Ms. Chapin distributed a new communication piece that the Office of Human Resources will be disseminating to employees to promote the University Wellness Program. The piece informs employees that they can earn a \$65 reward by completing one of the health improvement programs through *Health Connections*.

Through June 30, 2006, 8,009 UPlan participants took the Wellness Assessment. While this is decent participation by employees, dependent participation has been

quite low. Employee Benefits plans to promote participation by dependents over the course of the next year. Ms. Chapin added that new employees hired between May 1 and November 1 can earn the \$65 reward if they complete the assessment on or before November 30th.

To date, 36% of employee UPlan members, or 6,259 individuals, have enrolled in one of the health improvement programs through *Health Connections*. Targeted participation was 31%.

Additionally, through June 30, 2006, 2,116 UPlan participants have used the Mayo Clinic 24-hour Nurse Line.

b). Ms. Chapin reminded members about the University's farmer's market, which is held every Wednesday through August 30th from 11:00 – 2:00. Currently, corn is available. Also, Cornercopia, the University's student-run farm on the St. Paul campus will be selling ground cherries this year. Next year Cornercopia will be selling fruit – strawberries, black raspberries and raspberries. The University is looking for another fruit vendor to participate in next year's farmer's market.

c). Ms. Chapin reported that the search continues for a new UPlan Wellness Program Manager. Two public forums have been held with two candidates.

d). The University will be offering HealthPartners' 10,000 Steps Program as its health action program this fall, the details of which are in the process of being finalized. Participation in the program will be open to all employees, but only UPlan participants that have not enrolled in one of the health improvement programs would be eligible to the second \$65 reward. Mr. Chapman added that the quality of the pedometers will be much better than those distributed previously to employees.

e). CVS/Pharmacy purchased MinuteClinic. This business transaction should in no way impact UPlan participants. The Coffman Memorial Union MinuteClinic will reopen in October, and QuickCare, the on-site clinic for UMD employees and their dependents, will reopen in September. In response to a request, Ms. Chapin agreed to talk with MinuteClinic about the lack of MinuteClinic locations in the southwest Minneapolis area as well as Edina.

V). To preface the next agenda item, Mr. Chapman noted that Employee Benefits is recommending the University move to an annual open enrollment for dental benefits. Since the University has self-insured its dental benefits, open enrollment has taken place every other year. An annual dental open enrollment is being proposed for a variety of reasons including:

- Confusion regarding the dental plans. Currently, if an employee mistakenly elects a plan that does not include his/her dentist in its network, they have to wait two years to change their election, and this does not seem quite right.

- Fairness in terms of rate changes. An annual open enrollment would not lock an employee into a plan for two years should rates go up.
- It is very rare for a large employer such as the University to not have open enrollment for dental coverage on an annual basis.

Because this is a fundamental change to dental benefits, the University is well aware that it will need to negotiate with the bargaining units before moving ahead with this change. With this said, Mr. Chapman asked for members input around this recommendation.

A member asked what would be the downside to having open enrollment for dental coverage on an annual basis. Mr. Chapman stated that unlike most medical procedures, dental procedures can, to a degree, be timed or delayed. As a result, there is the risk that some employees will only sign up for dental coverage every other year, and, therefore, not contribute into the plan every year. He added that these individuals also take the risk, however, of not having coverage should they have a dental problem during the year they waived coverage. This downside does not appear to outweigh the benefits of having dental open every year.

Pending approval by the bargaining units, members unanimously agreed that dental should be open on an annual basis.

Next, Ted Butler distributed a handout, which contained the projected 2007 dental rates, which he noted are expected to increase by just under 3% overall. Depending on the plan and tier an employee is enrolled in will determine whether their 2007 rates will be higher, lower or the same as 2006.

A member asked why the 4th tier (employee + spouse/same sex domestic partner + child/children) tier had a significantly lower increase than the 3rd tier (employee + child/children). Mr. Butler noted that because the plans now have some experience with the University's tiered rate structure, which they did not have when they bid the rates for 2006, they are able to more accurately set the rates for each tier. This is most apparent in the employee + child/children tier, where in 2006 HealthPartners, for example, understated its rates. Going forward, Mr. Butler would expect to see the trend across coverage levels to be very similar.

Moving on, Mr. Butler described the process, which the University and its consultant, Watson Wyatt, used to set the medical rates for 2007. The total projected cost increase for UPlan 2007 medical rates is 8.2% overall, which Watson Wyatt considers very modest compared to the market. As one might expect, rate increases were lowest in the tight network plans, Medica Elect & Essential and U Classic Plus by HealthPartners. Conversely, increases were highest in the Medica Choice Regional and Insights plans.

Recommended UPlan design changes for 2007 include:

1. Increase Insights co-pay rate structure to \$15, \$30 and \$50 from \$10, \$25 and \$40. (Insights recommended that to accurately reflect the difference in the pricing of its tiers, there should be a \$25 differential between each tier. The University, however, has chosen to mitigate the co-pay differential suggestion put forward by

Insights). Without increasing the co-pay structure for this plan, the employee rate would need to increase by 42%. Assuming the co-pay rate structure is modified to that proposed above, the employee rate increase can be held to 28%.

Members had a hard time understanding the need for such a dramatic rate increase for the Insights product. A lengthy discussion ensued around the proposed plan design changes to the Insights product. Mr. Chapman noted that the Insights product with its tiered structure, which differs significantly from the other UPlan products, has created confusion from the very beginning. This was expected to a degree, and was one of the reasons that serious consideration had been given to not offering this plan option in 2006. The main reason for retaining this plan, according to Mr. Chapman, was to avoid a loss of access to certain providers. Mr. Chapman added that he is in no way defending the Insights product as necessarily a good model for delivery of medical coverage for employees. He stated that by offering a variety of plan options, Employee Benefits is providing a service that University employees have clearly requested, and that is choice. Employees do not want the University to dictate, which medical plan they participate in.

2. Enhance the Medica Direct plan option in 2007 by ensuring the plan designs remain affordable, and the plans remain viable options for employees.

Recommended HRA plan design changes include:

- Retain 2006 deductible levels, but have family coverage deductibles become per person deductibles. Then, once a family member reaches his/her deductible, coinsurance would prevail on that person.
- Simplify the out-of-pocket maximum benefit to \$3,000 for employee only and \$6,000 for family (\$3,000/person).
- Increase the HRA contribution to \$1,000 for employee only and \$2,000 for family coverage.

Recommended HSA plan design changes include:

- Retain 2006 deductible levels, but have family coverage deductibles become per person deductibles. Then, once a family member reaches his/her deductible, coinsurance would prevail.
- Coincide coinsurance levels with the HRA plan, 10% in-network and 30% for out-of-network.
- Simplify the out-of-pocket maximum benefit to \$3,500 for employee only and \$7,000 for family (\$3,500/person).
- Increase the HSA contribution to \$1,000 for employee only and \$2,000 for family coverage.

If these proposed changes are made in 2007, there would be more similarities between the HRA and HSA plans than differences. The only differences would be in the deductibles and out-of-pocket maximums.

It was apparent to committee members that the proposed plan design changes to Medica Direct, the consumer driven health plans, are likely to make these options more appealing to employees.

Next, Mr. Butler distributed the 2007 medical rates handout, which included the proposed Insights and Medica Direct plan design changes.

Mention was made of an article in yesterday's Star Tribune (<http://www.startribune.com/535/story/573683.html>), which indicated that in 2005 private health insurance premiums for Minnesotans grew, on average, only 4.5%. Based on this, why is the University's total projected cost increase for 2007 almost twice that percentage? Mr. Butler noted that this article is referring to statewide, individual plans, which are very different from the University's self-insured plan. Oftentimes insurance companies that issue rebates to their customers or have a lower than average medical trend increase have over-reserved, or charged their customers too much in the first place. Also, as the article states, the lower increase can be attributed, in part, to shifting more expenses to customers. The University has been assured by its actuaries that its 8.2% cost increase is very reasonable, and, in fact, well below the national average.

After much continued discussion concerning the proposed Insights plan design changes, a majority of committee members agreed to recommend to the Administrative Working Group (AWG) that it also concur with the proposed plan design changes for the Insights product. While these members did not without some hesitancy sanction these changes, they understood why these changes were necessary. Mr. Watt asked that the record reflect that AFSCME 3800/3801 representative Sandi Sherman did not endorse the proposed Insights plan design changes.

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

Renee Dempsey
University Senate