BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
SEPTEMBER 20, 2007

[In these minutes: Open Enrollment Update, Dependent Eligibility, UPlan Fitness Rewards/Wellness Update, Retiree Medical Insurance, Pharmacy Program Working Group Report, "3 For Free" Information, Reporting Schedule]

[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, William Roberts, Jennifer Imsande, Nancy Fulton, Michael Marotteck, Carla Volkman-Lien, George Green, Richard McGehee, Fred Morrison, Michael OÕReilly, Theodor Litman, Dann Chapman

REGRETS: Tina Falkner, Karen Wolterstorff, Rhonda Jennen, Joseph Jameson, Carl Anderson, Rodney Loper

ABSENT: Jody Ebert, Jerremy Mlenar, Sandi Sherman, Carol Carrier, Frank Cerra, Amos Deinard, Keith Dunder

OTHERS ATTENDING: Linda Blake, Ted Butler, Karen Chapin, Betty Gilchrist, Murray Harber, Shirley Kuehn, Kathy Pouliot, Kelly Schrotberger

I). Gavin Watt called the meeting to order.

II). Mr. Watt announced that he received regrets from Professor Loper that he would not attend today's meeting. In an email message sending his regrets, Professor Loper wrote:

> " I will not attend. The administration is behaving more and more like a private corporation than a land grant university with a mission that goes beyond the bottom line. If we can cut a deal with TCF (a stalwart of the Taxpayer's League) we can cut a deal with those whose work supports our teaching and research."

Mr. Watt asked that Professor Loper's message be included in the minutes.

III). Kathy Pouliot provided the committee with an open enrollment update. A handout with open enrollment information and benefit changes for 2008 were distributed to members. Ms. Pouliot highlighted the following:

- Open enrollment will run from November 1 – 30, 2007.
- Open enrollment health and benefits fairs will be held November 1st on the Duluth campus, November 6th on the Minneapolis campus and November 7th on the St. Paul campus.
- Enrollment will be open for both medical and dental insurance. This is an opportunity for employees to change their plans, add or cancel coverage, and add or cancel dependent coverage.

- Employees interested in having a Flexible Spending Account (FSA) must re-enroll each year in order to participate.
- Eligible employees (Civil Service and Bargaining Unit) may enroll in or change their Long Term Disability coverage.
- The waiting period has changed for employees hired after January 1, 2008. Starting in 2008, coverage will be effective the first day of the month following the first day of employment.
- The annual maximum for Delta Dental Premier, Delta Dental PPO, and HealthPartners Dental Choice will increase from $1,250 to $1,500. All five dental plans will have the same annual maximum amount of $1,500.
- Delta Premier, HealthPartners Dental Choice and University Choice plans will base their payment on composite (white) fillings throughout the mouth. This is a change for HealthPartners Dental Choice. Delta Preferred Option and HealthPartners Dental Plan will continue to base payments on composite fillings in the front of the mouth and silver fillings in the back of the mouth.
- University Choice plan participants who use Delta PPO or Delta Premier network providers will have discounted fees, no balance billing and have their deductible waived.
- Extension employees with Federal benefits will be eligible to enroll in dental coverage during open enrollment. These 220 employees do not currently have dental coverage through the Federal Employee Benefit Program. However, they currently participate in the Flexible Spending Account and the Voluntary Retirement plans.
- Enrollment will also be open for life insurance coverage. Employees may enroll for $25,000 of additional life insurance without underwriting unless the person was declined within the past five years (122 employees). Also, individuals with the maximum amount of guaranteed coverage (three times a person's salary or $500,000) will be allowed to increase these amounts, but the total amount cannot exceed the $1 million life insurance policy maximum.
- A new online underwriting process will be put in place. Employees requesting life insurance coverage requiring underwriting will submit this information electronically to Minnesota Life.
- Minnesota Life will offer will preparation and limited legal counseling. The service will allow employees to prepare wills, financial power of attorney, living wills and make final arrangement requests using established legal formats. In terms of legal consultation, a 30-minute consultation with an attorney will be available to review completed forms or consult on other legal matters. If additional time is required, the employee can retain the attorney at a 25% discount.
- Beneficiary financial counseling and support will be another added benefit if death proceeds exceed $25,000. The beneficiary will receive an offer of assistance from Price Waterhouse Coopers when they receive the Minnesota Life insurance check. Beneficiaries interested in this service will contact Price Waterhouse Coopers and not vice versa.

- Beneficiary management will transition to Minnesota Life's electronic beneficiary management system in 2008. This electronic beneficiary management system will allow employees to review, add or change beneficiaries online.
- There will be a change to the Basic Life Insurance Reduction Schedule in 2008. Basic life insurance amounts are currently reduced to 65% at age 65. The change will delay the start of this reduction until age 67 to reflect the normal retirement age.

Questions/comments from members:

- Is the will preparation and limited legal counseling services for employees only? Ms. Pouliot believes these services would be available to employees and their covered spouse/same sex domestic partner.
- In light of the fact that in 2008 there will be 27 pay periods rather than the usual 26, does this mean that one check will have no deductions? Ted Butler stated that Employee Benefits will check on this and report back to the committee.

IV). Dann Chapman provided the committee with information concerning dependent eligibility. He noted that the legislature recently passed legislation requiring certain medical plans to cover dependents up to age 25, regardless of whether these dependents are full-time students or not. Although it intended to comply with this legislation from the onset regardless of whether it was legally required to do so or not, the University was initially under the impression that it would not be required to comply because the University is a self-insured employer. The University has since learned that this legislation applies to governmental plans, which includes the University. Hence, the University will change its plan eligibility requirements so that as of January 1, 2008 all unmarried children from birth up to the day they turn 25 years old can be covered. Having said this, it will be critical that employees know that some of these newly eligible dependents can be covered on a tax-favored basis and some cannot. If they cannot be covered on a tax-favored basis there will be a significant implication for an employee's paycheck.

A draft communication piece outlining eligibility changes of the dependent age 19 to 25 health care and dental coverage was distributed to members. Mr. Chapman walked members through the handout. Mr. Chapman asked members for their input regarding this communication piece. Again, he emphasized that it will be very important for employees to understand the potential tax implications of covering their non-qualified dependent age children age 19 to 25.

How this benefit will be administered is still under review. PeopleSoft has developed a new patch to be able to compute the rate for covering qualified and non-qualified children being covered. While this patch has been installed on the University's system, it will be impossible to have it up and running and tested prior to this year's open enrollment. Pending the outcome of discussions with tax and legal experts regarding this matter, Employee Benefits hopes to be able to assume that currently enrolled dependents will continue to be covered as qualified dependents next year. Regarding newly enrolled dependents, Employee Benefits will send out a form to have employees indicate whether they are covering a qualified or non-qualified child(ren). The PeopleSoft patch will be up and running by the first paycheck in March 2008. Employee Benefits is still contemplating how it will handle the first few paychecks of 2008 when the patch is not operational.

Questions/comments from members included:

- Suppose an employee has 3 children, 2 qualified and 1 non-qualified, how will this calculation be handled? Due to system limitations, noted Mr. Chapman, the University cannot compute the calculation separately for each child that does not qualify. Instead, the University will have one computation for situations where employees are covering both qualified and non-qualified children. While no final computation has been decided upon, the value of the coverage for the dependent will be taxable to the employee, most likely as imputed income.
- If an employee covers a non-qualifying child/ren, can they cancel this coverage if they decide it is too expensive? Yes, stated Mr. Chapman. They can cancel this coverage because it is an after-tax election.
- Is Employee Benefits going to rely on a form filled out by the employee as to whether they are covering qualified or non-qualified child/ren without doing further investigation? Not exactly, stated Mr. Chapman. Employee Benefits will not be using the current verification process where Medica and HealthPartners check on student eligibility. Having said this, Employee Benefits is still looking into what obligation it has to do some type of verification.
- There is nothing in this communication piece that says the child/ren must be a dependent for tax purposes, but rather it states that qualifying child/ren must be dependent on the employee for half of their support – are they intended to be the same? No, they are meant to be different stated Mr. Chapman because an employee can cover a dependent regardless of whether the dependent is a tax dependent or not.
- All full-time 19 to 25 year old students cannot be presumed to be dependents for tax purposes. An example of this would be a student that has been educated out of state, and who has become a resident of that state, but still receives a certain amount of support from his/her parents. Mr. Chapman noted that the IRS language pertaining to this situation states in so many words that if there is no reasonable expectation that the child will return to the parent's residence then the case cannot be made that the child's legal residence is with the parent.
- The wording " Éage 19 to age 25É" is confusing. Many people may interpret this to mean through age 25. Mr. Chapman agreed, stating that this was something about which he had intended to ask the committee's advice. He would prefer the "age 19 through age 24" language, but was concerned that if the University changes that language employees might get the impression that the University is changing/reducing this benefit when in fact it is not. While members understood this concern, they felt that the language should be changed. Mr. Chapman agreed the change would be made.
- Employee Benefits should include examples in its communication to employees about the tax implications for covering non-qualifying child/ren.

- Are same sex domestic partner (SSDP) benefits taxed? Yes, these benefits are taxed.
- In the communication materials, employees should be told that an alternative to covering non-qualified child/ren under the UPlan would be to purchase major medical/catastrophic insurance coverage. Mr. Chapman took this under advisement.

Mr. Chapman noted that once Employee Benefits completes a draft of the eligibility description of this benefit, a copy will be sent to BAC members via email for input. A timely response from members will be critical because open enrollment materials need to be finalized.

V). Murray Harber provided members with a UPlan Fitness Rewards update. Mr. Harber noted that the primary differences between the Medica and HealthPartners programs are the number of visits required per month and the number of monthly incentive payments. The current HealthPartners program requires 12 health club visits per month and the Medica program requires 8 visits per month. In terms of incentive payments, HealthPartners pays 1 per **plan** member (employees with family coverage can receive up to 2 incentive payments per family membership) and Medica pays 1 incentive payment per **club** membership. (Medica would pay 2 incentive payments per month if the employee had family coverage and the employee and his/her qualified dependent each had their own individual health club memberships. However, Medica would only pay 1 incentive per month if the employee had family medical coverage, but only had one dual or family fitness membership).

Additional differences between the plans include:

- The administration fees for each program.
  - HealthPartners will charge $2 per employee per month.
  - Medica, through an outside vendor, will charge $10,000 to administer the program the first year and $5,000 per year thereafter. This change is typically paid by the fitness center.
- Health club/fitness center sites.
  - 321 sites for HealthPartners.
  - 284 sites for Medica.

Employee Benefits requests the BAC's feedback on whether it should ask HealthPartners to reduce the number of required visits per month from 12 to 8 in order for participants to receive an incentive payment.

Is the University's decision to adopt its plan administrator's fitness programs reflective of a change in philosophy by the University to not establish its own wellness program asked a member? No, this decision does not reflect a change in philosophy on the part of the University noted Mr. Chapman. The University continues to develop its own wellness program, which is continuously being expanded. The fitness rewards program is just one more component of the University's wellness program. The reason the University has elected to go with its plan administrators' programs has to do with cost and administration. It would be cost prohibitive for the University to create its own fitness rewards program. The University also explored the possibility of independently contracting with an outside vendor to avoid running the program through Medica and HealthPartners, but this was not feasible.

Members debated whether HealthPartners should be asked to reduce its required number of health club visits from 12 to 8. Members concurred that consistency between the programs is important. Mr. Chapman noted, however, that consistency is simply not going to be possible. From the onset, there is the difference in the number of incentives payments UPlan members can receive per health club membership from Medica to HealthPartners, and this cannot be changed.

The BAC recommended to the Administrative Working Group (AWG) to ask HealthPartners to reduce the required number of visits per month from 12 to 8, at least initially. Hopefully, reducing this requirement will incent people to join a club who may otherwise not if they had to do 12 visits per month.

How will employees be paid their fitness reward payments asked a member? Payments in most instances will be paid directly to the fitness center to offset future dues. In other instances, individuals will be reimbursed by an outside administrator via direct deposit to their bank account. The method of payment is determined by each fitness center.

On an unrelated note, a member asked about the implications for the Coffman Memorial Union (CMU) MinuteClinic with the expansion of Boynton Health Service (Gopher Quick Clinic). Employee Benefits has been involved in the Boynton Health Service expansion discussions reported Mr. Chapman. The decision has been made to keep the CMU Minute Clinic open at least for the time being. If Boynton Health Service proves it can effectively deliver the services offered by MinuteClinic, it is likely the CMU MinuteClinic will close.

VI). Karen Chapin provided the committee with a retiree medical update. She noted that a retiree medical RFP was issued earlier this year. The best RFP proposals were received from the University's current vendors, which means the University will not change vendors. Medica, Blue Cross/Blue Shield, HealthPartners and UCare will continue to be the University's retiree health care insurance providers.

A handout outlining the over 65 retiree medical plan rate changes from 2007 to 2008 was distributed to members for their review. Initially, the rate increases were between 3% and 18,2%; however, after further discussions with the plans, the University was able to reduce the rate increases to 3.2% - 9.7%. There were three primary reasons for the rate reductions:

1. A plan administrator approached the University and indicated it would be willing to reduce its rates beyond what it quoted in the RFP.
2. The University was able to negotiate a lower rate with another plan administrator.
3. Benefit changes.

Over 65 retiree medical plan benefit changes for 2008 include:

- **Medica -** Addition of Medica Group Advantage Solution product for retirees outside the Medica service area. Benefits and rates will be the same as those offered under the Medica Group Prime Solution.
- **HealthPartners** – Add erectile dysfunction drugs to the supplemental drug benefit. Co-pays will be the same as generic and brand drugs.
- **UCare** – Increase out of pocket maximum to $3,250.
- **Blue Cross/Blue Shield (BCBS):**
    - Change co-pay structure for prescription drugs by creating a non-preferred brand category. This new category will have a $50 co-pay. Preferred brand drugs and specialty drugs will stay at the $30 co-pay level and generic drugs will remain at the $10 co-pay level.
    - Change the hearing aid benefit from 100% every 3 years to 80% every three years.
- The catastrophic pharmacy benefit level out of pocket maximum will increase from $3,850 to $4,050.

VII). Professor Dick McGehee distributed the Pharmacy Program Working Group report to BAC members. Accomplishments of the Pharmacy Program Working Group to date include:

- Creation of a more user-friendly prior authorization process. Effective August 1, 2007, all drugs on the prior authorization and step therapy list will have a 5-day emergency override in order to give patients time to obtain a prior authorization. The Working Group also plans to track why prior authorizations are rejected.
- In conjunction with Employee Benefits, creation of a pocket guide for the UPlan Pharmacy Program, which will be distributed in the fall of 2007. The pocket guide will include lists of the most commonly used UPlan drugs by category, co-pay structure information and operational guidelines for the pharmacy program (prior authorization, step therapy, specialty drugs, mail order, etc.), and a place to track medications and important medical and pharmacy phone numbers.

Mr. Watt thanked Professor McGehee for his report.

VIII). Mr. Watt asked Ms. Chapin to provide information on the "3 For Free" program, which will be rolled out this fall. Before providing this information, Ms. Chapin reported on the "Buy 1 Get 3 Free" program, which ran from January – June 2007. Under this program, UPlan members that changed from certain brand drugs to specified preferred generic or over the counter drugs, after purchasing one prescription, would receive their next 3 refills for free. The University's goal was to have 30% participation in this program, but actual participation was 8%. Savings to the UPlan with the 8% participation level is estimated at $104,000 after co-pay costs.

For 2007, the UPlan/RxAmerica generic utilization target has been set at 65%, which is quite ambitious. The June 2007 generic utilization rate was 64.1% and year to date through June 2007 the University's generic utilization rate is at 63.5%.

The "3 For Free" program will run from October 2007 through March 2008. This program operates under the same premise as the "Buy 1 Get 3 Free" program by incenting UPlan members to move from expensive brand drugs to preferred generic and over the counter drugs. Due to new technology enhancements at RxAmerica, there will be no charge for the first three fills of these drugs.

A handout listing the targeted conditions and medications for the "3 For Free" program was distributed to members. Ms. Chapin noted that new drugs have been added to the list since the rollout of the "Buy 1 Get 3 Free" program.

Members were asked for their concerns/comments regarding moving forward with this new program. Hearing none, Employee Benefits will plan to roll out this program in the not too distant future.

IX). Ted Butler distributed the proposed UPlan reporting schedule to the BAC. He walked members through the handout. Additional reports not listed, but that the committee expressed an interest in receiving a wellness report

These reports, noted a member, are only helpful if they are put in some sort of context. Comparison data should be included to give the committee a sense of perspective on the data that is being brought forward. Another member suggested comparing the University against the CIC/Big 10. Mr. Chapman stated that it is easiest and likely more meaningful to compare the University against other employers that are part of the Ingenix data cooperative.

In terms of plan reviews, mentioned a member, the committee never hears back about what actions plan administrators have taken to address concerns that were raised during the reviews. Ms. Chapin noted that both Medica and HealthPartners as part of their plan reviews this year included information on actions they took to concerns that were raised at the previous year's review. A member suggested rather than waiting a whole year to receive this information that Employee Benefits, on behalf of the plan administrators, should share this information with the committee in the fall of each year (roughly 6 months after the plan reviews were conducted).

Mr. Watt asked the committee if they were interested in receiving annual dental reports from Delta and HealthPartners. Ms. Pouliot reported that Employee Benefits does not receive many complaints regarding the dental plans. Members recommended soliciting comments from UPlan members for the dental plans just like comments are solicited on Medica, HealthPartners, RxAmerica and Harris HealthTrends

Mr. Chapman pointed out the inherent weakness in how vendor feedback is collected for the plan reviews. This feedback is collected in a completely unscientific manner. Having said this, the use of this information against the University's vendors is radically unfair stated Mr. Chapman. When UPlan members are asked to share their vendor performance feedback, logically individuals with concerns tend to speak up. Mr. Chapman stated he is not implying that the BAC is not the venue for hearing and responding to peoples' concerns, but it is unfair to infer poor performance based on a lack of positive comments. It is human nature for unsatisfied people to be more vocal than satisfied people.

A member stated that the vendors are paid to deal with positive and negative comments. In instances where the BAC receives a significant number of complaints, there are generally serious problems. In response, Mr. Chapman suggested that the BAC collect vendor feedback well in advance of the plan reviews, and that the feedback contain enough detail so that Employee Benefits can work with the plans to research the specific circumstances of each complaint. Based on previous experience in researching complaints, the BAC has not been given the full story. Bear in mind, there are two sides to every story, and in many cases the BAC would likely have responded differently if they had received both sides of a story.

At the conclusion of this discussion, a member remarked that despite what might appear as comments to the contrary, Mr. Chapman and the Employee Benefits staff should be commended for the great work they do.

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

Renee Dempsey
University Senate