

BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
MAY 1, 2008

[In these minutes: RxAmerica Debriefing, Wellness, Health Care Savings Plan for Academics, Proposed Pharmacy Benefit Changes]

[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, William Roberts, Karen Wolterstorff, Jennifer Imsande, Jody Ebert, Rhonda Jennen, Sandi Sherman, Nancy Fulton, Joseph Jameson, Michael Marotteck, Carl Anderson, Fred Morrison, Theodor Litman, Rodney Loper, Dann Chapman

REGRETS: George Green, Amos Deinard, Michael O'Reilly, Carla Volkman-Lien, Richard McGehee

ABSENT: Jerremy Mlenar, Carol Carrier, Frank Cerra, Keith Dunder

OTHERS ATTENDING: Ted Butler, Karen Chapin, Joyce Carlson, Joe Kelly, Shirley Kuehn, Kathy Pouliot, Kelly Schrotberger, Curt Swenson

I). Gavin Watt called the meeting to order.

II). Members spent a few minutes debriefing from the RxAmerica annual review, which was conducted on April 17th. Ms. Chapin began by raising the mail order issue, which had been discussed. She noted that after a visit last week to the RxAmerica mail order facility, she and Kathy Pouliot were pleased to discover that RxAmerica has a new person in charge of this department, and that this person is committed to resolving the service issues that have plagued this department.

Jody Ebert highlighted some of the other RxAmerica issues she collected from UPlan members:

- The need to improve the billing web page.
- An RxAmerica pharmacist should be on duty whenever the Call Center is open; currently, this does not appear to be the case.
- Refill issues – while RxAmerica explained during their presentation that refills can be issued early with an override, not all RxAmerica staff appears to be aware of this.

Based on these issues, Ms. Ebert recommended:

- Besides RxAmerica doing more to educate their staff about the UPlan benefit design, Employee Benefits should do more to educate faculty and staff about the plan design as well, e.g. pharmacy benefit workshops.
- RxAmerica should do more with email and, in addition, improve their website; thus, promoting more interaction with plan participants.
- All prior authorizations should be automatically filled, at least for a brief period of time. (This change was implemented by request of the BAC Pharmacy Program Workgroup. Pharmacists can contact RxAmerica customer service for a UPlan member to obtain a 5-day override that will give them time to work with their doctor and RxAmerica to complete the PA process. Over 60 members have already used this 5-day override).

In response to a concern that Employee Benefits conducts all of its workshops at Donhowe, Mr. Chapman noted that Employee Benefits has looked into conducting training sessions at other locations across campus. This has proven problematic, however, in that most locations want to charge for their space and besides that they are not particularly enthusiastic about scheduling space for these types of events. Ms. Ebert was confident that the Library would have space for some of these workshops.

In closing, Mr. Watt noted that RxAmerica has made great improvements over the past year, but more work needs to be done as it relates to overall customer satisfaction ratings, etc. A real advantage to the RxAmerica/University of Minnesota alliance is the transparency of the relationship between the two organizations.

III). Ms. Aaker, in anticipation of the May 15 Healthways plan review, passed around a publication, *Reducing Stress* by Tim Handle, which she obtained from another wellness vendor. She stated that she would be interested in looking at any materials that members have received from Healthways.

IV). Mr. Watt reported that discussions about offering a Health Care Savings Plan (HCSP) for academics at the University are being revisited. He requested Ms. Singer, director, Retirement Programs, to provide the committee with information about this topic. Using a PowerPoint presentation, Ms. Singer highlighted the following:

- The State of Minnesota offers a Health Care Savings Plan, a completely tax-free benefit. No federal, state, social security or Medicare taxes are ever deducted from a participant's account.
- On two separate occasions the Faculty Senate rejected recommendations that the University offer a Health Care Savings Plan to academics.
- The Teamsters have a HCSP for their employees. Teamsters that terminate from the University with 10 or more years of service, and 80+ hours of vacation will have their entire vacation payout paid into this plan rather than being paid out in cash.
- The Civil Service Committee recently recommended that administration adopt a Health Care Savings Plan for its constituents that would also be based on vacation payout (10 or more years of service, and 200+ hours of vacation).

- The University's police officer's union, LELS, as of May 1, 2008 signed a contract, which stipulates that any officer terminating employment will have all vacation and compensatory time paid into the HCSP instead of to the employee in cash. In addition, beginning January 1, 2009, officers will contribute 1% of PERA-eligible compensation to the HCSP each pay period via payroll deduction.
- Most faculty and some P&A employees do not accrue vacation like other employee groups at the University. Therefore, HCSP contributions would likely need to be based on some other form of compensation.
- Based on 2008 UPlan costs, premiums for two individuals age 65 or older for medical, dental and Medicare Part B are approximately \$9,000 - \$11,000/year, depending on the plan.
- National average costs for assisted living are \$25,000/year and nursing home costs are running \$61,000/year.
- HCSP features:
 - All plan contributions and payments are tax-exempt.
 - MSRS administers the plan, which currently has over \$165 million in assets and over 400 participating employers.
 - Contributions are not optional, but mandatory within an employee class.
 - Funds cannot be withdrawn from the plan until termination of employment or retirement.
 - Funds may only be withdrawn for IRS-approved health care costs.
- Three types of employees may apply for exemption from the HCSP:
 - Foreign nationals who intend to return to their home country.
 - Employees with fully-subsidized health care coverage through a documented source.
 - Employees with TRICARE coverage.
- Money in a Health Care Savings Plan can only be spent on IRS approved health care expenses, which include:
 - Medical, dental, long-term care, Medicare or COBRA premiums.
 - "Medical care" items reimbursable through a flexible spending account as defined by the Internal Revenue Code Section 213(d)(1)(A) and IRS publication 502.
- HCSP participants are allowed to invest their contributions. There are seven investment choices through the Minnesota State Board of Investment. Investment fees range from .01% to .32% In addition, there is an MSRS administrative fee of .65%, which is monitored very closely. (Administrative fees are capped at \$140/year.)
- HCSP contributions are tax free, and not subject to federal, state, or social security/Medicare taxes.
- Account balances are withdrawn tax-free as long as they are used for qualified medical expenses.
- If an account owner dies, his/her spouse and dependents can draw on the account for qualified medical expenses tax-free. In situations where an account owner does not have a spouse or dependents, his/her designated beneficiary will receive a life insurance benefit based on the amount remaining in the account. (If an account owner's balance is less than \$500, no life insurance benefit will be issued.

In addition, the current life insurance benefit is capped at \$50,000). Due to federal legislation, however, unless an employee with a same sex domestic partner (SSDP) can claim this individual as a dependent, he/she would not be eligible to draw on the account.

- Plan design being considered by the University:
 - 2.0% contribution to the Faculty Retirement Plan (FRP).
 - 0.5% contribution to HCSP.
 - No increase to total deductions.

A drawback to this design is the relatively minimal contribution to the HCSP, which will limit the amount that can be accumulated in a participant's account. Plan designs can be modified, however, overtime.

- Based on responses to a survey conducted by Employee Benefits to gauge the current interest on the part of faculty and P&A around implementing a Health Care Savings Plan, there is greater interest than in the past. While the attitude towards a Health Care Savings Plan seems to be changing, only 41 faculty survey responses were received out of 4,000. The P&A survey response rate, however, was significantly higher, and CAPA will vote on June 20th to decide whether or not to recommend implementing a HCSP.
- More information including a HCSP presentation (pdf), a Q&S (pdf), a UMConnect presentation for academics and a short survey for faculty and P&A staff can be found at <http://www1.umn.edu/ohr/benefits/>. Additional information can be found on the Minnesota State Retirement System (MSRS) website at <http://www.msrs.state.mn.us/hcsp/index.htmls>.

Questions/comments following this presentation included:

- Has AFSCME considered implementing a HCSP for its employees? Ms. Ebert reported that AFSCME had looked into this for its members, but it was voted down. A lot of employees do not like the idea of mandatory participation in any program.
- Has the IRS expanded what constitutes a HCSP qualified expense? No, stated Ms. Singer, this has not changed, e.g. homeopathic treatments are not covered, unless they are prescribed by a physician.
- Is it possible for the employee groups that accrue sick time to put these balances in a HCSP? That would be extremely unlikely, noted Ms. Singer, as sick time is an unfunded benefit source.
- What were the reasons that faculty opposed the idea of a HCSP the last time it was raised? Ms. Singer stated that it was previously opposed because:
 - There was no new money from the administration to put into the account.
 - Faculty did not want money taken from the FRP and diverted to a HCSP.
 - Nationalized healthcare was thought to soon be a reality, and, therefore, there would be no need for a HCSP.
- How does a HCSP differ from a Healthcare Savings Account? While similar to an HSA, a HCSP is not tied to a high deductible medical plan like an HSA is.
- Can members of an employee group contribute above the minimum amount required for participation? No, all employees in a group must have the same contribution formula.

Mr. Watt thanked Ms. Singer for her presentation.

V). Mr. Watt introduced the next agenda item, proposed pharmacy benefit changes. Handouts for this item were distributed to members for their review. The first proposed change by the Pharmacy Benefits Workgroup is the introduction of a "Split and Save" program. Under this program UPlan members taking Lipitor 40mg will have the opportunity to reduce their current co-pays by one half by getting a new prescription for Lipitor 80 mg and splitting the tablets in half. Mr. Chapman added that once the Lipitor pilot proves successful, additional drugs would be added to the "Split and Save" program. Member's attention was turned to the handout containing the additional list of drugs that would be added to this program. Naturally, stated Mr. Chapman, only those drugs that are appropriate for splitting would be added.

Questions/comments from members:

- How do UPlan participants get the free pill splitter? Ms. Chapin noted that physicians need to write a prescription for the tablet splitter. The pharmacist will then fill this prescription and submit a claim for one of the covered tablet splitters.
- Do drug companies charge by the pill rather than the dosage level? While probably not universally true, this is likely the case stated Mr. Watt.
- Are UPlan members going to be required to split tablets for those medications that qualify under the "Split and Save" program? No, stated Mr. Chapman, UPlan members will be given the option of whether they want to participate in this program.

The committee endorsed moving forward with the "Split and Save" program. Ms. Chapin noted that the intent is to roll out this program as soon as possible.

Next, by way of introduction, Mr. Watt noted that given the tendency of the pharmaceutical industry to protect and extend the life of their patents, the Pharmacy Benefits Workgroup proposes that 4 drugs be moved to "no coverage" status. He explained that when a brand name drug is about to lose its patent, some drug companies introduce a new version of the drug (known as a line extension or a follow-on product) that is different enough so that generic versions cannot be automatically substituted.

These follow-on products can be a drug that is:

1. A new dosage form of the old drug.
2. A sustained release dosage form of the old drug.
3. A combination of existing products.
4. A drug with the same therapeutic properties as another drug, but with molecules that are in a mirror image.

Follow-on drug products are frequently heavily marketed through direct-to-consumer advertising, to encourage the consumer to use the product, even though the medication has no clinical advantage over its lower cost alternative.

Drugs currently not covered under the UPlan Pharmacy Program include over the counter (OTC) medications not specifically listed in the formulary, herbal and nutritional

supplements, drugs that require prior authorization (PA) when a PA has not been submitted, drug products or their uses not approved by the FDA (unless supported by well-documented, evidence-based research), PROPECIA[®], RETIN-A[®] (for UPlan members over the age of 25).

The initial drugs that the Pharmacy Benefits Workgroup proposes be moved to "no coverage" status are:

- Tricor[®] (a new dosage form of the old drug).
- Ambien CR[®] (sustained release dosage form of the old drug).
- Fosamax Plus D[®] (combination products).
- Nexium[®] (a drug with the same physical properties as another drug, but with molecules that are in a mirror image).

Nexium[®] and Fosamax Plus D[®] will be implemented first.

A member commented that this proposal makes the UPlan's Pharmacy Program even more complicated than it already is. Mr. Chapman noted that the UPlan is looking for places where it has the ability to apply some type of pressure on what is happening with pharmacy costs. Pharmacy is one of the fastest growing drivers of healthcare costs. Its trend is growing more quickly than medical services' trends. It is relatively easy to get information about pharmacy costs given that the rich data set for drug costs. For every prescription filled there is a specific MDC (Medicare Drug Costs) number generated. It is for these reasons that plan participants see more results in terms of managing pharmacy costs. Mr. Chapman agreed with the statement made earlier that the UPlan's Pharmacy Program has been made more complicated, but some of these changes he emphasized have served to benefit members such as implementing the Generic Plus pricing and the prior authorization process. Mr. Chapman reminded members that the prior authorization process is in place for those situations where members for a specific reason need to take a drug on the "no coverage" list.

Another member mentioned feeling unqualified to make decisions about what drugs the UPlan should and should not cover without a physician or pharmacist present to guide the committee in making an informed decision about this proposal.

Mr. Chapman stated that the University does not want this issue to be a slippery slope, but rather a discreet, and purposeful approach to dealing with rising pharmacy costs. Assuming that the committee endorses this proposal, it is important to recognize that this change to the UPlan Pharmacy Program will undoubtedly make some UPlan members unhappy. Having said this, an implementation plan, which will include a clear explanation for why this change is being made, will serve to make it more palatable for members to understand. This change to the program will be emotional for some, but, noted Mr. Chapman, can the University afford not to make this change. A member stated that this issue cuts both ways; there will be UPlan members that will be upset when the plan does not cover certain drugs, but, if the University does nothing, there will be members who will be upset that the plan's costs continue to rise.

After a lengthy discussion related to this proposal a member put forward a motion that the committee endorse this proposed policy. Another member added as a friendly amendment that language about the appeals process be clearly communicated in the policy.

Sandi Sherman requested that the minutes reflect that representatives from Bargaining Units 3800 and 3937 do not agree with this proposed policy change at this time.

VI). ANNOUNCEMENTS:

a). Mr. Watt reported that the Student Health Advisory Committee will meet this afternoon to discuss the possibility of a Twin Cities campus-wide smoking ban. Mr. Watt asked for volunteers from the BAC to serve on this committee. Interested members should contact Mr. Watt.

b). Mr. Watt announced that the next BAC meeting is scheduled for May 15, 2008. The main agenda item for this meeting is the Healthways annual review.

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

Renee Dempsey
University Senate