

BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
OCTOBER 2, 2008

[In these minutes: Flu Shots – Guinness World Record Attempt, Tobacco Survey and UPlan Satisfaction Survey Updates, *HealthCare Choices*, Retiree Health Benefit Changes, Medex Hospitalizations, Healthcare Spend and the Economy, RIO Update, 2009 UPlan 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), Tina Falkner, William Roberts, Dale Swanson, Jody Ebert, Jennifer Imsande, Rhonda Jennen, Sara Parcels, Sandi Sherman, Nancy Fulton, Michael Marotteck, Carl Anderson, Judith Garrard, Richard McGehee, Theodor Litman, Rodney Loper, Dann Chapman

REGRETS: Joseph Jameson, Carla Volkman-Lien, Fred Morrison, Michael O'Reilly,

ABSENT: Karen Wolterstorff, Carol Carrier, Frank Cerra, Amos Deinard, George Green, Keith Dunder

OTHERS ATTENDING: Linda Blake, Ted Butler, Karen Chapin, Joyce Carlson, Kurt Erickson, Shirley Kuehn, Kathy Pouliot, Kelly Schrotberger, Sheri Stone, Curt Swenson, Phyllis Walker

I). Gavin Watt called the meeting to order.

II). Employee Benefits' Announcements:

- Carl Anderson reported that Boynton Health Service applied and was accepted to try and set the Guinness World Record for the most flu shots given in a single day. The current record is held by a hospital system in Florida, which gave 3,721 flu shots in a single workday. Boynton Health Service will sponsor a mass flu shot clinic with 4 – 5 locations on Tuesday, October 28. With the help of the Minnesota Visiting Nurses Association, the Academic Health Center Medical Reserve Corp and University of Minnesota part-time, on-call flu shot clinic nurses, Boynton Health Service will attempt to break this record. Clinic locations will include Northrop Plaza, Hubert H. Humphrey atrium, St. Paul Student Center, and Java City in the Academic Health Center. Boynton Health Service is projecting that it will give 6,000 – 10,000 flu shots on this day. Boynton Health Service will be doing a mass marketing campaign around this event.
- Ms. Chapin reported that a Tobacco Survey was sent out earlier this week to a random sample of 2,000 faculty and staff and 5,000 students. The deadline for completing this survey is October 7th. In addition, a UPlan Satisfaction Survey

was recently sent out to all University employees. The deadline for completing this survey is October 17th.

- A postcard announcing a new wellness program being launched this fall, *HealthCare Choices*, was distributed to members. Ms. Chapin noted that UPlan participants can earn \$65 by completing this three-part, interactive, online program (assuming they have not earned their maximum rewards for a given year).
- Copies of the retiree newsletter were circulated around the table. Ms. Chapin explained that the newsletter contains information about the changes in retiree health benefits.
- Ms. Chapin reported that through third quarter 2008, there have been 8 Medex-assisted hospitalizations. In 2006, there were a total of 6 hospitalizations through Medex and in 2007 there was 1 hospitalization. Of the 8 hospitalizations this year, 4 were for dependents of employees. Employee Benefits has received several positive comments from parents about this benefit.
- Mr. Chapman noted that there was an article in the Wall Street Journal (<http://online.wsj.com/article/SB122204987056661845.html>) last month that reported that health care spending was down on a national basis. This article attributed this decline in spending to what is happening in the economy. Mr. Chapman stated there is no evidence of a decline in the rate of prescriptions being filled through the UPlan based on reports from RxAmerica. Another piece of good news as it relates to UPlan pharmacy spend, is that the UPlans' pharmacy costs are increasing at a slower rate (3.5%) than the national trend (7.6%). A member asked whether the Mental Health Parity and Addiction Equity legislation would have an impact on the University. Mr. Chapman stated no, the University is significantly ahead of this curve.
- Mr. Chapman reported that to date 430 people have signed up for the RIO (Retirement Incentive Option).

III). Mr. Watt called on Ted Butler to provide information on 2009 UPlan rates. Mr. Butler stated that his presentation would include some of the UPlan rate information from the August 7th BAC meeting, plus supplemental information.

Rates, noted Mr. Butler, are comprised of several factors:

- Medical and pharmacy claims (91.8% of total)
- Account contributions – HSA – (0.2% of total)
- External administrative fees (3.8%)
- Stop loss and conversion insurance (0.7%)
- Internal plan administration (1.4%)
- Wellness programming (2.2%)

Detailed information about what falls into each of these categories was shared with the committee.

Rate increases, noted Mr. Butler, are primarily driven by medical and pharmacy claim trends. The UPlan's forecasted trends by Watson Wyatt for 2009 were shared with the committee:

- Medical 9%
- Pharmacy 8%
- Overall 8.8%

Due to revised claims projections for 2008 being lower, rate increases will average 7.1% for 2009.

Mr. Butler stated that for rate setting purposes, the UPlan is considered a single plan, taking into account the experience of the entire plan. Rates for individual UPlan options are set using three factors:

1. Plan design (copays, coinsurance, and deductibles)
2. Provider pricing
3. Care and utilization management

In light of the fact that the University now has over 2 years of claims experience with Medica and HealthPartners, the provider pricing and care and utilization management components of the rates can be refined. Watson Wyatt has provided the University with a statistical analysis of the cost of each plan option. This analysis used "risk-adjusted" costs so that no plan was disadvantaged by having a less healthy membership. Mr. Butler highlighted the following about the analysis:

- Performed with actual UPlan de-identified claims data.
- "Risk adjusted" to remove differences in health status among employees in each plan.
- Measured allowed charges (eliminating plan design differences) per member per year.
- Measured two years of claims data for each plan, and both showed the same cost effectiveness ranking for each plan.

Mr. Butler noted the cost effectiveness ranking of each of the plans based on this analysis:

1. Medica Elect & Essential
2. Insights by Medica
3. Medica Choice National
4. HealthPartners

The results of the rate analysis will be phased into the UPlan's rates over time. The primary result is that HealthPartners rates will increase relative to the other plans. Mr. Chapman noted that the University has made a conscious decision to provide a temporary subsidy to the HealthPartners' premium to phase in the impact on employees with HealthPartners' coverage. He added that such a subsidy is not an uncommon practice for the University.

A member asked whether the administration is looking at eliminating HealthPartners as a health plan option under the UPlan. No, stated Mr. Chapman, the University has no reason to eliminate HealthPartners. The University believes that HealthPartners is a good health plan, and many people like this plan. In addition, the University has no financial

incentive to eliminate HealthPartners because the University is pricing its plans, at least over time, so that employees who choose a buy-up plan pays the extra cost over and above the base plan. It does not harm the University to offer a more costly plan.

A member questioned with all the UPlan members and the University subsidizing the HealthPartners' rate increase over the next three years, will the University capture a portion of the subsidized premiums? No, stated Mr. Chapman, the University's trend will continue to increase over the next three years; hence, the University's costs are not anticipated to go down.

Mr. Butler walked members through a slide, which outlined the differences in rates by factor between HealthPartners and Medica Elect & Essential with employee only coverage per pay period.

If the University were to do a straight pass through of the HealthPartners' rate increase rather than subsidizing this increase over 3 years, what would this mean in terms of a percentage increase for HealthPartners' members? Mr. Butler noted that the increase would have likely been more than 15% without the subsidy but that he did not have the exact figure. He added that on all plans other than the base plan, the employee pays the cost of the base plan plus the differential for the buy-up plan. In the case of the buy-up plans, the employee's percentage increase will be higher than the total percentage increase of the base plan.

A member characterized HealthPartners' methodology for risk-adjusting its rates as a big black box. Having said this, he asked whether it would be possible to have HealthPartners come prepared in the spring to talk about their methodology for risk adjusting. Mr. Watt and Mr. Chapman stated that they would be happy to ask HealthPartners to speak on this topic. Mr. Chapman added that the characterization of HealthPartners' methodology for risk adjusting as a black box is misleading. Actuarial science is a longstanding, tested discipline; simply because people do not understand this methodology does not mean it is a black box. Mr. Chapman also noted that risk adjusting is not a new component of the UPlan's rates; there has been an element in the rates all along that makes educated assumptions about how cost effective the different plans are. For example, Medica Choice National had, to a degree, a penalty built into it in the beginning. Assumptions were made from the onset that a large open access plan with a huge network would be less efficient. In reality, this analysis uncovered that Medica Choice National is not as inefficient as was initially thought. HealthPartners, on the other hand, is less efficient than Medica Choice National.

A member asked what services does HealthPartners offer that cannot be gotten elsewhere. Mr. Chapman stated that HealthPartners controls a subset of the providers in their own clinics across the state, particularly in the metro area. For the most part, the HealthPartners Medical Group Clinics are rented out to virtually no other networks, and certainly not Medica.

Is there any data to suggest there is a quality difference between HealthPartners and Medica asked a member? Mr. Chapman stated that in theory this is possible, but in practice the data does not suggest a significant difference in how the plans perform in terms of frequency of services provided, e.g. office visits, prescription fills. HealthPartners has a lot of loyal members. If HealthPartners were so wonderful at producing outcomes, HealthPartners would cost the UPlan a lot less than what it is actually costing. If HealthPartners is as good as they say, they would be cheaper and not more costly.

A member asked that representatives from Watson Wyatt attend an upcoming BAC meeting to speak in layman's terms about the discipline of actuarial science. Mr. Chapman stated that this would definitely be possible.

Mr. Watt thanked Mr. Butler for his presentation.

IV). Mr. Watt stated that the committee's next meeting would be November 20th barring any pressing business. Hearing no further business, Mr. Watt adjourned the meeting.

Renee Dempsey
University Senate