BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
MARCH 26, 2009

[In these minutes: Expiring Terms on BAC, Centers for Medicare and Medicaid Services (CMS) Social Security Number Requirement, American Recovery and Reinvestment Act Information, Potential Cost Savings in Benefits Discussion]

[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), William Roberts, Dale Swanson, Karen Wolterstorff, Jody Ebert, Jennifer Imsande, Rhonda Jennen, Sara Parcells, Sandi Sherman, Joseph Jameson, Carla Volkman-Lien, Carl Anderson, George Green, Judith Garrard, Richard McGehee, Michael O'Reilly, Theodor Litman, Rodney Loper, Dann Chapman

REGRETS: Tina Falkner, Nancy Fulton, Michael Marotteck, Amos Deinard, Fred Morrison

ABSENT: Carol Carrier, Frank Cerra, Keith Dunder

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

I). Gavin Watt called the meeting to order.

II). Mr. Watt announced that the terms of Joe Jameson, Dick McGehee, and Karen Wolterstorff are expiring on June 30, 2009. In addition, Carla Volkman Lien will be resigning from the committee as of June 30, 2009. Members who are interested in serving another term should contact their respective employee group contacts, Susan Cable, chair, Civil Service; Professor Emily Hoover, chair, FCC; and Pam Stenhjem, chair, CAPA. Mr. Watt noted that each employee group is requested to put forward two names for each vacancy. Then, later this spring, the BAC Committee of Selection will meet to fill these vacancies.

III). Employee Benefits' Announcements:
a). Kathy Pouliot announced that there is a new Centers for Medicare and Medicaid Services (CMS) requirement that all dependents 45 years old and older must have a Social Security number on file with their health plan administrator. Two weeks ago Employee Benefits sent out an email to 400 Medica members who do not have dependent Social Security numbers on file with the plan. Thus far, 200 Social Security numbers have been collected. Next, a letter will be sent to employee's homes to try and collect the remaining 200 numbers.

The reason Social Security numbers for dependents 45 years old and older are being collected is for coordination of benefits purposes. For example, if an individual is in an active plan that plan will pay first and Medicare would pay second. Plan administrators who do not have Social Security numbers on file for dependents 45 years and older will deny payment of any claims they receive. HealthPartners will be collecting this information during open enrollment later this fall.

b). Shirley Kuehn reported that the recently enacted American Recovery and Reinvestment Act will be providing economic relief to a number of former University employees and their dependents who are continuing their health and/or dental coverage on COBRA. A 65% COBRA subsidy is available to most employees who are involuntarily terminated from September 1, 2008 – December 31, 2009. This subsidy will be available for up to nine months starting March 1, 2009. Those eligible for the subsidy will only pay 35% of their current COBRA benefits. The University will be reimbursed the remaining 65% subsidy from the government.

Employees who did not elect to continue their health and/or dental insurance on COBRA, or let it lapse for non-payment will be entitled to a second window of opportunity to elect these benefits in order to take advantage of the subsidy. The University will contact these employees within the next two weeks.

Questions still exist around who qualifies for this subsidy and how exactly the plan will be administered. Employers are receiving information about this program from the Department of Labor and the Internal Revenue Service as it becomes available.

c). Karen Chapin reported that with the acquisition of RxAmerica by CVS/Caremark, the specialty drug program will be transferred to an Arden Hills, Minnesota facility, and the mail order operation will be handled out of Mt. Prospect, Illinois.

CVS/Caremark assures the University that they are confident their enhanced systems will improve the delivery of these services. In terms of changes, because CVS/Caremark will in many cases be buying from different generic manufacturers, the medication may look different. For example, rather than receiving a blue pill, a member may get a pink pill.

UPlan prescriptions will automatically be transferred over from RxAmerica to CVS/Caremark. Members will continue to call the same mail order and specialty drug phone numbers.

Ms. Chapin noted that she, Dr. Steve Schondelmeyer, Gavin Watt, and Kathy Pouliot will be visiting the Mt. Prospect mail order facility (Monday, March 30) as well as the specialty drug facility in Arden Hills at a date to be determined. A report on the Mt. Prospect, Illinois visit will be shared with the committee at the next meeting. To the best of Employee Benefits' knowledge, customer service will continue to be handled by RxAmerica.

IV). At the last few meetings, at the request of President Bruininks, the committee has been talking about options for reducing UPlan expenditures by $3.72 million. Employee Benefits provided the committee with the original list of options that would capture these savings as well as an alternative list with other ideas.

Mr. Watt noted that some of the options that will be discussed today are subject to bargaining. Having said this, straw polls will be conducted in an attempt to get a sense of the entire committee, including members from the bargaining units.

In response to a question that was raised at the last meeting about substituting the delivery methodology of generic drugs (e.g., patch versus pill), Mr. Chapman noted that for a drug to be considered an identical equivalent, it must use the exact same delivery method, and not just the same drug for it to be a generically equivalent substitution.

Next, Mr. Chapman distributed a slightly revised copy of the *Potential Cost Savings in Benefits* handout. The only change was to the language in proposal #7, which now reads "Cover only one cost-effective brand of diabetic testing supplies at generic plus co-pay. Others covered at brand or non-formulary co-pay."

Mr. Chapman also distributed the *Alternative Cost Savings Proposals* handout. This handout had been distributed earlier via email. He suggested members take a couple minutes to review this handout, and to feel to ask questions about any of the proposals that may not be clear. For example, alternative proposal #1 purports to save the UPlan $2.2 million by adding $75 hospital inpatient and outpatient co-pays to the base plans and HealthPartners, and to increase the buy-up plan inpatient co-pays by $75 and outpatient by $25. While the annual savings may appear to be too high, noted Mr. Chapman, it is important to keep in mind that this proposal covers both hospital admissions AND outpatient surgeries; there are significantly more outpatient surgeries than hospital admissions.

Mr. Chapman turned members' attention to another handout, *ER Visits by Diagnosis Code for Codes with at Least 20 Visits* (October 2005 through September 2006). He noted that the yellow highlighted codes are strictly suggestive that these emergency room visits might not be appropriate utilization of an emergency room. The handout by no means suggests that every instance highlighted in yellow means the visit was in fact an inappropriate use of an emergency room. The committee had previously requested this report.

Another handout, *2009 Medical Rates-Effects of Moving to Employee Base Plan Contributions of 12% Employee and 17% Family* (current contributions are 10% and 15% respectively). This alternative proposal is estimated to save the UPlan $3,880,000. This handout serves to give members a sense of what this increase would mean in terms of dollars. Mr. Chapman noted the figures in this handout have been applied to the current 2009 rates because it is too early to know what the rates will be for 2010. An alternate cost savings proposal on the handout would be to only increase the employee share of the premium by 1% rather than by 2%, and this would be a cost savings of $1,940,000 for the University.

The last handout that was distributed to members contained information about the fees that the University paid for its health improvement programs for three years, 2006, 2007, and 2008. Mr. Chapman shared the following information about the various health improvement programs:

- Ask Mayo Clinc 24-hour Nurse Line – charged on a per member per month basis, and is adjusted by utilization over time. Participation and use of this program has steadily increased.
- Staywell and Miavita are the on-line wellness assessment and tutorials, respectively. They are charged on a per member basis to the University.
- The Lifestyle 6 Months and Lifestyle 12 Months programs are charged based on actual participation. Participation in the Lifestyle 6 Months and Lifestyle 12 Months programs from the period 2006 to 2008 reflects observations by this committee that these programs have not been particularly popular with those who have tried them. Please remember, noted Mr. Chapman, that the University is only paying for the people that are actually using these programs.
- The Disease Management program is charged based on actual participation too. An aspect of the Disease Management Program has to deal with risk reduction. Therefore, the slight trend downward in the use of this program does not come as a surprise because as people reduce their risk they naturally would move out of the program. Or, the slight downward trend could be the result of people getting the information and help out of the program that they need, and, therefore, do not feel the need to repeat the program.
- 10,000 Steps – While the billing for 2008 has been delayed, the University expects that the participation in the program for 2008 to be slightly more than participation in 2007.

A member noted that both Medica and HealthPartners have their own nurse line programs. Were these programs included in the University's contracted rates with these vendors or were they add-ons? Mr. Chapman stated that Medica charges an extra dollar amount for this service, while HealthPartners claims that it is included in their administration fee, and cannot be separated out. In Mr. Chapman's opinion, this is part of the reason that HealthPartners' administration fees continue to be higher than Medica's administration fees. Employee Benefits believes there is value in having a single nurse line across the entire UPlan. In addition, Employee Benefits has gotten feedback that the HealthPartners' nurse line during the day does not really function like a nurse line. Instead, HealthPartners' nurse line, during business hours, more or less funnels patients into one of its clinics and is not providing trained nurse line support.

A member noted on the *Alternative Cost Savings Proposals* handout that proposal #11 estimates that the UPlan could save $90,000 by lowering the wellness rewards by $5 each (from $65 to $60). Having said this, would it be possible to reduce the rewards even further to save additional money? No, stated Mr. Chapman, and there is a philosophical reason for not reducing the rewards further at this time. He reminded members that the administration's receptivity to changing the wellness program is pending outcome of the RIO study being conducted by Dr. John Nyman. Proposal #11 was added in order to try and get at smaller dollar increments of reducing UPlan costs should the committee be interested in using this approach.

Mr. Watt stated that a BAC member suggested that consideration should be given to increasing the amount that people electing the buy-up plans are paying, e.g., increasing co-pays and/or premium contributions. Mr. Watt shared this idea with Mr. Chapman and Ms. Chapin who noted given how the UPlan is structured, every effort is made to avoid cross subsidization between plans. It would violate the current UPlan model to have the buy-up plans subsidize the base plan. Ted Butler explained that when UPlan rates are being set, the experience of the entire UPlan as a whole is taken into consideration. To the extent actuarially possible, attempts are then made to accurately reflect the cost of care for each plan. The University contributes the same dollar amount to every plan regardless if it the base plan or one of the buy-up plans. To increase the out-of-pocket costs to the buy-up plans serves to lower the rate for the buy-up plans, which does not change what the University contributes. This suggestion, therefore, would not save the University any money. Mr. Chapman noted that there is a reluctance on the part of the administration to shift costs to only those employees in the buy-up plans for a couple reasons:

1. Every attempt is made to accurately reflect the rates for the different plans to the extent possible. People choosing the buy-up plans are already paying an additional cost burden. The University wants to avoid cross-subsidization of the plans. There are a significant number of lower income employees electing the buy-up plan options.
2. This proposal is counter to the Regental principle of offering choice in the UPlan. It would make choice less affordable for some employees and moves the University closer to being unable to offer choice within the UPlan because the buy-up plans would become unsustainable as fewer and fewer employees elect these plans.

In response to a comment about the importance of keeping choice in the UPlan, Mr. Chapman noted that having healthier people in one plan over another does not advantage or disadvantage a plan. Mr. Butler added that when setting rates, the University and its actuary price the plans as if all UPlan members are in each of the plans.

A member stated that the aspect of "choice" is political. There is a movement across the country to view choice as a means of stratifying benefits within a society. Tiering plans smacks of this same idea. Rather than the University being a special type of community in which to work, in reality it is no different than any other corporation, which seeks to maximize profits. Please remember that many of the proposals that are being considered impact lower paid employees far more than higher paid employees. In response, Mr. Butler stated that the purpose of rating the plans as if the entire UPlan population were in each plan is to avoid the situation where healthier people migrate to one plan over the others.

Mr. Watt noted that any changes to the UPlan will take into account the impact on lower income employees. Many of the proposals that are being looked at are fixed dollar increases, which the committee needs to be mindful of.

A member voiced concern over basing rates on income given it is impossible to know each employee's complete financial situation. Lower paid employees could have other sources of income outside of their employment at the University.

A member stated that it is her opinion that it is not the job of the BAC to help balance the University's budget. Rather, the BAC's job is to ensure that University employees have excellent benefits. Admittedly, the University's benefits, by in large, are significantly better than that of the private sector, and they need to stay that way. There are a fair number of University employees who come to the University willing to sacrifice a higher salary in lieu of an excellent benefits package. The BAC should tell President Bruininks to look elsewhere to find the money it needs to balance its budget, and not look at the UPlan. The health and welfare of University employees is important and needs to be protected. Of particular offense on the list of *Alternative Cost Savings Proposals* are proposals #8 and #9, which would punish employees who elect not to take the wellness assessment. Given some confusion about proposals #8 and #9, representatives from Employee Benefits took time to clarify each of the proposals.

Phyllis Walker, president, Local 3800, stated that the position stated earlier that President Bruininks should be told to find the $3.7 million in UPlan savings elsewhere is the official position of Local 3800. Two of the cost savings proposals, increasing out-of-pocket costs by 1%, and increasing employee's share of the premium, violates principles in the handout, *Guiding Principles Behind Cost Savings Recommendations.* It violates the principle to protect lower income employees, and not creating barriers to adherence, especially for lower paid employees, that would have negative long-term effects. The BAC is not responsible for balancing the University's budget, but with keeping the University's health care affordable.

A member stated that the University is asking the BAC to make up for part of the University's budget shortfall, which has nothing to do with increases in health care costs themselves. Many of the proposals are an attempt to tax the sick, which is not appropriate, especially when the proposed increases are not associated with higher health care costs. It would be better to tax all UPlan participants across the board and not single out the sick. In addition, if the percentage increase in premiums proposal is adopted, this would tax those with dependents more. This is inequitable given that the need to cut $3.7 million from the UPlan is not associated with increased health care costs. Rather than a percentage increase on premiums, it would be more equitable to have a flat increase across all UPlan participants, and call it a surcharge. The sick and those with dependents should not be making up a larger share of this deficit.

A member stated having sympathy for the principle of "insurance," which shares the cost of health care across the group rather than loading it on sick people. Aside from the inequity between sick and healthy people, there also exists an inequity in employee salaries. While respecting the Local 3800 position that it is not the BAC's responsibility to balance the University's budget, it has been beneficial for the BAC to discuss the UPlan cost savings proposals in order to influence the administration's decisions, which would otherwise be uninformed by the BAC's feedback.

The University's actual deficit situation has changed since the committee began discussing how to reduce UPlan expenditures by $3.7 million, noted a member. The Federal Stimulus Bill will serve to offset a significant amount of the fiscal deficit the University finds itself in over the next two years. Therefore, has the administration changed its budget reduction targets in light of the Stimulus Bill? The University will not face a deficit for two years so why should cuts be made now? Mr. Chapman stated that the administration has not changed its budget reduction targets because of the "cliff effect" that will take place in two years. The Stimulus Bill provides the University with transition money for the next two years. Over this time, the University needs to become a smaller university. While it may seem like there is no urgency in terms of making these cuts now, many of the proposals being discussed will take two years or more before the University realizes any savings, which can be attributed, in part, to how the fringe pool works. Mr. Butler added that the $3.7 million reduction to the UPlan represents just shy of 2% of the entire UPlan budget. This 2% cost savings will serve to curb the growth costs for next year. Health care trend has been averaging 8%. By shaving 2% off the average trend of 8% still means that the University will be paying more for health care next year than this year.

A member stated that from a public health perspective, everything the University does that raises the cost of people accessing health care decreases the likely that people will access health care. Having said this, in its efforts to reduce UPlan costs the University should target areas of overutilization first before spreading the cost across the plan to avoid taxing the sick. The public health position would be to not increase costs in areas that would effect utilization for appropriate health care, which could otherwise serve to have adverse outcomes at some point in the future.

Remember the charge of the BAC, noted a member, which is to make UPlan participants better users of health care. For the next meeting, the cost savings proposals should be put on a scorecard and the committee should rank the proposals.

In response to a question about possibly eliminating the health club membership subsidy, Mr. Chapman stated that the alternative list of cost savings proposals distributed to the committee was not intended to be exclusive, but rather illustrative of a much longer list of cost savings proposals that were considered, but later rejected. Eliminating the health club membership subsidy is an option, but was not included in the alternative list. Acknowledging Mr. Chapman's comment, this member stated that she would hate to see benefits that serve to keep people healthy disappear. Increasing the employee's share of the premium is a slippery slope; therefore, could the committee propose to the administration that any increases in health care costs be temporary. Mr. Chapman stated that the committee can recommend whatever it wants.

Is the goal to decrease UPlan expenditures by 2% targeting the medical plan only or other benefits too? Mr. Chapman stated that the 2% target is for the medical plan specifically, and not other University benefits. In addition, Human Resources (including Employee Benefits) like other units across campus, is also being asked to reduce its operating budget by 5% - 8%.

Another comment was made that echoed a previous comment that the BAC is not responsible for balancing the University's budget. Instead, the BAC is responsible for ensuring the University offers the best health care benefits to its employees. These cost savings proposals discussions mimic, to a degree, bargaining unit negotiations. Mr. Watt noted that not all members of the BAC are represented by collective bargaining agreements; hence, this is their opportunity to voice their thoughts/opinions.

The suggestion was made to find more cost savings proposals like moving specialty drug coverage from the medical plan to the pharmacy plan. The administration should be looking for more of these types of savings rather than shifting costs to employees. Mr. Chapman stated that if there were more of these types of savings they would definitely be on these lists. Employee Benefits looked long and hard for additional cost savings of this nature.

A member stated that the administration has come to the BAC to garner the committee's input about how to reduce UPlan expenditures by 2%. Rather than telling the administration to look elsewhere, the committee should be appreciative of the opportunity to provide feedback, and try to identify cuts that will have the least amount of impact on UPlan members.

Health care benefits are one aspect of an employee's total compensation package. Reducing health care benefits, noted a member, is basically a pay cut to UPlan participants. Higher income employees should pay more. A percentage should be taken out of each employee's paycheck.

The point was made earlier that the University needs to become smaller, but, in doing so, there is no reason the University cannot strive to be better. Do not whittle away at the benefits that make the University a good place to work. Rhetorically a member asked how building a new football stadium would serve to make the University become one of the top three universities in the world. When given the choice of having a larger pay cut and reducing benefits versus taking a smaller pay cut and keeping benefits the same, most faculty prefer the later. Alternatively, the University should ask programs to absorb these cuts rather than taking away the benefits that make the University such a good place to work. Taxing the sick should be the absolutely last place to look for these cost savings.

In light of time, Mr. Watt stated that this discussion would be carried over to the April 2, 2009 meeting. In the meantime, he has asked Dick McGehee, Karen Wolterstorff, and Nancy Fulton to try and incorporate the sense of the committee into a position statement that the committee could endorse. Members who have additional comments should email him. A draft of this statement will be shared with the committee at its April 2 meeting.

V). Mr. Watt announced the plan review schedule:

- April 16, 2009 – RxAmerica
- May 7, 2009 – Medica
- May 21, 2009 – Healthways
- June 4, 2009 – HealthPartners

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

Renee Dempsey
University Senate