BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
APRIL 2, 2009

[In these minutes: CVS/Caremark Update, Continued Discussion of UPlan Response to Budget Reduction]

[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, Karen Wolterstorff, Jody Ebert, Jennifer Imsande, Rhonda Jennen, Sara Parcells, Sandi Sherman, Nancy Fulton, Joseph Jameson, Michael Marotteck, Carl Anderson, George Green, Judith Garrard, Richard McGehee, Fred Morrison, Michael O'Reilly, Theodor Litman, Rodney Loper, Dann Chapman

REGRETS: Carla Volkman-Lien, Amos Deinard

ABSENT: Carol Carrier, Frank Cerra, Keith Dunder

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

I). Gavin Watt called the meeting to order.

II). Gavin Watt reported that he, Karen Chapin, Kathy Pouliot, and Professor Steve Schondelmeyer visited the CVS/Caremark mail order facility in Mt. Prospect, Illinois on Monday, March 30th. Specialty drug dispensing will be transitioned to a facility in Roseville, Minnesota, but managed out of the Mt. Prospect location.

Mr. Watt noted that Vice President Bruce Lyons, Employer Sales and Account Services - CVS/Caremark, will attend the April 16, 2009 BAC meeting when the RxAmerica/CVS/Caremark review is conducted. Dann Chapman reminded members that when Mr. Lyons attends this meeting it is important to keep in mind that it will be very early in the acquisition/transition process. He encouraged members to think of Mr. Lyon's visit as an opportunity for him to get to know the University account and what is important to the University. Many of the details of the transition have yet to be finalized.

A member voiced concern over the potential confusion that may result from the transition. Mr. Chapman stated that CVS/Caremark has done some communication with UPlan members, and will do more as will the University. While CVS/Caremark touts that the transition will be seamless, undoubtedly there will be some confusion.

A member requested that when the vendors come in for their annual presentations that they spare the committee any marketing tactics. Mr. Chapman stated that Employee Benefits provides the vendors with advice on what their presentations should and should not include, but ultimately the vendor decides what advice they choose to take.

III). Members spent the remainder of the meeting continuing its discussion of how to reduce UPlan spend by $3.7 million in light of budget reduction efforts during these difficult economic times.

Mr. Chapman began by distributing two handouts, which he noted are meant to be illustrative of the impact of inflation over time on prescription and office visit co-pays. The charts clearly demonstrate how the UPlan's costs have gone up significantly over the years, while office co-pays have remained flat, and prescription co-pays have gone down on average. Mr. Watt noted that fixed dollar contributions by employees to the UPlan, e.g., co-pays, out-of-pocket maximums, that do not index up are passed on to the employer. Several years ago, employees participating in the UPlan agreed to share in the cost of the plan, and some of the proposed increases that will be discussed today are employees share of these costs.

Mr. Watt distributed a draft statement he and Professor Dick McGehee crafted, which summarizes the BAC's recommendations to the administration responding to their request that $3.7 million be cut from the UPlan. He asked if anyone had concerns about moving specialty drug coverage from the medical plans to the pharmacy plan. Hearing none, he asked the committee, which one of the following positions it would like to take:

1. Decline to prioritize any of the additional cost saving proposals or offer any alternatives, and refuse to accept the proposition that the administration should claim 'cost savings' by cost shifting.
2. Accept a portion of the cost reallocation and recommend that employee paycheck contributions to premiums be increased by 1% for individuals and 2% for employees with dependents.

Professor McGehee noted that his version of this statement was significantly more strident. The version that the committee has before them has been toned down significantly. Given that his version of the statement had specific ideas for coming up with this money, he would be hesitant to recommend alternative ideas for finding this money elsewhere.

Ms. Sherman commented that the first recommendation in this response to the administration does not accurately convey the sense of the AFSCME position. AFSCME recognizes that health benefits and the health and welfare of the University's employees are important. In light of the current difficult economic times, however, it simply is not a reasonable request on the part of the administration to cut employee's benefits. Reducing health care benefits should not be used to balance the University's budget shortfall. The tone in this draft to the administration is too harsh.

Comments and suggestions for saving money in the UPlan included:

- No longer cover lifestyle drugs.
- Increase co-pays.

Members agreed that the preamble of this draft should be changed to more accurately reflect the committee's position that it does not believe the administration should look to the health plan to help balance its budget. However, if left with no choice, some members of the committee thought it was in their best interest to identify the lesser objectionable cost savings proposals given the administration is asking for the committee's input and knowing cuts will be made regardless.

In terms of increasing employee contributions to premiums (option 2), a member stated that it would be more equitable to charge a flat amount across the UPlan population as opposed to increasing single coverage by 1% and coverage for employees with dependents by 2%. Mr. Chapman asked how this would be more equitable given that employees with dependents incur the greater risk and share of the costs in the plan. In response this member stated that the money the administration is looking to get out of the UPlan is not related to health care costs, but rather balancing the University's overall budget. This flat rate should actually be labeled a surcharge because it has nothing to do with health care costs per se.

A member stated that the preamble should include language that recognizes that employees will not receive wage increases, and forcing employees to pay more for health care to help meet the University's budget shortfall is inappropriate.

Health care insurance is now optional for employees, stated a member, please remember that employees can elect to not take coverage. Healthy people may decide to decline coverage due to the increased cost of the plan.

Mr. Chapman stated that this exercise is more complex than simply saying that cutting UPlan costs by $3.7 million is all about balancing the University's budget, and that it is unrelated to health care. While the University's budget is currently a significant driver behind trying to reduce UPlan costs, health care spending has been a problem for not only the University but other employers across the U.S. for years. Health care is not a fixed cost, and far outranks inflation. Employers are finding themselves picking up larger and larger amounts of these costs. Increasingly, employers are faced with the decision of whether they can continue to subsidize health care at all. If the private sector decides it is unable to subsidize health care for its employees, the University, as a public institution, would be hard pressed to take a different stand, and not worry about controlling health care inflation. Health care costs have been shifted to the employer more and more over time by the health care inflation trend.

A member argued on the principle of equity that any UPlan increases should be based on a percentage of salary rather than a flat tax, or increasing costs for services on the unhealthiest participants in the plan. A percentage of salary increase seems most equitable; higher paid employees will pay more than lesser-paid employees.

Another comment from the floor was to simply send the administration's request to trim $3.7 million from the UPlan back to the president and indicate that money to balance the budget needs to be found elsewhere.

The committee was told that Local 3800 is in the process of analyzing some data, and it knows that the University could save approximately $2 million by cutting the salary of all employees making over $200,000/year by 10%.

A member noted that the office visit co-pay for the base plan has not changed since 2002. A $10 co-pay is not worth what it was in 2002. At some point this co-pay needs to be adjusted for inflation. This is a low co-pay. Thought should be given to increasing the office visit co-pay for the base plans and HealthPartners to bring the University back in-line with what the relative value of the co-pay needs to be.

In response, another member stated that increasing office visit co-pays impacts access to healthcare and this would be a big mistake. As stated earlier, the president should be told to find the money to balance the University's budget elsewhere, and not look to the UPlan.

Employee Benefits has been charged by the administration to cut $3.7 million from the UPlan, noted a member. In turn, Employee Benefits has consulted with the Benefits Advisory Committee (BAC), and if the committee does not put forward its recommendations for prioritizing these options, it will have to accept whatever the administration decides. While the committee does not like the idea of having to cut UPlan benefits, the reality is that if the committee does not prioritize the options it has been given that the administration will be forced to decide for the committee.

In response to a question about whether the UPlan loses money, Ted Butler stated that this is a question that needs to be answered on a year-to-year basis. In every year that the UPlan has been in existence, costs have exceeded projections. When costs exceed projections, these costs are not added to the following year's costs, but rather the University covers the cost overages out of its general operating budget.

Mr. Watt asked the committee if they would like to recommend an increase in employee contributions to the UPlan premium, or if they would prefer to go through the itemized list of options in order to capture $3.7 million in savings to the UPlan. Mr. Chapman observed that if the committee were to recommend a 1% increase to the employee's share of the premium ($1.94 million in savings) and moving specialty drug coverage from the medical plan to the pharmacy plan ($1.4 million in savings), the committee would be very close to finding the $3.7 million in UPlan savings. He emphasized that he is not arguing for any recommendations in particular, but rather simply observing and articulating a fact.

An AFSCME representative pointed out that a co-pay increase and an increase to the employee's share of the premium are both negotiable. Any attempts by the administration to shift these costs to employees will be met with resistance from Bargaining Unit employees. Once benefits go down, they never come back.

Mr. Watt called the question again and asked who at the table would recommend a 1% increase in the employee's share of the premium. A handful of members supported this option. Moving on, members spent the remainder of the meeting discussing alternative options on the two lists provided by Employee Benefits for saving the UPlan $3.7 million.

- Require a co-pay for each month of birth control medication at retail – proposal #5. (Currently, individuals receive 3 months of birth control medication for 1 co-pay at retail. The UPlan subsidizes birth control medications more than any other medications covered under the UPlan).

  Comments:
  *Unwanted pregnancies will cost the UPlan more than the potential estimated cost savings of $220,000.
  *Lifestyle drugs should not be covered by the UPlan and this should include birth control medication.
  *A vast majority of birth control medications are at the $8 co-pay level; hence, requiring a co-pay for each month of birth control would only cost a UPlan participant an additional $64/year.
  *Eliminating the birth control medication subsidy targets women only, and this is offensive.

  A straw poll vote was conducted and the committee recommended that the UPlan's birth control medication subsidy be retained.

- De-incentivize UPlan participants from using brand name drugs. (Estimated cost savings to the UPlan for de-incentivizing the use of brand drugs is estimated at $1.21 million – proposals #2, #3, and #6).

  Comments:
  *While it seems reasonable to increase the co-pays for UPlan participants for brand, and brand non-formulary drugs, increasing the current 'penalty' when a brand drug is selected over an available identical generic drug without medical necessity is objectionable.
  *Explore eliminating aspects of the Wellness Program as a cost saving measure for the UPlan before looking at this cost savings measure.
  *The UPlan pharmacy appeals process will remain in place allowing plan participants to obtain their prescription for the generic/generic plus co-pay of $8 with evidence of medical necessity.

  A straw poll vote was taken and a majority of members endorsed proposals #2 – increase pharmacy co-pays for brand and brand non-formulary drugs, and #6 – move low-dose Lipitor – 10mg and 20 mg – to the non-formulary co-pay to incent the use of generic equivalents. However, the committee did not recommend increasing the ‘penalty’ when a brand drug is selected over an available identical generic drug without medical necessity – proposal #3.

- Increase the annual medical out-of-pocket (OOP) maximum to $3,000 (individuals)/$5,000 (individuals with dependents) - current OOP maximums are $2,000/$4,000 respectively, and to increase the UPlan’s out-of-network (OON) emergency coinsurance to 30% of the first $2,000 – proposals #9 and #10.

  Comments:
  *Increasing these maximums impacts those with the most medical need.

  A straw poll vote was taken and the committee objected to increasing the OOP and OON maximums.

- Increase emergency room co-pays from $50 to $75 (the co-pay would continue to be waived if admitted to the hospital) – proposal #4.

  Comments:
  *The availability of Urgent Care facilities on the weekends and in the rural areas must be considered when contemplating increasing the emergency room co-pay.
  *Emergency rooms are a very expensive place to get non-emergency care.

  A straw poll vote was taken and there was an even split between those supporting raising the emergency room co-pay and those that were against raising this co-pay.

- Add a $25 co-pay for high-tech imaging services (MRIs and CT Scans) – proposal #8.

  Comments:
  *High tech imaging is a significant cost driver of health care in the U.S.
  *Patients do not have a choice whether they need a MRI or CT Scan.
  *Charging a co-pay to the patient for these services does not get at the root of this problem, which is the provider prescribing these services.

  A straw poll was taken and the committee did not endorse instituting a $25 co-pay for high tech imaging services.

- Eliminate the Fitness Rewards Program subsidy, which would save the UPlan approximately $550,000 – proposal #12.

  Comments:
  *Sick people should not be penalized while healthy people are subsidized.

*This is a very popular program that a lot of UPlan members participate in. Instead of eliminating the Fitness Rewards Program, thought should be given to eliminating some of the other wellness programs.
*This is a great benefit that incentivizes UPlan participants to exercise and people like it a lot.

Mr. Chapman voiced a concern over the direction of these comments. Decisions about whether to drop aspects of the Wellness Program based on popularity of the programs are illogical. Decision-making based on the popularity of a program does not take into account whether a program is effective. It is currently not an option to eliminate the Wellness Program from the UPlan. From day one, the Wellness Program is surviving under the threat that it has to prove itself. The Dr. John Nyman RIO study will determine if the program is cost effective, and it is at this time a decision will be made about what aspects of the program, if any, will be continued. It would be foolish to decide now to eliminate the Wellness Program without the results of the RIO study. Results of this study are expected later this spring.

A member requested that pending the outcome of the RIO study by Dr. Nyman later this spring that any final decisions to cut UPlan benefits be put on hold. In the event the Wellness Program or aspects thereof do not prove to be cost-effective, and, as a result, are eliminated, this money should be put towards reducing the cost of the UPlan before other benefits are cut. Mr. Chapman stated that President Bruininks has requested the BAC's recommendations now for reducing the cost of the UPlan by $3.7 million. Having said this, Mr. Chapman hesitantly stated that if the Dr. Nyman study demonstrates that the Wellness Program is not cost effective, the administration will explore trading off the entire program or significant aspects of the program against the proposals the committee has recommended today.

- Increase the office visit co-pay to $12 on the base plans and HealthPartners, which is estimated to save the UPlan $400,000 – proposal #3 – alt.

  Comments:
  *Consider increasing the office visit co-pay to $11 on the base plans and HealthPartners rather than $12.

  A straw poll was conducted and 7 voted in favor of increasing the office visit co-pay to $12 on the base plans and HealthPartners and 8 voted against.

- Cover only one cost-effective brand of diabetic testing supplies at the generic plus co-pay; others will be covered at the brand or non-formulary co-pay – proposal #7.

  A straw poll was conducted and members recommended this cost saving measure.

Mr. Watt asked Ted Butler the estimated UPlan cost savings the committee has voted to recommend to the administration thus far. Mr. Butler stated that from the original handout, *Potential Cost Savings in Benefits*, the committee voted to recommend proposals #1, #2, #6, and #7, which totals $2.7 million. Mr. Watt added that the outcomes of the straw polls did not support proposals #3, #5, #8, #9, and #10. The committee was equivocal on proposal #4, which was to increase the emergency room co-pay from $50 to $75.

From the *Alternative Cost Savings Proposal* handout, Mr. Watt asked members whether they would recommend alternative cost saving proposal #6, which is to increase the employee's share of the premium by 1%. Based on the straw poll that was conducted the committee was at a stalemate.

A member stated that the administration's charge to Employee Benefits to reduce UPlan costs by $3.7 million was set prior to finding out that the University would be receiving federal stimulus money. The committee should take the position that it not take any further steps in terms of reducing UPlan costs until:

1. The University's economic situation is resolved.
2. Further developments concerning the possibility of a national health care plan are fleshed out by the new administration.

Mr. Watt volunteered to redraft the BAC's response to the administration's request that the BAC identify $3.7 million in UPlan cost savings. This response will incorporate the results of the straw poll votes that were taken and the overall sentiment of the committee.

IV). In light of time, Mr. Watt adjourned the meeting.

Renee Dempsey
University Senate