

Year 2003-04

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Faculty, Staff and Student Affairs Committee

June 10, 2004

A meeting of the Faculty, Staff and Student Affairs Committee of the Board of Regents was held on Thursday, June 10, 2004, at 9:50 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Patricia Simmons, presiding; Peter Bell, Frank Berman, Richard McNamara, and David Metzen.

Staff present: President Robert Bruininks; Senior Vice Presidents Frank Cerra and Robert Jones; Vice Presidents Kathryn Brown and Carol Carrier; Interim Vice President David Hamilton; Executive Director Ann Cieslak; and Provost David Carl.

Student Representatives: Johanna Farmer and Andrew Sorsoleil.

HEALTH CARE BENEFITS: POLICY DISCUSSION

Regent Simmons stated that the purpose of the presentation was to update the committee on health trends and the employee health care benefits program, known as the UPlan, in order to provide background for a policy discussion. Vice President Carrier introduced the presenters who provided information on a number of issues related to the UPlan. A copy of the presentation is on file in the Board Office.

The presenters noted:

- Tamara Lair of the consulting firm Watson Wyatt described national trends in health care in terms of cost increases, employee contribution levels, cost management strategies, consumer education, and health improvement, and explained the University's involvement in the national data cooperative.
- Senior Vice President Cerra highlighted the performance of the UPlan, focusing on the recent cost history and future cost projections in terms of employee versus employer cost. He pointed out that the employer share of the total cost in 2002, approximately 10%, is projected to rise to 22% in 2005. He profiled the guiding principles of the UPlan in the areas of plan cost, employee participation, and plan management. Cerra stated that the two primary goals of the UPlan in the immediate future are improving employee health and controlling costs.
- Dann Chapman, Director of Employee Benefits, briefed the committee on the UPlan administrative work plan and noted that new administrator contracts will need to be in place by January 2006, thereby requiring the publishing of RFPs by December of 2004. The University will examine whether opening a University-owned pharmacy, possibly before 2006, would be an economically-beneficial decision.
- Fred Morrison, Chair of the Benefits Advisory Committee (BAC), explained the role of the BAC in assisting in the development and implementation of the UPlan, and emphasized the importance of the BAC as an active link between the UPlan and the leadership of employee groups.

The committee engaged in a lengthy discussion. In response to a question from Regent Bell regarding University employees paying a lower percentage of the costs than the national average, Cerra stated that the University is attempting to focus less on cost-shifting and more on (1) the partnership between the University and employees and (2) on reducing costs in the marketplace. Regent Simmons cautioned the University on taking a fixed position on cost-shifting due to the complexities and uncertainties of future cost structures.

In response to a question from Regent Berman regarding University claims being 27.7% higher than the national norm,

Simmons advised that the cost of the services in Minnesota and the coverage included in the benefits package factor heavily into that figure. Morrison commented that the higher percentage of cost in UPlan outpatient care is due to an emphasis on preventative care with a goal of decreasing costs over time. Cerra identified flu shots and participation in diabetes programs among overweight individuals as examples of preventative care reducing long-term costs. He also agreed that the University is paying more for claims than it should be and identified this fact as the best opportunity to lower costs.

Simmons summarized the discussion by noting:

- as the employer, designer, and, to some extent, provider of the UPlan, the University has an opportunity to develop and administer the UPlan effectively, and should be expected to do so;
- there was general support from the committee about the principles and goals set forth for the UPlan; and
- the administration should remain flexible as to how costs are distributed and should manage expectations as such.

CONSENT REPORT

President Bruininks addressed the committee regarding his recommendation to appoint a new Senior Vice President for Academic Affairs and Provost.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the Consent Report, which included the following:

Appointment of E. Thomas Sullivan as Senior Vice President for Academic Affairs and Provost effective July 1, 2004.

INFORMATION ITEMS

Vice President Carrier referred the committee to the Information Items contained in the docket.

The meeting adjourned at 3:15 p.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary