BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
JULY 18, 2013

[In these minutes: Life Insurance Update, Wellness Update, Proposed Health Plan Benefit Design Changes]

[These minutes reflect discussion and debate at a meeting of a Human Resources committee; none of the comments, conclusions, or actions reported in these minutes represents the view of, nor are they binding on Human Resources, the Administration, or the Board of Regents.]

PRESENT: Tina Falkner (chair), Pam Enrici, William Roberts, Dale Swanson, Jody Ebert, Jennifer Schultz, Sheldon Taylor, Nancy Fulton, Susann Jackson, Joseph Jameson, Judith Garrard, Richard McGehee, Fred Morrison, Rodney Loper, Dann Chapman

REGRETS: Karen Ross, Sandi Sherman, Amos Deinard, Roger Feldman, Theodor Litman

ABSENT: Sara Parcells, Karen Lovro, Carl Anderson, Kathryn Brown, Aaron Friedman, Keith Dunder

OTHERS ATTENDING: Barb Bezat, Linda Blake, Karen Chapin, Betty Gilchrist, Ryan Gourde, Cherrene Horazuk, Kathy Pouliot, Jackie Singer

I). Tina Falkner called the meeting to order and welcomed all those present.

II). Ms. Falkner introduced the first agenda item, a life insurance update, and turned to Karen Chapin for more information. Before providing the life insurance update, Ms. Chapin introduced the University's new wellness program administrator, Hattie Lindahl, who replaces Jill Thielen. Ms. Lindahl took a few minutes to share information about her background.

Moving on, Ms. Chapin distributed a handout to supplement her life insurance update. She noted that in order to assure continued, effective administration of the life insurance benefit, changes are being made for two reasons:

1. PeopleSoft upgrade.
2. New life insurance options will be available as a result of a recent life insurance request for proposal (RFP).

Ms. Chapin walked members through the handout and highlighted the following changes:

- Increase full-time employee basic life benefit to 115% of base salary, rounded to the next higher $1,000, and capped at $200,000.
- Increase part-time employee basic life benefit to 115% of the part-time salary equivalent, and also subject to the $200,000 cap.
- Eliminate the $5,000 - $25,000 additional basic life benefit for faculty and P&A.

- Change rounding feature from rounding to the next higher $5,000 to rounding to the next higher $1,000.
- Cap the basic life maximum benefit at $200,000.

The Life Insurance change results in some winners and some losers in terms of Basic Life benefit amounts. For full-time employees, 11,344 people will benefit from the changes and 4,796 people will not benefit from the changes. For part-time employees, 95 people will benefit from the changes and 1,265 will not benefit from the changes. It is important to note, stated Ms. Chapin, anyone who loses the basic life benefit as a result of these changes, will be able to transfer their coverage to supplemental life without proof of good health. Employee Benefits is working on trying to automatically move affected employees who will lose their basic life benefit to supplemental life policy. For employees who are not interested in having a supplemental life, they would need to contact Employee Benefits and opt out. Details about how the changes will be administered are still in the process of being worked out.

Members' questions/comments included:

- Is the PeopleSoft upgrade really one of the primary reasons for changing the life insurance benefit? Yes, stated Ms. Chapin. Mr. Chapman added that the changes are cost neutral for the University.
- Use an opt-in rather than an opt-out process for employees who will lose basic life coverage. Ms. Chapin acknowledged this suggestion, and noted that Employee Benefits is concerned about people who will lose their life insurance coverage and are unaware that this change even occurred. Employee Benefits will make every effort to prevent this from happening.

Another change, noted Ms. Chapin, is the elimination of the one-month death benefit for faculty, P&A and Civil Service employees. (Not paid through life insurance, but through individual departments.) One of the main reasons for doing this has to do with the significant number of people who do their estate planning to avoid probate. Therefore, elimination of this one-month death benefit will make it so probate can be avoided for those who had no other probate issues. Another reason for eliminating the death benefit has to do with the complexity of administering it.

Next, as a result of the recent life insurance RFP process, Ms. Chapin highlighted the new life insurance options:

- Addition of a newborn child benefit of $10,000, prior to enrolling, with up to 60 days to enroll.
- Elimination of underwriting for child life, up to age 26.
- Addition of a portability benefit for basic and optional life at the time of termination of employment. This will be a term life policy versus a whole life policy. Also, employees will have the option of converting to a whole life conversion policy at any time.
- Offer a $25,000 open enrollment benefit. Employees will have the ability to enroll in supplemental life insurance and receive $25,000 in coverage without underwriting. (Two exceptions: 1) If the employee is at the $1 million max, they

cannot add coverage above $1 million and 2) If the employee had previously been declined coverage.) Given the complexity of making these changes in the system, the University may need to defer the $25,000 open enrollment to a subsequent year.

Professor Garrard stated that she views the life insurance changes as a balance in terms of the employer protecting its employees and giving employees the freedom to opt in and out of coverage. Mr. Chapman stated that he views the changes as an easing of the ability to enroll in coverage.

III). Ms. Falkner stated that the committee will now hear about changes to the wellness program. Ms. Chapin distributed a handout and walked members through it. The following changes will be implemented during the 2013 – 2014 academic year:

- Increase time period for taking Wellness Assessment to October 1, 2013 – March 31, 2014.
- Addition of three items to the Wellness Points Bank:
  - Medical Therapy Management – 100 points.
  - Specialty Therapy Management – 100 points.
  - Point increase for 12 visits a month to a health club (Fit Choices). 125 points for 12 or more visits/month and 75 points for attending 8 – 11 times/month.
- Addition of a cardio program, Heart Rate Express, through the Recreation and Wellness Center. Attend 13 of 16 classes for either the Heart Rate Express or the Group Strength Express program, complete the pre and post class fitness assessment and participants will receive full reimbursement of the $199 class cost, plus earn 50 points through Wellness My Way.
- Addition of Mindfulness in Motion in addition to the Mindfulness-Based Stress Reduction program, which already exists. UPlan members are eligible for reimbursement for these programs upon meeting completion criteria and will also earn Wellness My Way points.
- Participation in the tobacco-free/smoke-free campus implementation once final approval has been received.
- Focus communications on health improvement and how people have benefited from the programs offered versus an emphasis on points, etc.

Members' questions/comments included:

- Can UPlan members earn points in September? Based on the information provided, it appears that points cannot be earned in September. Ms. Chapin stated that points are accumulated when members complete a program. Points will be awarded in the year the program was completed, and programs are able to be completed in every month of the year, including September.
- Can University employees participate in these programs during work time? No, stated Ms. Chapin. The only program that employees can do during work time is the Wellness Assessment. Every effort has been made to offer programs at different times throughout the day so people can find a program that will work into their schedule.

- Regarding the increase in points for Fit Choices if people go 12 or more time per month to their health club, can spouses earn these points too? Ms. Chapin noted that spouses can participate in this program, but they will only earn 100 points, which is the maximum allowable to be earned by spouses.
- Can the Fit Choices program be changed from a monthly calculation to every 30 days? Ms. Chapin noted that the University does not have much influence on how Fit Choices is set up. The program is set up and operated by Medica. It would be extremely difficult, if not impossible, to make this change.

IV). The committee spent the remainder of the meeting talking about the proposed health plan benefit design changes that have been discussed over the course of the last several meetings. Mr. Chapman began by talking about what the University plans to do in terms of mitigation resulting from these cost shifts:

1. Premium holiday for employees on the UPlan medical plan, which will likely occur in March 2014. The University will pay its portion of the health insurance premiums plus employees' shares. Employees will have no medical deductions for this one pay period in 2014.
2. The merger of the employee plus spouse/same sex domestic partner (SSDP) tier and the family tier will result in a significant cost increase for those in the employee plus spouse/SSDP tier. As a result, this increase will be phased in over a two-year period.
3. A medical cost relief grant program will be put in place. Details about this program are still being finalized. Employees will apply for this program, which will be based on a combination of household income, and the coverage tier they are in. While no final decision has been made, this program may be in place for more than one year.

In addition, the University will be exploring over the course of the next year or so, how it can go about getting the $1.8 million/year back into the compensation pool on an ongoing basis, stated Mr. Chapman.

Members' questions/comments included:

- Will the premium holiday be taxed? Yes, stated Mr. Chapman, the premium holiday will be taxed; there is no way to get around taxing the premium holiday. It will be taxed at the regular rate, which is different than the tax on a lump sum payment.
- In 2014, because employees will incur a deductible and higher copays, the premium holiday is being put in place to offset these cost shifts. However, this mitigation strategy only mitigates the cost shift for one year.
- Please consider increasing the University's share of premium? Doing this, noted Mr. Chapman, would <u>not</u> make this mitigation strategy cost neutral. Every year after the first year of doing this, the cost of increasing the employer's share of the premium would inflate. He noted that the employee deductible and copays, however, would not inflate because they are flat dollar amounts.
- It was brought up before that there are employees who forego medical care because they cannot afford it and the University's response was that there is no

documentation that this is happening. As a result, AFSCME surveyed its constituents to confirm this reality. In the interest of fairness, will the University be willing to discuss/explore a wage-based/sliding-scale insurance system like the University of California has in place? Mr. Chapman stated that to be clear he believes that there are people at the University who forego medical care. With that said, he added that on a population-basis, there is a lack of evidence that enough people are foregoing medical care to the detriment of their health because it is not showing up in the University's data. One of the reasons the University made the decision to not to implement a high deductible plan was out of concern that people may defer care. Indeed, the evidence shows that high deductible plans cause people to defer not only discretionary care but needed care as well. Since coming to the University, stated Mr. Chapman, there have been a couple of occasions when, for a variety of reasons, it has been necessary for the University to shift some of the plan costs to employees, and, as a result, employees have taken on a greater share of the plans' costs. Most of these cost shifts have been in the form of higher premiums rather than higher copays. As a result of these cost shifts, the University has not seen evidence in its data to indicate that there has been a detrimental effect on the health of UPlan members. He added that he does worry about getting to a point when cost shifting will have a detrimental effect on plan participants because this will cost everyone more in terms of poor health and monetarily too. For most of the University's employee population, Mr. Chapman believes that the changes being proposed are not that significant, and will not cause most employees and their dependents to defer needed care. The necessary cost shifts to employees that are being driven by the Affordable Care Act (ACA) puts the University in a difficult position. The University needs to take steps so it will not be exposed to the excise tax. Mr. Chapman noted that he also worries about things getting worse over time. The BAC, over the years, has talked about tiering its premiums or having some kind of wage-based premiums for the UPlan, but this idea has been met with mixed feelings. This is a topic the committee can talk about again if the chair elects to put it on the agenda. Ms. Falkner stated that she has made a note, and this can be a future discussion item.

- For FY2013, what percentage of the premium did the University pay? Mr. Gourde stated that the University pays approximately 80% of employees' premiums, but this varies by coverage tier and plan.
- The out-of-pocket costs for members in the UPlan will be much higher for employees in 2014. When the University shifted its administrative costs out of the UPlan to lower the plan value, it also lowered its percentage contribution to the plan. Professor Morrison concurred with this comment and stated that the result of shifting administrative costs out of the plan means a cost savings for the UPlan budget. The net result of these shifts is that the University will experience a savings of $1.8/$1.9 million. On a one-year basis, the premium holiday will make up for this; however, this is only a one-year remedy. The University will begin experiencing cost savings beginning in 2015 unless there is a commitment on the part of the administration to provide longer-term relief to employees and protect that part of the compensation pool. Adjusting the UPlan and removing administrative costs out of the plan was driven by the ACA, but there was never a

need to actually pull the money out of the plan. This was a decision made by the administration. Based on his calculations, Professor Morrison stated, the University's costs will increase by about 3% but employees' costs (collectively) will increase by about 8% or 9%. In the past, any increases were shared equally by the administration and employees but now the University seems to be intent on keeping that $1.8/$1.9 million beginning in 2015. Mr. Chapman reminded the committee that by shifting the administrative costs out of the plan, the University will lose the employee contribution towards these costs that it had been getting in the past. Professor Morrison agreed that the employee contribution to these costs would be lost. However, he noted that by shifting costs to the employees through higher out-of-pocket expenses, e.g., deductibles and copays, employees will lose the University contribution towards these costs.

- Cherrene Horazuk noted that the ACA requires employee premium contributions to be no more than 9.5% of the household income beginning in 2014. AFSCME has members who will be paying well over the 9.5% of their household income for their premiums, and this is not being addressed. The University needs to pick up a higher percentage of the premiums. Professor Schultz stated that this rule is only applicable to single premiums in the lowest cost plan. Mr. Chapman stated that the University has been paying more for health care costs due to the ACA. The University has picked up an additional $5 million in costs that employees have not been sharing in over the course of the last couple years, and there has been no recognition of this fact. Professor Morrison stated that the University did not pick up the addition $5 million resulting from ACA legislation, the UPlan picked up these costs and distributed it 80%/20% and this was a shared cost. This is not an example of the University being generous, but rather an example of the University complying with the requirements of the federal law and placing some of the costs on the employees. Mr. Chapman stated that the dollar figure is actually more than $5 million and some of it the University has had to pick up outside of the plan without any employee contributions toward these costs. The ACA has been having a negative impact on both employees and the University as well as a detrimental impact on the UPlan.
- Employees are likely picking up the administrative costs that were shifted out of plan because it means there will be less money available for salary increases noted a BAC member. Increased copays and deductibles will eat up any salary increases employees receive. Mr. Chapman acknowledged this comment and stated that the University has identified a strategy for dealing with the cost shift for 2014, but is struggling to come up with a plan to deal with in the total compensation package over time. The strategy for 2014 buys the University some time to figure out how it will deal with this issue over time.
- The bottom line in these discussions is how can the plan costs be contained as a whole so there will not be additional costs that employees will also have to pick up. The University has done a good job managing the UPlan under very difficult circumstances.
- Please address the issue that is in some collective bargaining unit contracts that the coordinate campus benefits have to be similar to the benefits offered in the Twin Cities. Will the University's plan to offer an Accountable Care

Organization (ACO) option in the Twin Cities, but not outstate Minnesota, comply with these bargaining agreements? Mr. Chapman stated that he is unable to speak to this question because he is not an expert in labor-represented matters.

Moving on, a handout comparing 2013 versus 2014 UPlan medical employee biweekly contributions was distributed. Mr. Gourde stated that the committee has seen most of these numbers before except for the rates on the far right that include the two-year phase in of the tier consolidation (employee plus spouse/SSDP and family tiers). He took a few minutes and walked members through the handout containing the final proposed rates for 2014. [The comparison dental rates were also distributed for information only and were not reviewed with the committee.]

Professor Schultz asked whether the phase in of the tier consolidation will impact the University's ability to make decisions about its claims experience. No, stated Mr. Chapman, because the tiers will be consolidated in 2015, there will still be sufficient time for the University to see the effect the consolidation will have on the plan. Some spouses/SSDPs, for example, may decide to move off the plan. The goal, stated Mr. Gourde, will be for the premiums in the consolidated tiers to be the same by 2015.

Professor Schultz asked whether the University has ever had a base plan that has been cheaper that has not been offered outside the Twin Cities. No, stated Mr. Chapman, there has never been a plan cheaper than the base plan. Professor Schultz stated that she is concerned the University will violate collective bargaining agreements that stipulate all benefits be equivalent to that offered in the Twin Cities. Mr. Chapman stated that he does not believe the University will violate any such agreements. He stated that it is important to understand that offering the ACO plan advantages everyone in the UPlan and not just those employees that choose that plan. Professor Schultz stated that she understands this, but asked why the University has the same base plan premiums for Duluth and the Twin Cities, despite the fact that Duluth has always been more expensive. Are the premiums the same because of the collective bargaining agreements or because the BAC thinks it is the fair/right thing to do? Mr. Chapman stated that this was done as a result of collective bargaining agreements. If this is the case, stated Professor Schultz, it seems to her that the University will be violating these agreements. Mr. Chapman stated that the University is not creating a new base plan. The employer contribution will continue to be based on the base plan. The University is simply creating an optional "buy-down" plan that does not reduce the employer contribution to the base plan.

With this segue, the committee received information about how the new ACO option will benefit the entire plan. Talking points about the benefits of the ACO were reviewed with the committee:

- Over the next five years, the ACO plan will lower the aggregate UPlan trend by an average of 0.6% per year, which will be three percentage points off the UPlan's medical five-year trend.
- Employees in the ACO plan will receive more personalized and affordable care that will result in lower claims and healthier employees. Because of the fact that our medical plans are not rated based on the individual enrolled employee's risk,

but based on the overall risk of the UPlan population along with the cost and quality of the individual plan. The ACO savings will resonate to the other plans in terms of lower premiums.

- Over the next five-years, the average employee not enrolled in an ACO will save a total of $98 in premiums due strictly to the ACO offering. The largest premium amount saved (an employee in an expensive plan and coverage tier) is $197 over five years.
- Due to the ACO plan offering, there is a lower probability that further benefit design changes will need to take place in 2016 or 2018. However, if design changes must take place, they will definitely be lessened for all UPlan members because of the ACO's impact on medical trend.
- For an enrollee in the ACO, the average annual savings will be $117 (premium and out-of-pocket costs) versus enrolling in the base plan.

Members' comments/questions:

- Please encourage Medica to have separate directories for each plan, including the new ACO options. Ms. Chapin noted that there will be separate printed and on-line directories for each ACO. There will also be onsite meetings that employees can attend to learn more about each ACO.
- A fairly recent article dealing with a one-year trial involving Medicare patients who elected an ACO concluded that while the ACO gave better care and patients were happier, the ACO did not lower costs.
- Will UMP primary care physicians be included in the Fairview ACO? Yes, stated Mr. Chapman, and called on Ms. Chapin who did the lion's share of work on this, and provided more information for the committee. Ms. Chapin stated that she is happy to report that within the Fairview ACO, UMP primary care and specialty care will both be included as well as Boynton Health Service (BHS) primary care physicians. The University received an additional financial consideration for adding the primary care physicians, but did not ask BHS for additional financial consideration because their rates/pricing is already very competitive. She added that because Fairview has a long-established working relationship with North Memorial, the Fairview ACO will also include all the North Memorial clinics and hospitals.
- While UMP agreed to lower its prices and add its primary care physicians to the Fairview ACO, over time it is likely that care systems will merge and acquire other care systems. Then, once care systems become larger and have more bargaining power, their rates will go up.
- Will HealthPartners have an ACO plan? No, stated Ms. Chapin, and they likely will not have an ACO option. HealthPartners is currently in Insights and Medica Choice.

Lastly, noted Ms. Chapin, the ACA regulations stipulate that the separate out-of-pocket maximums that the University has in place can continue through 2014, but beginning in 2015 will need to be combined into a single out-of-pocket maximum. This means that administratively, out-of-pocket expenses will have to go back and forth on a daily basis between Medica and Prime Therapeutics in the same way they do today for the HSA plan.

The University has had some input from a benefit attorney at Gray Plant Mooty Law Firm who believes that for 2014 separate maximums can be retained as long as they do not exceed the HSA out-of-pocket maximums ($6,250 for single coverage and $12,000 for family coverage). Then, beginning in 2015, although the ACA indicates that out-of-pocket maximums must be combined, and cannot exceed the HSA out-of-pocket maximums, our attorney feels there is some possibility that we can still retain our separate out of pocket maximums.

Because the University has no choice but to combine its out-of-pocket maximums under the ACA, unless the regulations change on that point, people who are accustomed to hitting the $750 pharmacy maximum (single coverage), will be significantly impacted. The two UPlan combined out-of-pocket cost neutral options that are being proposed for the committee to consider are:

1. Combined Option 1: $2,750 per person and $4,500 per family.
2. Combined Option 2: $2,500 per person and $5,000 per family. (Recommended)

The committee can discuss these options further next year given it does not need to be implemented until 2015, noted Ms. Chapin.

On a semi-related issue, stated Professor Schultz, regarding the recent email Vice President Brown sent out, the email stated that there will be a $48 million excise tax but failed to explain that this would be incurred over a five-year period. Professor Schultz suggested this be clarified because it was misleading. Also, she asked why Vice President Brown sent the message now as it seems too early. Ms. Chapin stated that the reason that the message was sent out now is to let people know about the changes that will be coming. The Office of Human Resources has a history of sending out communications early so people know about impending changes so they are not surprised. This communication will also be followed up with a series of other communications about health care reform in general.

Professor McGehee asked whether the issue of the BAC being able to communicate with all University employees had ever been resolved. Ms. Falkner stated that she does not believe this was ever resolved. Professor McGehee stated that the other thing he found interesting about the recent message from Vice President Brown was that it did not mention the BAC, and he stated that he has mixed feelings about that. Has Vice President Brown ever been to a BAC meeting, asked Professor McGehee? At least on occasion former Vice President Carrier would attend BAC meetings, especially when important issues were being discussed. In Professor McGehee's opinion, Vice President Brown should use the BAC as a focus group to garner input from the various employee Ms. Chapin stated that because the BAC has not been the only consultation body that Human Resources has consulted with about the proposed plan design changes, the decision was made to more accurately reflect that the consultation process was broader than just the BAC, and so the BAC was not specifically mentioned.

Professor Schultz asked how Kurt Errickson from AFSCME was able to send out a mass email to all University employees. It would be nice if the BAC could do the same. Regent David McMillan contacted an AFSCME member in Duluth about the proposed benefit plan design changes being discussed. The BOR is listening now and they are concerned. Ms. Chapin stated that when the committee wanted to communicate with the entire University committee back in 2011 that each employee group communicated with their own constituents. As Professor Morrison recalls, the BAC had been able to communicate with the entire University community prior to Vice President Brown being named Vice President for Human Resources, but that all changed once she was appointed and he finds this very distressing. Professor McGehee agreed and stated that he too finds this distressing. Curt Swenson from Teamsters stated that he believes the recent communication from Vice President Brown came out when it did because bargaining is underway and the administration wanted to use it as a scare tactic.

Before adjourning, the resolution that the BAC approved on May 16 was distributed as well as an article that Sandi Sherman asked be passed out - http://ecommunication.umn.edu/read/archive?id=106442&e=sherm019%40umn.edu&x=d1326028. Ms. Falkner announced that the next BAC meeting will be on September 5.

V). Hearing no further business, Ms. Falkner adjourned the meeting.

Renee Dempsey
University Senate