

UPlan Annual Report

University of Minnesota

Board of Regents
Faculty and Staff Affairs Committee

Presented by
Kathryn Brown, Vice President
Dann Chapman, Benefits Director

June 13, 2013

Overview

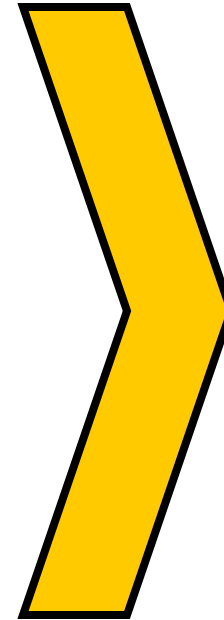
- OHR strategic framework
- UPlan history and oversight
- UPlan financials and successes
- UPlan changes being considered as a result of the Affordable Care Act

OHR Strategic Dashboard: Benefits

Goal: Provide a comprehensive benefits program that assists in attracting and retaining a high quality workforce, is cost effective, and compliant with state and federal law.

UPlan Oversight

- **AWG (Administrative Working Group)**
 - Makes recommendations to the President
- **BAC (Benefits Advisory Committee)**
 - Consultative to all employee groups

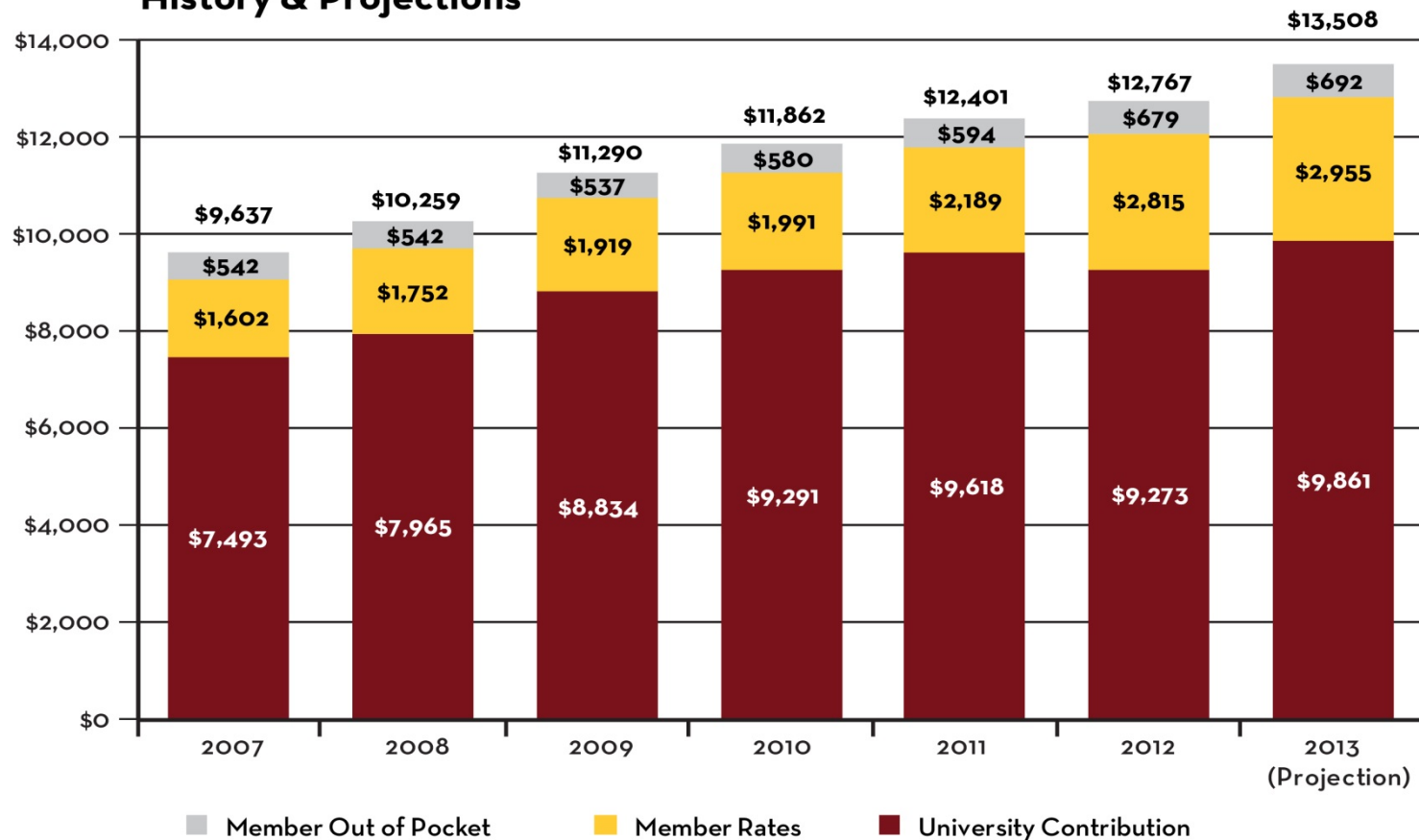


UPlan History

- **Prior to 2002:** Most employee benefits (except retirement) were obtained through the State Employee Program.
- **Jan. 2002:** UPlan was launched as the University's self-insured health benefits plan.
- **Jan. 2003:** Dental and remaining benefits were first purchased and managed independent from the State.
- **Jan. 2006:** Pharmacy benefits were 'carved out' to better manage our pharmacy spend and trend.
- **Jan. 2006-Present:** Wellness Program 'carved out' and expanded to include vendor and University partner programs.
- **Jan. 2011:** Specialty Pharmacy Program added to assist members and the University in managing specialty medications.

UPlan Yearly Health Care Cost Per Employee

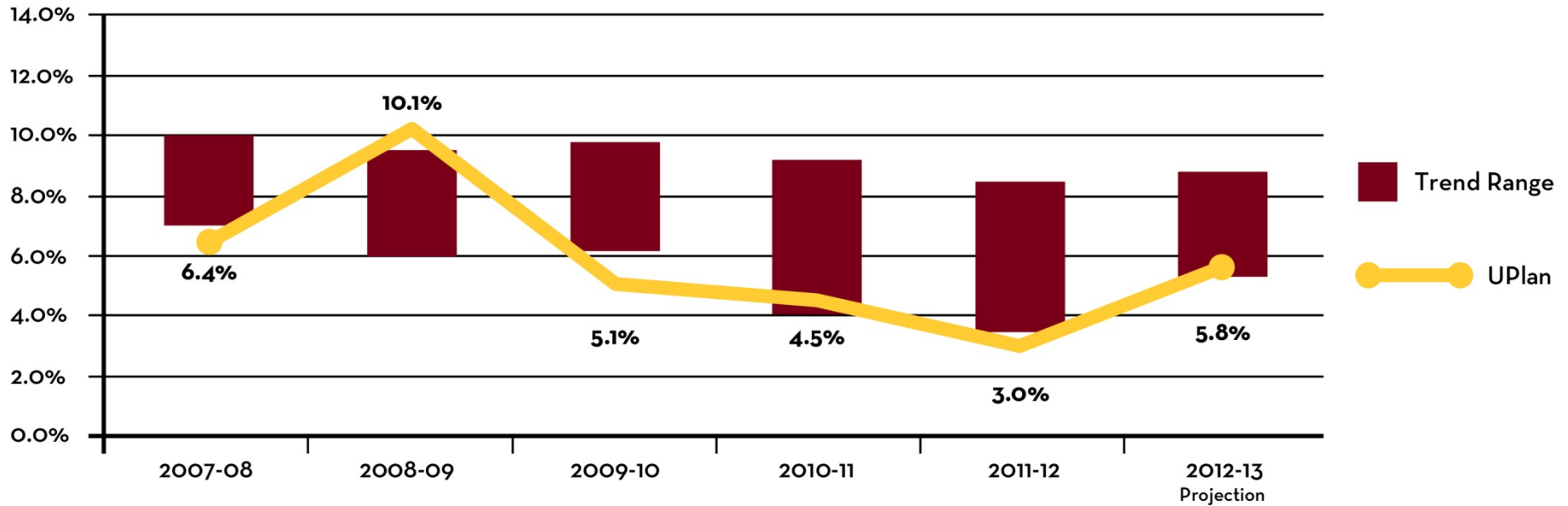
History & Projections*



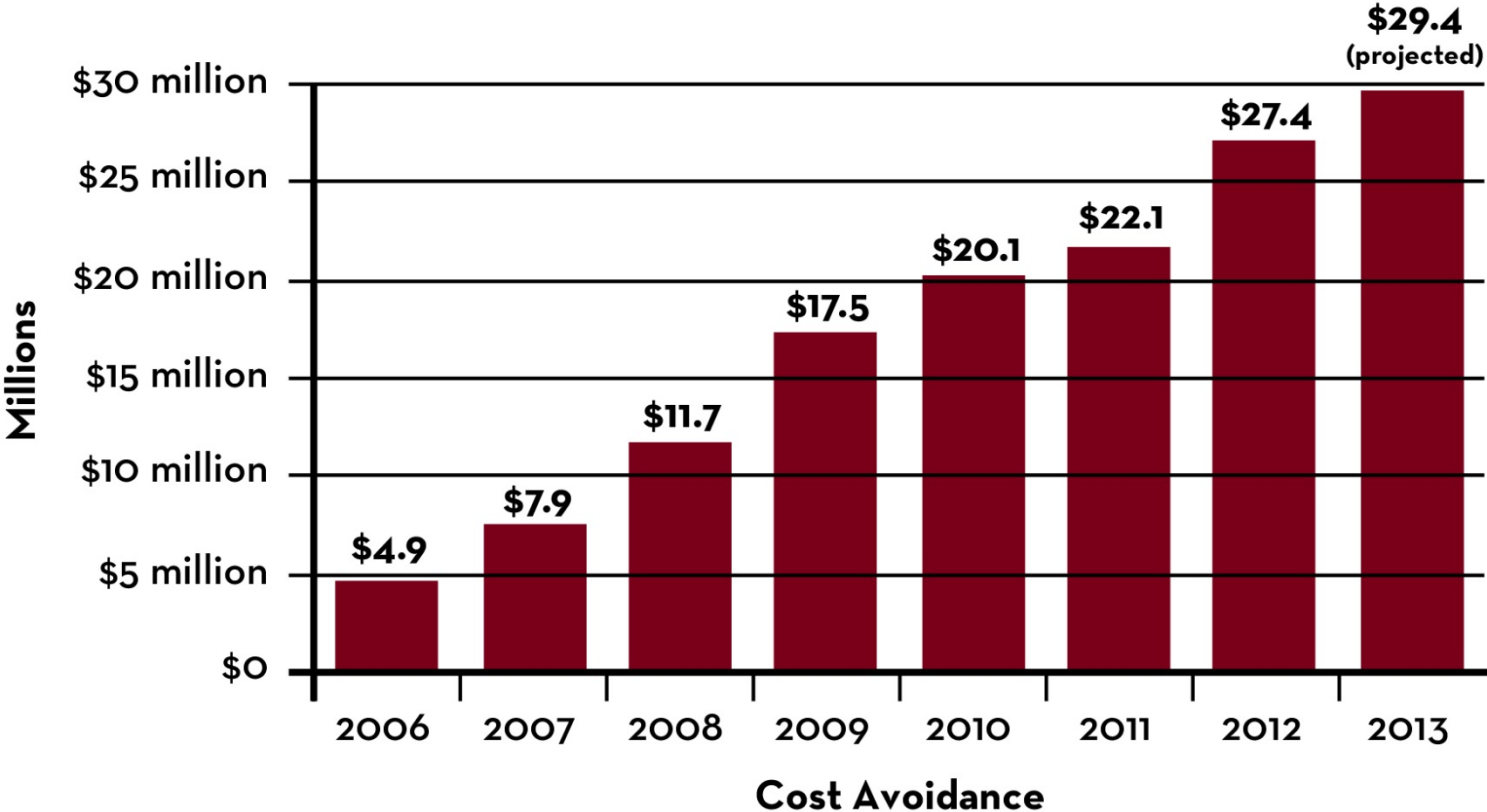
*Per Employee Per Year cost includes former employees such as early retirees and members on COBRA

Note: 97 cents out of every dollar goes to care.

Aggregate Health Care Trend 2009-2013



Good Management Saves Money



Dental Trend

- Employee and Employee & Children aggregate trend is **-2.5%**.

Award Winning Wellness Program

- A broad array of programs
- Well received by employees
- Significant ROI
 - In dollars
 - In avoided hospitalizations
- Received Hennepin County Wellness by Design Gold Award

The Affordable Care Act

- Federal statute signed into law in March 2010
- Named The Patient Protection and Affordable Care Act
- Provisions include:
 - Quality health insurance coverage
 - Establishment of health exchanges
 - No denial of coverage due to pre-existing conditions
 - Excise tax starting in 2018 for employers who provide high value health plans

University's Excise Tax Risk

- A tax rate of 40% of the Plan Value in excess of the maximum allowed will be imposed.
- Estimated UPlan tax exposure is \$48 million over a five-year period (2018-2022).
- The University must avoid this tax!

Our Goals for UPlan Changes

- Maintain quality, affordability, and choice in the UPlan
- Minimize impact for those with health conditions
- Avoid the excise tax
- Continue to manage healthcare trend

Summary of Changes Being Considered

- Offering a new Accountable Care Organization (ACO) plan
 - Increasing copays
 - Introducing a differential between primary and specialty copays
 - Introducing a small deductible on non-copay items
 - Increasing out-of-pocket expenses in the HSA plan
 - Combining base plans
 - Merging two of the family cost tiers
- * Changes subject to collective bargaining for our labor represented employees

A New UPlan Offering

- ACO (Accountable Care Organization) Plan
 - High-quality and cost effective, but narrow network
 - Benefits would be slightly higher than Base Plan.
 - Costs slightly lower — a “buy down” plan
 - Four Twin Cities ACOs within this plan
 - Fairview, HealthEast, Park Nicollet, Ridgeview
 - Fairview currently includes UMP specialists, but not UMP primary care
 - Park Nicollet does not include HP primary or specialty

Combined Base Plans

- Combining the Twin Cities, Duluth, and Greater MN Base Plans into one would reduce the excise tax exposure.
 - Weighted average of lower- and higher-priced Base Plan options used as total cost
 - Same benefits and employee contributions
 - Networks would still differ.

Combined Coverage Tiers

2013 Coverage Tiers	2014 Coverage Tiers
Employee only	Employee only
Employee + Child/Children	Employee + Child/Children
Employee + Spouse/SSDP	Employee + Family
Employee + Family	

- Spouse/SSDP and Family tiers would be combined.
- This would reduce exposure to the excise tax by pulling down the cost of the Family tier.
- However, this would increase costs for employees currently in the Spouse/SSDP tier.

Changes Must Begin in 2014

Why this early?

- Need a minimum 18 months of experience by 2016 to measure impact of changes.
- May need minor, additional changes in 2016-2018.

Communications Strategy

- **Phase 1**—Leader communications (May/June)
- **Phase II**—Employee education on ACA (July)
- **Phase III**—Open Enrollment communications (starting in August)
- **Phase IV**—Federal communications on health care Exchanges (October)

Summary

- UPlan is a well managed plan, with costs below medical trend.
- Our Wellness Program is delivering a strong ROI.
- We need to be proactive in addressing the excise tax risk.
- Even with the proposed 2014 changes, the UPlan would continue to be one of the top employer-sponsored plans in the market.
- Our employees would experience few changes due to ACA, because the UPlan has been proactive in managing costs and has been forward-looking with regard to wellness.