BENEFITS ADVISORY COMMITTEE
MINUTES OF MEETING
OCTOBER 3, 2013

[In these minutes: Who Can Hold an Officer Seat on the Benefits Advisory Committee, 2013 UPlan Performance Review, In-Network Medical Deductibles, Flexible Spending Account Update, Wellness Programming Update]

[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, Karen Ross, Dale Swanson, Sara Parcells, Jennifer Schultz, Sandi Sherman, Nancy Fulton, Susann Jackson, Joseph Jameson, Amos Deinard, Judith Garrard, Richard McGehee, Fred Morrison, Theodor Litman, Rodney Loper, Dann Chapman

REGRETS: Sheldon Taylor, Karen Lovro, Roger Feldman

ABSENT: Jody Ebert, Carl Anderson, Kathryn Brown, Aaron Friedman, Keith Dunder

OTHERS ATTENDING: Karen Chapin, Ryan Gourde, Kathy Pouliot, Jackie Singer, Curt Swenson, Jody Thronson

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

II). Ms. Falkner stated that the first agenda item is to hear from Dann Chapman, director, Employee Benefits, about an issue that has arisen concerning who can hold an officer seat on the Benefits Advisory Committee (BAC). Mr. Chapman stated that this issue has come up because Professor Schultz was nominated by Professor McGehee to serve as chair. In Mr. Chapman's opinion, while he believes Professor Schultz would bring knowledge and expertise to the post, she is ineligible to serve in this capacity. He explained that the committee charge clearly delineates the different types of members on the BAC, voting and non-voting (includes ex-officio). Having said this, it is not possible for a non-voting member who is a labor-represented employee to serve as an officer of the BAC. The legal perspective on this issue is that having a labor-represented employee serve as chair would constitute an unfair labor practice. Mr. Chapman also reminded members that the BAC is not a University Senate committee, but rather an administrative committee.

Mr. Chapman stated that there continues to be an ongoing tension as it relates to having labor-represented, non-voting members serve on the BAC because these employees already have a legally constituted body that represents them at the bargaining table. With that said, the administration, however, has found it exceptionally valuable to have labor-represented employees serve on the BAC because this allows them to hear the issues that are being discussed and to share their opinions.

Copies of the BAC charge were distributed to members for their review. Mr. Chapman turned members' attention to the membership section, and noted that the charge clearly outlines that non-voting members, while invited to serve on the committee, have a voice but no vote. He added that the charge also makes it clear that the chair must be a voting member, which would exclude non-voting members from serving as chair. Professor McGehee disagreed and said he does not interpret the verbiage in the charge the same as Mr. Chapman, and believes that Professor Schultz is eligible to serve as chair. As one of the founding members of the BAC, he then provided background information about the evolution of the committee's charter to its current charge. He added, regarding having a labor-represented member serve as chair as being an unfair labor practice, he rhetorically asked who it is unfair to. As he understands it, Duluth faculty members do not negotiate their own benefits package, but accept what the University has negotiated for all its employee groups.

Based on their interpretation of the charge, various members weighed in on who they believe would be eligible to chair the BAC. Comments ranged from the charge is not clear, to only voting members are eligible, to anyone can chair the committee, including non-BAC members.

Regarding a comment by Ms. Sherman that the BAC is nothing more than a committee that convenes twice a month to hear what the administration plans to do, Mr. Chapman stated that this is simply not true. The BAC has had a long history of playing an influential role in helping to shape the UPlan benefits package. Different benefit options have been brought to the BAC and discussed in detail. In a significant number of instances, the administration has taken the advice of the BAC and the BAC input has shaped how benefits have been implemented.

With respect to Ms. Sherman's comment regarding bargaining, Ms. Thronson, chief negotiator AFSCME Technical and AFSCME Health Care Units, noted that the administration has spent the last three days in bargaining negotiations and invited Ms. Sherman to talk with her elected representatives to learn more about what was discussed. Ms. Thronson added that the sliding fee scale proposed by AFSCME as well as a number of other topics were discussed. Ms. Sherman stated that she has already spoken with her elected representatives.

Ms. Enrici asked if the BAC wanted to change its charge to allow labor-represented employees to serve as chair or vice chair, how long would it take. Mr. Chapman stated that there is no intention on the part of the administration in making such a change because doing so would create an unfair labor practice situation.

Professor McGehee stated that he finds Mr. Chapman's comment about not being willing to change the charge offensive. Mr. Chapman clarified and stated that while the committee can make charge change recommendations, any changes would need to be approved by President Kaler. With that said, Mr. Chapman noted that it would be highly unlikely for President Kaler to approve a change that would create an unfair labor practice scenario.

Professor Morrison asked about the specific language in the charge Mr. Chapman believes prohibits labor-represented employees from serving as chair and vice chair. Mr. Chapman turned Professor Morrison's attention to Article IV, Section 1 under membership. He noted that there has been a long-term understanding that labor-represented employees cannot serve as chair and vice chair of the BAC and this is based on the legal position that it would create an unfair labor practice.

Professor McGehee, a member of the BAC from its inception, noted that the committee used to be taken more seriously but in recent years seems to be viewed by the administration as more of a focus group. While he appreciates Mr. Chapman's reassurance that the administration appreciates the role the BAC plays in shaping health benefits, the committee effectively has no power, and now the committee is being told who can and cannot be elected chair. He then proposed that the committee vote on how to interpret Article IV, Section 1 of the charge. Professor McGehee reminded the committee that when the University separated from the State of Minnesota it did so purposefully so that benefit negotiations did not go through labor negotiations. He added that when the BAC was formed, it was his understanding that having all employee groups represented on the committee would serve to anticipate a lot of the questions that would arise at the bargaining table, which would in turn help to resolve differences to everyone's satisfaction. In response to Professor McGehee's comments, Mr. Chapman noted that the exclusion of a bargaining unit member from serving as chair does not lessen their representation on the BAC; they are represented here and have been all along. He added that the BAC was not constituted to look like another union or a place where employees are technically represented in a labor relations sense. Lastly, however the charge language is interpreted, will not override the University's interpretation of fair labor practice. The only reason this is an issue now is because, for the first time, a labor represented person has been nominated to serve as chair.

After further discussion regarding this matter, Professor Morrison stated that if the University believes this is an unfair labor practice that it should ask for an opinion from the Office of the General Counsel (OGC) confirming that it is indeed an unfair labor practice. A secondhand opinion from an administrator is not sufficient. Therefore, he proposed the committee postpone the election, and, in the meantime, ask the OGC for a formal opinion as to whether having a labor represented employee serve as chair represents an unfair labor practice. Professor Morrison stated that he would like a thorough analysis done of this issue. Professor McGehee turned Professor Morrison's suggestion into a motion to postpone the election until the OCG issues a written opinion about whether it would constitute an unfair labor practice for a union represented employee to serve as chair and/or vice chair of the BAC. The motion was seconded and the discussion continued.

Professor Morrison confirmed with Professor Schultz that if she were elected chair of the BAC that she would relinquish her University Education Association (UEA) seat, and that upon becoming chair she would be representative of all University employees. Professor Schultz confirmed that she would relinquish her UEA seat if elected as BAC chair.

Professor Garrard noted that a significant role of the BAC chair is to serve on the Administrative Working Group (AWG), which crafts the final benefit recommendations to the president. Because these recommendations are part of the negotiation process, she could see having a labor-represented employee serving as chair of the BAC to be somewhat of a conflict of interest. Mr. Chapman agreed that this would be a significant concern.

Professor Morrison stated that from the time the BAC was constituted, there has been the ongoing question of how the committee remains consistent with the Public Employment Labor Relations Act and at the same time tries to incorporate as much input as possible from all employee groups. There will always be a common benefit plan for all employees because the various employee groups on their own are too small to be viable as separate entities.

Mr. Chapman stated that since the BAC was formed, the OGC has been involved in giving the administration advice on the sensitivity of including labor-represented employees on the BAC. When the BAC was formed, serious consideration had been given to establishing two separate committees, one with labor-represented members and the other with non-labor represented members. The administration, however, decided that it was of more value to have the committee discussions in one forum to alleviate any suspicion that the administration was giving out different messages to the two committees.

In response to a call for the question, members voted in favor of the motion. One member abstained from voting and no one voted against the motion. Ms. Falkner stated that the request for a written legal opinion on this matter would be sent to the OGC following today's meeting.

III). Moving on, Ms. Falkner called on Ryan Gourde, health programs financial manager, to provide a report on the 2013 UPlan performance January – June; copies of the report were distributed to members. Salient highlights from Mr. Gourde's report included:

- Total UPlan paid expenses through second quarter 2013 were $113,316,117, which was a 4.2% increase over last year during this same period.
- The UPlan medical loss ratio (MLR) was 95.3%. The MLR represents the amount of money paid from the UPlan for claims. Put differently, only 4.7% of the UPlan costs are spent on administrative expenses and this is excellent compared to fully insured plans. The higher the MLR, the better.
- The number of catastrophic claims has been increasing.

- Through second quarter 2012, the UPlan medical per member per year cost was $5,572, and for the same period in 2013, the cost was $5,860, which was a 5.2% increase, but still under budget.
- In terms of total claims spend, employees represent 50% of the UPlan spend, spouses/same sex domestic partners (SSDP) represent 27% and child/children 23%.
- Plan and member paid medical expenses (excluding pharmacy) for 2013 were 95.6% and 4.4%, respectively.
- The UPlan average cost per employee was $12,643. The three plans that cost more than the average plan cost are Medica Choice National, Insights by Medica and Medica Choice Regional and the three plans that cost less than the average are Medica Elect & Essential Twin Cities, Medica Elect & Essential Duluth and Medica Direct.
- UPlan dental through second quarter 2013 is down by 3.7% from the same period in 2012.
- The inception to date net cash position of the UPlan (medical and dental) was $15.3 million and the percentage variance was 0.8%.
- Over the past few years, per employee per year script numbers have fallen. Pharmacy utilization has been declining.
- The member paid percentage per script through second quarter 2013 for specialty drugs increased from 0.7% for the same period in 2012 to 0.9% and for non-specialty drugs it increased from 16.1% to 16.7%.
- While specialty drugs are only 1% of the total number of scripts, they make up about 25% of the total cost of all scripts.
- Roughly 80% of UPlan scripts are being filled with generic drugs. Compared to other universities in Prime Therapeutics book of business, the University ranks third highest in generic utilization.
- Of the top 20 drugs by total cost through second quarter 2013, the top three are specialty drugs.

Questions/comments from members included:

- Why are the expenses for spouse/SSDP coverage so high? Mr. Chapman stated that there is no one explanation but rather it is a trend that a lot of employers across the country are facing. He added that because of this trend, some employers are eliminating coverage for spouses/partners because of the high cost associated with offering this coverage. Having said that, Mr. Chapman made it perfectly clear that he is NOT implying that the University is considering eliminating spouse/partner coverage.
- Can the decrease in prescriptions be attributed to UPlan members who are participating in the Medication Therapy Management (MTM) program? Mr. Chapman stated that there has not been a significant reduction in scripts by people enrolled in MTM, but there have been changes in their medications, which hopefully are more effective.
- The top 20 drugs by total cost slide is useful in terms of seeing that an increasing number of drugs on this list are specialty drugs, which means it is highly unlikely the University will see reductions in drug costs going forward.

- On the top 20 drugs by total cost slide, listing the number of claimants using a particular drug is not necessary, but having the total cost information is informative.

Ms. Falkner thanked Mr. Gourde for his presentation.

IV). Next, Ms. Falkner called on Mr. Gourde to provide information about in network medical deductibles, which will be new for the traditional plans (e.g., Elect/Essential, Insights, etc.) beginning in 2014. Mr. Gourde distributed a handout containing information about how the deductibles will work along with a couple of examples. Highlights from his presentation included:

- Currently, in the traditional plans the out of network deductible for single coverage is $600 and $1,200 for family coverage. In the HSA plan, the in and out of network deductible are $1,500 for single coverage and $3,000 for family coverage.
- Beginning in 2014, the in network deductible for the traditional plans will be $100 - $200 for single coverage, depending on the plan, and $200 - $400 for family coverage. The out of network deductible for the traditional plans will remain the same as in 2013 ($600 single/$1,200 family) as will the HSA plan deductible ($1,500 single/$3,000 family).
- The deductibles (in network and out of network) for the traditional plans in 2014 will be separate/not combined.
- Employees with single coverage will need to satisfy their single deductible before plan benefits kick in. With regard to the family coverage deductible, this will work a little differently because embedded within the family coverage deductible is a single person deductible. The HSA plan, on the other hand, has a family deductible with no single person deductible embedded within the family deductible. Mr. Gourde walked members through a few examples to illustrate how the deductibles will work for the traditional plans.
- Deductibles apply any place a copay does not apply, e.g., in and outpatient hospitalization, and lab work.

Ms. Sherman asked whether Employee Benefits plans to educate UPlan members on what labs/tests are considered preventive so members know whether or not a deductible will apply? Mr. Chapman stated that Employee Benefits will contact Medica to see if they have something that outlines what are considered preventive versus therapeutic tests.

Ms. Falkner thanked Mr. Gourde for providing this information and walking members through the deductible examples.

V). Ms. Falkner then turned to Ms. Chapin, health programs manager, to provide a Flexible Spending Account (FSA) update. Ms. Chapin noted that beginning in 2014, the University, after 24 years of administering its FSA, has contracted with ADP to provide this service. She then shared the 2013 FSA plan statistics and highlighted the following:

- Total elections by enrollees are almost $11 million for 2013.

- There have been approximately 35,000 debit card swipes and the substantiation rate is 96%. The remaining 4% of debit card transactions, for one reason or another, cannot be automatically substantiated when the card is swiped, and members must provide documentation to ADP.
- The number of calls by UPlan members to ADP through second quarter 2014 was just over 4,000.

The two places where there have been issues with the transition to ADP include:

1. Dependent care claims. Participants, however, are now accustomed to electronic claims submission and like being reimbursed on the same day as payroll deductions occur.
2. Healthcare claims. Participants have had difficulty uploading files for other expenses, e.g., eyeglasses, contacts. If FSA participants encounter a problem, they should contact Employee Benefits, who will walk them through the submission process.

Professor Schultz asked whether individuals are able to make a claim before there are sufficient funds in their account(s). On the medical side, yes, stated Ms. Chapin, but not on the dependent care side.

Professor Schultz asked about the estimated cost savings for having ADP administer this program. Ms. Chapin stated that this information will be available at the end of the year.

Ms. Falkner thanked Ms. Chapin for this update.

VI). Before adjourning, Ms. Chapin stated that the Wellness Program brochures are being sent out to employees' home addresses. The brochure contains information about new wellness programming activities.

Ms. Falkner stated that the next BAC meeting will be Thursday, October 17 in 385 Mondale Hall on the West Bank. Hearing no further business, Ms. Falkner adjourned the meeting.

Renee Dempsey
University Senate